

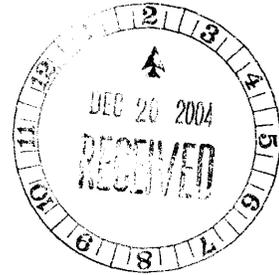
BALL JANIK LLP

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December 20, 2004

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 715
Washington, DC 20423-0001

212815

Re: Finance Docket No. 34635, Watco Companies, Inc. – Continuance In
Control Exemption – Mission Mountain Railroad, Inc.

Dear Secretary Williams:

Attached for filing are the original and ten copies of a Verified Notice of
Exemption under 49 C.F.R. § 1180.2(d)(2), and a check covering the \$1,100 filing fee.

Please time and date stamp the extra copy of the Verified Notice of Exemption
and return it with our messenger.

If you have any questions, please call me.

ENTERED
Office of Proceedings

DEC 20 2004

Part of
Public Record

Sincerely,

A handwritten signature in cursive script that reads 'Karl Morell'.

Karl Morell

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34635

WATCO COMPANIES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
MISSION MOUNTAIN RAILROAD, INC.

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1180.2(d)(2)



KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorney for:
WATCO COMPANIES, INC.

Dated: December 20, 2004

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SURFACE TRANSPORTATION BOARD

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Pursuant to 49 C.F.R. § 1180.2(d)(2)

Watco Companies, Inc. ("Watco") files this Notice of Exemption, pursuant to 49 C.F.R. § 1180.2(d)(2), for Watco to continue in control of the Mission Mountain Railroad, Inc. ("MMT"), a non-carrier, upon MMT's becoming a Class III railroad. In support of this Notice of Exemption, Watco submits the following information as required by 49 C.F.R. § 1180.4(g):

Section 1180.6(a)

- (1) A description of the proposed transaction.
 - (i) A brief summary of the proposed transaction, the name of applicants, their business address, telephone number, and the name of counsel to whom questions regarding the proposed transaction can be addressed.

Watco, a non-carrier, is a Kansas corporation which currently controls nine (9) Class III railroads operating in ten States. Watco also owns 100 percent of the issued and outstanding stock of MMT. MMT, an Idaho corporation, is a non-carrier that was formed for the purpose of acquiring and leasing certain rail lines owned by The Burlington Northern and Santa Fe Railway Company ("BNSF"). Concurrently with the filing of this Notice of Exemption, MMT is filing a

Notice of Exemption in STB Finance Docket No. 34634, *Mission Mountain Railroad, Inc.* – *Acquisition and Lease Exemption – The Burlington Northern and Santa Fe Railway Company*, under 49 C.F.R. § 1150.31, to acquire and lease certain BNSF rail lines. Upon consummation of the transaction in STB Finance Docket No. 34634, MMT will become a Class III carrier.

Watco also controls, through stock ownership and management, the South Kansas and Oklahoma Railroad Company (“SKO”), Palouse River & Coulee City Railroad, Inc. (“PRCC”), the Timber Rock Railroad, Inc. (“TIBR”), the Stillwater Central Railroad (“SLWC”), the Eastern Idaho Railroad, Inc. (“EIRR”), Kansas & Oklahoma Railroad, Inc. (“K&O”), the Pennsylvania Southwestern Railroad, Inc. (“PSWR”), the Great Northwest Railroad, Inc. (“GNR”) and the Kaw River Railroad, Inc. (“KRR”). SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR and KRR are Class III carriers which operate rail lines in ten States.

The rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR and KRR do not connect with the rail lines being acquired and leased by MMT. The rail lines being acquired and leased by MMT are located in the State of Montana. None of railroads controlled by Watco operates a rail line in Montana.

Also, the involved transaction is not part of a series of anticipated transactions that would connect the rail lines being acquired and leased by MMT with any railroad in the Watco corporate family. Finally, neither MMT nor any of the carriers controlled by Watco are Class I rail carriers. Accordingly, this transaction falls within the class of transactions described at 49 C.F.R. § 1180.2(d)(2), and exempt from prior approval by the Surface Transportation Board (“Board”).

The name and business address of Applicant are as follows:

Watco Companies, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Mission Mountain Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

South Kansas and Oklahoma Railroad Company
123 N. Depot
Cherryvale, KS 67335

Palouse River & Coulee City Railroad, Inc.
325 Mill Road
Lewiston, ID 83501

Timber Rock Railroad, Inc.
505 West Avenue F
Silsbee, TX 77656

Stillwater Central Railroad
123 N. Depot
Cherryvale, KS 67335

Eastern Idaho Railroad, Inc.
618 Shoshone St. West
Twin Falls, ID 83301

Kansas & Oklahoma Railroad, Inc.
1825 W. Harry
Wichita, KS 67213

Pennsylvania Southwestern Railroad, Inc.
1200 Midland Avenue
Midland, PA 15059

Great Northwest Railroad, Inc.
325 Mill Road
Lewiston, ID 83501

Kaw River Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Applicant's representative:

Karl Morell
Of Counsel
Ball Janik LLP
1455 F Street, N.W.
Suite 225
Washington, D.C. 20005
(202) 638-3307

- (ii) The proposed time schedule for consummation of the proposed transaction.

Watco intends to consummate this transaction on or shortly after December 28, 2004.

- (iii) The purpose sought to be accomplished by the proposed transaction.

Watco intends to reduce overhead expenses, coordinate billing, maintenance, mechanical and personnel policies and practices of its rail carrier subsidiaries and thereby improve the overall efficiency of rail service provided by the eight railroads.

- (5) A list of the State(s) in which any part of the property of each applicant carrier is situated.

