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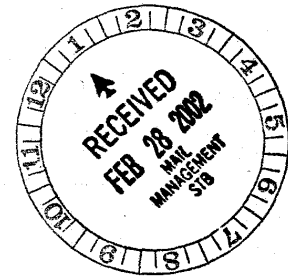
February 28, 2002

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Chairman Linda J. Morgan
Office of Chairman
Surface Transportation Board
1925 K Street, N.W., Suite 820
Washington, D.C. 20423-0001



Re: Docket Nos. 38302S and 38376S;
Investigation and Suspension Docket No. 9205

204866

Dear Chairman Morgan:

In our letter dated November 30, 2001, we proposed to report by the end of February on the status of settlement negotiations. We are pleased to inform you that, subject to final approvals, Union Pacific and the government parties have reached an agreement in principle and expect to present it to the Board during the second quarter of this year.

Sincerely,

Jane P. Schlaifer (JMH)
Jane P. Schlaifer,
Counsel for the United States
Department of Energy

Mike Hemmer
J. Michael Hemmer,
Counsel for the Railroad Defendants

Robert N. Kittel (JMH)
Robert N. Kittel,
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Department of Defense

Stephen C. Skubel (JMH)
Stephen C. Skubel,
Assistant General Counsel
for Federal Litigation

cc: Vice Chairman Wayne O. Burkes
Nancy Wilson, AAR