



655 Fifteenth Street, N.W. Suite 225
Washington, DC 20005
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t 202.638.3307
f 202.783.6947

FILED

JUL 27 2012

**SURFACE
TRANSPORTATION BOARD**

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MANAGEMENT
STB

June 27, 2012

Karl Morell
Of Counsel

kmorell@balljanik.com

BY HAND DELIVERY

232 619

Cynthia Brown
Chief, Section of Administration
Surface Transportation Board
Office of Proceedings
395 E Street, SW
Washington, DC 20423

Re: STB Finance Docket No. 35637, Watco Holdings, Inc. –
Continuance In Control Exemption – Pecos Valley Permian
Railroad, L.L.C. d/b/a Pecos Valley Southern Railway
Company

Dear Ms. Brown:

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 \$1,300 filing fee.

If you have any questions, please call me.

Sincerely,

Karl Morell
Of Counsel

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Public Record

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**SURFACE
TRANSPORTATION BOARD**

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

232619

STB FINANCE DOCKET NO. 35637

WATCO HOLDINGS, INC.
-- CONTINUANCE IN CONTROL EXEMPTION --
PECOS VALLEY PERMIAN RAILROAD, L.L.C.
d/b/a PECOS VALLEY SOUTHERN RAILWAY COMPANY

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

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JUL 27 2012

**SURFACE
TRANSPORTATION BOARD**

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JUL 27 2012

**SURFACE
TRANSPORTATION BOARD**

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Office of the Clerk

JUL 27 2012

Public Board

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

Attorney for:
WATCO HOLDINGS, INC.

Dated: July 27, 2012

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 35637

WATCO HOLDINGS, INC.
-- CONTINUANCE IN CONTROL EXEMPTION --
PECOS VALLEY PERMIAN RAILROAD, L.L.C.
d/b/a PECOS VALLEY SOUTHERN RAILWAY COMPANY

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

Watco Holdings, Inc. ("Watco"), files this Notice of Exemption, pursuant to 49 C.F.R. § 1180.2(d)(2), for Watco to continue in control of Pecos Valley Permian Railroad, L.L.C. d/b/a Pecos Valley Southern Railway Company ("PVS"), a non-carrier, upon PVS 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, indirectly, twenty five (25) Class III railroads and one (1) Class II railroad, collectively operating in 21 States.¹ Watco also owns, indirectly, 100 percent of the issued and outstanding stock of PVS, a Texas

¹ On June 1, 2012, Watco filed to control San Antonio Central Railroad, L.L.C. ("SAC"). in STB Finance Docket No. 35604.

limited liability company and a non-carrier that was formed for the purpose of leasing and operating the 24-mile rail line located between Pecos, TX and a point north of Saragosa, TX, and owned by Pecos Valley Southern Railway Company. Concurrently with the filing of this Notice of Exemption, PVS is filing a Notice of Exemption in STB Finance Docket No. 35636, *Pecos Valley Permian Railroad, L.L.C. d/b/a Pecos Valley Southern Railway Company – Lease Exemption – Pecos Valley Southern Railway Company*, under 49 C.F.R. § 1150.31, to lease and operate the 24-mile rail line. Upon consummation of the transaction in STB Finance Docket No. 35636, PVS will become a Class III carrier.

Watco also controls, through stock ownership and management, the South Kansas and Oklahoma Railroad Inc. (“SKO”), Palouse River & Coulee City Railroad, L.L.C. (“PRCC”), the Timber Rock Railroad, L.L.C. (“TIBR”), the Stillwater Central Railroad, L.L.C. (“SLWC”), the Eastern Idaho Railroad, L.L.C. (“EIRR”), Kansas & Oklahoma Railroad, L.L.C. (“K&O”), the Pennsylvania Southwestern Railroad, L.L.C. (“PSWR”), the Great Northwest Railroad, L.L.C. (“GNR”), the Kaw River Railroad, L.L.C. (“KRR”), the Mission Mountain Railroad, L.L.C. (“MMT”), the Mississippi Southern Railroad, L.L.C. (“MSRR”), the Yellowstone Valley Railroad, L.L.C. (“YVRR”), the Louisiana Southern Railroad, L.L.C. (“LSRR”), the Arkansas Southern Railroad, L.L.C. (“ARSR”), the Alabama Southern Railroad, L.L.C. (“ABS”), the Vicksburg Southern Railroad, L.L.C. (“VSOR”), the Austin Western Railroad, L.L.C. (“AWRR”), the Baton Rouge Southern Railroad, L.L.C. (“BRSR”), the Pacific Sun Railroad, L.L.C. (“PSRR”), the Grand Elk Railroad, Inc. (“GER”), Alabama Warrior Railway, L.L.C. (“AWR”), Boise Valley Railroad, L.L.C. (“BVR”); Autauga Northern Railroad, L.L.C. (“ANRR”); Swan Ranch Railroad, L.L.C. (“SRRR”); Wisconsin & Southern Railroad Company (“WSOR”); and Birmingham Terminal Railway (“BRS”). SKO, PRCC, TIBR, SLWC, EIRR,

K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR, BRSR, PSRR, GER, AWR, BVR, ANRR, SRRR and BRS are Class III carriers which operate rail lines in 19 States. WSOR is a Class II carrier operating in 2 States. PVS and SAC will become Class III carriers.

The rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR, BRSR, PSRR, GER, AWR, BVR, ANRR, SRRR, BRS and WSOR do not connect with the rail line that will be operated by PVS. The rail lines that will be operated by SAC also do not connect to the rail line that will be operated by PVS. The rail line that will be operated by PVS is located south of Pecos, Texas. No other Watco railroad operates rail lines in or near Pecos, Texas.

Also, the involved transaction is not part of a series of anticipated transactions that would connect the rail lines that will be operated by PVS with any railroad in the Watco corporate family. Finally, neither PVS 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.

The name and business address of Applicants are as follows:

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

Austin Western Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, Kansas 66762

Vicksburg Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, Kansas 66762

Alabama Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Arkansas Southern Railroad. L.L.C.
315 W. 3rd Street
Pittsburg. Kansas 66762

Louisiana Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Yellowstone Valley Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Mississippi Southern Railroad. L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

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

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

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

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

Stillwater Central Railroad, L.L.C.
123 N. Depot
Cherryvale, KS 67335

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

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

Pennsylvania Southwestern Railroad, L.L.C.
10th Street and Midland Avenue
Midland, PA 15059

Great Northwest Railroad, L.L.C.
325 Mill Road
Lewiston, ID 83501

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

Baton Rouge Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, Kansas 66762

Pacific Sun Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Grand Elk Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Alabama Warrior Railway, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Boise Valley Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Autauga Northern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Birmingham Terminal Railway, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Swan Ranch Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Wisconsin & Southern Railroad, L.L.C.
5300 North 33rd Street
Milwaukee, WI 53209-0229

Pecos Valley Permian Railroad, L.L.C. d/b/a Pecos Valley Southern Railway Company
315 W. 3rd Street
Pittsburg, KS 66762

Applicants' representative:

Karl Morell
Of Counsel
Ball Janik LLP
655 Fifteenth 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 the effective date of this notice of exemption.

(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 railroads in the Watco corporate family.

(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.

MMT's lines are located in Montana.

MSRR's line is located in Mississippi.

YVRR's lines are located in Montana and North Dakota.

LSRR's lines are located in Louisiana.

ARSR's lines are located in Arkansas and Oklahoma

ABS's lines are located in Mississippi and Alabama.

VSOR's lines are located in Mississippi.

AWRR's lines are located in Texas.

BRSR's lines are located in Louisiana.

PSRR's lines are located in California.

GER's lines are located in Indiana and Michigan.

AWR's lines are located in Alabama.

BVR's lines are located in Idaho.

ANRR's lines are located in Alabama.

SRRR's lines are located in Wyoming.

WSOR's rail lines are located in Wisconsin and Illinois.

BHRR's lines are located in Alabama.

SAC's rail lines will be located in Texas.

PVS's rail line will be located in Texas.

(6) Map.

Maps illustrating the rail lines of SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR, BRSR, PSRR, GER, AWR, BVR, ANRR, SRRR, WSOR, and BHRR and the rail lines to be operated by SAC and PVS 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 PVS.

SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR, BRSR, PSRR, GER, AWR, BVR, ANRR, SRRR, and BHRR are Class III carriers, and SAC and PVS will become Class III carriers. WSOR is a Class II carrier. Because the transaction involves the control of one or more Class III rail carriers and one Class II rail carrier, the transaction is subject to the labor protective requirements of 49 U.S.C. § 11326(b) and *Wisconsin Central LTD. – Acquisition Exem. – Union Pac. RR*, 2 S.T.B. 218 (1997).

ENVIRONMENTAL AND HISTORIC IMPACTS

Watco will continue to control PVS 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 PVS 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,

A handwritten signature in black ink that reads "Karl Morell". The signature is written in a cursive, flowing style.

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

Attorney for:
WATCO HOLDINGS, INC.

Dated: July 27, 2012

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 Holdings, 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 III

SUBSCRIBED AND SWORN TO before me this 26th day of July, 2012, in the County of Crawford, State of Kansas.