SKO's lines are located in Missouri, Kansas and Oklahoma.

EIRR's lines are located in Idaho.

PRCC's lines are located in Washington, Oregon and Idaho.

TIBR's lines are located in Texas and Louisiana.

SLWC's lines are located in Oklahoma.

K&O's lines are located in Kansas and Colorado.

PSWR's line is located in Pennsylvania.

GNR's lines are located in Idaho and Washington.

KRR's lines are located in Kansas and Missouri.

Upon acquiring and leasing the BNSF rail lines, MMT will own, lease and operate rail lines in Montana.

(6) Map.

Maps illustrating the rail lines of SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR and KRR and the rail lines to be acquired and leased by MMT are attached as Exhibit 1.

(7)(ii) Agreement.

Watco will not enter into any agreement, or sign any written instrument, to continue in control of MMT.

Because SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR and KRR are Class III carriers and MMT will become a Class III rail carrier upon the acquisition and lease of the rail lines from BNSF, no labor protection may be imposed on this transaction pursuant to 49 U.S.C. § 11326(c).

ENVIRONMENTAL AND HISTORIC IMPACTS

Watco will continue to control MMT for the purpose of continued rail operations where further Board approval is required to abandon or discontinue any service, and there are no plans to dispose of or alter properties subject to the Board's jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

Watco's continuance in control of MMT will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of these lines to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent

or an increase of at least eight trains a day on any segment of the lines; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. This transaction will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded. Finally, this transaction does not contemplate the transportation of any ozone depleting materials. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,

