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March 10, 2004

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

March 10, 2004

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1. Surface Transportation Board - Regulatory Proceedings

The regulatory process associated with Tongue River Railroad Company Inc.'s application before the Surface Transportation Board is continuing. In the application, TRRC seeks authority to construct and operate the "Western Alignment" in Rosebud and Big Horn counties, and to modify limited portions of the approved rail line between Ashland and Miles City, Montana. 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 authorized by the Board in 1996.

A draft Supplemental EIS is being prepared by the Board's Section of Environmental Analysis pursuant to the Western Alignment application filed with the Board. The draft Supplemental EIS will include a focused review of the EIS documents prepared in the previous approvals of Tongue River I and Tongue River II. The Draft Supplemental EIS will also 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 analyses.

The STB's environmental review process is continuing in conformance with the final amended scope of the supplemental EIS published in the Federal Register on August 22, 2003.

2. Secondary Approvals

The Draft Supplement is being developed in consultation with three State and federal agencies which have been granted cooperating agency status. The agencies are responsible for granting approvals and easements secondary to the Board's approval of the construction and operation of the Tongue River Railroad. As noted previously the cooperating agencies are the Montana Department of Natural Resources and Conservation, acting as the lead agency for a number of state agencies, the U.S. Department of Interior, Bureau of Land Management, and the U.S. Army Corps of Engineers. 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 to avoid duplicative environmental analysis and review.

3. Relationship with Burlington Northern Santa Fe

The Burlington Northern Santa Fe Railroad continues to support development and operation of the Tongue River Railroad project. The BNSF and TRRC have maintained communications during the reporting project. These communications relate in particular to utility market demand, the regulatory review process status, potential operating scenarios, and the elements of 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

There has been no change in TRRC's ownership since the previous report.

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of March, 2004, a copy of the foregoing document was served via first class mail, postage prepaid, to the following Parties of Record:

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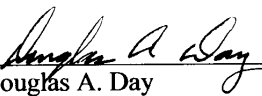
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