My Commission Expires:

8/16/2012


Notary Public

EXHIBIT 1



LEGEND:

Alabama Southern RR (ABS)

Alabama Southern Trackage Rights

Interchanges - Track miles 85

KCS - Artesia

- Brookwood

NS - Tuscaloosa

● Mechanical Services

● Switching Services



LEGEND:

Alabama Warrior RR (ABWR)

Interchanges - Track miles 15

BNSF - Birmingham

NS - Birmingham

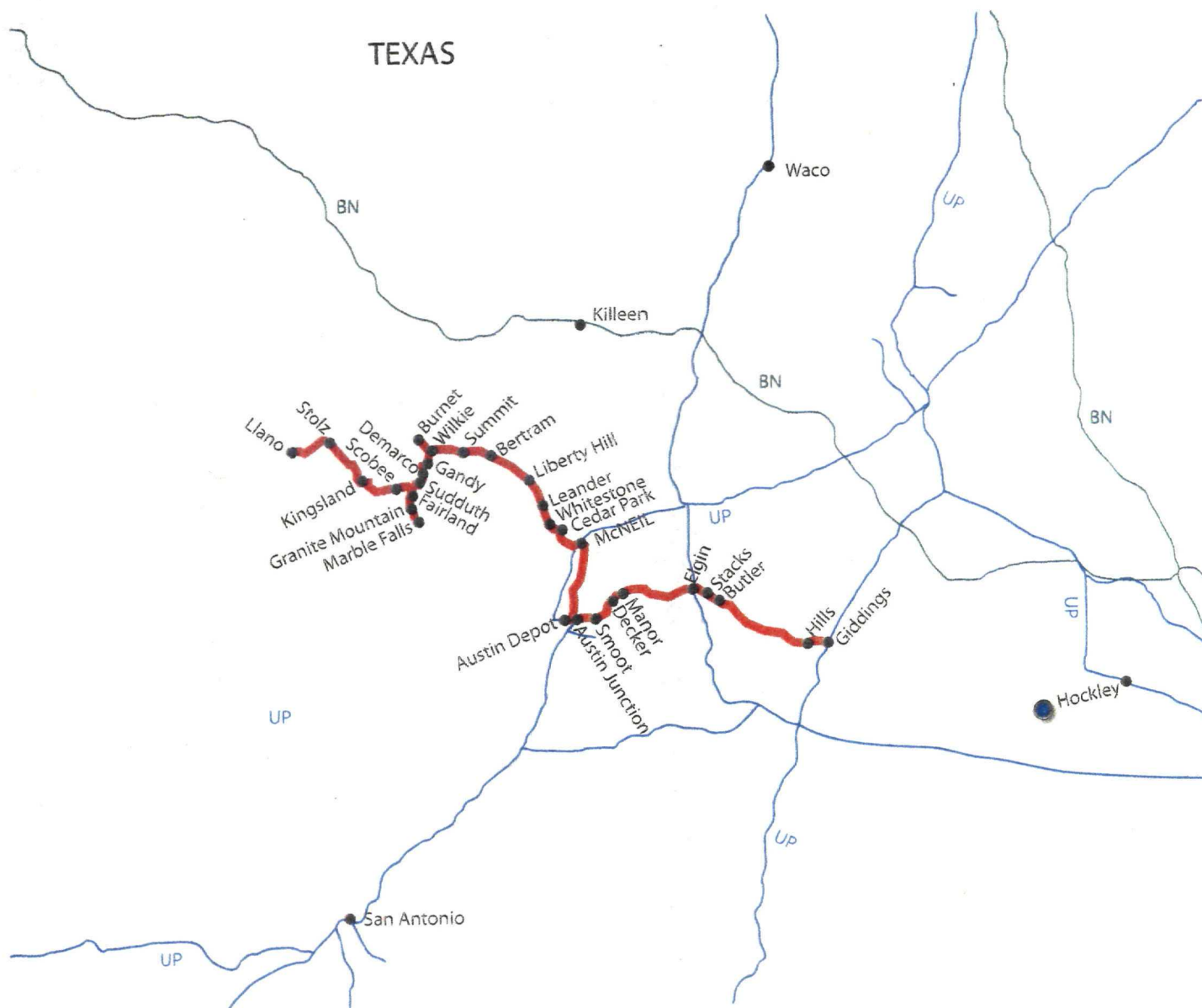
NS - Birmingham

● Mechanical Services

● Switching Services

○ Transload Services





LEGEND:

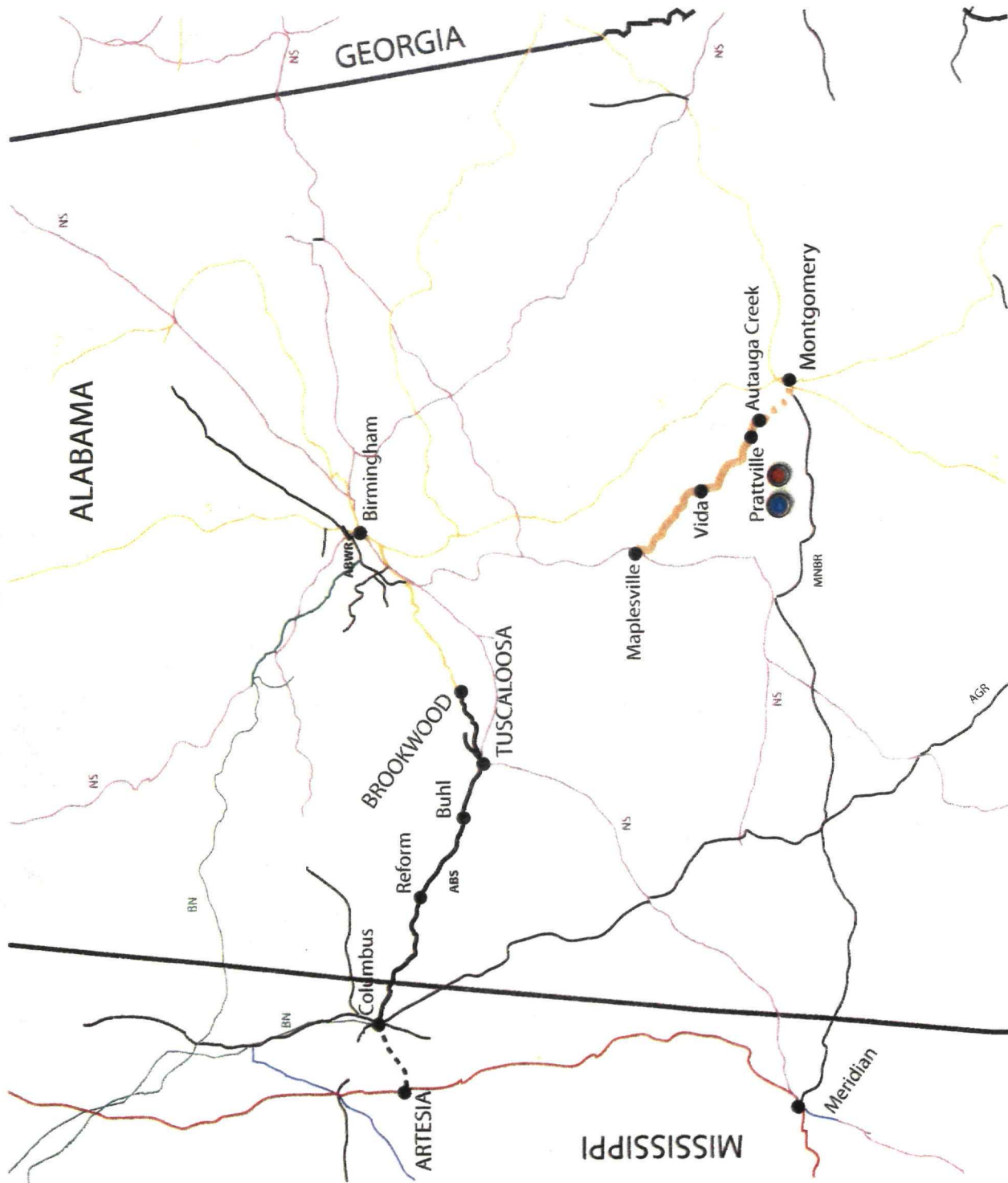
Austin Western RR (AWRR)

Interchanges - Track miles 154

UP - McNeil

BNSF - McNeil

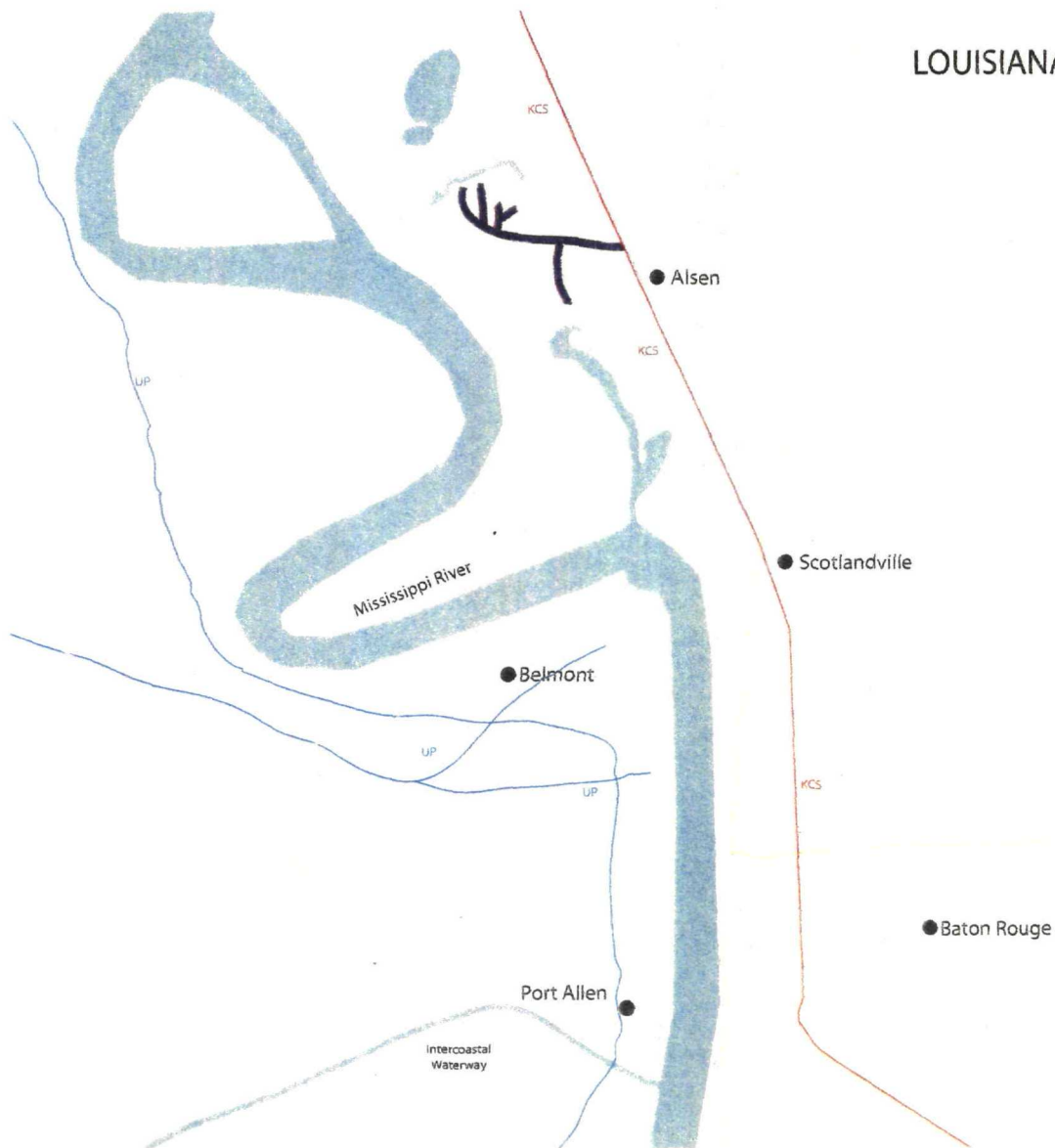
● Mechanical Services



LEGEND:

- Autauga Northern (AUT)
- Autauga Northern Trackage Rights
- Interchanges - Track miles 43.57
- NS - Maplesville
- NS - Montgomery
- Mechanical Services
- Switching Services

LOUISIANA



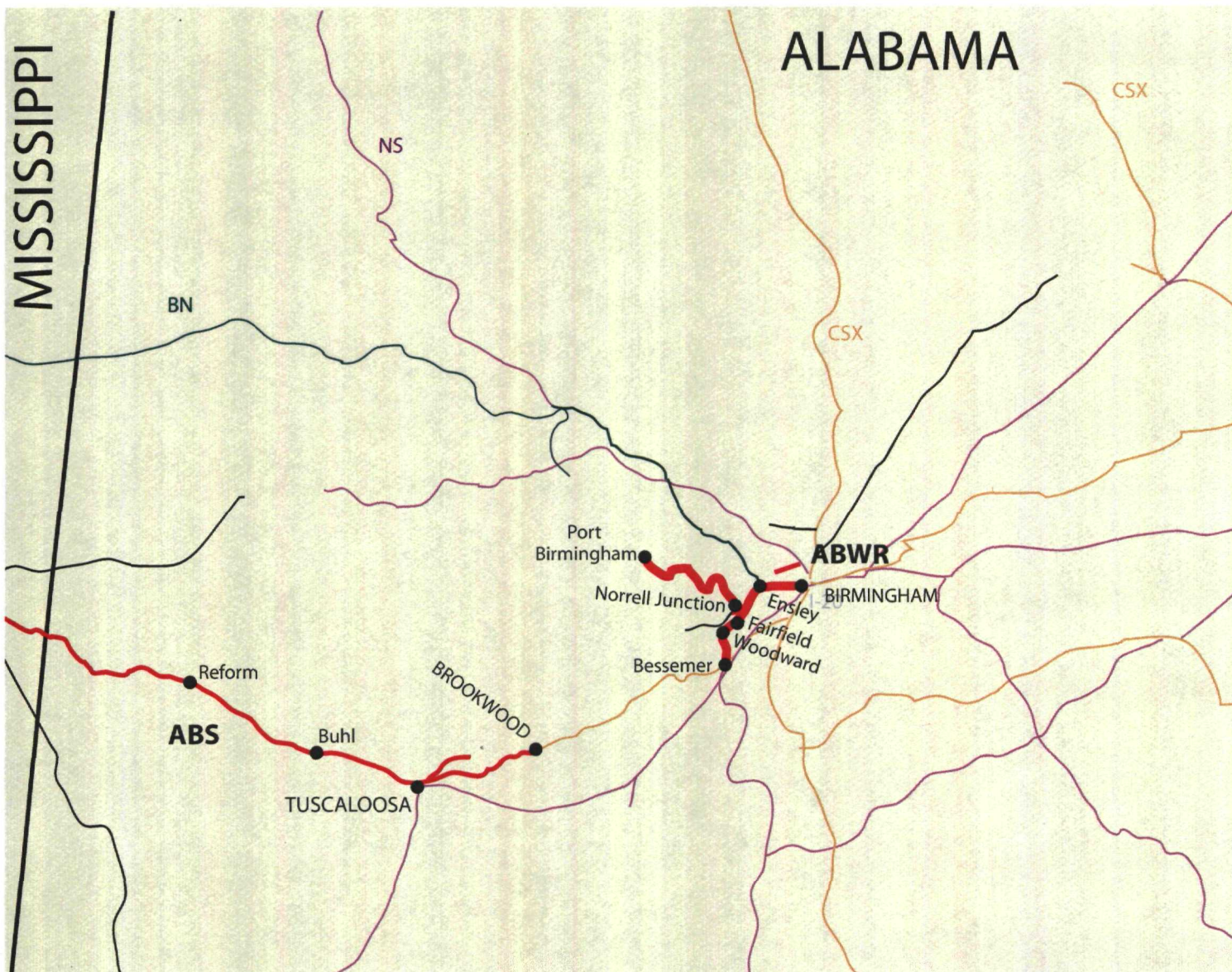
LEGEND:

Baton Rouge Southern RR (BRS)



Interchanges - Track miles 1.5

KCS BRS UP



LEGEND:

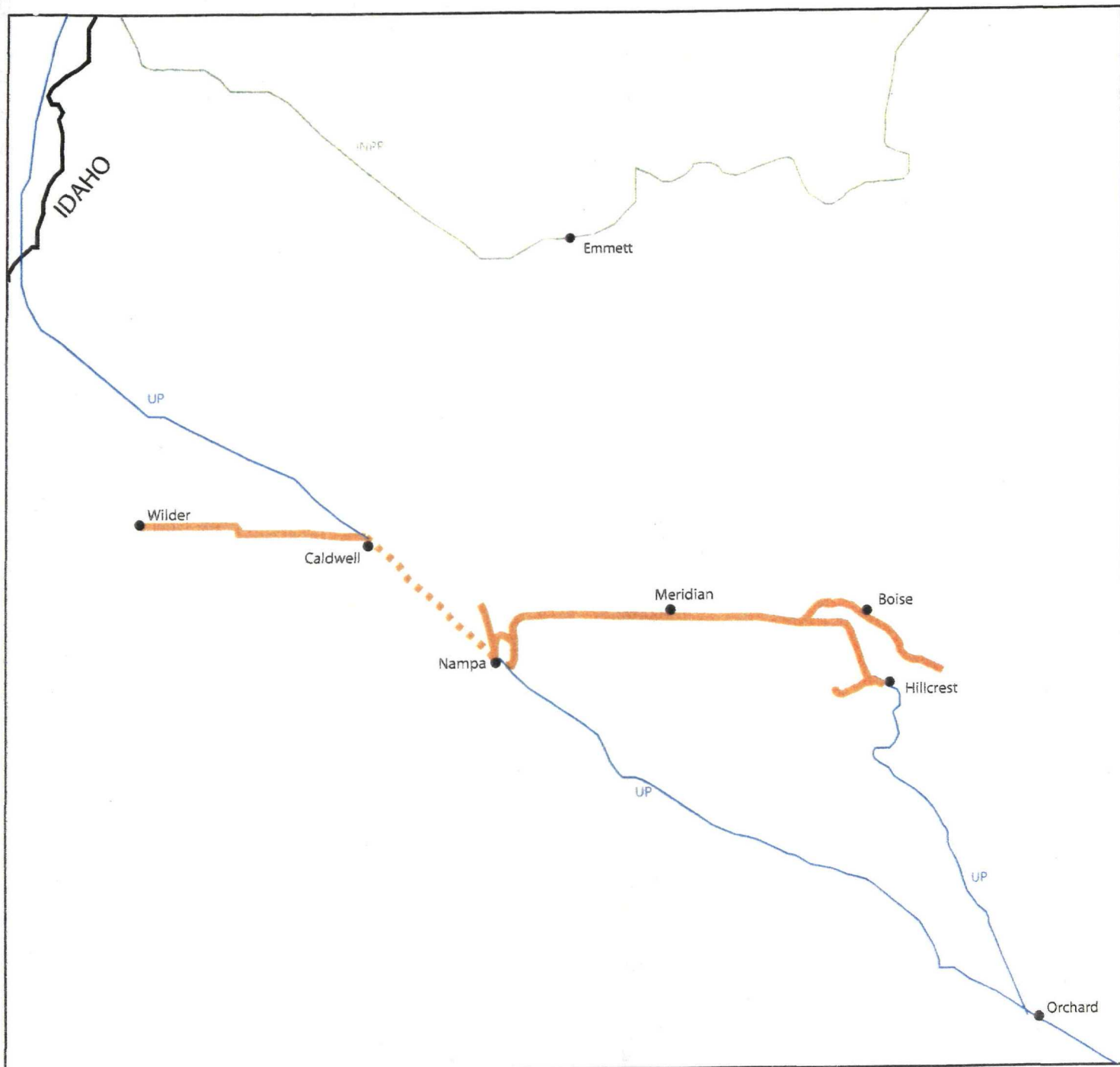
Birmingham Terminal Railway (BHRR)

Interchanges - Track miles 75.9

NS - Ensley (Fairfield)

CSX - Ensley (Fairfield)

BNSF - Birmingham



LEGEND:

Boise Valley RR (BVR)

