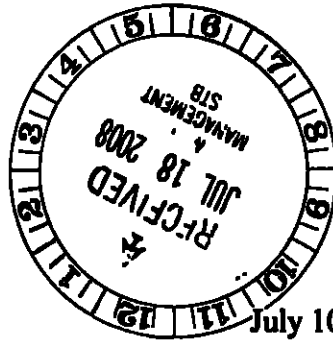




Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001

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

ENTERED
Office of Proceedings
JUL 18 2008
Part of
Public Record

FD 30186

Sub No. 2

TONGUE RIVER RAILROAD COMPANY, INC.

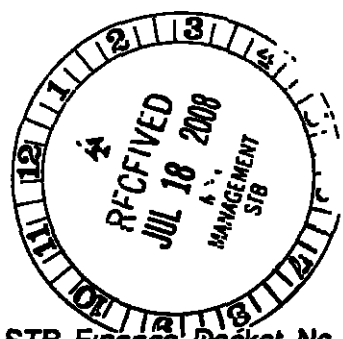
ENTERED
Office of Proceedings

JUL 18 2008

Part of
Public Record

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

July 10, 2008



1. Surface Transportation Board - Regulatory Proceedings

The Surface Transportation Board ("Board") served its decision in STB Finance-Docket No 30186 (Sub-No 3) on October 9, 2007 granting the application of Tongue River Railroad Company, Inc ("TRRC") to construct and operate a 17.3-mile rail line known as the Western Alignment in Rosebud and Big Horn Counties, Montana. The decision became effective on November 8, 2007.

The Board has denied petitions for stay filed by several area landowners and other persons and petitions for reconsideration filed with the Board by several of the same landowners and other persons. Certain other parties have sought judicial review of the Board's decision in the U.S. Court of Appeals for the Ninth Circuit. No briefing schedule has yet been set by the Court of Appeals.

TRRC has reviewed the mitigation measures approved by the Board and is preparing a matrix of the mitigation requirements cross-referenced with engineering and design criteria and requirements, implementation timeframes, and steps necessary to interface with field data collection requirements.

TRRC continues discussions with Montana State Government officials with respect to the regulatory process for acquiring certain state secondary approvals. As previously reported, TRRC submitted to the Montana Department of Fish, Wildlife & Parks ("MFWP") a copy of a report prepared by TRRC consultant, Womack & Associates, Inc., on noise and vibration impacts of the construction and operation of the TRRC line on the Miles City Fish Hatchery ("MCFH"). The report concluded the existing sound pressure levels in the hatchery tanks where pallid sturgeon are raised are higher than introduced levels from either the existing BNSF rail line or the projected TRRC line. Further, the ambient vibration in the tanks at the Hatchery

caused by factors unrelated to railroads in the tanks at the Hatchery is far greater than the vibration that may result from rail operations. The report was submitted on December 12, 2007.

On March 13, 2008, correspondence from MFWP indicated the agency had completed review of the Womack report. MFWP raised questions concerning Mitigation Measures 84 and 85 related to relocation of pipelines and chemical herbicide use. TRRC responded by providing the MFWP with detailed plans that were submitted at a February 5, 2004 meeting which addressed the issues being raised by MFWP. The response was submitted to MFWP on March 31, 2008.

In a letter dated April 29, 2008, TRRC inquired as to the status of correspondence from MFWP in response to the March 31st submission. In addition, the April 29th letter noted that the six month consultation time frame contemplated by STB Mitigation Measure No. 86 would expire on May 8, 2008 and proposed to extend the time frame until June 9, 2008. On May 7, 2008, MFWP proposed to extend the consultation time frame to resolve issues to July 1, 2008. TRRC agreed to extend the time frame until July 1, 2008.

On May 8, 2008, the MFWP transmitted a "very preliminary draft" of an Easement Agreement between MFWP and TRRC for review and comment. TRRC submitted comments to the draft Easement Agreement to MFWP on June 19, 2008. Further, TRRC proposed an extension of the consultation period provided in STB Mitigation Measure no. 86. TRRC is waiting for further input and response from MFWP.