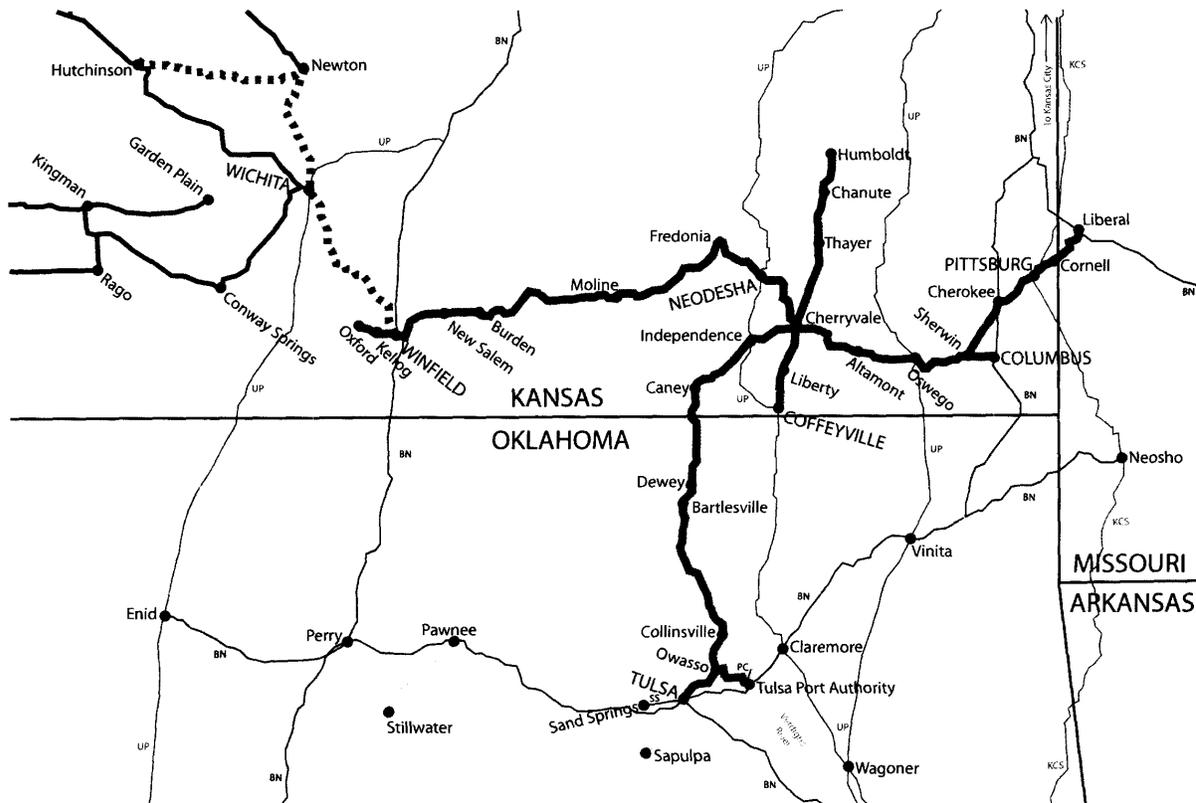


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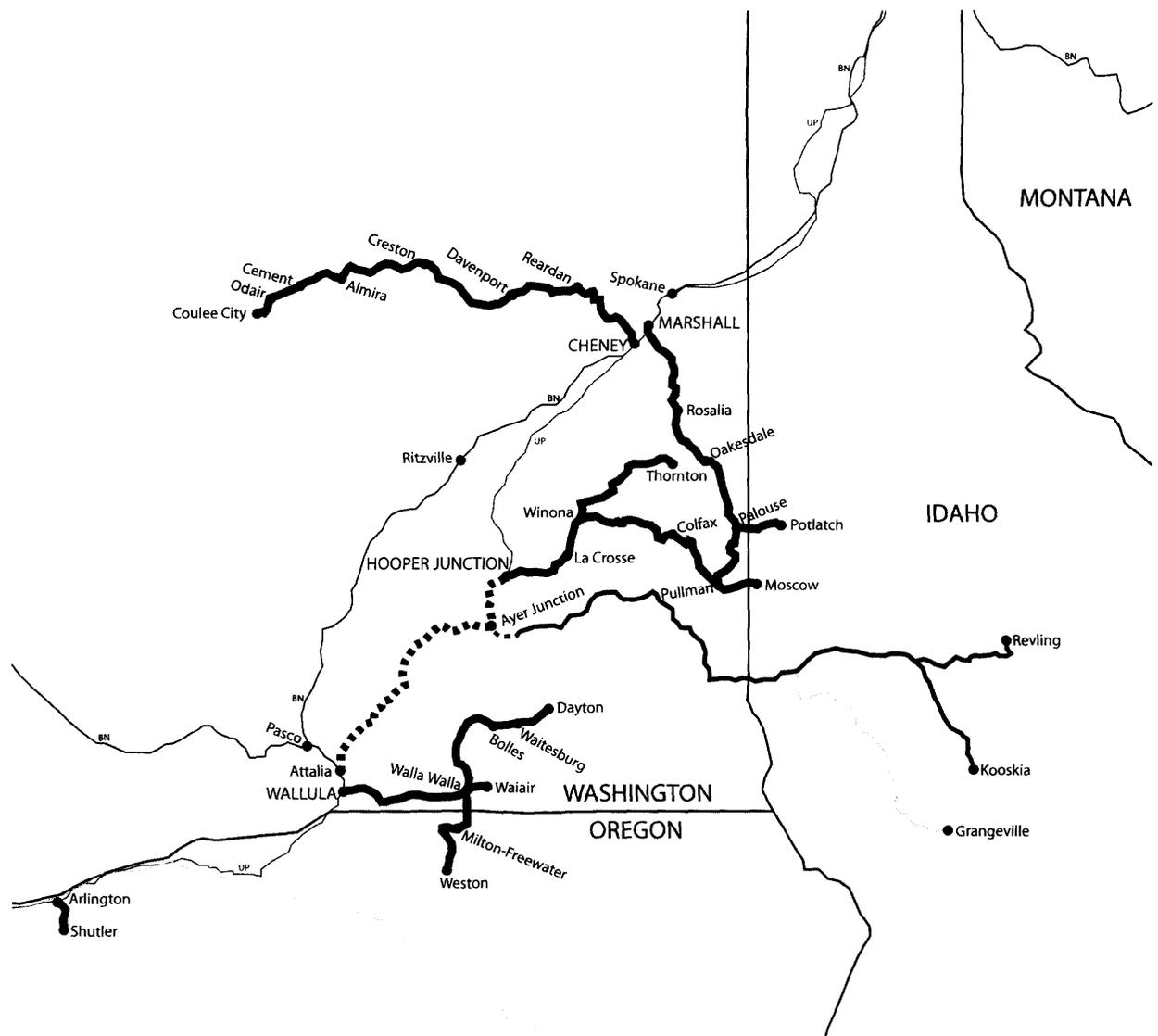
Attorney for:
WATCO COMPANIES, INC.

Dated: December 20, 2004

EXHIBIT 1



LEGEND:	
South Kansas & Oklahoma RR (SKOL)	
South Kansas & Oklahoma Trackage Rights	
Kansas & Oklahoma RR (KOR)	
Stillwater Central RR (SLWC)	
Stillwater Central Trackage Rights	
Sand Springs RR (SS)	
Tulsa's Port of Catoosa (PC)	
Interchanges	
UP - Coffeyville, Winfield, Tulsa, Neodesha	
BNSF - Winfield, Tulsa, Columbus	
KCS - Pittsburg	
KO - Wichita	
SS - Tulsa	