Boise Valley Trackage Rights

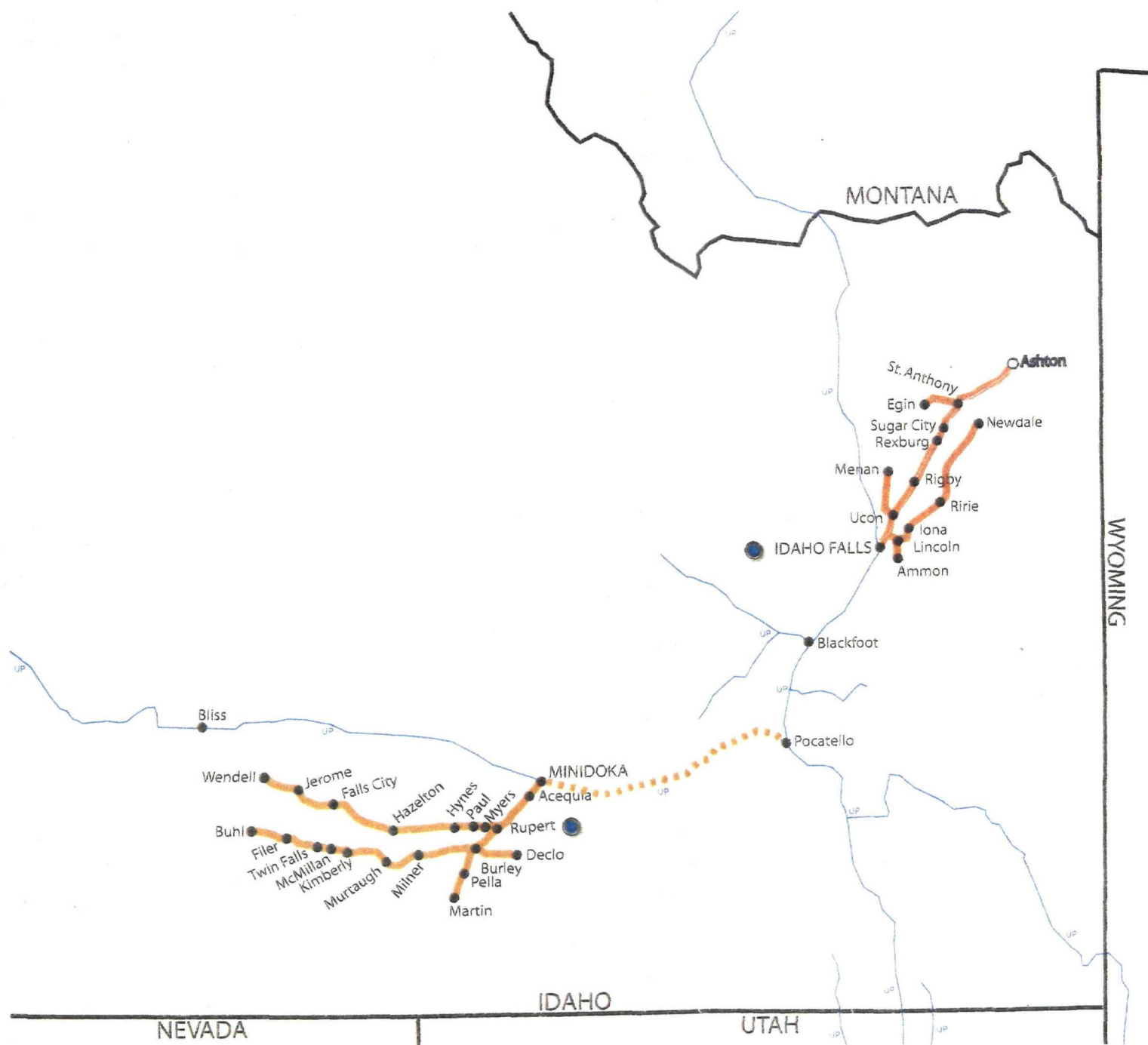
Idaho Northwest & Pacific

Union Pacific



Interchanges - Track miles 36

UP - Nampa, Caldwell



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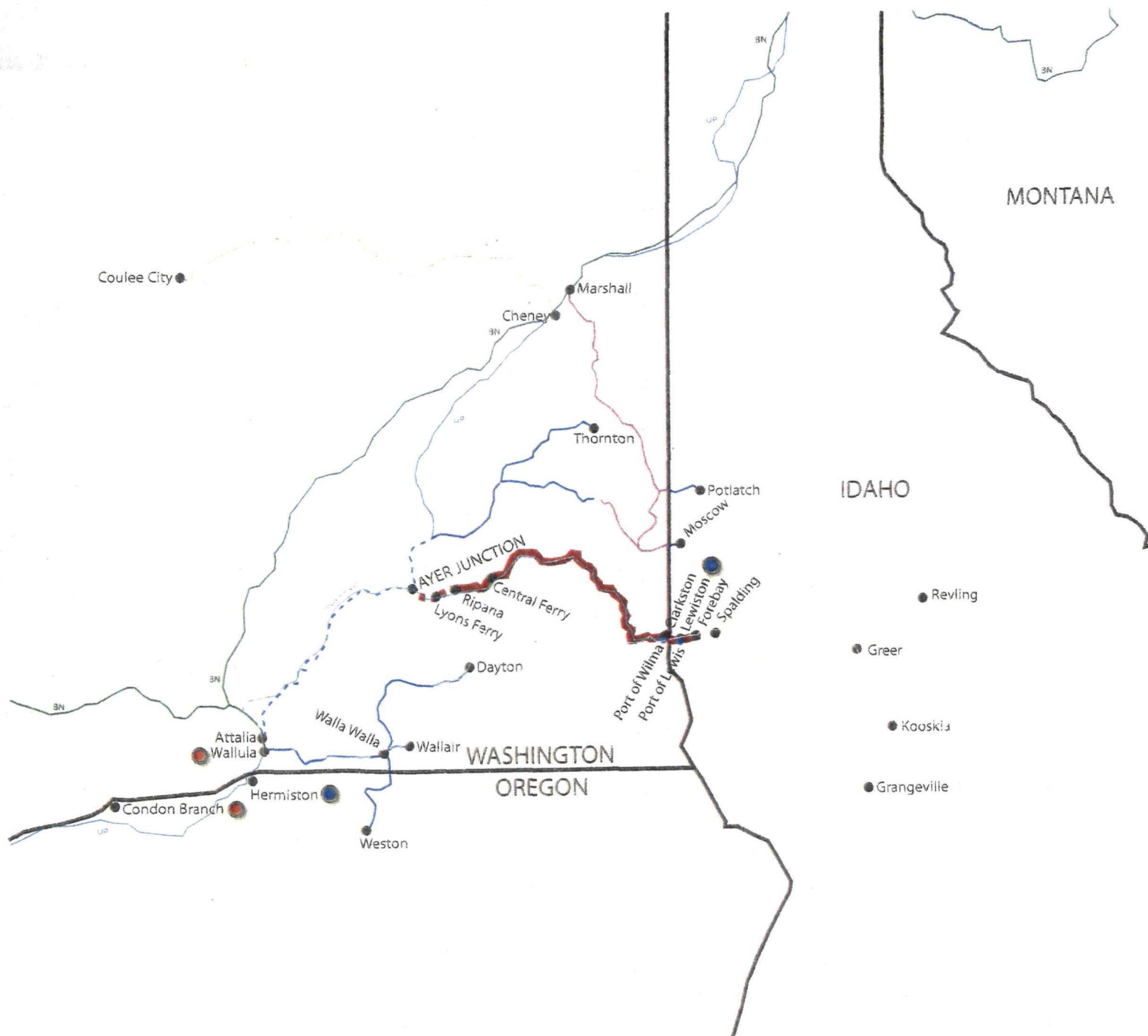
Eastern Idaho RR (EIRR)

Eastern Idaho Trackage Rights

Interchanges - Track miles 270

UP - Minidoka, Idaho Falls

Mechanical Services



LEGEND:

Great Northwest RR (GNW)
 Great Northwest Trackage Rights
 Palouse River & Coulee City RR (PCC)
 Palouse River & Coulee City Trackage Rights
 BG & CM Railroad
 Eastern Washington Gateway RR
 Washington and Idaho Railway

Interchanges - Track miles 77

UP, BNSF - Ayer

● Mechanical Services

● Switching Services



LEGEND:

Grand Elk Railroad

Amtrak

Chesapeake and Indiana

Michigan Northern Railroad

Chesapeake and Ohio

CSXT

Canadian National

Indiana Northeastern

Michigan Southern

Michigan Southern

Norfolk Southern

Interchanges

NS - Elkhart, IN & Kalamazoo, MI

CN - Kalamazoo, MI

CSXT - Grand Rapids, MI

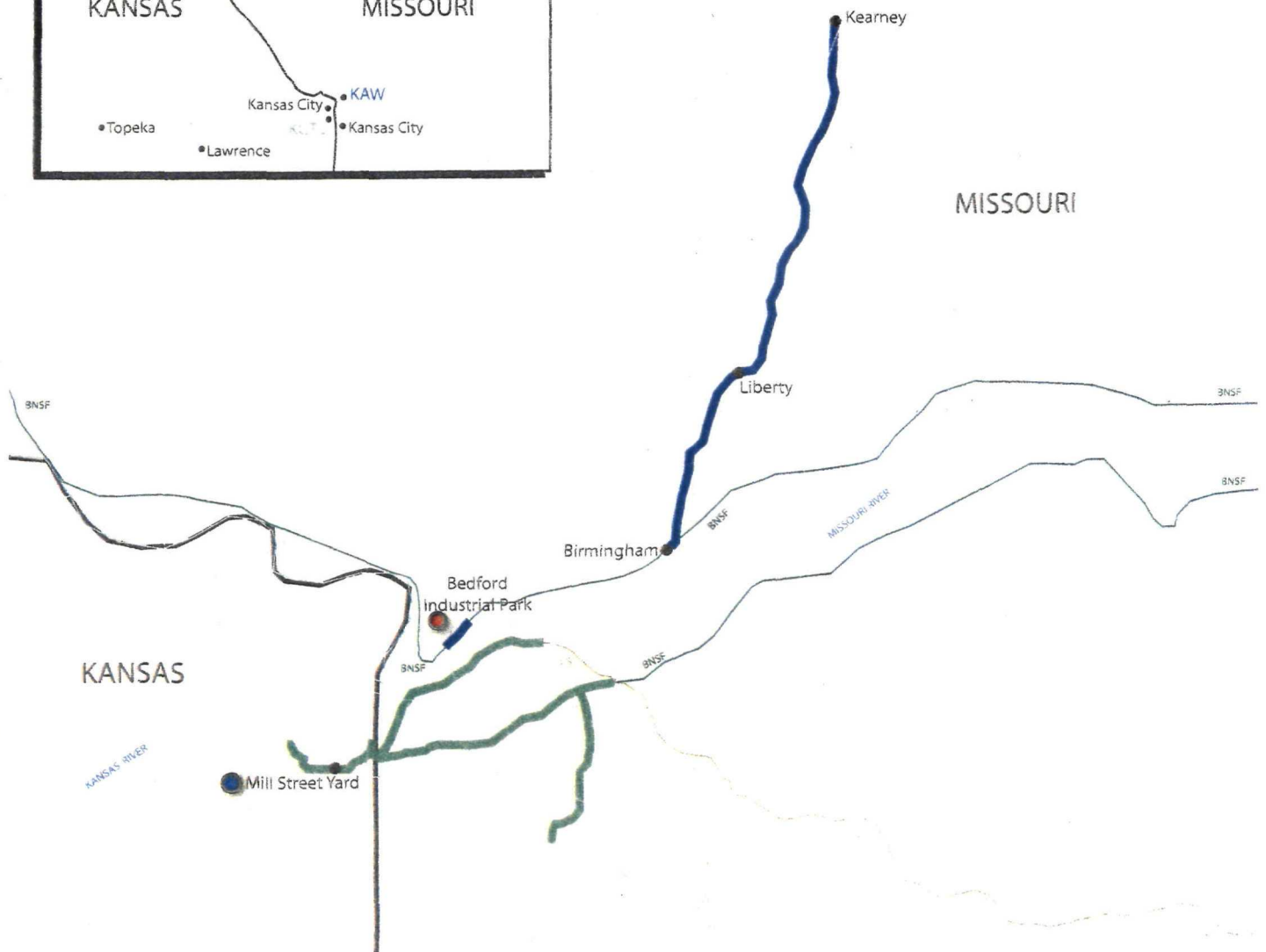
- Grand Rapids, MI

MSO - Grand Rapids, MI

IN - Grand Rapids, MI

MSO - White Pigeon, MI

Total Miles: 122.9



LEGEND:

KAW River Railroad (KAW)

Interchanges

BNSF - Kansas City, MO (Bedford Industrial Park)

BNSF - Birmingham, MO (Kearney Subdivision)

Track miles - 21

Kansas City Transportation Company LLC (KCTU)

Interchanges - Track miles 32

BNSF - Kansas City, KS

ICE - Kansas City, MO/KS

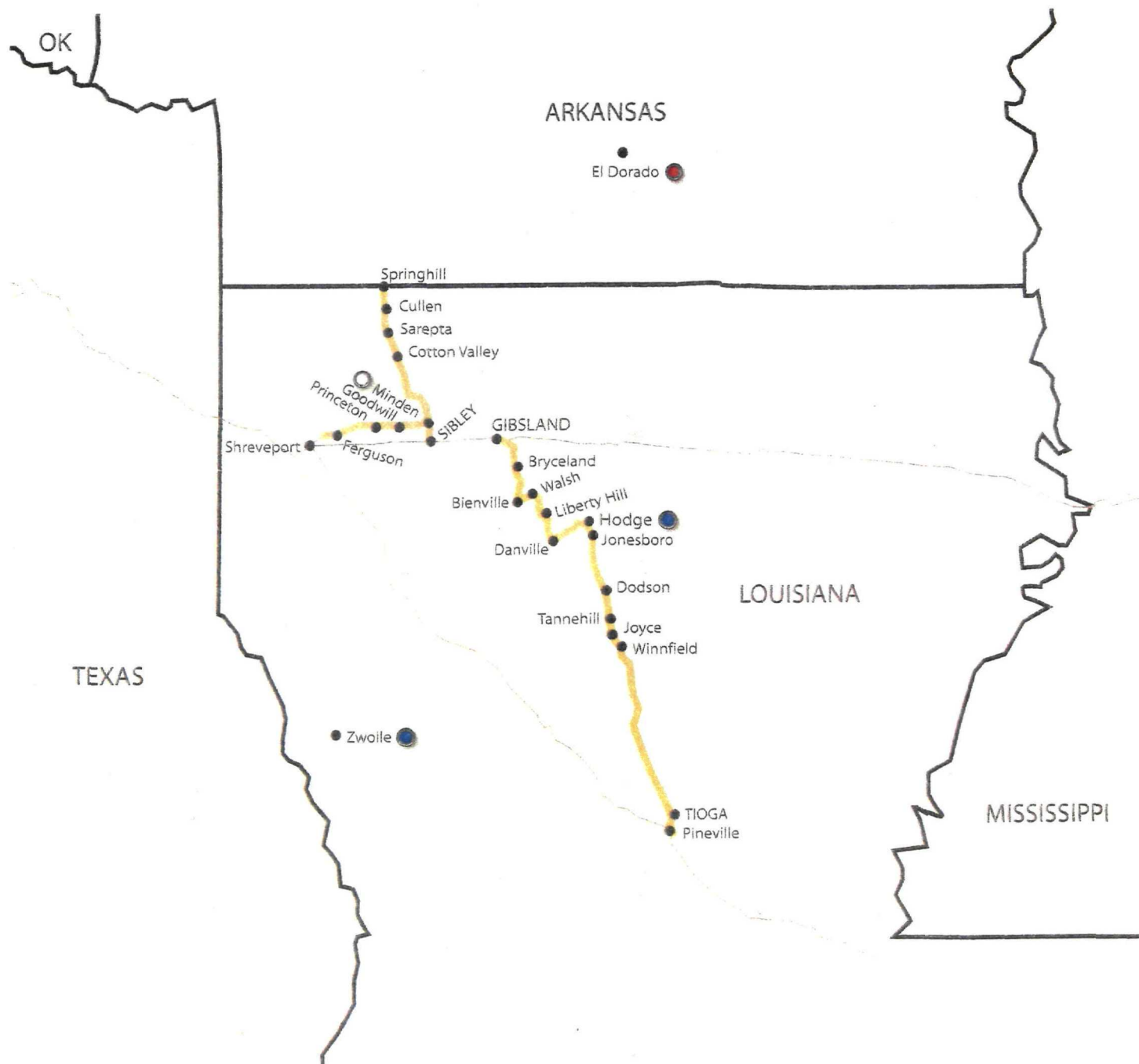
KCTU - Kansas City, MO/KS

NS - Kansas City, MO

UP - Kansas City, MO/KS

● Mechanical Services

● Switching Services



LEGEND:

Louisiana Southern RR (LAS)

Interchanges - Track miles 166.6

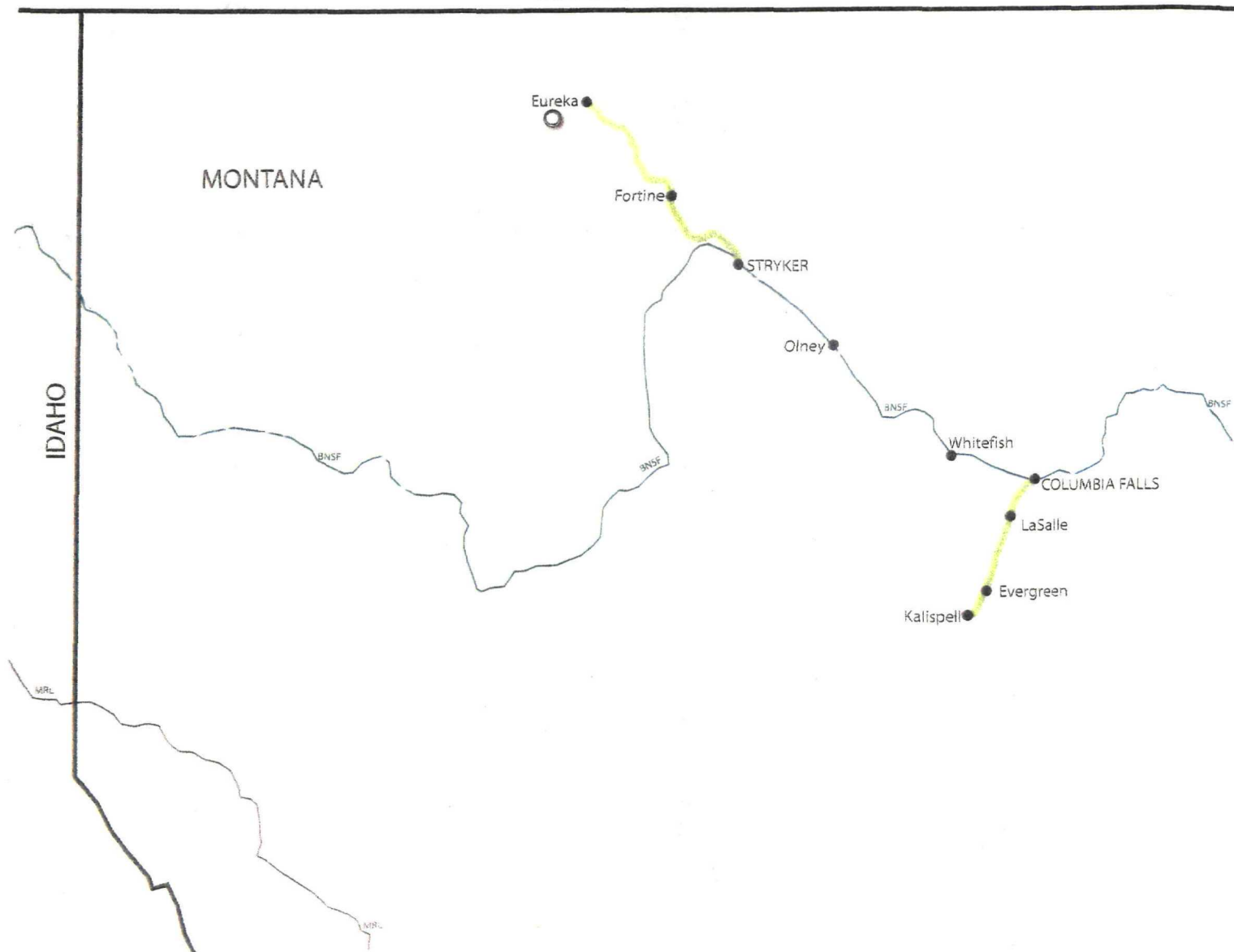
 - Gibsland, Tioga, Sibley

● Mechanical Services

● Switching Services

 Transload/Warehouse Services

CANADA



LEGEND:

Mission Mountain Railroad (MMT)

Montana Rail Link (MRL)

