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November 8, 2006

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).

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,

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

November 8, 2006

1. Surface Transportation Board - Regulatory Proceedings

The Tongue River Railroad Company, Inc. ("TRRC") has before the Surface Transportation Board ("Board") an application in STB Finance Docket No. 30186 (Sub-No. 3) which seeks authority to construct and operate a rail line in Rosebud and Big Horn counties, Montana. The application seeks 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 Board in 1996 ("Tongue River II").

The regulatory process associated with TRRC's application is progressing. The Board issued the Final Supplemental Environmental Impact Statement ("FSEIS") in Finance Docket No. 30186 (Sub-No. 3) on October 13, 2006. The Environmental Protection Agency published notice in the Federal Register on October 20, 2006 of the issuance of the FSEIS. The FSEIS addresses the environmental impacts of the Western Alignment and recommends certain environmental mitigation conditions relating to the construction and operation of the Western Alignment, as well as certain modifications to some of the environmental mitigation conditions imposed in Tongue River I and Tongue River II.

2. Secondary Approvals

The environmental review process was conducted in consultation with three State and federal agencies which were granted cooperating agency status. The cooperating agencies were: the U.S. Army Corps of Engineers; the U.S. Department of the Interior, Bureau of Land Management; and, the Montana Department of Natural Resources and Conservation, acting as lead agency for other Montana state agencies. The FSEIS includes an environmental review of matters raised by the cooperating agencies in order for those agencies to fulfill their regulatory

responsibilities relative to secondary approvals required by the Tongue River Railroad and to avoid duplicative environmental analysis and review. At an appropriate point, Tongue River intends to move forward with applying for the various Secondary Approvals required for the construction of its line, as well as with final engineering for the line.

3. Relationship with the Burlington Northern Santa Fe

The Burlington Northern Santa Fe Railway continues to support development of the Tongue River Railroad project. The Burlington Northern Santa Fe and the Tongue River Railroad Company are maintaining communications concerning the regulatory review process and status, among other matters.

4. TRRC Ownership Structure

There has been no change in the ownership of Tongue River Railroad Company, Inc. since the previous report.

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of November, 2006, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record:

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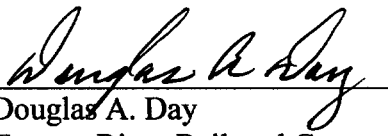
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