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FILED

FEB 9 2005

February 9, 2005



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TO: BICE
FROM: CHARLIECHIL

BY HAND DELIVERY

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

Re: Finance Docket No. 34654, Watco Companies – Continuance In Control
Exemption – Appalachian & Ohio 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 two checks 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.

Sincerely,

Karl Morell

ENTERED
Office of Proceedings

FEB 10 2005

Part of
Public Record

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34654

WATCO COMPANIES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
APPALACHIAN & OHIO 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: February 9, 2005

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34654

WATCO COMPANIES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
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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 Appalachian & Ohio Railroad, Inc. ("AO"), a non-carrier, upon AO'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 ten (10) Class III railroads operating in eleven States. Watco also owns 100 percent of the issued and outstanding stock of AO. AO, a West Virginia corporation, is a non-carrier that was formed for the purpose of leasing certain rail lines owned by CSX Transportation, Inc. ("CSXT"). Concurrently with the filing of this Notice of Exemption, AO is filing a Notice of Exemption in STB Finance Docket

No. 34653, *Appalachian & Ohio Railroad, Inc. – Lease and Operation Exemption – CSX*

Transportation, Inc., under 49 C.F.R. § 1150.31, to lease and operate certain CSXT rail lines.

Upon consummation of the transaction in STB Finance Docket No. 34653, AO 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"), the Kaw River Railroad, Inc. ("KRR"), and the Mission Mountain Railroad, Inc. ("MMT"). SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR and MMT are Class III carriers which operate rail lines in eleven States.

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

Also, the involved transaction is not part of a series of anticipated transactions that would connect the rail lines being leased by AO with any railroad in the Watco corporate family.

Finally, neither AO 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 Applicants are as follows:

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

Appalachian & Ohio Railroad, 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 March 25, 2005.

- (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 eleven 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.

MMT's lines are located in Montana.

Upon leasing the CSXT rail lines, AO will lease and operate rail lines in West Virginia.

(6) Map.

Maps illustrating the rail lines of SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR and MMT and the rail lines to be leased by AO 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 AO.

Because SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR and MMT are Class III carriers and AO will become a Class III rail carrier upon the lease of the rail lines from CSXT, 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 AO 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 AO 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,

