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Attorneys for Defendant
Stillwater Conservation District

MONTANA TWENTY-SECOND JUDICIAL DISTRICT COURT
CARBON COUNTY

CARBON CONSERVATION DISTRICT,

Plaintiff / Counterclaim Defendant,

v.

STILLWATER CONSERVATION
DISTRICT,

Defendant / Counterclaimant.

Case No. DV 25-40

Judge: Hon. Matthew Wald

ANSWER AND COUNTERCLAIM
AND JURY DEMAND

Defendant Stillwater Conservation District (“SCD”), by and through its undersigned counsel, hereby responds to Plaintiff Carbon Conservation District (“CCD”)’s Complaint filed May 21, 2025.

FIRST DEFENSE

SCD denies each and every allegation except as expressly admitted herein.

SECOND DEFENSE

Responding to the individually numbered paragraphs of the Complaint, SCD answers as follows:

1. SCD admits the allegations of paragraph 1 of the Complaint.

2. SCD admits the allegations of paragraph 2 of the Complaint.

3. SCD admits the allegations of paragraph 3 of the Complaint.

1A. The second paragraph of Plaintiff's Complaint that is numbered "1" contains purely legal conclusions to which no response is required. To the extent a response is required, SCD denies any factual or legal statements of this paragraph that conflict with Montana law.

2A. The second paragraph of Plaintiff's Complaint that is numbered "2" contains purely legal conclusions to which no response is required. To the extent a response is required, SCD denies any factual or legal statements of this paragraph that conflict with Montana law.

3A. The second paragraph of Plaintiff's Complaint that is numbered "3" contains purely legal conclusions to which no response is required. To the extent a response is required, SCD denies any factual or legal statements of this paragraph that conflict with Montana law.

4. Paragraph 4 of Plaintiff's Complaint contains purely legal conclusions to which no response is required. To the extent a response is required, SCD denies any factual or legal statements of this paragraph that conflict with Montana law.

5. Paragraph 5 of Plaintiff's Complaint contains purely legal conclusions to which no response is required. To the extent a response is required, SCD denies any factual or legal statements of this paragraph that conflict with Montana law.

6. Paragraph 6 of Plaintiff's Complaint contains purely legal conclusions to which no response is required. To the extent a response is required, SCD denies any factual or legal statements of this paragraph that conflict with Montana law.

7. Paragraph 7 of Plaintiff's Complaint contains purely legal conclusions to which no response is required. To the extent a response is required, SCD denies any factual or legal statements of this paragraph that conflict with Montana law.

8. SCD denies the allegations of paragraph 8 of the Complaint.

9. SCD denies the allegations of paragraph 9 of the Complaint.

10. SCD admits the allegations of paragraph 10 of the Complaint.

11. SCD admits the allegations of paragraph 11 of the Complaint.

12. SCD admits the allegations of paragraph 12 of the Complaint.

13. SCD admits the allegations of paragraph 13 of the Complaint.

14. SCD admits the allegations of paragraph 14 of the Complaint.

15. SCD admits the allegations of paragraph 15 of the Complaint.

16. SCD admits the allegations of paragraph 16 of the Complaint.

17. SCD admits the allegations of paragraph 17 of the Complaint.

18. SCD admits the allegations of paragraph 18 of the Complaint.

19. SCD admits the allegations of paragraph 19 of the Complaint.

20. SCD admits the allegations of paragraph 20 of the Complaint.

21. SCD denies the allegations of paragraph 21 of the Complaint.

22. SCD admits the allegations of paragraph 22 of the Complaint.

23. SCD denies the allegations of paragraph 23 of the Complaint.

24. Responding to the allegations of paragraph 24 of the Complaint, SCD admits that the subject property is located on federal land located within the exterior boundaries of Carbon County, Montana, but otherwise denies the allegations of this paragraph.

25. SCD admits the allegations of paragraph 25 of the Complaint.

26. SCD admits that CCD terminated Ms. Flemetis' employment on October 11, 2023, but otherwise denies the allegations of paragraph 26.

27. SCD denies the allegations of paragraph 27 of the Complaint.

28. SCD denies the allegations of paragraph 28 of the Complaint.

29. Responding to paragraph 29 of the Complaint, SCD admits that the agreement speaks for itself and denies anything inconsistent therewith.

30. Responding to paragraph 30 of the Complaint, SCD admits that the agreement speaks for itself and denies anything inconsistent therewith.

31. Responding to paragraph 31 of the Complaint, SCD admits that the agreement speaks for itself and denies anything inconsistent therewith.

32. SCD denies the allegations of paragraph 32 of the Complaint.

33. SCD admits the allegations of paragraph 33 of the Complaint.

34. SCD denies the allegations of paragraph 34 of the Complaint.

35. SCD denies the allegations of paragraph 35 of the Complaint.

36. SCD denies the allegations of paragraph 36 of the Complaint.

37. SCD lacks knowledge sufficient to admit or deny that USFS denied a request from CCD for a copy of the Agreement and therefore denies the same. SCD denies the remaining allegations of paragraph 37 of the Complaint.