Interchanges - Track miles 39.5

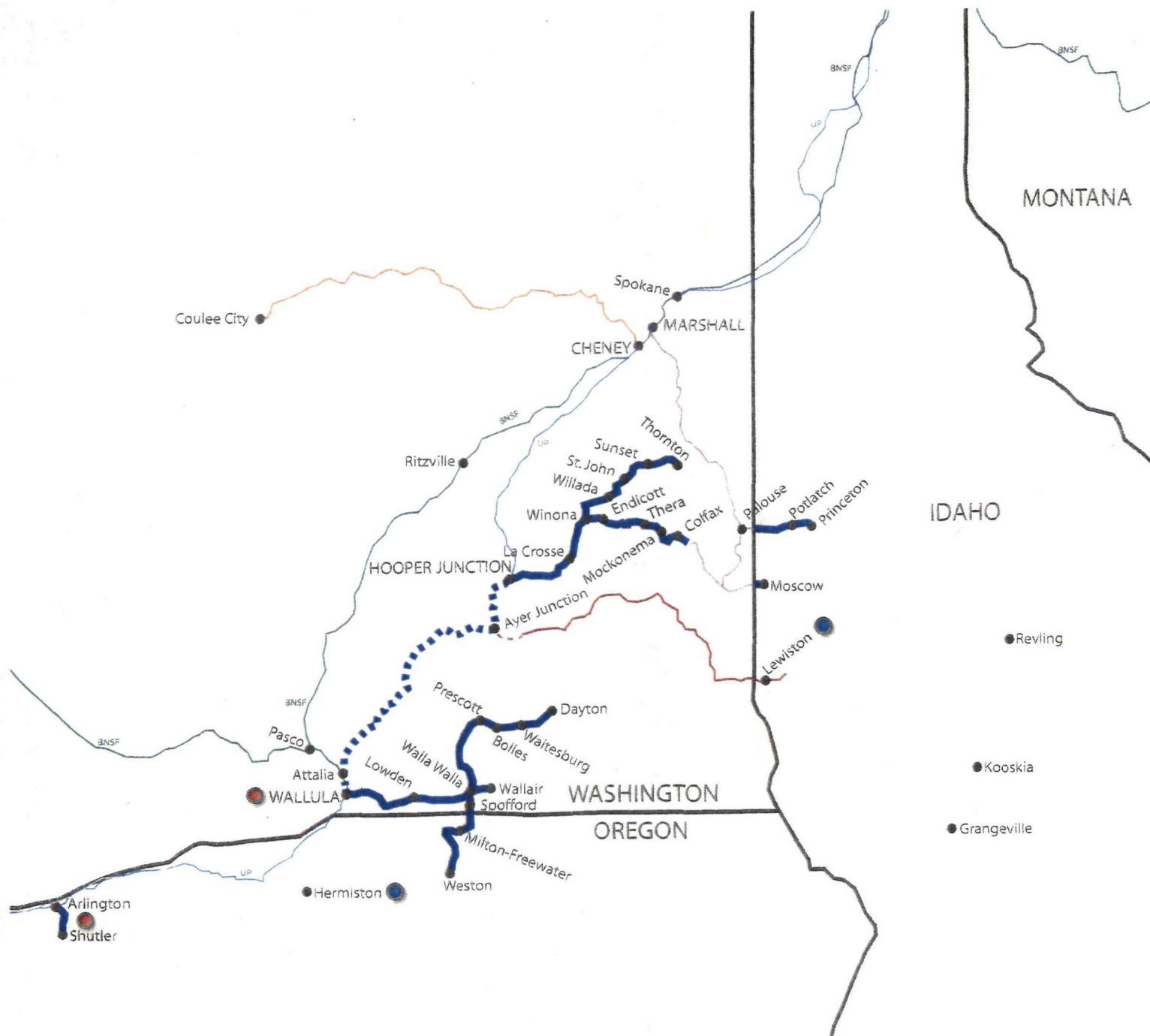
BNSF - Stryker, Columbia Falls

○ Transload/Warehouse Services



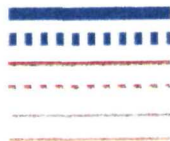


LEGEND:		Interchanges - Track miles 62	
Pacific Sun RR (PSRR)		BNSF - Oceanside	
Switching Services			



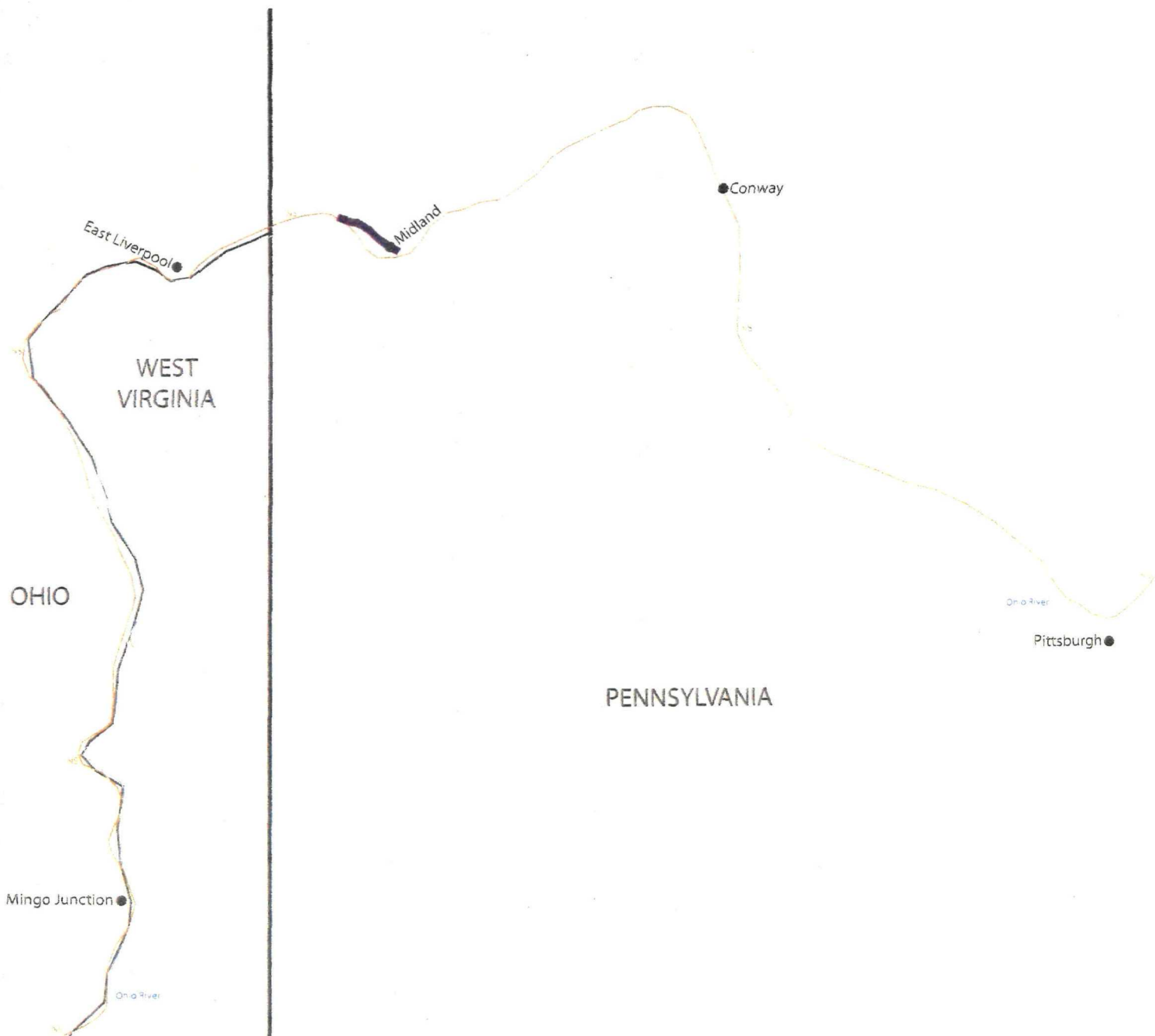
LEGEND:

Palouse River & Coulee City RR (PCC)
 Palouse River & Coulee City Trackage Rights
 Great Northwest RR
 Great Northwest RR Trackage Rights
 Washington and Idaho Railway
 Eastern Washington Gateway RR
 BG & CM Railroad



Interchanges - Track miles 202

BNSF - Wallula
 UP - Hooper Junction, Wallula
 Mechanical Services
 Switching Services