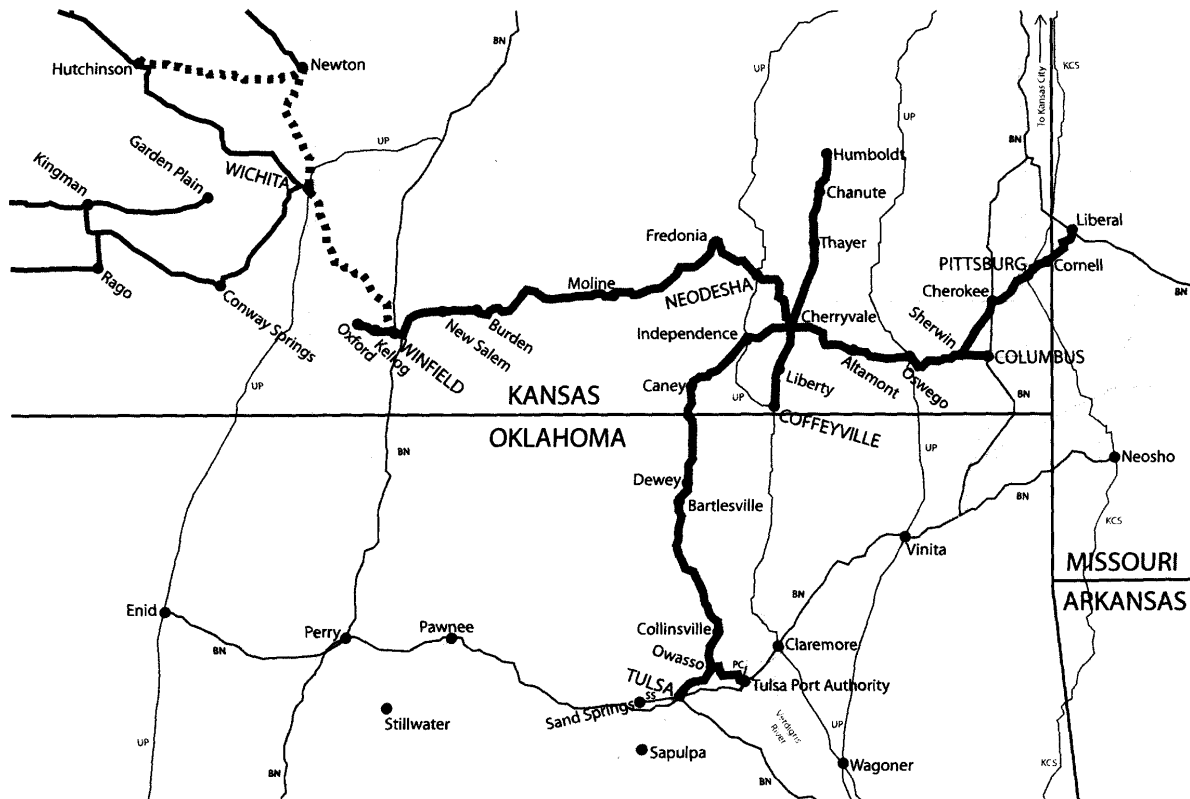


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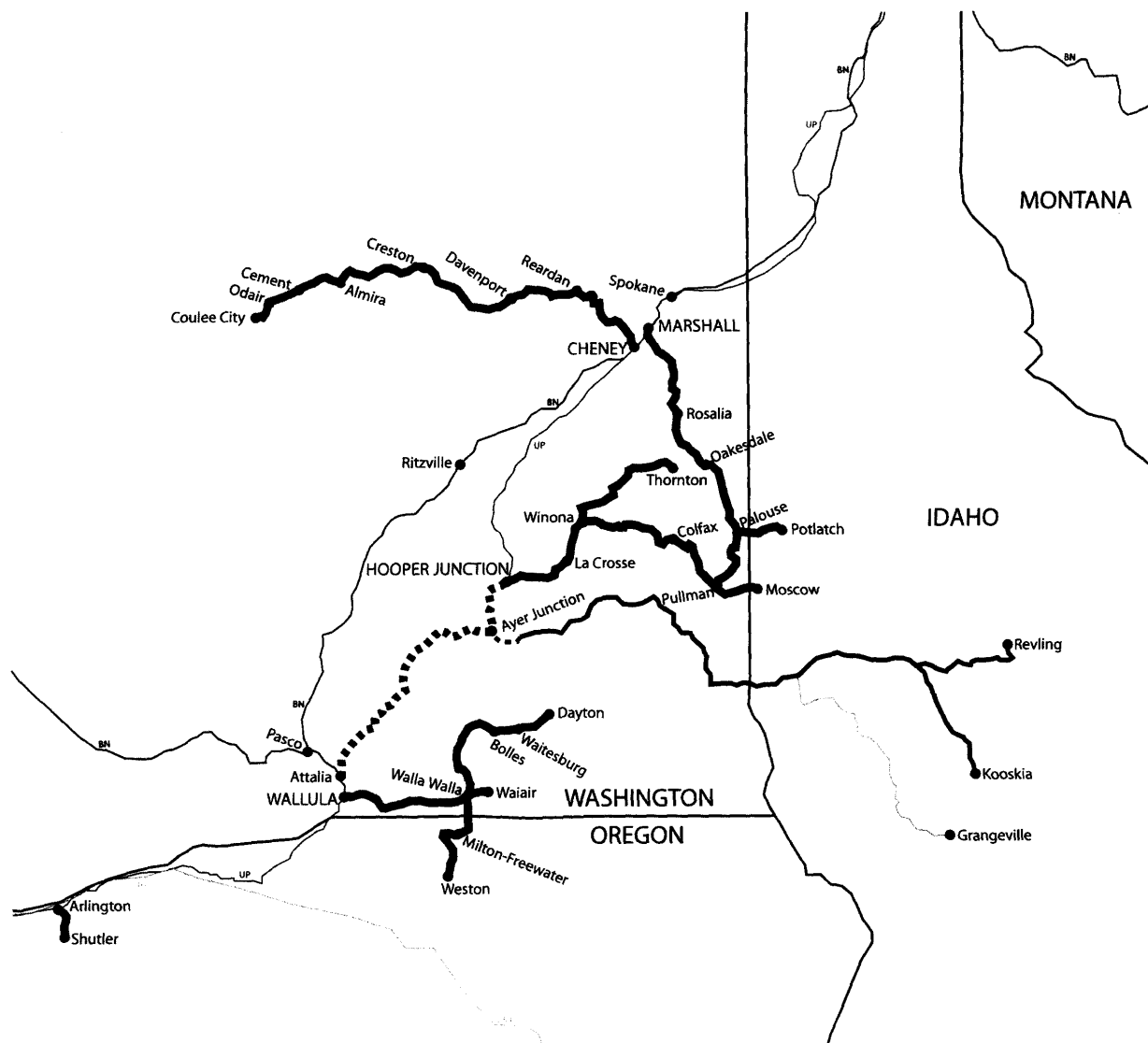
Attorney for:
WATCO COMPANIES, INC.

Dated: February 9, 2005

EXHIBIT 1



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



LEGEND:

Palouse River & Coulee City RR (PCC) 

Palouse River & Coulee City Trackage Rights 

Great Northwest RR (GNW) 

