

***Wesco Resources, Inc.***  
***Billings, Montana***

***Madison Resources LLC \* CoalMont LLC***  
***Tongue River Railroad Company, Inc.***

35 years in developing natural resources:  
Coal  
Oil and gas

Relationships with many worldwide energy  
companies.

## CoalMont LLC

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- | Formed to acquire and develop coal reserves in the Ashland and Otter Creek areas.
- | New investment in Montana.
- | New coal mines.
- | New jobs.
- | Broader education revenue base.

## Tongue River Railroad Company, Inc.

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- | New transportation to an estimated 3.7 billion tons of coal reserves in southeastern Montana.
- | Mine spur to Otter Creek Tracts.
- | Millions of dollars invested.
- | Construction, operation and maintenance jobs.

## Otter Creek Tracts

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- In 1996 Wesco initiated legislative efforts in collaboration with the White House, the Governor of Montana and the Congressional Delegation to advance the transfer of approximately 530 million tons of Federal coal ownership to the State of Montana.
- In 1998 Federal legislation passed to enable the conveyance to Montana (HR2107).
- Final transfer to Montana was completed in 2002.

## The Citizens of Montana own Coal in the Otter Creek Tracts

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- | Located near Ashland, Montana
- | Low sulfur “compliant coal”
- | Approximately 600 million tons (including the State School Sections)
- | Royalties from coal production go to the Common School Trust Fund for the benefit of K-12 education.
- | Will be served by the Tongue River Railroad.

## Tongue River Railroad (TRR) is Permitted

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- | In May 1986 a permit was issued to the TRR to construct a rail line from Miles City to Ashland.
- | In 1996 a permit was issued to the TRR to construct a rail line from Ashland to Spring Creek.
- | Subsequent to 1996 the BNSF suggested alignment modifications that are currently being reviewed by the Surface Transportation Board (STB).
- | Anticipated alignment modifications should be permitted in the near future.

## Why have the TRR?

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- | New coal mines will want to ship to utility and other markets in the Upper Midwest, the East and the Pacific Northwest.
- | New coal-fired electrical generation and other projects will need flexibility in siting facilities.
- | Interconnects the existing BNSF system at both the north and the south ends.
- | Reduction of 340 miles round-trip to Upper-Midwest.

# Otter Creek Energy Project Initiatives

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- | Wesco, Bechtel and Kennecott Energy working together.
- | Formed to conduct feasibility studies to address the elements necessary to sponsor new phased coal-fired electrical generation in southeastern Montana.
- | Transmission, generation, coal mine and railroad.
- | Transmission solutions in Montana, the Pacific Northwest, Nevada and California to enable generation facilities located in Montana to serve our state and region.
- | HVDC transmission technologies.
- | Electricity Title of the Energy Bill passed in 2005.

# Otter Creek Energy Project Benefits

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- | Base load coal power for the West
- | U.S. energy supply diversity and security
- | Stable power prices
- | Improved regional transmission
- | Associated transmission will result in enhanced grid reliability, power availability and related industry growth in Montana
- | Additional low sulfur coal for rail markets
- | Economic stimulus in Montana and Western U.S.
- | Long-term education funding in Montana
- | Deregulation support in Montana
- | Royalties to the State of Montana and private coal owners
- | Jobs and tax revenues

# Montana Energy Center

## Advancement of Clean Energy Technologies

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- | Wesco has worked to expand research & development of clean energy technologies and work force training:
  - Exploring partnerships with MSU Bozeman, MSU Billings, Montana Tech, Miles City Community College, and the Engineering Experiment Station.
  - Anticipate working with the Tribal Colleges.
  - EERC (Energy and Environmental Research Center).
  - Private industry.
  - Local, State and Federal Governments.

# Key Implementation Advantages

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- | World class companies with proven expertise and experience.
- | Commitment to sustainable development.
  - § Incorporate strong environmental protection and mitigation measures.
  - § Coordinate project with local/regional plans.
  - § Insure long-term success.
- | Commitment to work with all stakeholders.
  - § Public communication/community relationships.
  - § Potential public-private partnerships.
- | Balanced focus on project economics and market.
  - § Fit long-term power and coal market pricing.
  - § Support State of Montana/regional development goals.