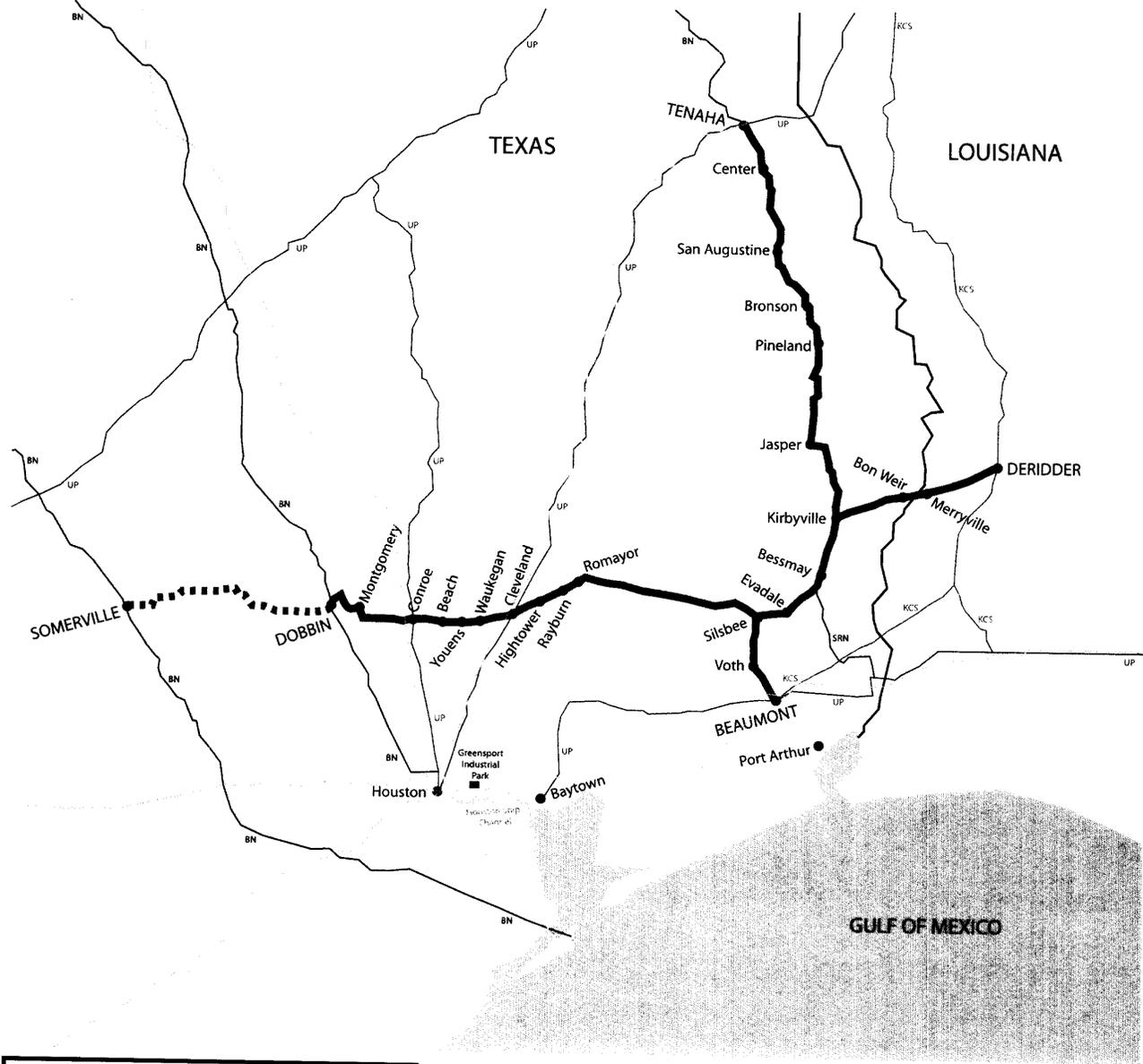


LEGEND:

- Palouse River & Coulee City RR (PCC)
- Palouse River & Coulee City Trackage Rights
- Great Northwest RR (GNW)
- Great Northwest Trackage Rights
- BG & CM Railroad

Interchanges

- UP - Hooper Junction, Wallula
- BNSF - Cheney, Marshall



LEGEND:

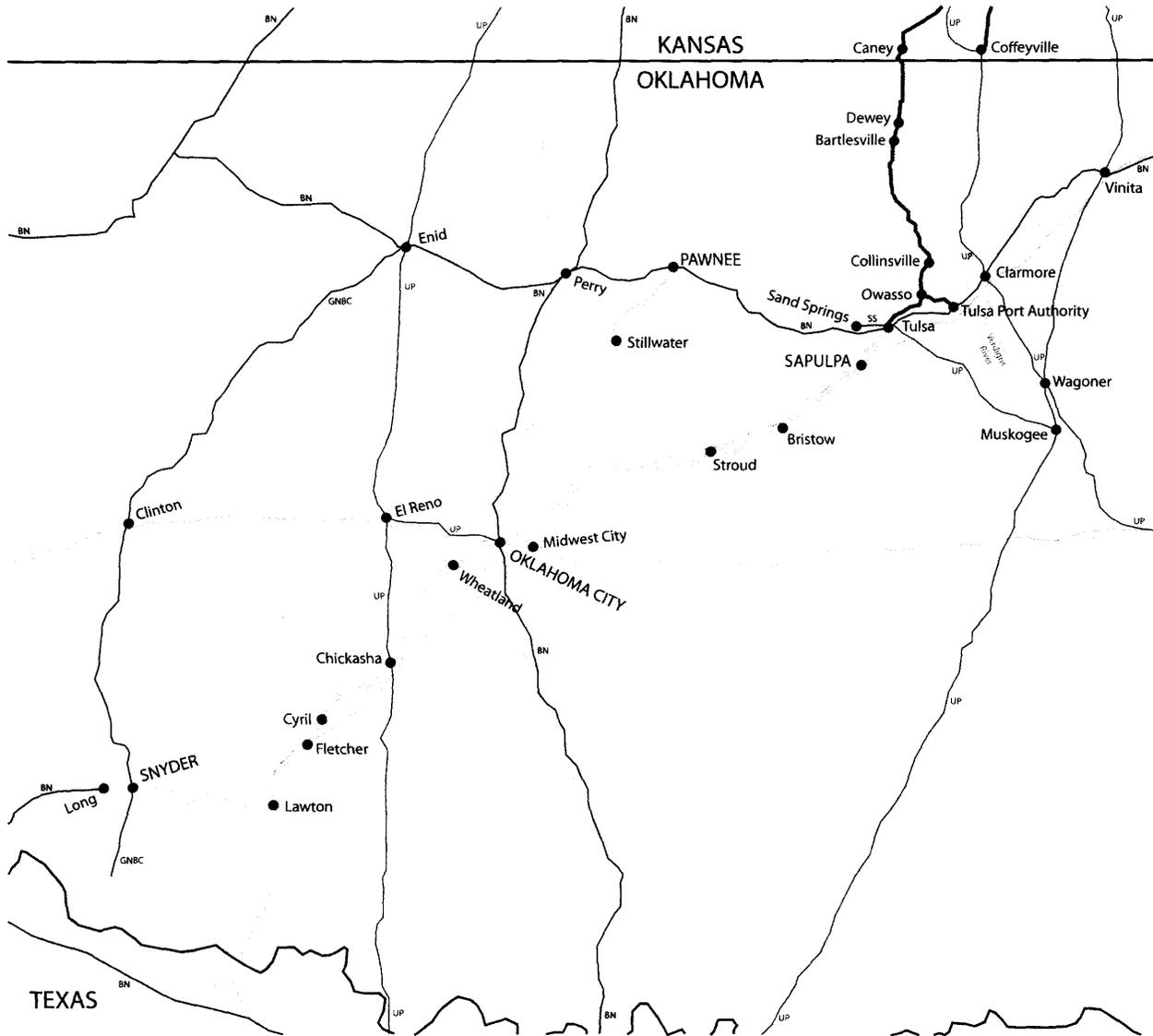
Timber Rock RR (TIBR) 

