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September 2, 2011

Ms. Victoria Rutson
Chief
Office of Environmental Analysis
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423

Re: Tongue River Railroad Company, Inc.

Dear Ms. Rutson:

This letter will update you on current plans of the Tongue River Railroad Company, Inc. ("TRRC") with respect to construction of the Tongue River Railroad line and TRRC's related views on a Programmatic Agreement.¹

The new owners of the TRRC have determined that they will not, in the reasonably foreseeable future, construct the portion of the TRRC line south of the Ashland/Otter Creek area. Instead, TRRC will concentrate on moving forward toward the construction of the line between Miles City and the Ashland/Otter Creek area, i.e., the *TRRC I* portion of the line. In that regard, the southern terminus of the line that the owners currently plan to construct would likely be the same as the southern terminus point specified in the *TRRC I* proceeding, although the question of whether there might be some modest variation in the terminus point (albeit within a corridor previously approved for construction) is currently under review.

In light of the above, TRRC proposes that the STB and other signatory and consulting parties to the current Programmatic Agreement move forward toward scheduling a meeting at an

¹ TRRC has recently filed with the Board an amended Four Month Report that contains additional information about the transaction involving the three new owners of the TRRC line, including restrictions imposed by that transaction on construction of the line in certain areas. A copy of that filing is attached for your convenience.

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early date for the purpose of advancing toward the goal of a new PA that is limited to the Miles City to Ashland portion of the line. In that regard, TRRC would agree to include in that PA a provision that would reflect the understanding that TRRC would not construct the portion of the line south of the Ashland/Otter Creek area unless and until a further PA for that section of the line is negotiated and agreed at some future point. It merits note that the Wolf Mountains battlefield site of special interest to the signatory and consulting parties to the PA is located on the portion of the TRRC line south of the Ashland/Otter Creek area.

TRRC stands ready to move forward with the PA process on the above basis. In that regard, we have copied this letter and the attached amended Four Month Report to the other PA signatory agencies and to the National Park Service, and assume that your office will forward these documents to the PA consulting parties.

We look forward to answering any questions that you might have.

Sincerely,



David H. Coburn
Attorney for Tongue River Railroad Company, Inc.

cc: Cathy Glidden
Evelyn Kitay, Esq.
U.S. Army Corps of Engineers
Bureau of Land Management
U.S. Department of Agriculture, Agricultural Research Service
Advisory Council on Historic Preservation
Montana State Historic Preservation Office
Montana Department of Natural Resources and Conservation
National Park Service

Enc.

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Finance Docket No. 30186 (Sub.-No.2)

**TONGUE RIVER RAILROAD COMPANY, INC. --
CONSTRUCTION AND OPERATION – ASHLAND TO DECKER, MONTANA**

**AMENDED FOUR MONTH REPORT OF
TONGUE RIVER RAILROAD COMPANY, INC.**

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(202) 429-3000

Attorneys for Tongue River Railroad
Company, Inc.

August 29, 2011

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Finance Docket No. 30186 (Sub.-No.2)

**TONGUE RIVER RAILROAD COMPANY, INC. --
CONSTRUCTION AND OPERATION – ASHLAND TO DECKER, MONTANA**

**AMENDED FOUR MONTH REPORT OF
TONGUE RIVER RAILROAD COMPANY, INC.**

Tongue River Railroad Company, Inc. (“TRRC”) hereby submits this amended four month report, updating the status report that it submitted to the Board on July 8, 2011 with respect to various related proceedings and the transaction reported previously.¹

The Surface Transportation Board (“Board”) served its decision in STB Finance Docket No. 30186 (Sub-No. 3) on October 9, 2007 granting the application of Tongue River Railroad Company, Inc. (“TRRC”) to construct and operate a 17.3-mile rail line known as the Western Alignment in Rosebud and Big Horn Counties, Montana. The decision became effective on November 8, 2007.

Certain parties sought judicial review of the Board’s decision by filing petitions for review in the U.S. Court of Appeals for the Ninth Circuit. Briefs have been filed and the case was orally argued before the Court on July 11, 2011. A decision remains pending.

Northern Plains Resource Council (“NPRC”) and Mark Fix filed a Petition to Reopen the Board’s decisions in Finance Docket Nos. 30186, 30186 (Sub No. 2) and 30186 (Sub No. 3) on

¹ The submission of status reports every four months is required by the Board’s November 8, 1996 order in Finance Docket No. 30186 (Sub No. 2).

July, 26, 2010. The Petition was opposed by TRRC. On June 15, 2011, the Board issued a decision denying the Petition to Reopen. On July 25, 2011, NPRC and Mr. Fix jointly filed a Petition for Reconsideration of the STB's June 15 decision denying their Petition to Reopen. On August 25, 2011, TRRC filed a reply in opposition to the Petition for Reconsideration. A decision on the Petition for Reconsideration remains pending.

TRRC has continued to engage in the Programmatic Agreement process with the Board. A meeting was held in Rapid City, South Dakota, on June 21 – 23, 2011. An additional meeting originally planned for early August has been delayed until a date to be determined.

On July 1, 2011, all of the stock of Tongue River Railroad Company, Inc. was sold to Tongue River Holding Company, LLC ("TRR Holding"), a Delaware limited liability company, in which BNSF Railway Company holds a 33⅓ % membership interest; Arch Coal, Inc. holds a 33⅓ % membership interest; and TRR Financing, LLC ("TRR Financing"), a Delaware limited liability company controlled by Mr. Forrest E. Mars, Jr., holds a 33⅓ % membership interest. Under the terms of the agreement between the owners establishing TRR Holding, the approval of TRR Financing (or its designee, successors or assigns) is required before any construction or certain pre-construction activities for the TRRC line may take place in the area defined by red shading on the attached map. This approval right remains in place regardless of whether TRR

Financing remains an owner of TRR Holding, and will remain binding on any new owners or successors of TRR Holding.

Respectfully,

A handwritten signature in blue ink, appearing to read "Betty Jo Christian".

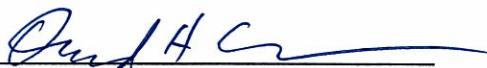
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Attorneys for Tongue River Railroad
Company, Inc.

August 29, 2011

CERTIFICATE OF SERVICE

I hereby certify that on this 29th day of August, 2011, a copy of the foregoing document was served via first class mail, postage prepaid, on all parties of record.

A handwritten signature in blue ink, appearing to read "David H. Coburn", is written over a horizontal line.

David H. Coburn