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MONTANA TWENTY-SECOND JUDICIAL DISTRICT, STILLWATER COUNTY

BEARTOOTH FRONT COALITION, LAZY Y DIAMOND BAR LP, LANA and CHARLES J. SANGMEISTER, WILLIAM A. and CAROLYN F. HAND, and MARGARET BARRON and DOXEY RAY HATCH,

Plaintiffs,

v.

BOARD OF COUNTY COMMISSIONERS, STILLWATER COUNTY, and HEIDI STADEL, in her capacity as Clerk and Recorder of Stillwater County

Defendants.

Cause No.

VERIFIED COMPLAINT FOR MANDAMUS, AND FOR DECLARATORY AND INJUNCTIVE RELIEF

I. INTRODUCTION

Plaintiffs Beartooth Front Coalition, Lazy Y Diamond Bar LP, Lana and Charles Sangmeister, William and Carolyn Hand, and Margaret and Doxey Hatch (Plaintiffs) challenge a decision by the Stillwater County Board of County Commissioners (Commissioners), based on the determination of the Clerk and Recorder, that the petition to create the Stillwater County Beartooth Front Zoning District, that the Plaintiffs participated in, did not satisfy the statutory

requirements. Petitioners1 gathered signatures representing over 60% of the *surface* landowners in the proposed district. Petitioners submitted their petition as a "Part 1" citizen-initiated zoning district under § 76-2-101, MCA. The Clerk and Recorder, however, denied the petition, purportedly determining that the petition did not satisfy the requirements of § 76-2-101, MCA when mineral estate interests were taken into account. The Commissioners accepted her decision. Plaintiffs seek relief, including mandamus, declaratory relief, and injunctive relief, finding that the Commissioners and Clerk and Recorder erred and violated a clear legal duty in determining that mineral estate interests were "real property owners" under § 76-2-101, MCA. The Commissioners and Clerk and Recorder abused their discretion in their decision.

II. PARTIES, JURISDICTION AND VENUE

- 1. Beartooth Front Coalition is a non-profit Montana corporation whose purposes include the protection of the property, agriculture and natural resources along the Beartooth Front in Stillwater County. Its members worked for over two years to qualify the petition at issue for approval by the Commissioners, during which time they were never informed by any Stillwater County official that there would be a requirement to gather signatures of mineral interest holders. The erroneous determination of the Clerk and Recorder and Commissioners under challenge herein directly and adversely affects and aggrieves the members, officers and directors of the Plaintiffs because it denies them their rights under Montana law to protect their property and the resources thereon. The Commissioners' denial of the petition adversely affects the health, safety and wellbeing of Plaintiffs' members, officers and directors.
- 2. Lazy Diamond Bar LP is a ranch partnership within the proposed district in Stillwater County. Its representative signed the petition.

¹ All named individual Plaintiffs were petitioners, i.e. signed and worked towards the adoption of the petition. Not all petitioners are Plaintiffs.

- 3. Lana and Charles Sangmeister are residents of Stillwater County residing in the proposed zoning district, and individually signed the zoning petition.
- 4. William and Carolyn Hand are residents of the Nye area, Stillwater County, residing in the proposed zoning district, and individually signed the zoning petition.
- 5. Margaret and Doxey Hatch are also residents of the Nye area, Stillwater County, residing in the proposed zoning district, and individually signed the zoning petition.
- 6. The Stillwater County Board of County Commissioners is the local governing body of Stillwater County.
 - 7. Heidi Stadel is the duly elected Clerk and Recorder of Stillwater County.
- 8. This Court has jurisdiction under § 76-2-110, MCA (2015), §§ 27-8-101, et seq., MCA, §§ 27-19-101, et seq., MCA, and §§ 27-26-101 et seq., MCA. Additional bases for jurisdiction include the Montana Constitution, Article II Section 3 and Article IX Section 1. This appeal is timely filed within 30 days of the Commissioners' January 30, 2018 decision accepting the Clerk and Recorder's January 24, 2018 determination.
 - 9. Venue is proper in Stillwater County pursuant to § 76-2-110, MCA.

