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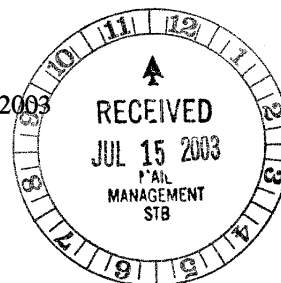
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Public Record

July 8, 2003



208390

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 July, 2003, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record:

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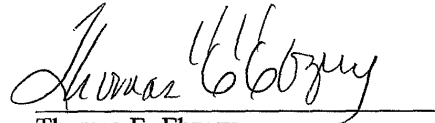
Hon. Judy Martz, Governor
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A handwritten signature in cursive script, reading "Thomas E. Ebzery", written over a horizontal line.

Thomas E. Ebzery
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TONGUE RIVER RAILROAD COMPANY

Four-Month Report to the Surface Transportation Board

July 9, 2003

1. Surface Transportation Board - Regulatory Proceedings

The Tongue River Railroad Company has before the Surface Transportation 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 approved by the Surface Transportation Board ("Board") in 1996 ("Tongue River II"). In addition, the TRRC application includes proposals to modify certain portions of the rail line running between Ashland and Miles City, Montana approved by the Interstate Commerce Commission in 1986 ("Tongue River I"). The Tongue River Railroad Company alignment will serve the three surface coal mines located near Decker, Montana, as well as new mine production originating from the Ashland, Montana area and the Otter Creek area of southeastern Montana.

A Draft Supplemental EIS is to be prepared by the Board's Section of Environmental Analysis pursuant to the filed application incorporating a focused review of the EIS documents prepared in the previous approvals of Tongue River I and Tongue River II. The Draft Supplement will incorporate the Environmental Impact Statements prepared for Tongue River I and Tongue River II and information independently obtained through a third party environmental contractor.

The TRRC submitted a letter to the Board on December 19, 2002 requesting the Section of Environmental Analysis ("SEA") to resume the environmental work on the project. Further, on January 17, 2003, the TRRC filed a Petition for Leave to File Supplemental Evidence with the Board.

On March 10, 2003, the Board issued a decision granting TRRC's Petition for leave to file supplemental evidence and TRRC's Supplemental Evidence was filed on May 1, 2003.

Petitions for reconsideration filed by the NPRC and UTU were denied by the Board on May 19, 2003.

On March 26, 2003, the Board published an Amended Notice of Intent to prepare a Supplemental to the Final Environmental Impacts Statement and request for comments on the adequacy of the Final Scope of the Supplement dated February 3, 1999. Public comments were filed by Bones Brothers Ranch, U.S. EPA, Montana Environmental Information Center, Beth Kaeding, NPRC and Mark Fix, and TRRC's response was filed on June 2, 2002.

2. Secondary Approvals

The Draft Supplement will be developed in consultation with three agencies that have been granted cooperating agency status. 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, Montana Department of Transportation, and the Montana Department of Environmental Quality.

The Draft Supplemental EIS will include an environmental review of issues raised by the cooperating agencies in order for those agencies to fulfill their regulatory responsibilities and obligations, and to avoid duplicative environmental analysis and review.

The SEA and its third party contractor in this proceeding, Public Affairs Management ("PAM"), have commenced discussions with the cooperating agencies in order to define and finalize the scope for completion of the Supplemental DEIS. SEA and PAM together with representatives from the cooperating agencies and accompanied by a representative of TRRC completed a site tour on June 12, 2003 and toured the Miles City Warm Water Fish Hatchery on June 13, 2003. Representatives of the following agencies participated in the site tours: US Department of Interior – Bureau of Land Management; Montana Department of Environmental Quality; Montana Department of Fish, Wildlife & Parks; US Army Corps of Engineers; and, Montana Department of Natural Resources and Conservation.

The SEA and PAM are now in the process of finalizing the scope of the supplemental DEIS to be published in the Federal Register.

3. Relationship with Burlington Northern Santa Fe

The Burlington Northern Santa Fe Railroad continues to support development and operation of the Tongue River Railroad. The Burlington Northern Santa Fe and the Tongue River Railroad Company have maintained communications concerning the project during the reporting period. In addition, the parties have continued discussions relative to upper Midwest utility market demand, the regulatory process, 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. TRRC's engineering consultants will provide support to the environmental review process as the need arises during preparation of the Draft SEIS.

5. TRRC Ownership Structure

There has been no change in TRRC's ownership structure.