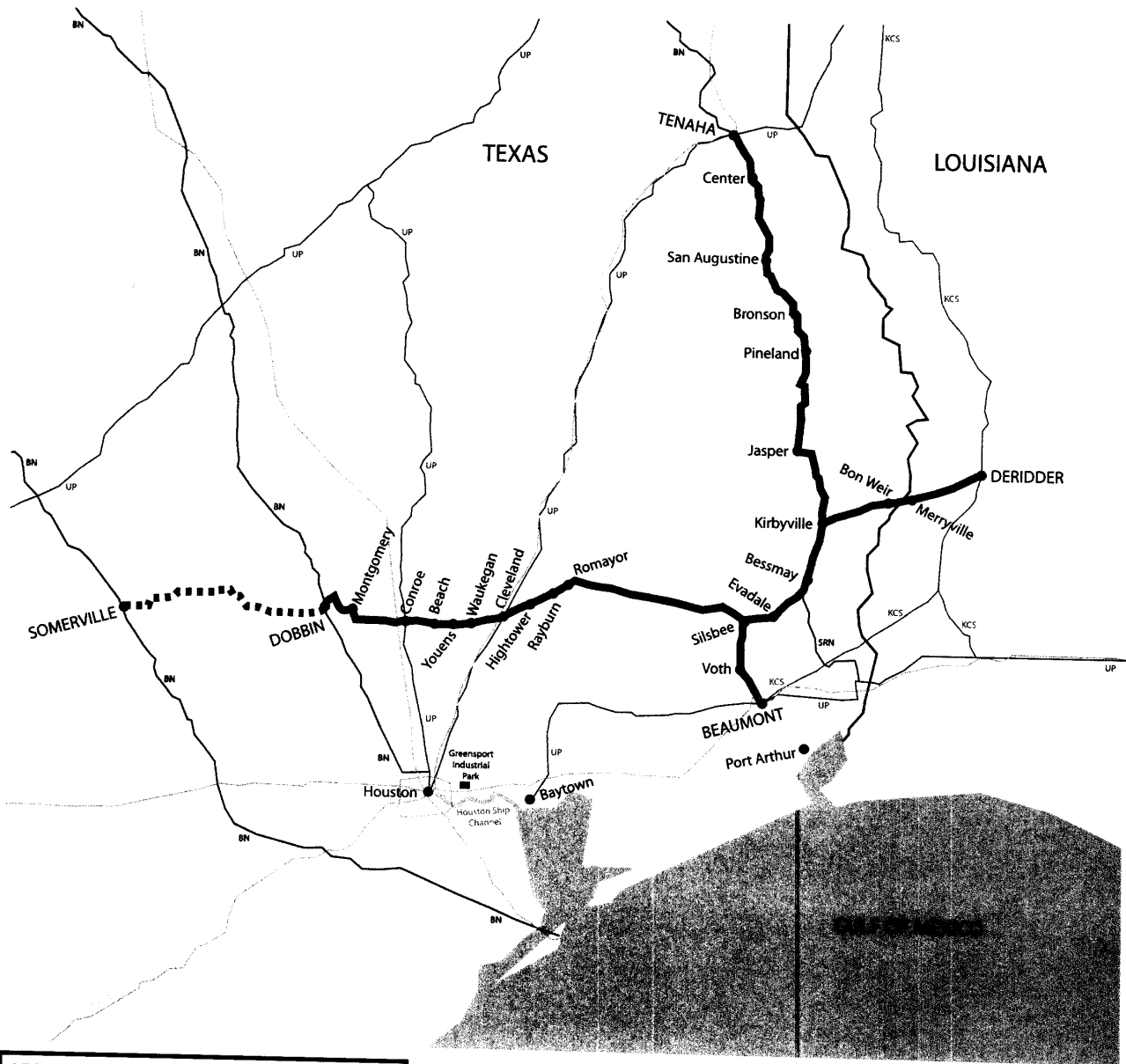
Great Northwest Trackage Rights 

BG & CM Railroad 

Interchanges

UP - Hooper Junction, Wallula

BNSF - Cheney, Marshall



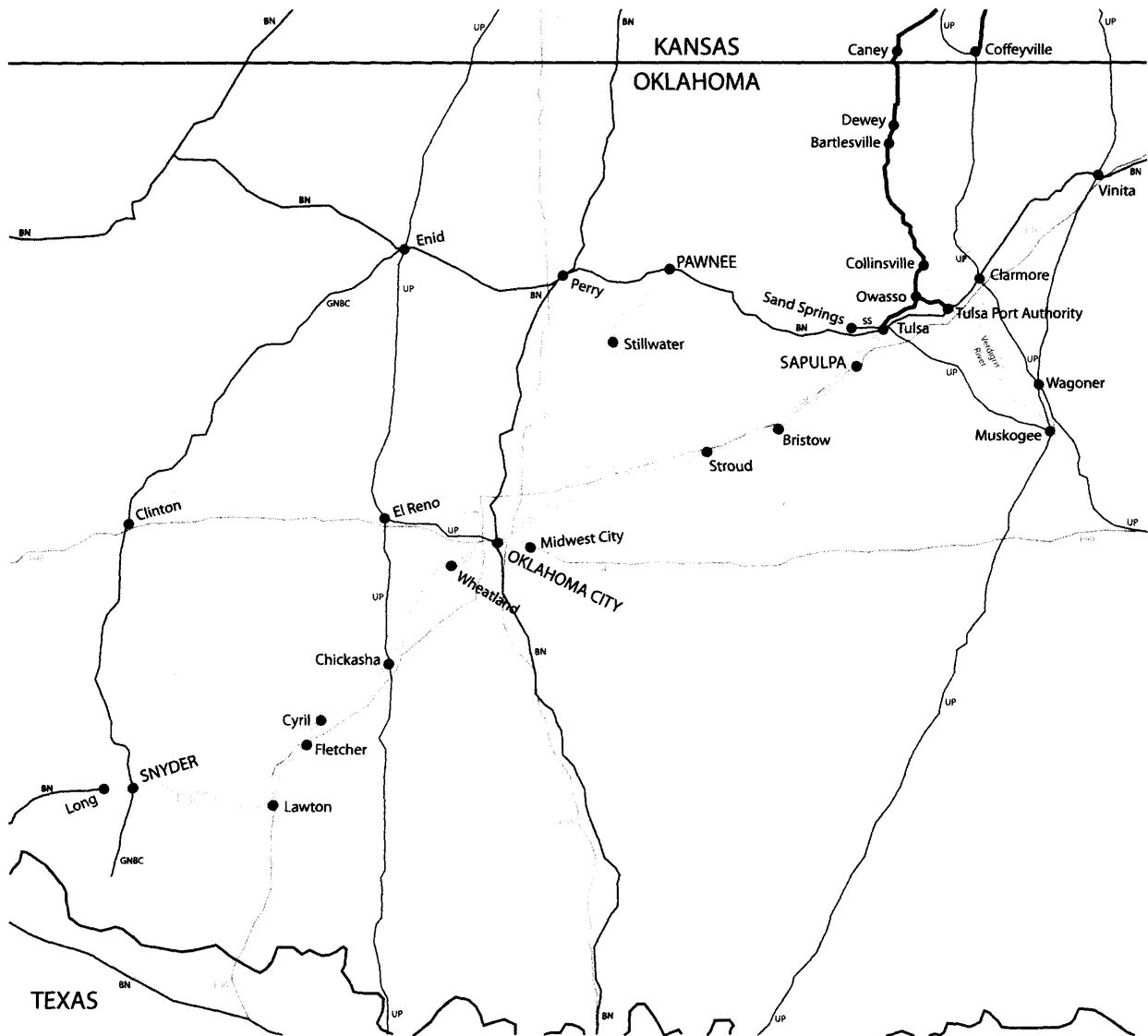
LEGEND:

Timber Rock RR (TIBR)
 Timber Rock Trackage Rights



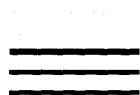
Interchanges

BNSF - Tenaha, Beaumont, Somerville, Dobbin
 KCS - DeRidder



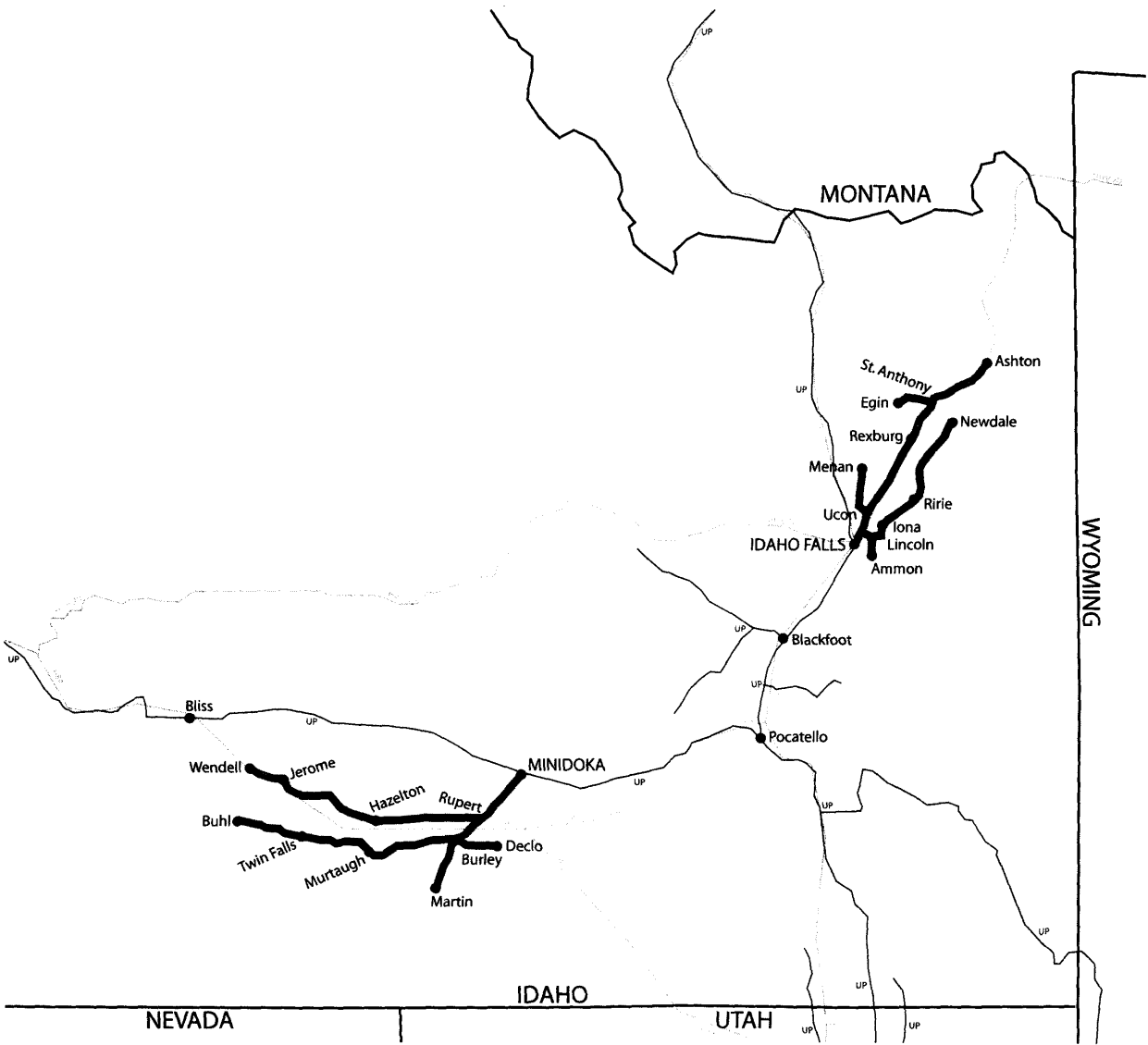
LEGEND:

Stillwater Central Railroad (SLWC)
 Stillwater Central Trackage Rights
 South Kansas & Oklahoma RR (SKOL)
 Sand Springs RR (SS)
 Grainbelt Corporation (GNBC)



Interchanges

UP - Oklahoma City
 BNSF - Pawnee, Sapulpa, Oklahoma City, Snyder
 GNBC - Snyder

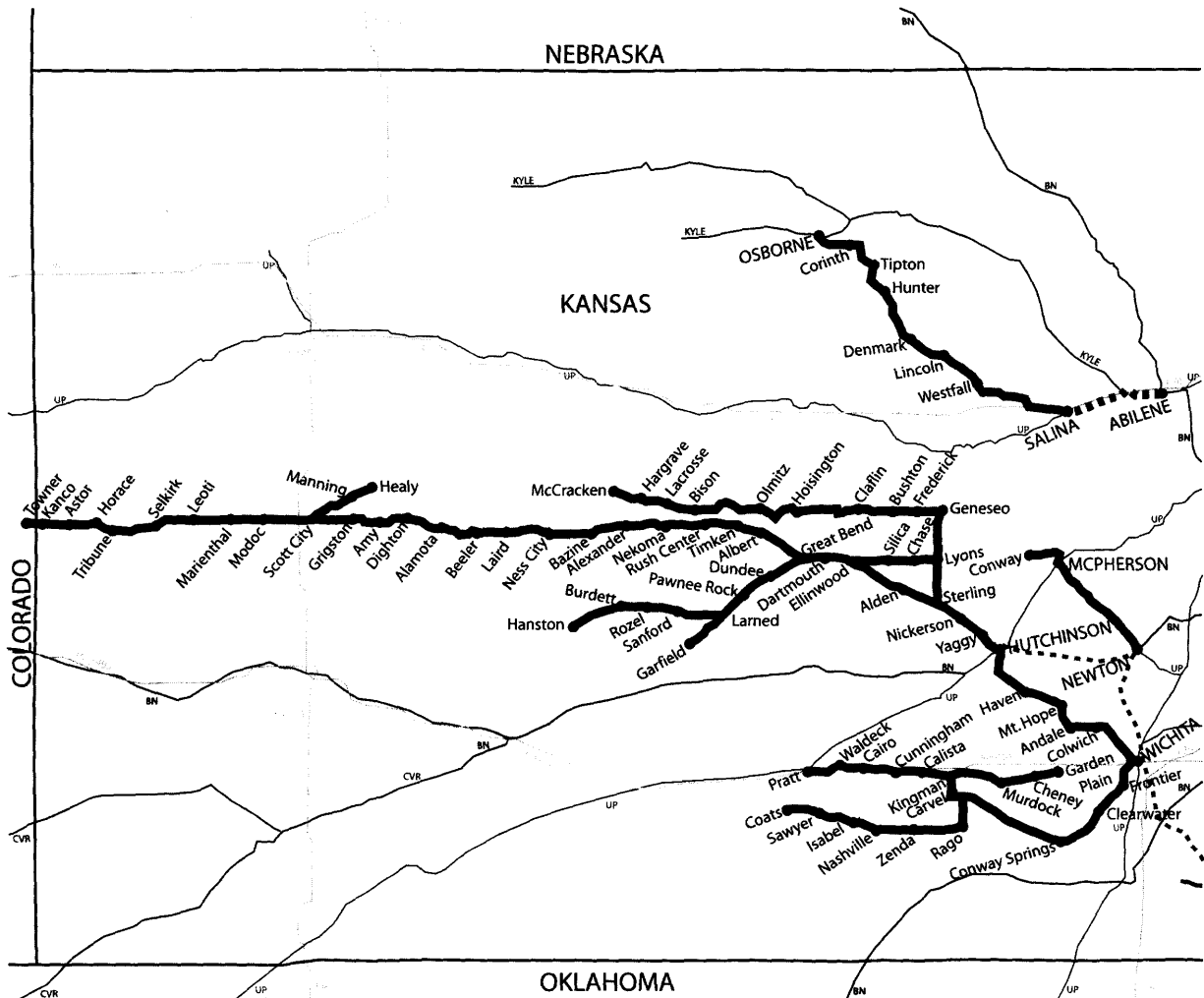


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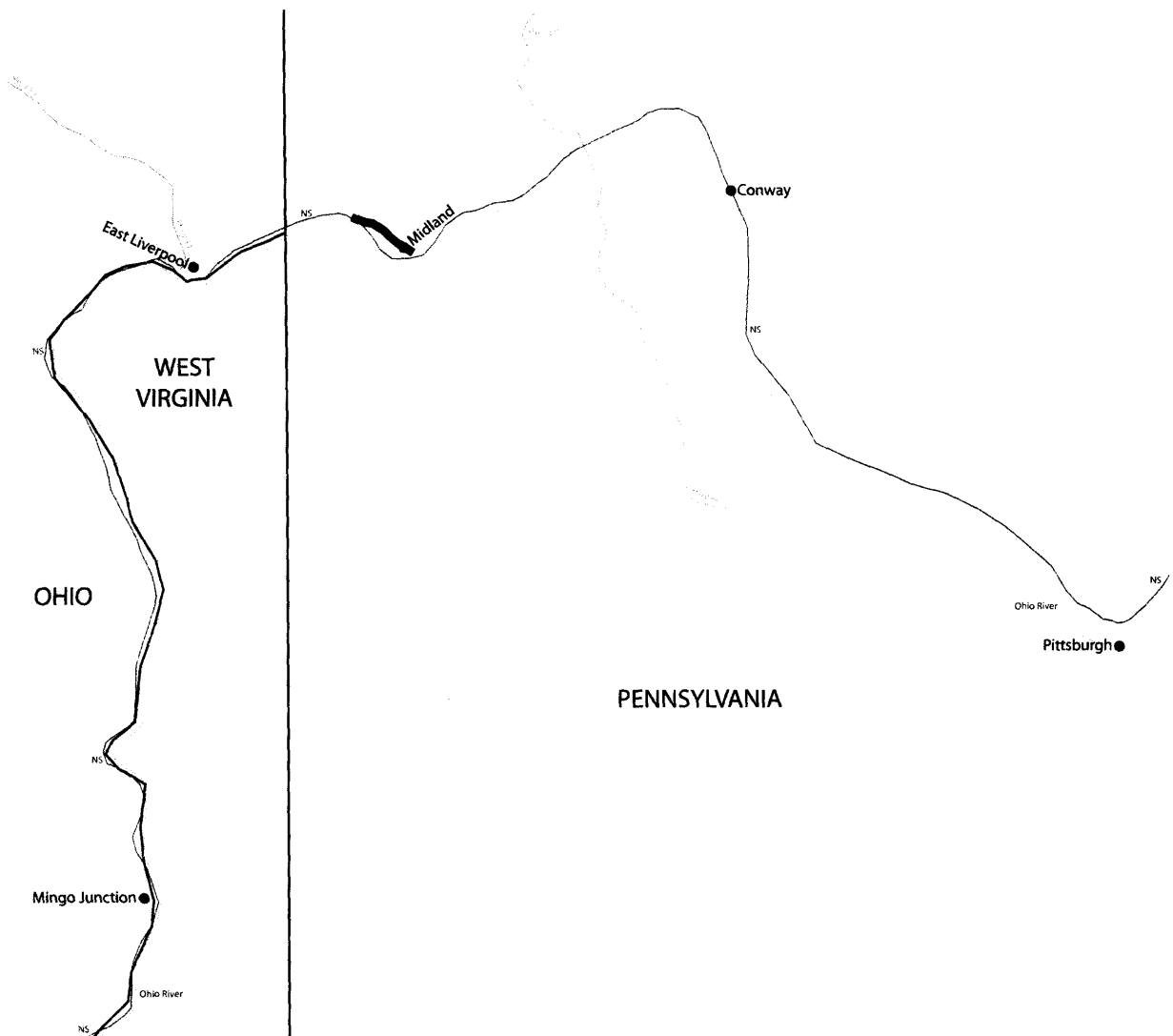
Eastern Idaho RR (EIRR) 