III. FACTS

10. The Beartooth Front is a vast and beautiful landscape where the plains meet the Rocky Mountains. It contains world-class wildlife habitat as well as stunning scenery. Most of the private land is open space in larger acreage ranches, or smaller parcels with individual homesteads. The area enjoys a unique quality of life marked by rural lifestyle; ranching traditions; pristine air, rivers, and streams; and stunning day and night views of the Beartooth Mountains in their natural state. According to the 2010 census, the population of the entire Stillwater County is 9,117 people, spread over 1805 square miles (1,155,200-acres).

- 11. Petitioners, including Plaintiffs, are landowners within an 83,000 acre, more or less, portion of the Beartooth Front who want to protect the surface amenities within the proposed district from impacts associated with oil and gas development through the development of regulations that would reasonably regulate surface use. The petitioners do not seek to ban oil and gas development; rather they merely seek to regulate it to lessen impacts on local ranchers, farmers and other landowners.
- 12. The Stillwater County Commissioners adopted the first (and only) "Part 1" (i.e. citizen initiated) zoning in Stillwater County November 11, 1979. That zone was intended to regulate surface uses and impacts associated with the Stillwater Platinum Mine along the Stillwater River in the southern end of the County. According to the planning and zoning document, "The purpose of the following zoning regulations is not to prevent particular activities, but rather to regulate and promote the orderly development of the area. The development of this area shall consider the health, safety, and general welfare of the people of Stillwater County."
- development along the Beartooth Front, members of the Beartooth Front Coalition organized to seek a citizen-initiated zoning through the Part 1 zoning process pursuant to § 76-2-101, MCA. They drafted a petition to create an 83,000 acre, more or less, zoning district along the Beartooth Front. The petition sought adoption of regulations requiring that oil and gas activity be conducted in a responsible manner within the District to (1) preserve public health, (2) protect private property, (3) protect and improve public infrastructure and public services, (4) protect surface and ground water, (5) protect air quality, (6) protect soil quality, and (7) maintain the quality of life by preserving the rural residential and agricultural character of the area. The purpose of the Petition was very similar to the purpose of the previous Part 1 zone adopted by Stillwater County in 1979.
- 14. Section 76-2-101(1), MCA, which sets forth the requirements for Part 1 zoning as was attempted here, states that "whenever the public interest or convenience may require, and upon petition of 60% of the affected real property owners in the proposed district, the board of

county commissioners may create a planning and zoning district. And appoint a planning and zoning commission."

- 2017, the petitioners sought numerous times to meet with the Commissioners and/or the Clerk and Recorder to get clear and specific guidelines for how the County intended to count the petition signatures and to determine its process for determining whether the 60% threshold had been met. However, despite meeting, the Commissioners and Clerk never provided consistent guidance on how property ownership would be taken into account to meet the petition threshold. At no time during this multi-year process of gathering signatures, through the final submittal of the petitions in 2017, did the Clerk or the Commissioners inform the petitioners that they needed to take mineral interests into account in determining the 60% threshold.
- 16. The petitioners began collecting signatures in 2014, and first submitted what they believed were a sufficient number of signatures to the County Clerk and Recorder in November, 2015. In March, 2016, the Clerk for the first time provided the County's newly developed signature verification procedure to the petitioners. Based on these new requirements, the Clerk informed the petitioners that some petitions signed in a representative capacity did not meet the County's standards. These new standards, which had not been provided previously, affected approximately 110 petitioner signature sheets. As required by the Clerk and Recorder, the petitioners obtained and submitted an affidavit in support of the previously submitted signature sheet or sheets for persons who signed in a representative capacity (and a new signature sheet and affidavit for a limited number of original petition signers.) Petitioners re-submitted their petition in February, 2017, again working under the assumption that they needed to obtain 60% of *surface* property owners' signatures.
- 17. At some point in August, 2017, the Clerk validated the signatures and determined that the petitioners had gathered over 60% of real property owner's signatures
 - 18. By letter to counsel, in August, 2017, the Stillwater County Attorney informed the

petitioners that they had secured over 60% of the signatures of "surface holders". "However, it has come to our attention that there is a question as to whether the owners of mineral rights in the affected zones should have been included as real property owners, 60% of whose consent is also required. . . ." This was the first time, and only after the petitioners had achieved the 60% threshold they had been working toward for nearly three years, that a County official had mentioned that mineral rights holder signatures could be required.