38. Responding to paragraph 38 of the Complaint, SCD admits that it agreed to produce the subject agreement to CCD according to its normal document production policy, which includes a per-page charge to anyone requesting copies of documents, and also admits that it intended to redact the agreement as required by the USFS. SCD denies any remaining allegations of this paragraph.

39. SCD lacks knowledge sufficient to admit or deny the allegations of paragraph 39 of the Complaint and therefore denies the same.

40. SCD lacks knowledge sufficient to admit or deny the allegations of paragraph 40 of the Complaint and therefore denies the same.

41. SCD admits the allegations of paragraph 41 of the Complaint.

42. Responding to paragraph 42 of the Complaint, SCD admits that the referenced letter speaks for itself and denies any allegations inconsistent therewith.

43. Responding to paragraph 43 of the Complaint, SCD admits that the referenced letter speaks for itself and denies any allegations inconsistent therewith.

44. Responding to paragraph 44 of the Complaint, SCD admits that the referenced letter speaks for itself and denies any allegations inconsistent therewith.

45. Responding to paragraph 45 of the Complaint, SCD admits that the referenced letter speaks for itself and denies any allegations inconsistent therewith.

46. Responding to paragraph 46 of the Complaint, SCD admits that the referenced email and letter speak for themselves and denies any allegations inconsistent therewith.

47. Responding to paragraph 47 of the Complaint, SCD admits that the referenced letter speaks for itself and denies any allegations inconsistent therewith.

48. Responding to paragraph 48 of the Complaint, SCD admits that its board tabled a discussion of this matter at its referenced board meeting, but otherwise denies these allegations.

49. SCD denies the allegations of paragraph 49 of the Complaint.

50. Responding to paragraph 50 of the Complaint, SCD admits that it performed its obligations under the agreement with the USFS until the restraining order and preliminary injunction prevented SCD from performing its contractual obligations.

51. SCD denies the allegations of paragraph 51 of the Complaint.

52. Responding to paragraph 52 of the Complaint, SCD admits that the referenced hearsay newspaper article speaks for itself and denies any allegations inconsistent therewith.

Count I

53. Responding to paragraph 53 of the Complaint, SCD incorporates its preceding responses.

54. SCD admits the allegations of paragraph 54 of the Complaint.

55. SCD denies the allegations of paragraph 55 of the Complaint.

56. SCD denies the allegations of paragraph 56 of the Complaint.

Count II

57. Responding to paragraph 57 of the Complaint, SCD incorporates its preceding responses.

58. SCD lacks knowledge sufficient to admit or deny the allegations of paragraph 58 of the Complaint and therefore denies the same.

59. SCD denies the allegations of paragraph 59 of the Complaint.

60. SCD denies the allegations of paragraph 60 of the Complaint.

61. SCD denies the allegations of paragraph 61 of the Complaint.

Count III

62. Responding to paragraph 62 of the Complaint, SCD incorporates its preceding responses.

63. SCD denies the allegations of paragraph 63 of the Complaint.

64. SCD denies the allegations of paragraph 64 of the Complaint.

65. SCD denies the allegations of paragraph 65 of the Complaint.

66. SCD denies the allegations of paragraph 66 of the Complaint.

67. SCD denies the allegations of paragraph 67 of the Complaint.

Third Defense

68. Plaintiff's claims are barred by the doctrines of waiver, estoppel, and/or laches.

Fourth Defense

72. Plaintiff's claim for attorneys fees is barred by Mont. Code Ann. § 25-10-711.

PRAYER FOR RELIEF

Defendant Stillwater Conservation District prays that the Court enter judgment as follows:

1. That Plaintiff take nothing by its Complaint.
2. That the Court award Defendant its attorney fees and costs incurred in connection with this matter.
3. That the Court award Defendant such other and further relief that the Court deems proper.

JURY DEMAND

Defendant / Counterclaimant Stillwater Conservation District demands a jury on all counts so triable.

COUNTERCLAIM

PARTIES

1. Counterclaim Plaintiff Stillwater Conservation District (“SCD”), by and through its undersigned counsel, files this Counterclaim against Counterclaim Defendant Carbon Conservation District (“CCD”).

2. Counterclaim Plaintiff SCD is a citizen and resident of the State of Montana.

3. Counterclaim Defendant CCD is a citizen and resident of the State of Montana.

JURISDICTION AND VENUE

4. Jurisdiction is properly before this Court pursuant to Article VII, Section 4 of the Montana Constitution and Montana Code Annotated § 3-5-302.

5. The venue of this matter is properly placed in Carbon County pursuant to Montana Code Annotated § 25-2-118(1).

BACKGROUND

6. Counterclaim Plaintiff incorporates the allegations in the preceding paragraphs as through set forth fully herein.

7. In 2022, Carbon and Stillwater Counties experienced unprecedented and rapid flooding that entirely rerouted Armstrong Creek near East Rosebud Lake.

