



NEWS

FOR IMMEDIATE RELEASE

Contact: Julie Fortman
620-235-9692
jfortman@watcocompanies.com

South Kansas and Oklahoma Railroad Imposes Traffic Embargo

PITTSBURG, KANSAS – July 2, 2007 – An embargo has been issued on nearly 250 miles of the South Kansas and Oklahoma Railroad (SKOL). The embargo is a result of flood waters from the recent heavy rains in the area. The SKOL is a wholly-owned subsidiary of Watco Companies, Inc. (Watco)

The embargo includes traffic to and from all SKOL stations in Kansas except between Pittsburg and Columbus, and Pittsburg and Hallowell. The interchange with the BNSF at Columbus and the KCS interchange in Pittsburg are both open. In Oklahoma, the embargo includes all stations north of and including Dewey. Service from and including Bartlesville, Okla., south to Tulsa has not been impacted and daily switching service will continue for those Customers. The BNSF and the UP interchanges in Tulsa are open.

Teams have been trying to reach flooded areas today to evaluate damage, but many areas are still not accessible. At least 15 miles of the railroad are still underwater and 300 railcars, on both railroad and customer properties, are at least partially submerged. Severe bridge damage has been confirmed at the Neosho River in Oswego, Kan., and also at the Verdigris River in Fredonia, Kan. Both of these bridges are also underwater. Many smaller bridges are also damaged.

-- more --

“We are in the early stages of evaluating damage to the SKOL and will be continuing the embargo on a day-to-day basis,” said Ed McKechnie, Chief Commercial Officer. “Our primary effort at this point is to ensure the safety of our employees as we work to get the railroad back up and running. We have another 10 miles of the railroad west of Fredonia, that as of this point we have been unable to inspect due to it being inaccessible.”

The hardest hit areas of the SKOL include Oswego, Kan., west to Winfield, Kan., including the towns of Coffeyville, Neodesha, Chanute, Humboldt and Fredonia; and from Cherryvale, Kan., south to Dewey, Okla., including the town of Independence, Kan. Many counties in which the SKOL operates have been declared in a State of Disaster Emergency by Governor Kathleen Sebelius.

Teams are waiting for waters to recede so more evaluation can be done and they expect to find additional damage. At this time, it is estimated that service will not be restored until the end of the week, dependent on when the water recedes, as some rivers have not crested.

Watco’s railcar repair shop in Neodesha, Kan., is also underwater and will be out of service until next Monday. At this time an inspection team is expected to assess the damage to the shop on Thursday, July 5.

Watco Companies, Inc. (Watco), a Pittsburg, Kansas, based company, operates 16 railroads in 14 states including the Alabama Southern, Arkansas Southern, Eastern Idaho, Great Northwest, Kansas and Oklahoma, Kaw River, Louisiana Southern, Mission Mountain, Mississippi Southern, Palouse River and Coulee City, Pennsylvania Southwestern, South Kansas and Oklahoma, Stillwater Central, Timber Rock, Vicksburg Southern and Yellowstone Valley Railroads. Watco also operates industrial switching locations and mechanical and locomotive shops across the United States and is the owner of Millennium Rail, Inc. (MRI), a fully-integrated provider of repair and maintenance services to the rail industry. MRI operates eight car repair shops across the United States. More information about Watco and MRI can be found on their website at www.watcocompanies.com.

###