- 19. In September, 2017, the County Attorney, referred the question to the Attorney General, seeking an Attorney General's opinion on the matter.
- The position espoused by Stillwater County would make it virtually impossible for 20. citizens to qualify a Petition under § 76-2-101, MCA. There is no reasonable way for petitioners to determine the owners of the mineral estate interests. There is no easily accessible list or data base because, unlike the surface estate holders, the mineral owners pay no taxes to the County, they have no voting rights, and they do not receive County services. Finding mineral owners requires individual research for each property, tracing ownership back to the point at which mineral rights were severed. In many cases the County's records are incomplete. It would be prohibitively expensive to have a mineral abstractor do the work. The fact that no list exists makes it impossible for the County Clerk to meet her own standard, set forth in the 2016 guidelines, of providing an affidavit that certifies the percentage of affected freeholders who have signed the petition, because the County would have to undertake this research on its own to certify the percentage. Moreover, there is no guidance, in the statute or provided by Stillwater County, for how many "votes" certain parcels involving multiple mineral interests would get: if one parcel of real property was considered split between surface ownership and multiple sub-surface mineral interests, there is not, and could not be, any defined mechanism for "counting" real property owners under the statute. In sum, there is no reasonable cost-efficient way for the petitioners to identify the mineral rights holders, nor is there a reasonable cost-efficient way for the County to validate the percentage of mineral holders who have signed.

- 21. In November 2017, the Attorney General declined to issue an opinion on the matter.
- 22. On January 23, 2018, the Stillwater County Attorney informed Petitioners' counsel that "I will be advising the Stillwater County Clerk and Recorder to notify the County Commissioners that the petition submitted by the Beartooth Front District does not meet the threshold requirements of 60% signatures, to include sub-surface mineral interest holders as an affected real property owner and will be deemed invalid." She sent a letter to the Clerk and Recorder to that effect. On information and belief, Stillwater County has not determined how many sub-surface mineral interest holders would be affected if such interests were to be considered under § 76-2-101, MCA.
- 23. On January 24, 2018, the Clerk and Recorder informed the County Commissioners, based on the County Attorney's advice, that mineral interests must be considered under § 76-2-101, MCA, and accordingly, "the petition submitted by the Beartooth Front District does not meet the threshold amount of 60% of the affected real property owners." The Clerk and Recorder did not submit an affidavit, as required in her own guidelines provided to the Plaintiffs, discussed supra, ¶ 15, "stating the number of affected freeholders within the boundaries of the proposed district, the number of valid signatures and verification of the percentage of freeholders within the proposed district that signed the petition."
- 24. On January 30, 2018, the Commissioners met and voted to accept the decision of the Clerk and the County Attorney and deny the petition, by a vote of 3-0.
- 25. At the January 23, 2018 regular meeting, the Commissioners released, and were prepared to approve without public input, a draft new set of proposed procedures for formation of citizen initiated zoning districts in Stillwater County, presumably prepared in response to the issues that arose with Plaintiffs' efforts. However, Plaintiffs and petitioners in attendance requested that the Commissioners follow their own rules for public notice and participation. The Commissioners postponed their decision. The new proposed guidelines incorporate the erroneous interpretation

that mineral estate interests must be included to meet the threshold under § 76-2-101, MCA. In so doing, the proposed rules create insurmountable obstacles to any citizen-initiated zoning in the future. For instance:

- a. The proposed rules "highly recommend" that petitioners "develop a list of affected property owners. This list will include all real property owners within the district who are eligible to sign a zoning petition and the legal description of the property (mineral/mining right owners are required when subsurface rights may be at risk)". This is a highly subjective standard, and in this case, arguably shouldn't even apply since *subsurface rights* are not affected by reasonable *surface* regulation.
- b. The proposed rules require petitioners to submit a list of surface and mineral owners from a title company before beginning the process of collecting signatures. It is doubtful, any title company in Stillwater County will provide such a list.
- c. The proposed rules create no mechanism for "counting" real property owners, but they imply that each mineral owners and each surface owner counts as one owner. This means that a large ranch that owns its own mineral rights would county as one property, while a vacation cabin which has mineral rights split among 16 owners could count as 17 properties.
- 26. As a practical matter, the Commission and the Clerk and Recorder already applied these rules to deny the Stillwater County Beartooth Front Zoning District. These rules are unworkable, unfair, and prevent citizens from exercising their statutory right to create Part 1 zoning.
- 27. The Commissioners are scheduled to consider the new rules on March 6, 2018, and to determine whether to adopt them on March 13, 2018.

IV. COUNT ONE - MANDAMUS

- 28. The preceding paragraphs are realleged as though set forth in full hereunder.
- 29. Section 76-2-101(1), MCA states that "whenever the public interest and convenience

may require and upon petition of 60% of the affected real property owners in the proposed district", the Board of County Commissioners may create a planning and zoning district pursuant to the petition.

- 30. On August 21, 2017the Stillwater County Attorney informed Plaintiffs, through counsel, that the Clerk and Recorder validated that the Beartooth Front petition contained over 60% of surface real property owner's signatures.
- 31. At that time, the Commissioners were under a clear legal duty to consider the zoning petition and determine whether it was in the public interest and convenience to adopt it., pursuant to § 76-2-101(1), MCA.
- 32. However, on January 24, 2018, the Clerk informed the Commissioners that the petition did not meet the required signature threshold, taking mineral estate interests into account. In violation of her own guidelines, she did not provide an affidavit to support her determination.
- 33. Mandamus may be issued when a government body has violated clear duty to perform a duty resulting from office, and there is no other plain, speedy and adequate remedy at law. In this case, the signatures were validated in August, 2017 as being over the required 60% threshold. Moreover, the Commission is scheduled on March 13, 2018 to adopt rules which incorporate and formalize its erroneous determination that mineral estate interests must be considered. Once those rules are adopted, it will be impossible for the Plaintiffs, for purposes of the 60% threshold under § 76-2-101, MCA, to re-certify petitions under the onerous conditions imposed by the Commission.
- 34. Plaintiffs are entitled to an alternative and peremptory writ of mandamus, pursuant to § 27-26-204, MCA, requiring the Clerk to certify the signatures as satisfying the requirement of § 76-2-101(1), MCA, and the Commission to act on the petition, pursuant to §76-2-101, MCA.

V. COUNT TWO -- DECLARATORY RULING RE PART ONE ZONING

- 35. The preceding paragraphs are realleged as though set forth in full hereunder.
- 36. Petitioners have interests that are adversely affected by the Commissioners' decision at issue, and their erroneous construction of § 76-2-101, MCA, and therefore seek a declaration from the Court.
 - 37. Plaintiffs timely filed this action pursuant to § 76-2-110, MCA.
- 38. Section 76-2-101(1), MCA, allows landowners to petition to create zoning districts. A County Commission may adopt the proposed zone "upon petition of 60% of the affected real property owners in the proposed district." Under the original version of the legislation passed in 1953, the term "freeholders" was used, but a 2009 amendment changed it to the current "real property owners."
- 39. Petitioners gathered over 60% of the surface estate real property owners' signatures on the petition to create the Beartooth Front zoning district. Accordingly, they deserve to have the matter considered by the Commissioners under § 76-2-101, MCA, and for the Commissioners to determine whether it is in the public interest or convenience to adopt the zone.
- 40. Since the passage of the citizen initiated zoning legislation, over 100 citizen initiated zoning districts have been created in Montana. On information and belief, in none of those districts did the County consider mineral estate interests as part of the 60% calculation. In 1979, citizens-initiated Part 1 zoning in Stillwater County. That petition was approved with over 60% of the real property owners, without taking into account sub-surface mineral estate ownership.
- 41. Section 76-2-101, MCA does not address mineral estates at all, or show how, in a split estate situation, a property with multiple mineral interests would be counted towards the 60% threshold. Requiring mineral estate interest to go towards the 60% threshold would frustrate the

statute's purpose and render the statute meaningless because it would be incapable of implementation.