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of July, 2008, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record

Jake DeBoever
Richard Weicher
BNSF Railway Company
Railway Company
P O. Box 961039
2500 Lou Menk Drive 3rd Floor
Fort Worth, TX 76131-2828

JW Boulware
RT 2 Box 3015
Miles City, MT 59301

Betty Jo Christian
Step toe & Johnson LLP
1330 Connecticut Ave , NW
Washington, DC 20036-1795

Jake Cummins
MT Farm Bureau Federation
502 South 19th
Bozeman, MT 59718

Mark Fix
HC 32 Box 4196
Miles City, MT 59301

John Hamilton
Cedar Hills Angus Ranch
HC 32 Box 4356
Miles City, MT 59301

Beth Kaeding
669 Stonegate Drive
Bozeman, MT 59715

Steven Kelley
Northern Cheyenne Tribe
P. O Box 128
Lame Deer, MT 59043

R S Knutson, General Chairman
UTU GO-245
8250 W. 80th Avenue
Units 7 & 8
Arvada, CO 80005

Gordon P. MacDougall
1025 Connecticut Avenue NW
Suite 919
Washington, DC 20036-5444

William R. Musgrave
Musgrave Ranch
P. O. Box 32
Decker, MT 59025

Nancy Owens
P. O. Box 38
Basin, MT 59631-0038

Peter A. Pfohl
Slover & Loftus
1224 Seventeenth Street NW
Washington, DC 20036-3003

Joe Arvizu Rodriguez
P. O. Box 820
Lame Deer, MT 59043

Gary Ryder
P. O. Box 72
Hysham, MT 59038

Kathryn M. Schenk
Chief, Regulatory Branch – US Army Corps
of Engineers
106 S. 15th Street
Omaha, NE 68102

Jack R. Tuholske
P. O. Box 7548
234 East Pine Street
Missoula, MT 59807

John F. Wardell
EPA Region 8 Montana Office
10 West 15th Street, Suite 3200
Helena, MT 59626

Irv Alderson
Bones Brothers Ranch
P. O. Box 505
Birney, MT 59012

Jeanie Alderson
Bones Brothers Ranch
P. O. Box 505
Birney, MT 59012

Mr. and Mrs. Richard J. Anderson
Tongue River HC 32
Miles City, MT 59301

Rep. Norma Bixby
P. O. Box 1165
Lame Deer, MT 59043

William P. Carrel
FL Ranch
7 Red Bluff Loop
Birney, MT 59012

Marilyn Fortune
T Triangle Ranch
HC 32
Miles City, MT 59301

Art Hayes Jr.
Brown Cattle Co.
P. O. Box 517
Birney, MT 59012

Les Hirsch
HC 32 Box 4311
Miles City, MT 59301

Ted Hirsch
HC 32 Box 4741
Miles City, MT 59301

Nellie Israel
P. O. Box 76
Joliet MT 59041

Patrick Landers
HC 32 Box 4731
Miles City MT 59301

Terry Punt
Bones Brothers Ranch
P. O. Box 505
Birney, MT 59301

T. L. Ungricht
UTU-Wyoming State Legislative Board
1659 Highland Ave
Sheridan, WY 82801

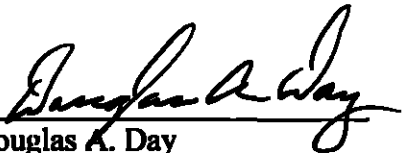
Stephen Valentine III
Hill House
P. O. Box 547
Birney, MT 59012

Lonnie J. Wright
Diamond Cross Ranch
P. O. Box 70
Big Horn, WY 82833-070

Member of Congress
Honorable Conrad Burns
United States Senate
Washington, DC 20510

Member of Congress
Honorable Max Baucus
United States Senate
Washington, DC 20510

Honorable Barbara Cubin
US House of Representatives
1114 Longworth House Office Building
15 Independence Avenue, S.E
Washington, DC 20515


Douglas A. Day
Tongue River Railroad Company
2280 Grant Road, Suite B
Billings, MT 59102