8. The 2022 floods moved boulders and debris, completely relocating Armstrong Creek and damaging or completely destroying homes owned by members of the East Rosebud Lake Association (“ERLA”). The floods required helicopter evacuation of residents from the East Rosebud Lake area.

9. Following the floods, the United States Congress appropriated \$5 million for restoration of Armstrong Creek under the supervision of the United States Department of Agriculture, Forest Service (“USFS”) (the “Armstrong Creek Project”).

10. The USFS has approved a final design of the Armstrong Creek Project and is ready to let the project for bid. Generally, the USFS intends to undertake construction on federal, USFS land to restore the location of Armstrong Creek by restoring its historic channel and by adding two weirs to regulate overflow.

11. In 2023, SCD entered into a contract, referred to as the “Good Neighbor Agreement,” with the United States Department of Agriculture, Forest Service (“USFS”) to act as the local sponsor on a construction project located on USFS land within the exterior boundaries of Carbon County, Montana, referred to as the “Armstrong Creek Project.”

12. The Armstrong Creek Project is critical to allow repair to the damaged homes owned by members of ERLA and to prevent further property damage.

13. Presently, homes in the area of Armstrong Creek remain unusable and/or uninhabitable, due to water, septic, and structural issues. These homes cannot be finally repaired and used until the Armstrong Creek Project is complete. Until the Armstrong Creek Project is completed, groundwater levels in the area remain elevated, rendering residents’ septic systems and water wells unusable.

14. Until the Armstrong Creek Project is completed, the East Rosebud Lake ecosystem remains subject to environmental problems, including increased turbidity caused by the redirected channel of Armstrong Creek.

15. CCD has challenged SCD's authority to act as the local sponsor on the federal, USFS Armstrong Creek Project and has brought this action seeking to prevent SCD from performing its contractual obligations owed to the USFS under the Good Neighbor Agreement.

16. At all times relevant to this dispute, CCD had actual or constructive knowledge that that SCD was acting as local agent on the Armstrong Creek Project and acquiesced to such role and waived any objection thereto.

17. CCD delayed unreasonably in challenging SCD's authority to act as local sponsor under the Good Neighbor Agreement for the Armstrong Creek Project.

18. SCD reasonably relied on CCD's consent or acquiescence when it entered into the Good Neighbor Agreement and performed its contractual obligations thereunder.

19. SCD has been prejudiced by CCD's delay in challenging its legal authority to act as local sponsor under the Good Neighbor Agreement for the Armstrong Creek Project, because the project moved forward for years with SCD as its local sponsor and then suddenly SCD was prevented from continuing its work due to the legal claims brought by CCD.

20. Without a local sponsor, the USFS will not allow the Armstrong Creek Project to proceed.

21. SCD does not have the authority to unilaterally substitute another person or entity in its place as local sponsor.

22. The USFS will not consent to substituting another person or entity in place of SCD as local sponsor.

23. In the absence of judicial relief, the Armstrong Creek Project (using federal dollars on federal land) cannot move forward, the U.S. Congressional funding appropriation will

be lost, Armstrong Creek will continue in its unchanneled state, and residents will remain unable to properly restore their homes.

COUNT 1 – DECLARATORY JUDGMENT

24. Counterclaim Plaintiff incorporates the allegations in the preceding paragraphs as through set forth fully herein.

25. Pursuant to the Montana Uniform Declaratory Judgment Act, §§ 27-8-101, *et seq.*, MCA, the Court has the power to declare rights, status, and other legal relations between the parties whether or not further relief is or could be claimed.

26. An actual controversy exists between SCD and CCD regarding SCD's authority to act as local sponsor under the Good Neighbor Agreement with the USFS for the Armstrong Creek Project.

27. SCD is entitled to a judgment declaring that it is authorized to continue work on the Armstrong Creek Project to fulfill its contractual obligations to the USFS under the Good Neighbor Agreement, due to CCD's waiver, acquiescence, inequitable conduct amounting to "laches," or otherwise.

PRAYER FOR RELIEF

Counterclaimant Stillwater Conservation District prays that the Court enter judgment as follows:

1. For judgment declaring that SCD is authorized to continue work on the Armstrong Creek Project to fulfill its contractual obligations to the USFS under the Good Neighbor Agreement.

2. For attorney fees and costs incurred in connection with this matter.

3. For such other and further relief that the Court deems proper.

JURY DEMAND

Defendant / Counterclaimant Stillwater Conservation District demands a jury on all counts so triable.

Dated this 24th day of October, 2025.

/s/ Shane P. Coleman
Shane P. Coleman
BILLSTEIN, MONSON & SMALL PLLC

*Attorneys for Defendant / Counterclaimant
Stillwater Conservation District*

CERTIFICATE OF SERVICE

I, Shane P. Coleman, hereby certify that I have served true and accurate copies of the foregoing Answer/Brief - Answer and Counterclaim to the following on 10-24-2025:

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Electronically Signed By: Shane P. Coleman
Dated: 10-24-2025