Interchanges

UP - Minidoka, Idaho Falls

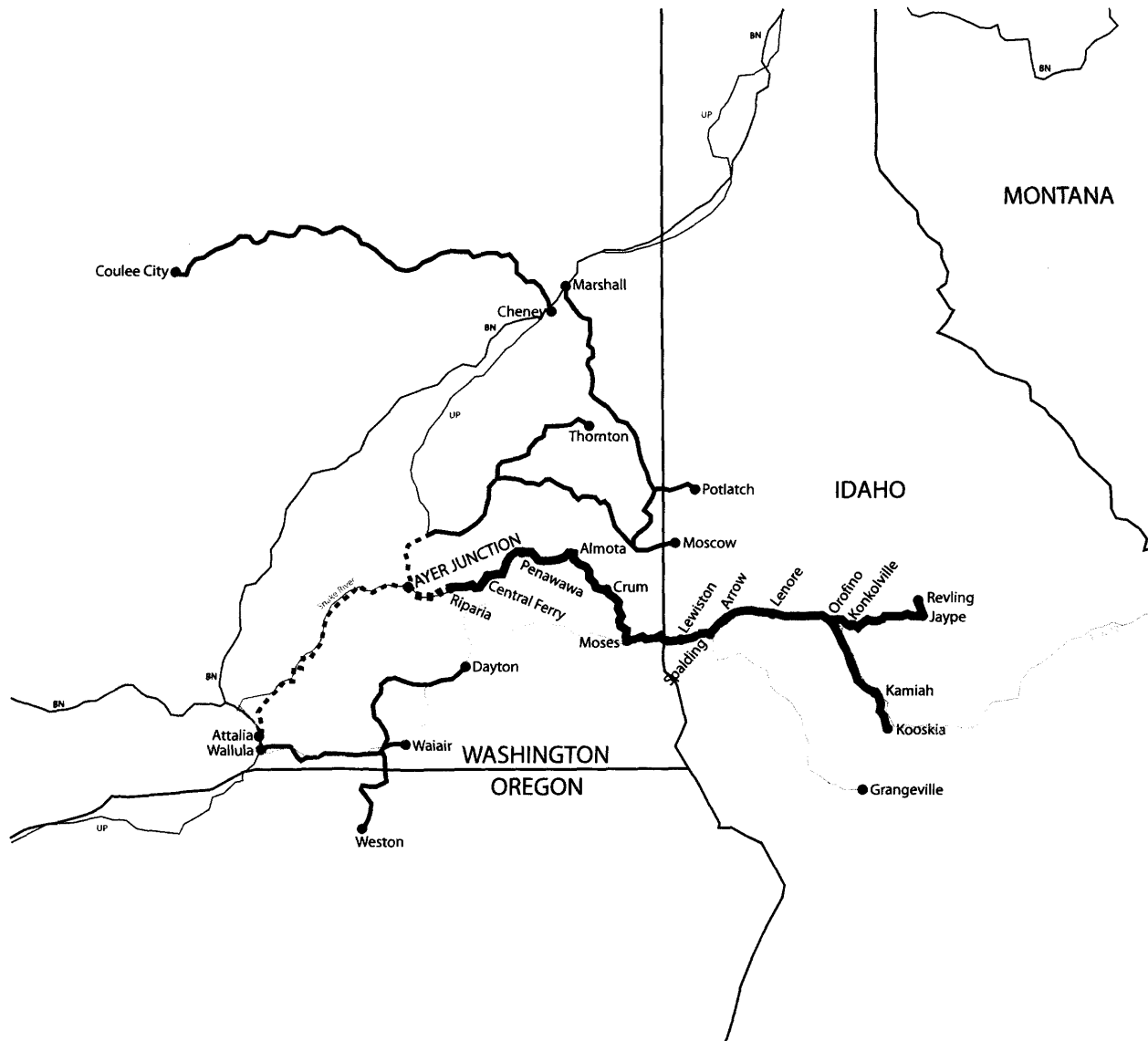


LEGEND:	
Kansas & Oklahoma RR (KO)	
Kansas & Oklahoma Trackage Rights	
South Kansas & Oklahoma RR (SKO)	
South Kansas & Oklahoma Trackage Rights	
Kyle Railroad (KYLE)	
Cimmaron Valley Railroad (CVR)	
Interchanges	
UP - Hutchinson, McPherson, Salina, Wichita	
BNSF - Abilene, Hutchinson, Newton, Wichita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



LEGEND:
Pennsylvania Southwestern RR (PSWR)