- 42. Part 1 zoning regulations for both Ravalli and Missoula Counties (which together account for 72 of the Part 1 zones created in Montana) discuss legal descriptions for property owners to be taken from legal descriptions "from the tax notices" (Ravalli), and "using information from Department of Revenue tax records" (Missoula). Mineral estate holders do not pay property taxes, nor are they listed on the tax rolls.
- 43. Petitioners request a declaration that § 76-2-101, MCA does not require any subsurface mineral estate interests (e.g. ownership or royalty interests) to be counted towards the 60% threshold, that the Commissioners and Clerk erred in so determining, and that their decisions be void ab initio.

VI. COUNT THREE - INJUNCTIVE RELIEF (ALTERNATIVE COUNT)

- 44. The previous paragraphs are realleged as though set forth in full hereunder.
- 45. Plaintiffs request that the Court preliminarily enjoin the Commissioners and Clerk and Recorder from requiring Plaintiffs to provide signatures sufficient to meet 60% of surface and mineral estate owners, and from adopting the rules putting the Commissioners' erroneous interpretation of the statute in place, pending the outcome of this lawsuit; and then permanently enjoin such adoption, pursuant to § 27-19-101, et seq., MCA.

PRAYER FOR RELIEF

Wherefore Plaintiffs pray for relief as follows:

1. A declaration voiding, *ab initio*, the Clerk's January 24, 2018 determination that the petitioners had not achieved the required number of signatures; and the Commissioners' January 30, 2018 acceptance and adoption of that determination; and order the Clerk to certify that there

are adequate signatures under § 76-2-101, MCA;

- 2. Declare that § 76-2-101, MCA does not require sub-surface mineral estate interests to be counted towards the 60% threshold;
- 3. Declare that the Commissioners erred in denying the petition based on sub-surface mineral estate interests that were not counted;
- 4. Preliminarily enjoin the Commissioners from requiring Plaintiffs to consider mineral interests in their signature gathering, and from adopting the erroneous new rules for citizen-initiated zoning petitions;
- 5. Permanently enjoin the Commissioners from requiring Plaintiffs to consider mineral interests in their signature gathering, and from adopting the erroneous new rules for citizen-initiated zoning petitions;
- 6. Remand the matter for the Commissioners to determine whether or not to adopt the zoning district as required under § 76-2-101, MCA, based upon the 60% threshold of surface real property owners that has already been met per the County Attorney's August 21, 2017 letter;
- 7. For Plaintiffs' costs, and attorney's fees, pursuant to §§ 27-8-311 and 313, and 27-26-402, MCA; and
 - 8. For such other relief the Court deems just and proper.

DATED this 23 day of February, 2018.

MORRISON SHERWOOD WILSON & DEOLA

- K.W. We

David K. W. Wilson, Jr. Attorney for Plaintiffs

VERIFICATION

The undersigned, Burton Dean Williams, being first duly sworn, states upon his oath that he is an officer of Plaintiff Beartooth Front Coalition, all of the foregoing statements are true and correct to the best of his knowledge and that he has the authority to sign this verification.

STATE OF MONTANA)
: ss
COUNTY OF STILLWATER)

On this <u>21st</u> day of <u>February</u>, 2018, before me the undersigned Notary Public, personally appeared <u>Burton Dean Williams</u>, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same, and that the foregoing sworn statements were made under oath, and are true and correct to the best of his knowledge.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

SEAL OF MONTH

RITA M. WESTRUM NOTARY PUBLIC for the State of Montana Residing at Fishtail, Montana My Commission Expires July 12, 2020 NOTARY PUBLIC for the State of Montana

Residing at Fishtail , Montana.

My commission expires: July 12, 2020

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RITA M. WESTRUM

NOTARY PUBLIC for the
State of Montana

Residing at Fishtall, Montana
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July 12, 2020



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