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Office of the Secretary
MAR 15 2002
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Public Record

March 8, 2002



Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001

RE: Finance Docket 30186 (Sub No. 2), Tongue River
Railroad Co.--Rail Construction and Operation--
Ashland to Decker, Montana

Dear Mr. Williams:

I am submitting, on behalf of the Tongue River Railroad Company, an original and ten copies of our four-month progress report for the latest four-month period, pursuant to the Surface Transportation Board's favorable decision served November 8, 1996 in FD 30186 (Sub-No. 2).

Very truly yours,

Thomas E. Ebzery
Attorney for the
Tongue River Railroad Company

TEE/lms
Enc.
cc: Parties of Record

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of March, 2002, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record:

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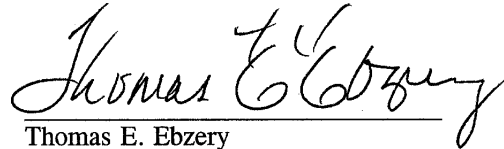
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A handwritten signature in cursive script, reading "Thomas E. Ebzery". The signature is written in dark ink and is positioned above a horizontal line.

Thomas E. Ebzery
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TONGUE RIVER RAILROAD COMPANY

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Four-Month Report to the Surface Transportation Board

March 8, 2002

1. Surface Transportation Board - Regulatory Proceedings

The Tongue River Railroad Company has before the Surface Transportation Board ("Board") an application seeking authority to construct and operate the "Western Alignment" in Rosebud and Big Horn counties. The Western Alignment is proposed as an alternative routing for the southernmost 17.3-mile portion of the 41-mile Ashland to Decker rail line. In addition, the application includes proposals to modify certain portions of the previously approved rail line running between Ashland and Miles City, Montana. The regulatory process relating to the Tongue River Railroad Company's Western Alignment application remains pending.

The Tongue River Railroad Company is carefully reviewing the Surface Transportation Board's decision approving the construction and operation of the Dakota, Minnesota & Eastern Railroad's ("DM&E") 280-mile rail line into the Powder River Basin of Wyoming and to rebuild and upgrade 598-miles of existing rail lines in Minnesota and South Dakota. The Board approved the DM&E construction and operation application on January 28, 2002. Tongue River Railroad Company is reviewing the DM&E decision to ascertain the implications of the Board's decision in DM&E to the pending Tongue River Railroad Company application. The Board's decision in the DM&E proceedings recognizes the importance of providing competitive, efficient and improved rail service from the Powder River Basin to the marketplace. The Tongue River Railroad Company alignment will offer the three surface coal mines located near Decker, Montana, southern Powder River Basin coal traffic moving via Gillette, Sheridan, Huntley and Miles City, as well as new coal mine tonnage originating from the Ashland, Montana area with these efficiencies.

The Draft Supplemental EIS to be prepared by the Board's Section of Environmental Analysis will incorporate a focused review of the EIS documents prepared in the previous approvals of

Tongue River I and Tongue River II. The Draft Supplement will build from the Environmental Impact Statements prepared for Tongue River I and Tongue River II and utilize and incorporate information independently obtained through the third party contractor. The Draft Supplemental EIS will examine the analyses completed in Tongue River I and Tongue River II to consider whether circumstances have changed such as to warrant an update of the previous environmental impact analyses.

2. Secondary Approvals

State and federal agencies responsible for granting approvals and easements secondary to the Board's approval have been granted cooperating agency status to the Board's proceedings in Tongue River III. The three cooperating agencies are the Montana Department of Natural Resources and Conservation, the U.S. Department of Interior, Bureau of Land Management, and the U.S. Army Corps of Engineers. The Montana Department of Natural Resources and Conservation is acting as the lead agency for a number of state agencies, including the Montana Department of Fish, Wildlife & Parks and the Montana Department of Environmental Quality.

The SEA will have conducted extensive agency consultation in addition to the consultation with the cooperating agencies. Some of the agencies consulted include EPA, USFWS, SHPO and ACHP. Even though the Tongue River Railroad would not cross the Northern Cheyenne Reservation, SEA will have conducted Native American consultation and potential impact evaluation on the Native American communities, particularly the Northern Cheyenne.

The Draft Supplement EIS is to include a review of environmental issues raised by the cooperating agencies to aid the agencies in fulfilling their regulatory responsibilities and functions, and to avoid duplicative environmental analysis. The Draft Supplemental EIS is to be released to the public before the cooperating agencies will act on secondary approvals and easements filed by the Tongue River Railroad Company with the agencies.

3. Relationship with Burlington Northern Santa Fe

The Burlington Northern Santa Fe Railroad continues to support the development and operation of the Tongue River Railroad. The Burlington Northern Santa Fe and the Tongue River Railroad Company are maintaining communications regarding the projects development. In addition, the parties have continued discussions relative to the market, project economics and an agreement between the parties.

4. Engineering and Design

Final engineering and design efforts remain on hold pending completion of the Draft Supplemental Environmental Impact Statement and secondary approvals.

5. TRRC Ownership Structure

As reported previously, Tongue River Railroad Company, Inc. is a Delaware corporation, whose sole shareholder is Tongue River Railroad Company, a Montana limited partnership. Transportation Properties LLP, a limited liability partnership, is the general partner in Tongue River Railroad Company, while Tongue River Holdings Inc., a Montana corporation, is the limited partner. WesRail, Inc., a corporation and wholly owned subsidiary of Wesco Resources, Inc., retains full ownership of Transportation Properties. WesRail continues its efforts with potential investors in the Tongue River Railroad project.