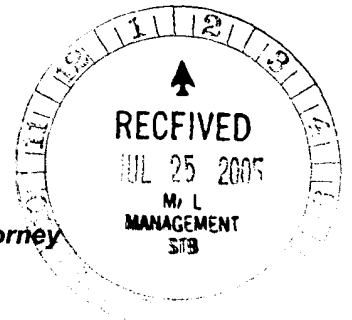




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July 18, 2005

via fax and original and 10 copies by mail

ENTERED  
Office of Proceedings

Honorable Vernon A. Williams, Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, DC 20423-0001

JUL 25 2005

Part of  
Public Record

Re: STB Docket No. AB-290 (Sub-No. 260X), Tennessee Railway Company  
– Abandonment Exemption – Between Oneida, Tennessee and Nicks  
Creek, Tennessee - In Scott County, Tennessee - Petition for Exemption;  
STB Docket No. AB-290 (Sub-No. 259X), Tennessee Railway Company -  
Abandonment Exemption - In Anderson and Campbell Counties, TN

Dear Mr. Williams:

National Coal Corporation (NCC) submitted offers of financial assistance to purchase the railroad lines that are the subject of the above dockets. By decision served July 14, 2005, the Board extended the deadline date for filing of petitions to establish the terms and conditions of a purchase to August 15, 2005.

Tennessee Railway Company (TNR), a wholly-owned subsidiary of Norfolk Southern Railway Company (NSR), previously calculated the total net liquidation value of the subject lines, between Nick's Creek, TN (milepost TE-27.96) and Devonia, TN (milepost TE-42.00) in Sub-No. 259X and between milepost TE-0.95 near Oneida, TN and milepost TE-27.96 near Nick's Creek, TN, at \$4,029,643. In view of the precipitous decline in the price of scrap iron and steel, TNR has recalculated the net liquidation value of the two line segments combined to be \$1,960,501. TNR provided this information to NCC, through its attorney, via e-mail late Friday and has now offered to sell the entire line to NCC for that amount, excluding oil and gas reserves, rights and royalties. TNR is willing to negotiate with NCC for purchase only of the segment that was the subject of Sub-No. 260X if NCC should wish to do so, but in the absence of any indication that NCC wishes to drop its OFA for the segment that was the subject of Sub-No. 259X, TNR sees no reason to continue to divide the price into segments.

The total real estate value of \$358,800, which NCC had not taken issue with, remains the same. However, we reiterate that our calculation of this land value component of net liquidation value excludes oil and gas reserves, rights and royalties,

Honorable Vernon A. Williams  
STB No. AB-290 (Sub-No. 259X)  
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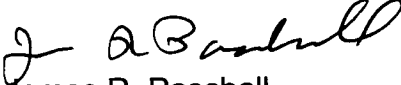
which NCC has not yet specifically acknowledged.

TNR now calculates the value of the 132# rail on the two segments of the Oneida-Devonia line at \$176 per net ton for 132# rail and \$168 per net ton for other track material with turnouts, in large part because of their value for re-use, remaining the same at \$2,000. TNR's revised valuation of the scrap value for the rail and material on the entire 41.05-mile line is \$2,389,056 in lieu of our two original valuations which totaled \$3,670,843.

TNR has also recalculated and updated our track and material removal cost estimate and will now use a removal cost of \$778,360 for removing the track and material on the entire line in lieu of a total of \$721,498 from the earlier valuations. Thus, TNR's net scrap value component of the net liquidation value for the entire line is now \$1,610,696 in lieu of \$2,949,345.

Added to the \$358,800 land value, TNR's revised net liquidation value calculation, and asking price, for the entire 41.05-mile line is thus now \$1,960,501 in lieu of \$4,029,643. This recalculated net liquidation value should narrow the differences between the parties on the purchase price of the line considerably. TNR will negotiate with NCC on the basis of this revised valuation.

Very truly yours,

  
James R. Paschall

Enclosure

cc via fax 202 347-3619 and U.S. mail

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