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Office of Proceedings

November 10, 2003

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

NOV 12 2003

Part of
Public Record

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).

Please note that a copy of the four-month report has been served only on the Parties of Record identified in the Surface Transportation Board's complete service list served October 3, 2003 and amended in a notice served by the Surface Transportation Board on October 24, 2003. We will continue to serve the four-month report on these parties.

Sincerely,

A handwritten signature in cursive script, reading 'Douglas A. Day'.

Douglas A. Day
Representative for the
Tongue River Railroad Company

Enc.
cc: Parties of record





TONGUE RIVER RAILROAD COMPANY

**Four-Month Report
to the
Surface Transportation Board**

NOV 12 2003

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Public Record**

November 8, 2003

1. Surface Transportation Board - Regulatory Proceedings

The regulatory process associated with Tongue River Railroad Company Inc.'s application seeking authority to construct and operate the "Western Alignment" in Rosebud and Big Horn counties, and its proposal to modify limited portions of the approved rail line between Ashland and Miles City, Montana is underway. The "Western Alignment" is an alternative routing for the southernmost 17.3-mile portion of the 41-mile Ashland to Decker rail line previously authorized by the Board. 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.

The Surface Transportation Board's Section of Environmental Analysis is preparing a draft Supplemental EIS pursuant to the Western Alignment application and the limited modifications to the approved Ashland to Miles City alignment. The draft Supplement will include a focused review of the EIS documents prepared in the previous approvals of Tongue River I and Tongue River II. In addition, the Draft Supplemental EIS will examine the analyses completed in Tongue River I and Tongue River II to determine whether circumstances have changed to warrant an update of the earlier environmental impact analyses.

As previously reported the STB on March 26, 2003 published in the Federal Register an amended notice of intent to prepare a supplemental FEIS and requested public comments on the adequacy of the final scope of the supplement. Subsequently on August 22, 2003, after consideration of public input, the STB published in the Federal Register an "Amended Final Scope of the Supplemental Environmental Impact Statement." The STB's environmental review process is continuing in conformance with the final amended scope of the supplemental EIS.

As previously reported, TRRC on May 1, 2003 filed Supplemental Evidence with respect to the transportation merits of the application. On July 7, 2003 the Board issued an order setting the date for responsive comments or evidence as 40 days following the service by the Board of the new service list in this proceeding. The service list was served by the Board on October 3, 2003, thereby fixing November 12, 2003 as the due date for responsive comments and evidence. The service list was corrected by a subsequent order served by the Board on October 24, 2003. Thereafter, TRRC has certified to the Board that it has filed a copy of the filings made by TRRC on the new parties of record listed in the October 3 and October 24, 2003 service lists.

2. Secondary Approvals

The Draft Supplement will be developed in consultation with three State and federal agencies which have been granted cooperating agency status. These agencies, which are responsible for granting approvals and easements secondary to the Board's approval of the construction and operation of the Tongue River Railroad, 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, the Montana Department of Environmental Quality, and the Montana Department of Transportation. The Draft Supplemental EIS is to 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.

3. Relationship with Burlington Northern Santa Fe

The Burlington Northern Santa Fe Railroad and the Tongue River Railroad Company continue to maintain communications concerning the project. In particular, the parties continue discussions relative to utility market demand, the status of the regulatory review process, and an agreement between the parties.

4. Engineering and Design

Final engineering and design efforts remain on hold pending completion of the STB regulatory proceedings in TRR III and the secondary approvals. TRR design engineer representatives continue to be available to respond to questions or requests for information posed as a result of the environmental review being conducted by the Board's Section of Environmental Analysis and its third party contractor, Public Affairs Management.

5. TRRC Ownership Structure

In a petition filed with the STB on May 1, 2003, the Tongue River Railroad Company (TRRC Partnership) and Tongue River Railroad Company, Inc. (TRRC Inc.) asked the STB to substitute TRRC Inc. for TRRC Partnership as the applicant for authority to construct and operate the Western Alignment rail line between Ashland and Decker, Montana. That petition was granted in a decision served September 2, 2003. The STB had previously authorized TRRC Inc. to acquire the transportation assets of TRRC Partnership to construct and operate the rail lines between Miles City and Decker, MT authorized in Tongue River I and Tongue River II.

As reported previously, Tongue River Railroad Company, Inc. is a Delaware corporation, whose sole shareholder is Tongue River Railroad Company, a Montana limited partnership.

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CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of November, 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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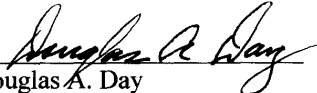
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