Timber Rock Trackage Rights 

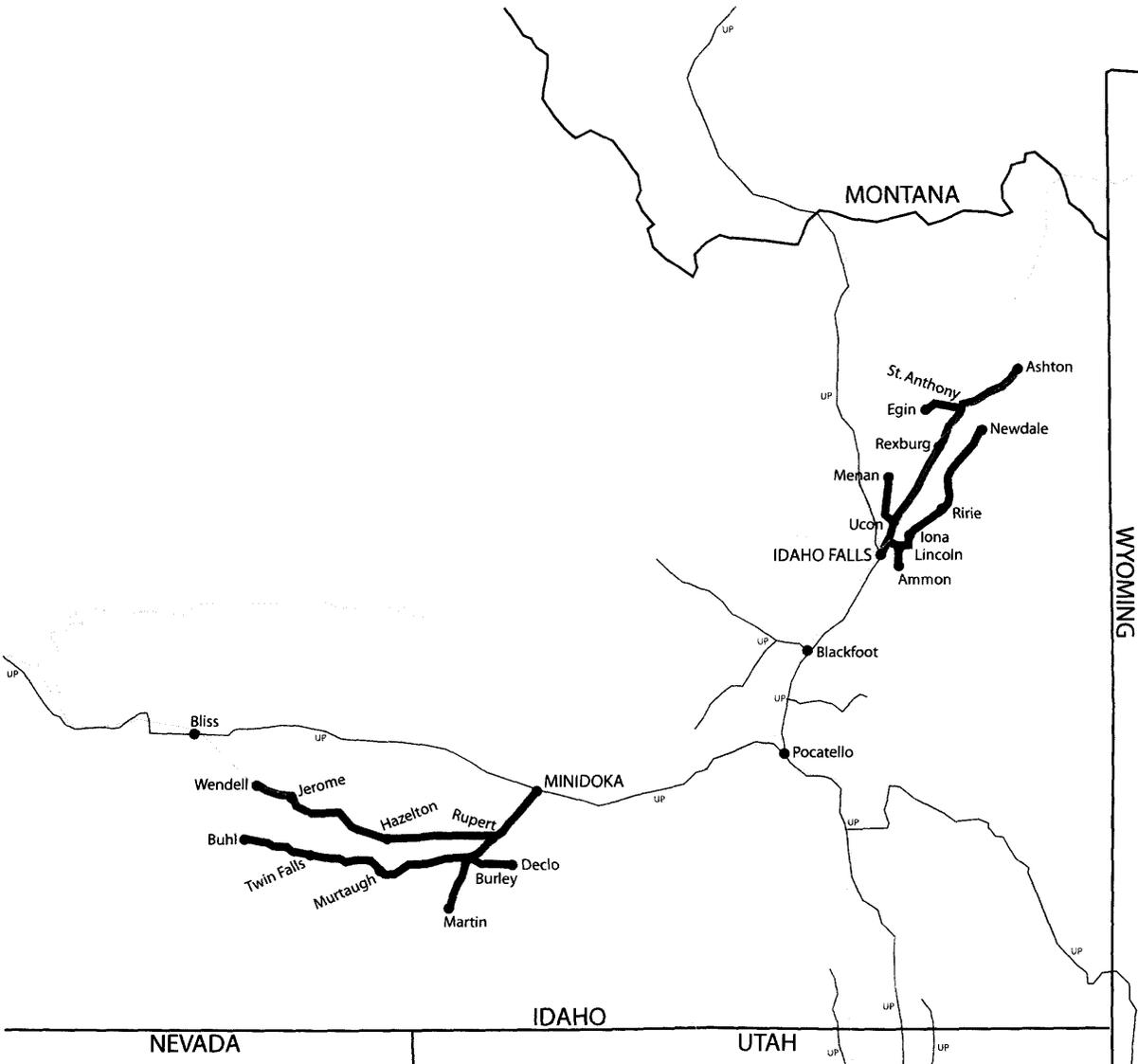
Interchanges

BNSF - Tenaha, Beaumont, Somerville, Dobbin

KCS - DeRidder



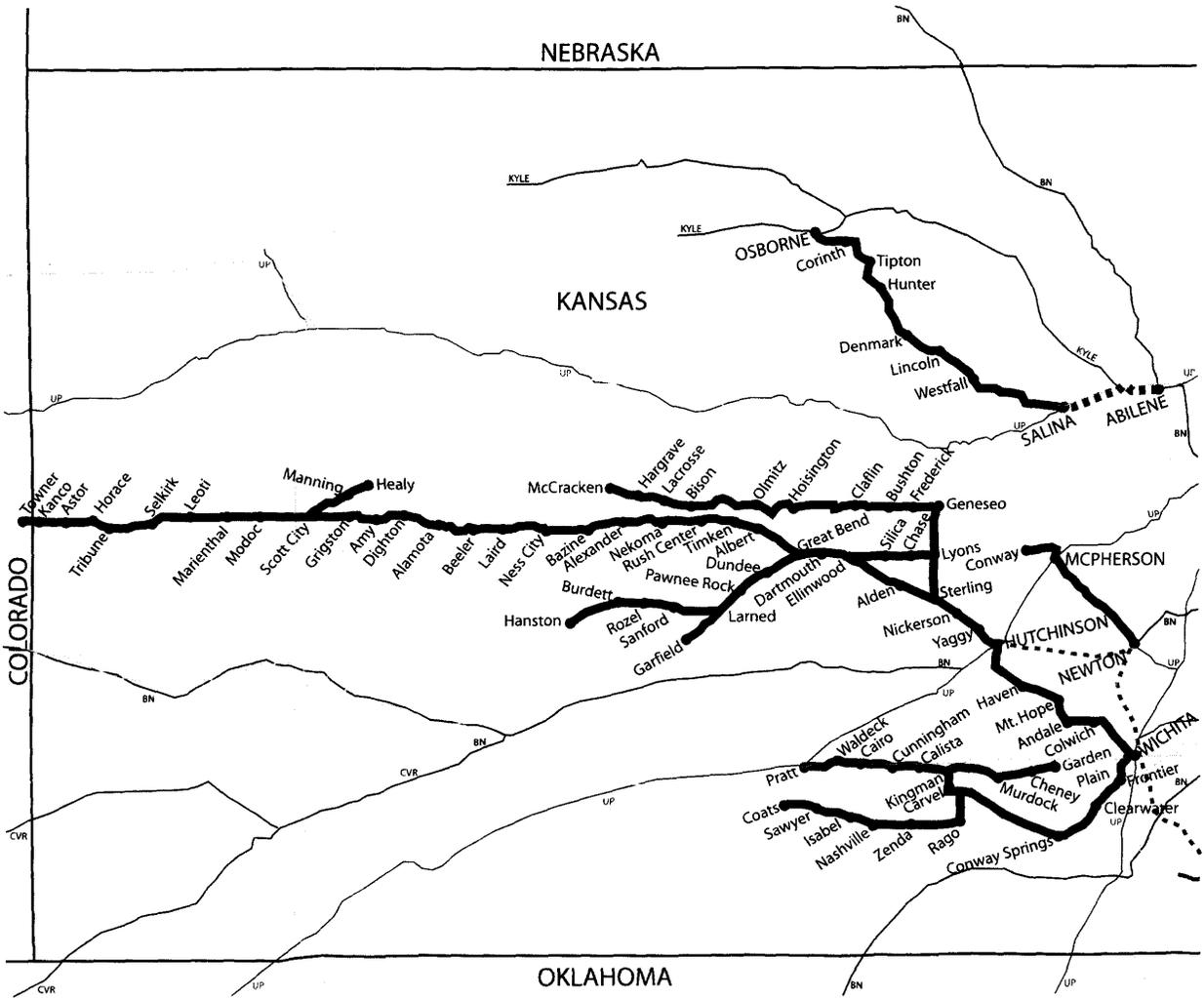
LEGEND:	
Stillwater Central Railroad (SLWC)	Interchanges UP - Oklahoma City BNSF - Pawnee, Sapulpa, Oklahoma City, Snyder GNBC - Snyder
Stillwater Central Trackage Rights	
South Kansas & Oklahoma RR (SKOL)	
Sand Springs RR (SS)	
Grainbelt Corporation (GNBC)	



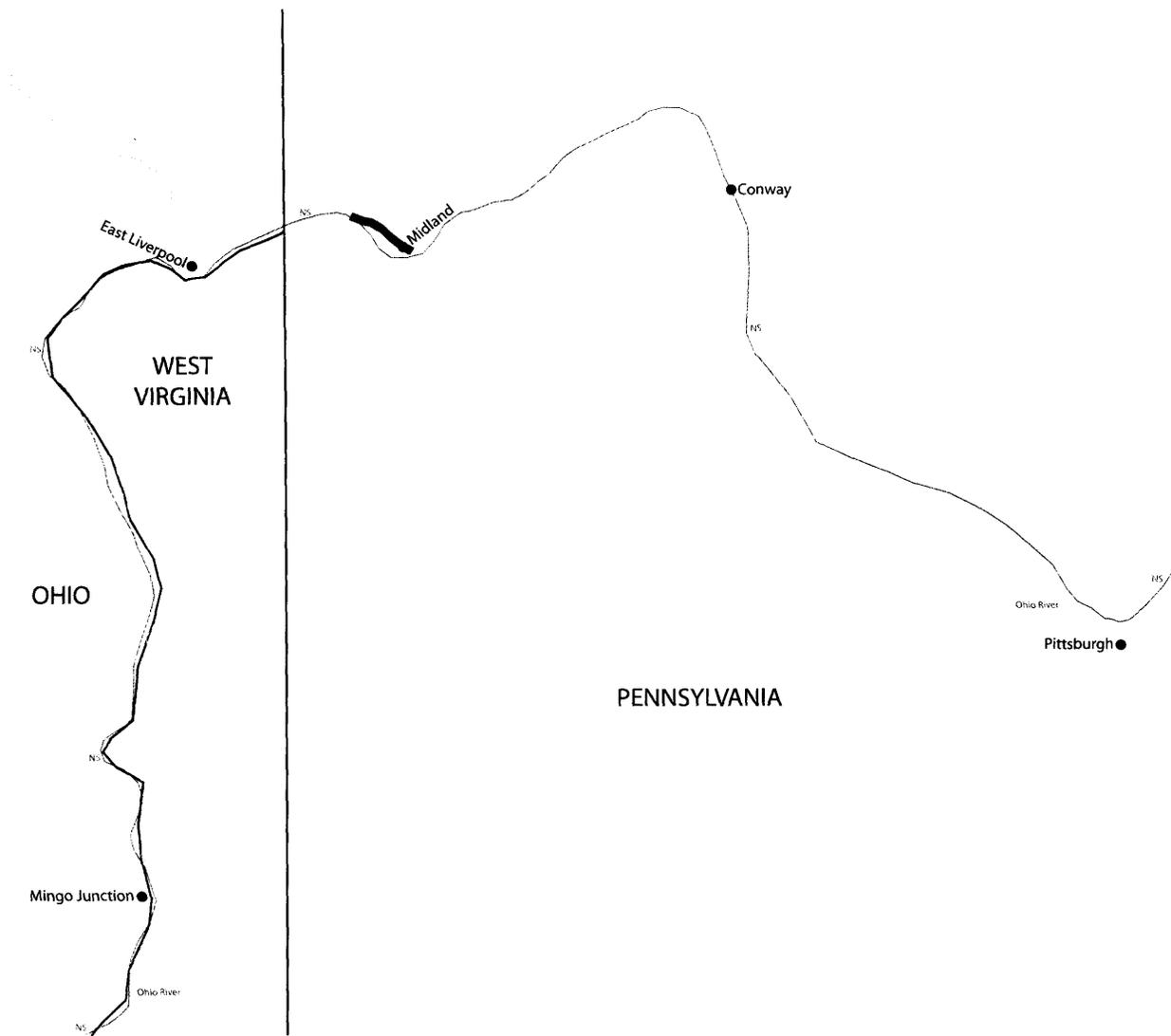
LEGEND:

Eastern Idaho RR (EIRR)

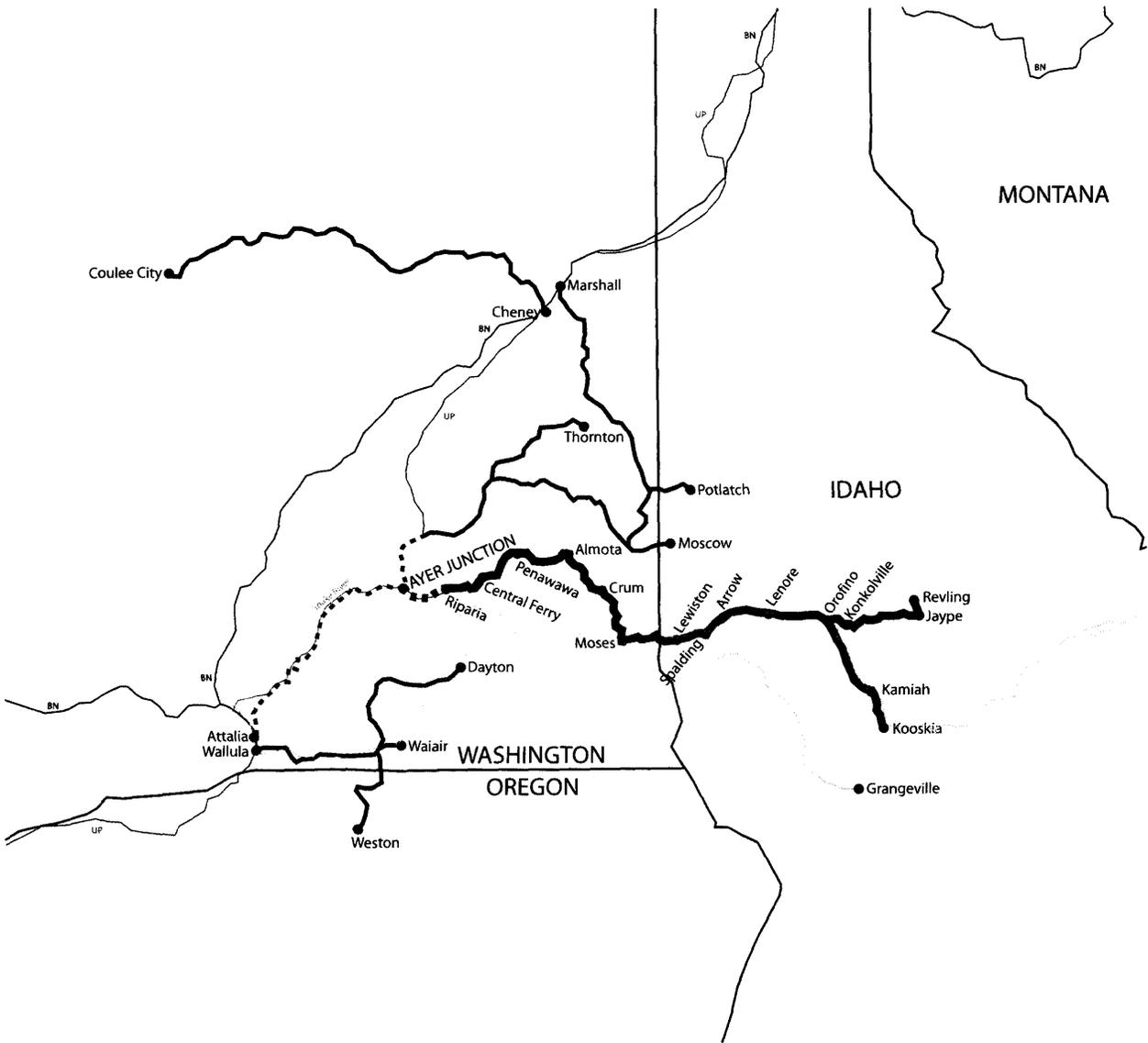
Interchanges
 UP - Minidoka, Idaho Falls