Interchanges
NS - Midland

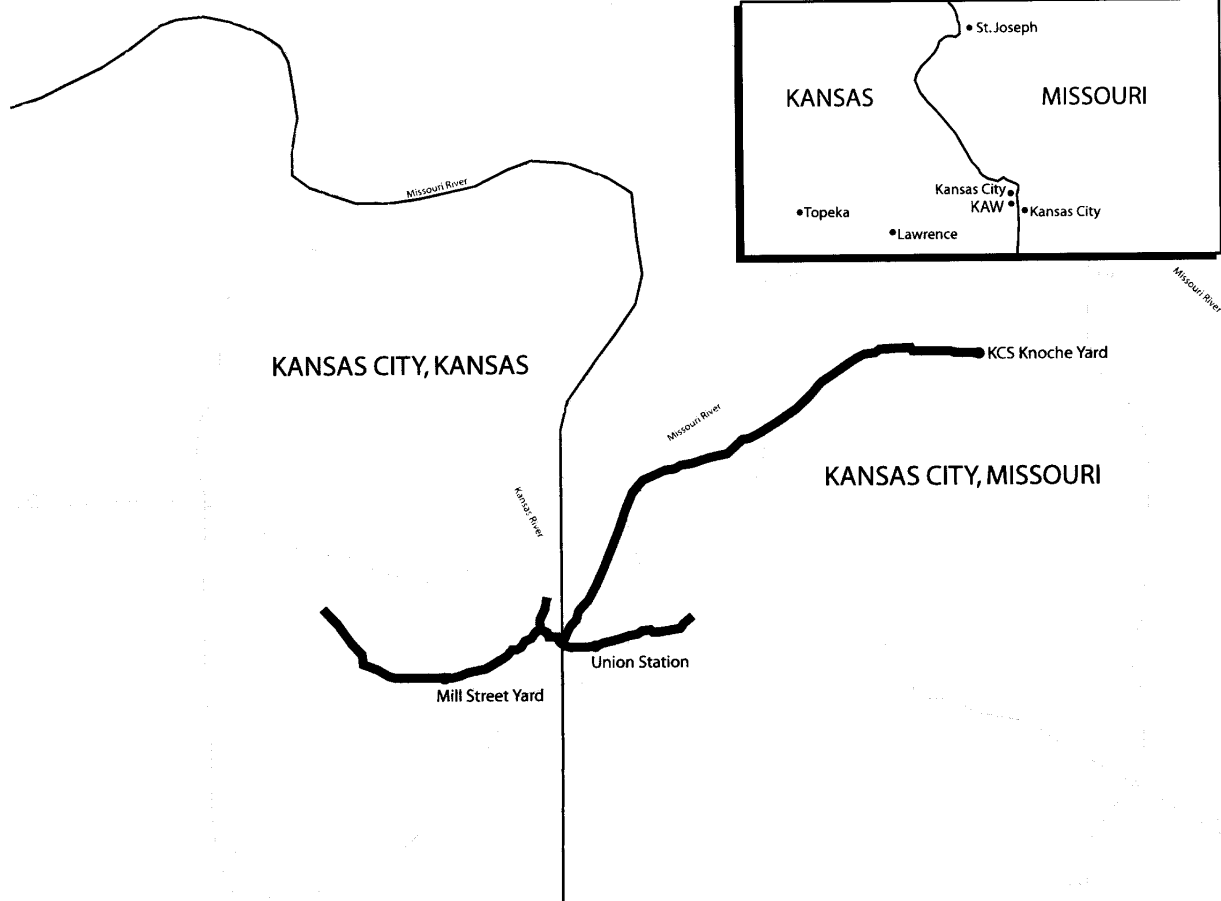


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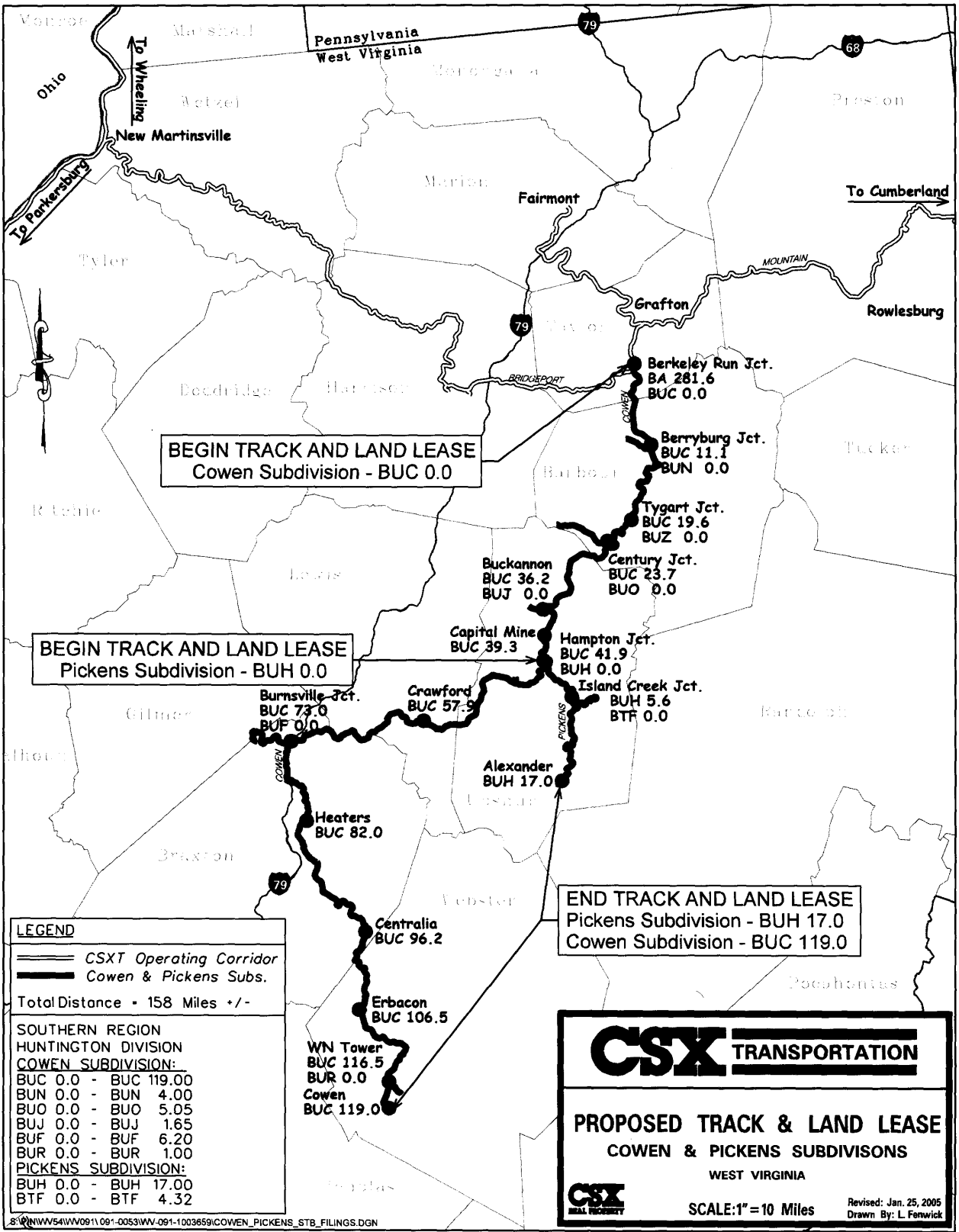
Great Northwest RR (GNW)	
Great Northwest Trackage Rights	
Palouse River & Coulee City RR (PCC)	
Palouse River & Coulee City Trackage Rights	
BG & CM Railroad	

Interchanges

- UP - Ayer
- BNSF - Ayer



LEGEND:
KAW River Railroad (KAW) 
Kansas City
Interchanges
BN - Kansas City
KCS - Kansas City
UP - Kansas City



VERIFICATION

STATE OF KANSAS

)

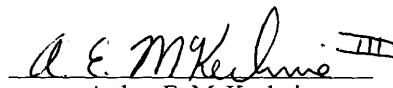
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ss.

COUNTY OF CRAWFORD

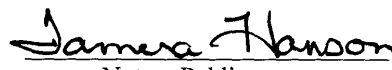
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I, Arthur E. McKechnie III, being duly sworn depose and state that I am Executive Vice President of Watco Companies, Inc., that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted 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 8th day of February, 2005, in the County of Crawford, State of Kansas.

My Commission Expires: 11-12-2008


Notary Public