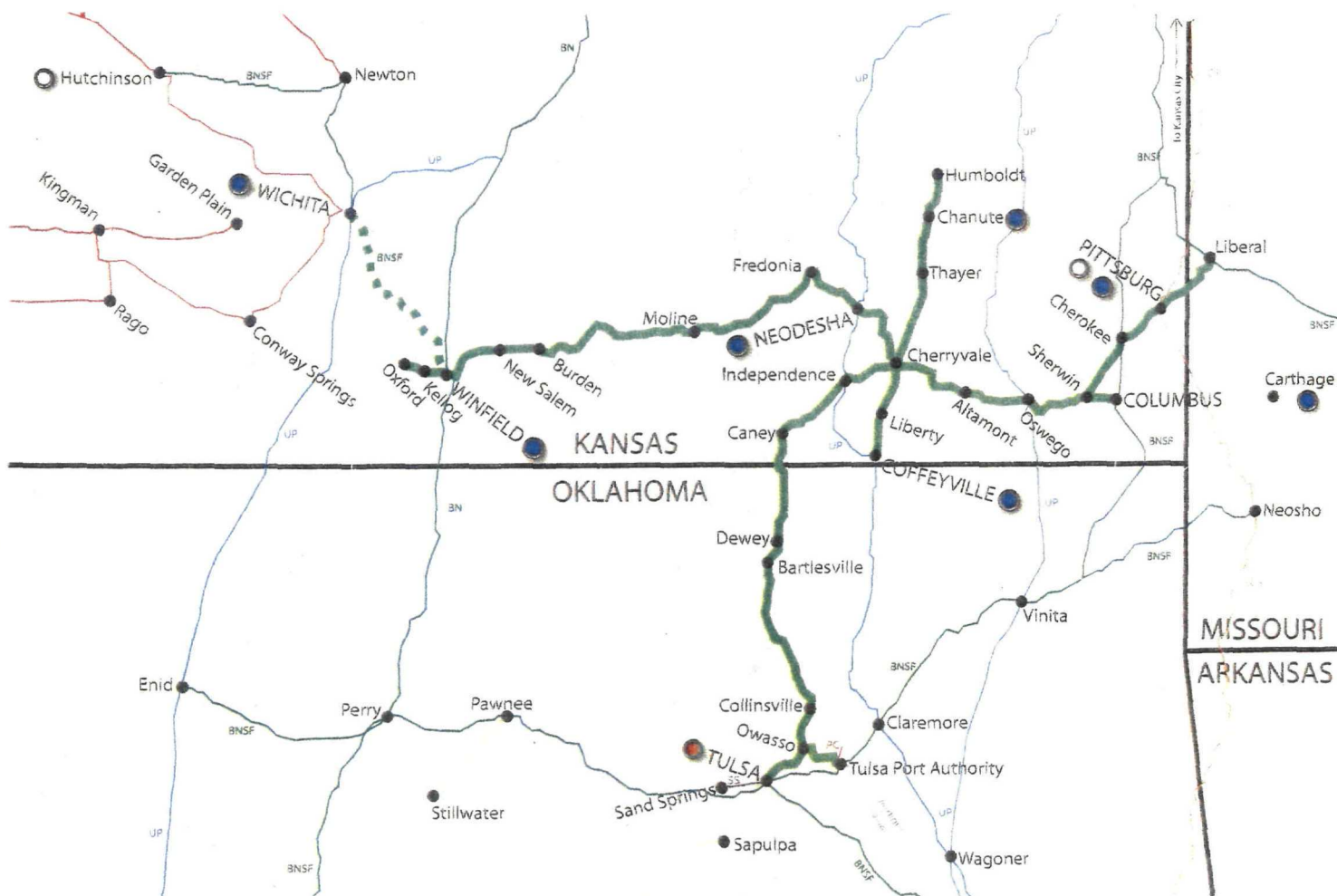
LEGEND:

Pennsylvania Southwestern RR (PSWR)

Interchanges - Track miles 12

NS - Midland





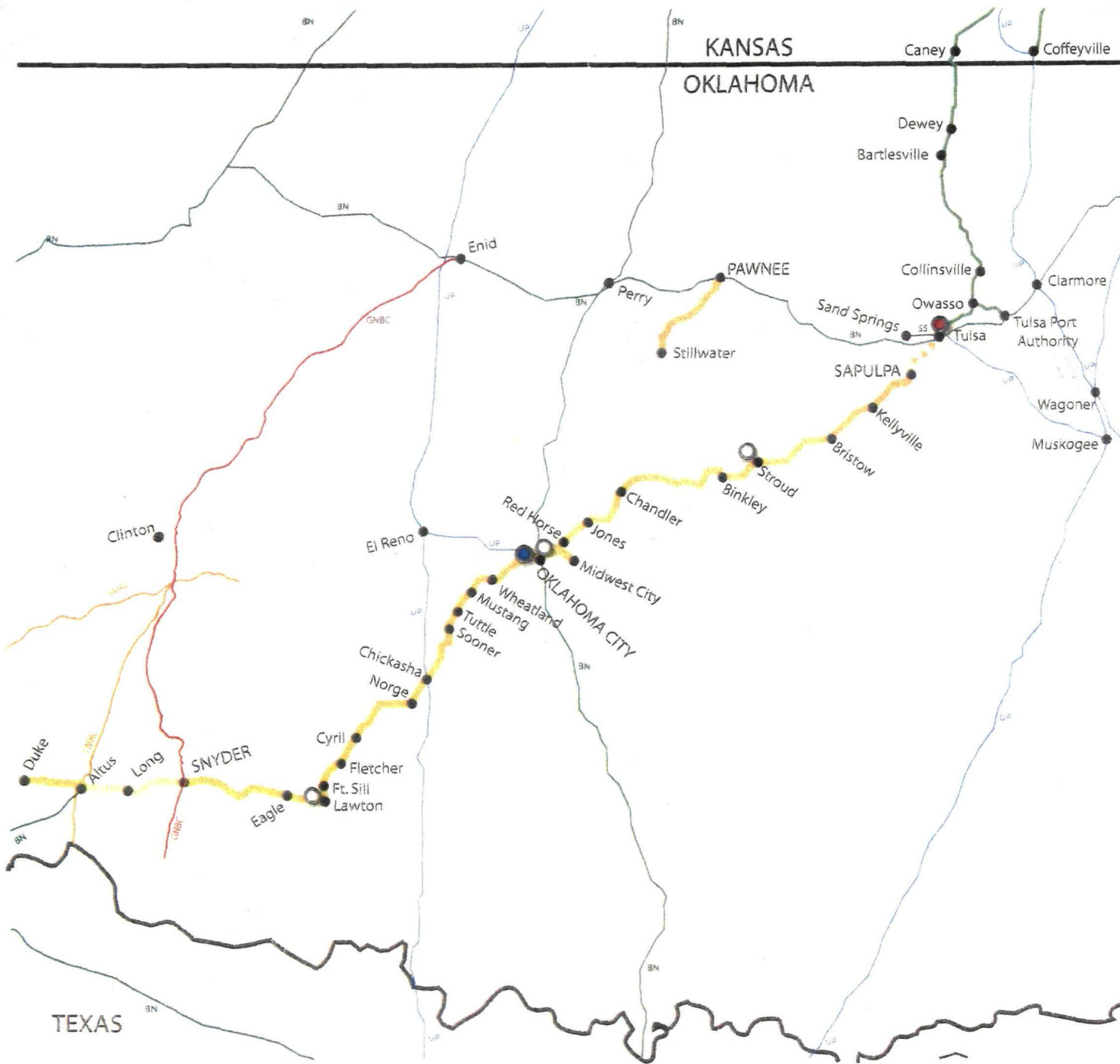
LEGEND:

South Kansas & Oklahoma RR (SKOR)
 South Kansas & Oklahoma Trackage Rights
 Kansas & Oklahoma RR (KO)
 Stillwater Central RR (SLWC)
 Stillwater Central Trackage Rights
 Sand Springs RR (SS)
 Tulsa's Port of Catoosa (PC)

● Mechanical Services
 ● Switching Services
 ● Transload/Warehouse Services

Interchanges - Track miles 380

UP - Coffeyville, Winfield, Tulsa, Neodesha
 BNSF - Winfield, Tulsa, Columbus
 KO - Pittsburg
 KO - Wichita
 SS - Tulsa
 PC - Tulsa

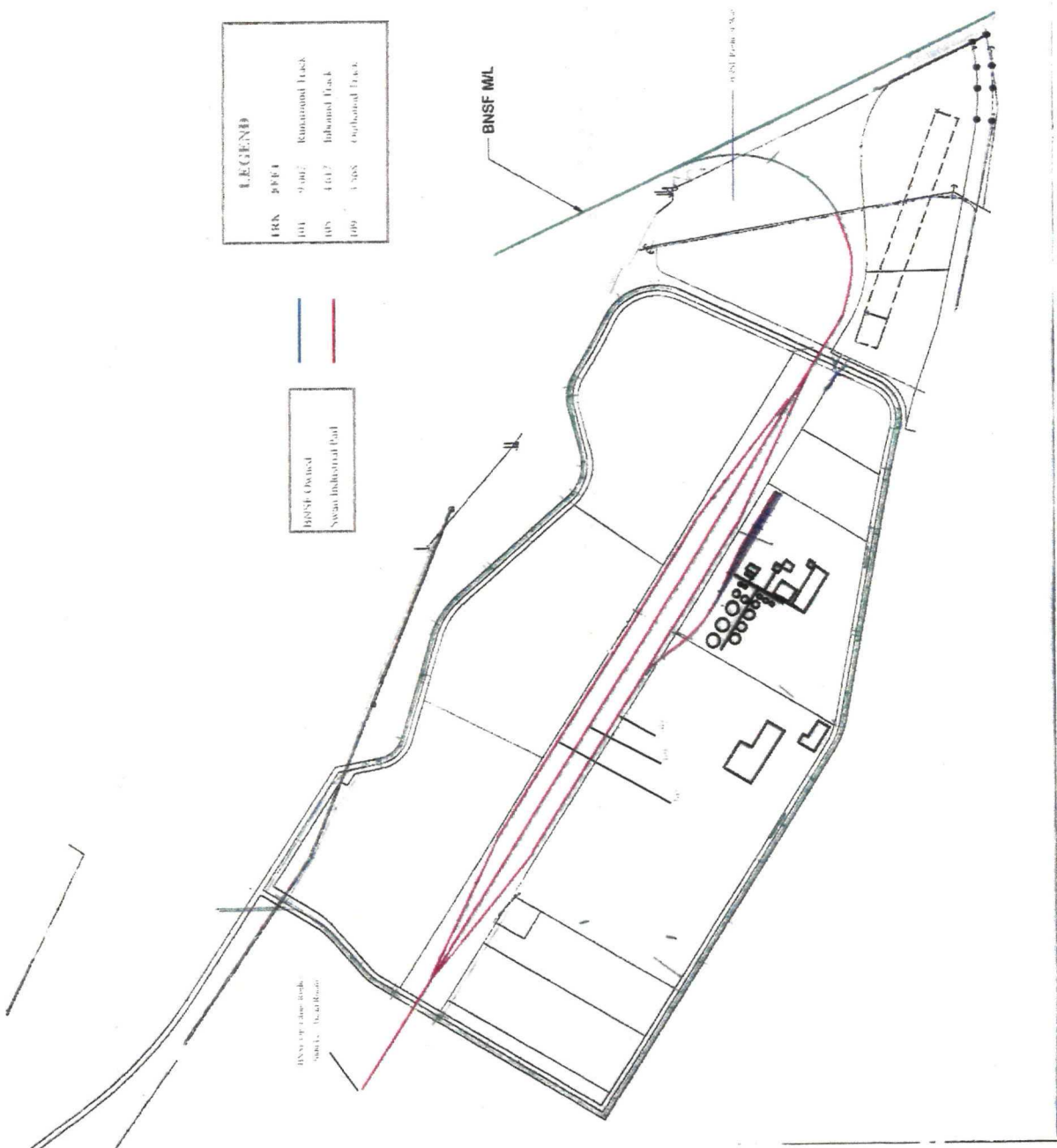


LEGEND:

Stillwater Central Railroad (SLWC)
 Stillwater Central Trackage Rights
 South Kansas & Oklahoma RR (SKOR)
 Sand Springs RR (SS)
 Grainbelt Corporation (GNBC)
 ● Mechanical Services
 ● Switching Services
 ○ Transload/Warehouse Services

Interchanges - Track miles 265.4

BNSF - Oklahoma City, Pawnee, Sapulpa,
 Snyder, Altus
 FRAC - Altus
 GNBC - Snyder
 SKOR - Tulsa
 UP - Oklahoma City



Swan Ranch Railroad LLC



LEGEND:

Timber Rock RR (TBR)

Interchanges - Track miles 168

BNSF - Tenaha, Silsbee

KCS - DeRidder

SRN - Bessmay

● Mechanical Services

● Switching Services

○ Transload/Warehouse Services

● Port Operations



LEGEND:

Vicksburg Southern RR (VSOB)



Interchanges - Track miles 21

✕ - Vicksburg

● Mechanical Services

CANADA



MICHIGAN

WISCONSIN

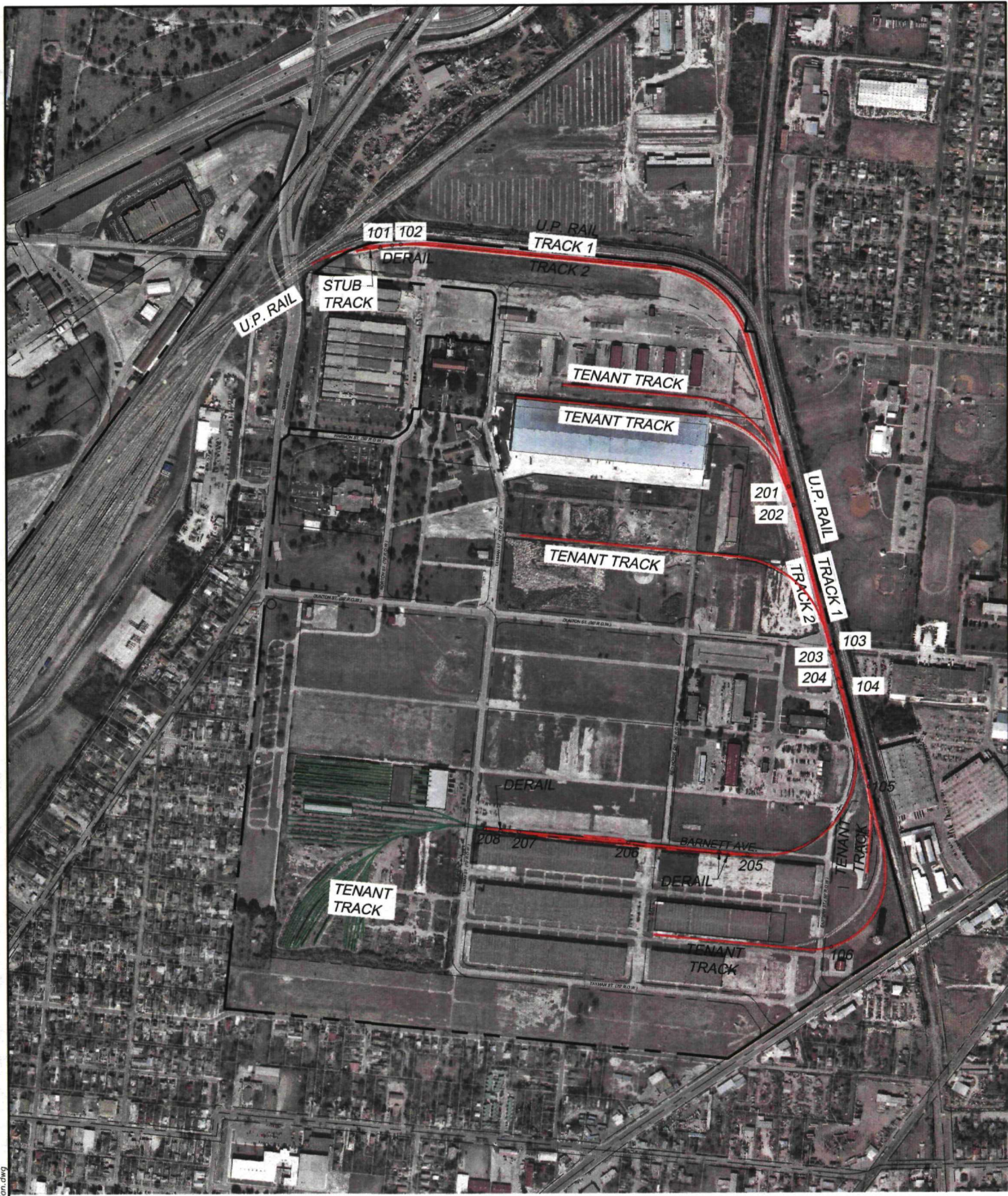
IOWA

ILLINOIS

Wisconsin & Southern Railroad Co.
Wisconsin & Southern Railroad Co.
Trackage Rights

CN
BNSF
Union Pacific
Other Short Lines

Date: Mar. 09, 2012 11:13am User: JD: Lowry, Joime
 File: S:\CAD Services\Exhibits\RailPlan.dwg



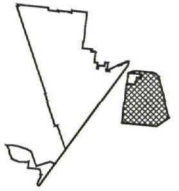
143 BILLY MITCHELL BLVD. STE 6.
 SAN ANTONIO, TX. 78226. 210.362.7800

EAST KELLY RAILPORT RAIL LAYOUT

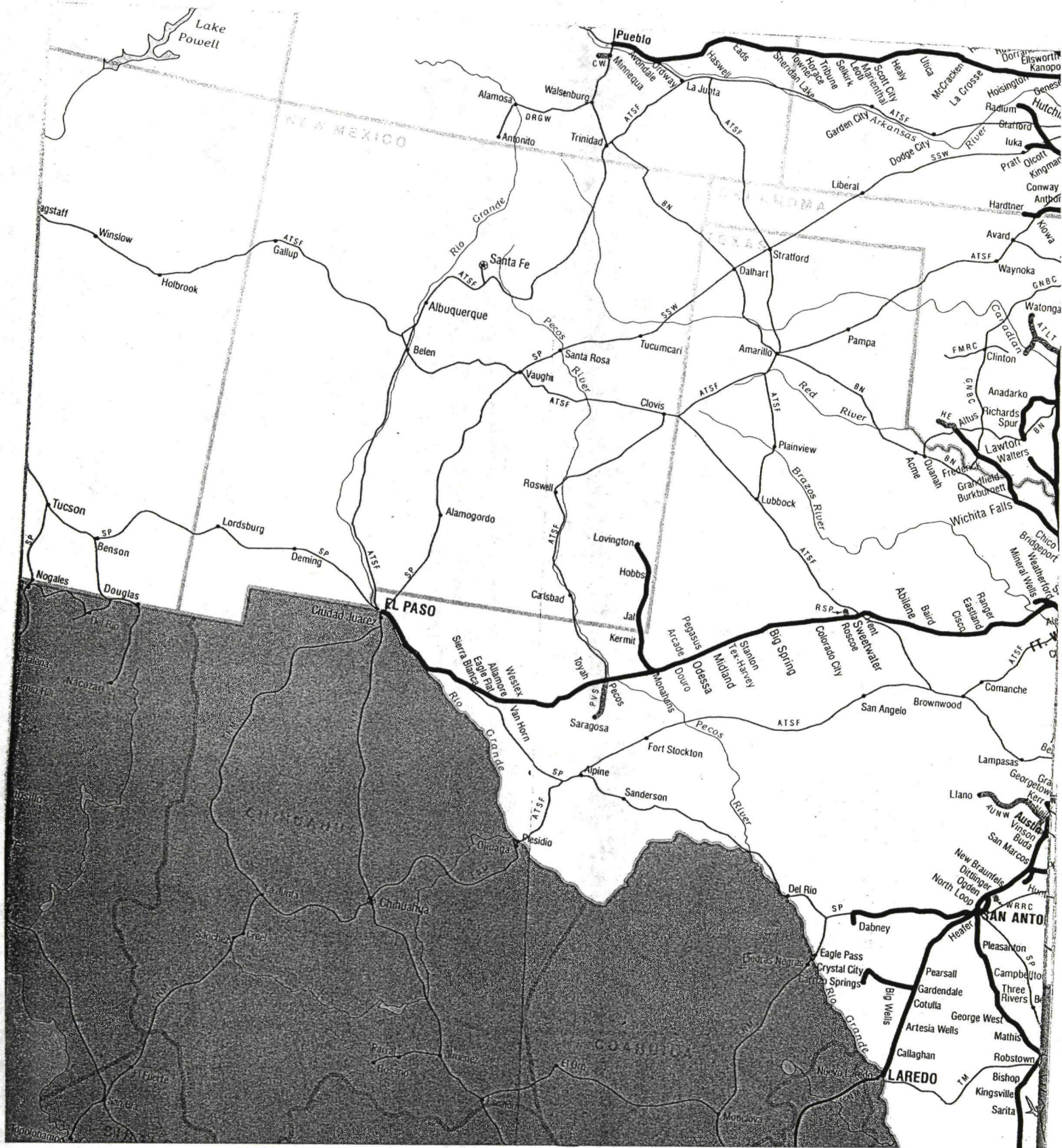


LEGEND:

- PORT RAIL - 22967 LF
- TENANT RAIL LINES
- PROPERTY LINE / R.O.W.
- UNION PACIFIC RAIL LINES
- RAIL SWITCH
- △ DERAIL



KEYMAP:



PECOS VALLEY PERMIAN RAILROAD, L.L.C.
d/b/a PECOS VALLEY SOUTHERN RAILWAY COMPANY