LEGEND:	
Kansas & Oklahoma RR (KO)	
Kansas & Oklahoma Trackage Rights	
South Kansas & Oklahoma RR (KO)	
South Kansas & Oklahoma Trackage Rights	
Kyle Railroad (KYLE)	
Cimmaron Valley Railroad (CVR)	
Interchanges	
UP - Hutchinson, McPherson, Salina, Wichita	
BNSF - Abilene, Hutchinson, Newton, Wichita	
KYLE - Osborne	
S&O-L - Wichita	



LEGEND:
Pennsylvania Southwestern RR (PSWR) 
Interchanges
NS - Midland



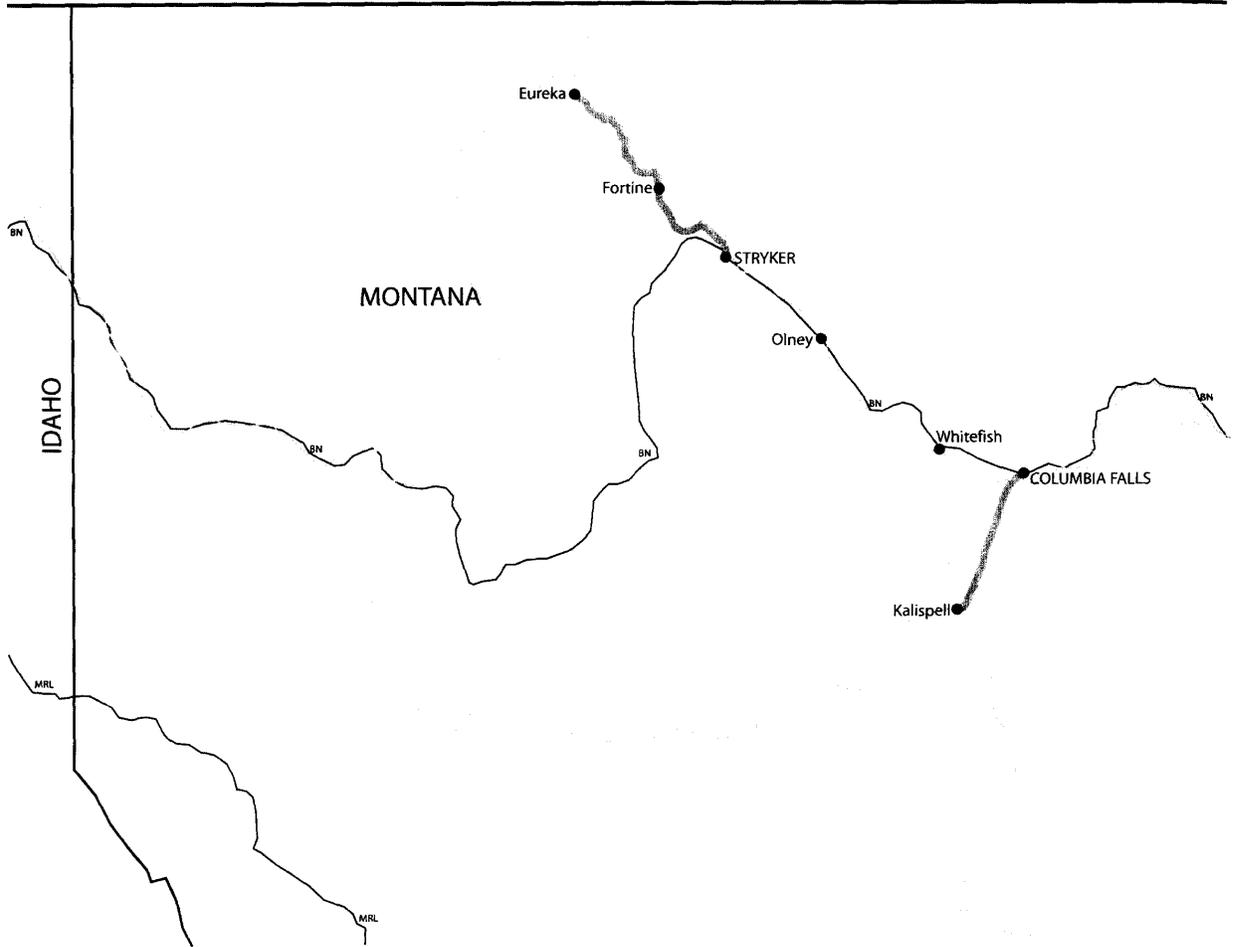
LEGEND:

- Great Northwest RR (GNRW)
- Great Northwest Trackage Rights
- Palouse River & Coulee City RR (PCC)
- Palouse River & Coulee City Trackage Rights
- BG & CM Railroad

Interchanges

- UP - Ayer
- BNSF - Ayer

CANADA



LEGEND:
Mission Mountain Railroad (MMT) 
Interchanges
BNSF - Stryker, Columbia Falls

VERIFICATION

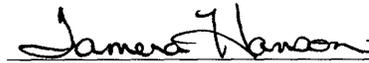
STATE OF KANSAS)
) ss.
COUNTY OF CRAWFORD)

I, Arthur E. McKechnie III, being duly sworn depose and state that I am Executive Vice President of Watco Companies, Inc., that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.


Arthur E. McKechnie

SUBSCRIBED AND SWORN TO before me this 15th day of December, 2004, in the County of Crawford, State of Kansas.

My Commission Expires: 11/12/2008


Notary Public