



Gene L. Shire
General Director
Labor Relations

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Mr. P.W. Tibbit
General Chairman UTU
P.O. Box 3069
Temple, TX. 76504

November 16, 2006

Dear Mr. Tibbit,

This letter shall serve to confirm our understanding as to the application of guarantee to employees with San Antonio, Texas as their home terminal.

It is the intent of the parties to compensate employees who are working in train service, with San Antonio, Texas as the home terminal, guarantee that is not subject to offset by the so-called "step rate," or "rate progression" (entry rates). Stated another way, we intend that all employees working with San Antonio, Texas as their home terminal shall be paid guarantee at the 100% rate.

It is further understood that we are entering into this arrangement in order to preserve the so-called San Antonio Shuttle Agreement. In the event the San Antonio Shuttle Agreement is cancelled or otherwise extinguished, this understanding will likewise extinguish. Conversely, in the event this agreement is cancelled or otherwise extinguished, the San Antonio Shuttle Agreement will likewise automatically extinguish.

As I said to you during our conversation of even date, Compensation Systems will be able to adjust payment to the affected employees by making a cash adjustment in the subsequent pay period. What this means is that the affected employee will initially be paid guarantee based upon the applicable entry rate. Subsequent to Compensation Systems closing the current payroll period, the difference between guarantee paid and what should have been paid had the employee been at the 100% shall be calculated. That difference shall then be paid, as a cash adjustment, on the following payroll period. In anticipation of this arrangement being acceptable to the United Transportation Union, I have made the change effective today, November 16, 2006.

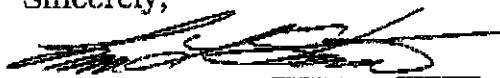
This arrangement is being entered into due to unique and challenging circumstances in place at San Antonio. It is therefore made without prejudice to the position of either party as to the appropriate application of any

agreement provision, and shall not be referenced as setting any manner of precedent, in or to any forum, under any circumstances.

Finally, this understanding is subject to automatic cancellation, consistent with the provisions of third paragraph of this letter, by either party serving a 30-day cancellation notice on the other party.

If you are agreeable to the terms outlined above, and are satisfied that they accurately reflect the intent of the parties, please affix your signature in the space provided below, returning a fully executed copy to the undersigned.

Sincerely,



General Director

I AGREE:



General Chairman