## Today Action is Being Taken by the Private Sector

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- | CoalMont has filed an application for a state coal mining lease on Otter Creek Tracts 2 and 3 and has invested in coal quality studies and mine planning.
- | Funding continues for completing the STB approval on the TRR alignment modifications.
- | Investments are being made to address elements necessary to develop new coal-fired electrical generation, increase transmission capacity, and develop rail and coal mine operations.
- | Economic and technology evaluations being made to explore various clean coal technologies.

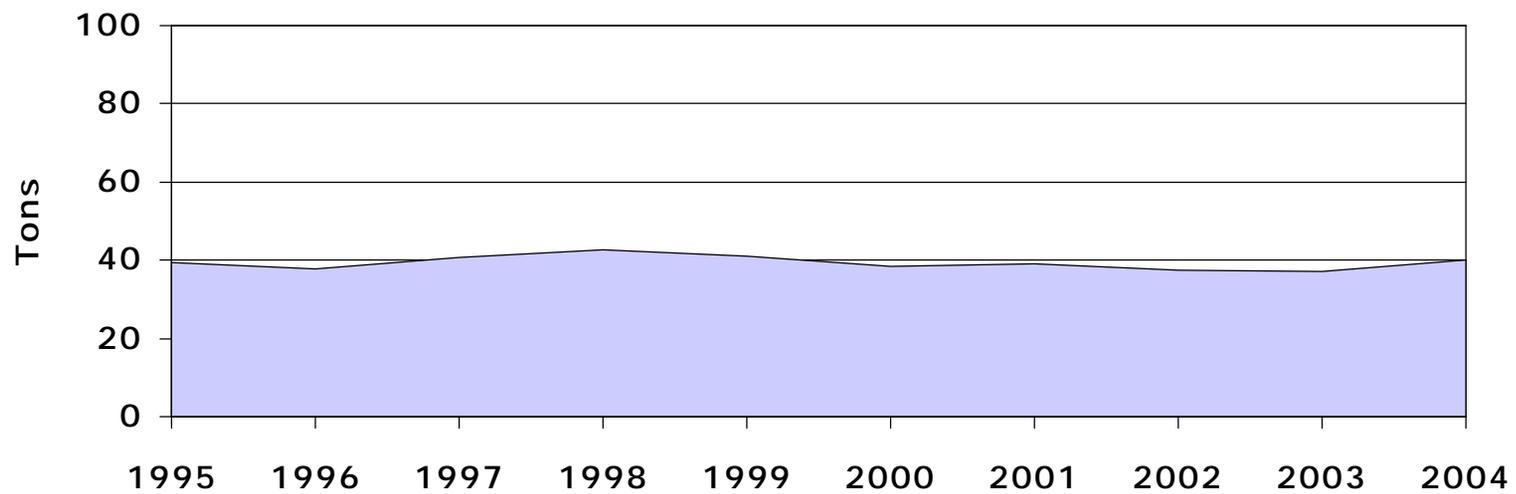
# The Time is Right for New Coal Development in Montana

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- | Commodity prices are favorable.
- | Financial markets are interested in energy investments.
- | Utility coal markets are seeking another source in the Northern Powder River Basin.
- | Incremental development makes sense.
- | There is a need for stable base-load electrical power in our region.
- | There are significant benefits to Montana from new coal production: jobs, funding sources for K-12 education, tax revenues, and economic opportunities.
- | A new coal resource development will not only provide power generation for Montana but also export to other facilities creating jobs and state income.
- | There is a need to grow Montana's stagnant coal production.

# Montana Coal Production

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# Now is the time for the State of Montana to act.

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- | Public policy needs to be supportive, consistent, and realistic to insure the stability and certainty required to provide an environment for:
  - § Private sector investment: rail, generation, transmission and new mine facilities
  - § Commitment of development expertise
  - § Market commitment
  - § Sustainable economic growth
  - § Jobs for Montana families
  - § Opportunities for R&D on coal technologies
  - § Competitive taxation and regulation