

Exhibit B

Letter to Mike McGrath from Muggli

June 5, 2002

June 5, 2002

To: Mike McGrath, Attorney General for the State of Montana
PO Box 201401
Helena, MT 59620-1401

Subject: Yellowstone Compact

Dear Attorney General McGrath,

We are deeply concerned with the implementation of the Yellowstone Compact. According to the Compact, the Tongue River irrigators are supposed to get 60 % of the post 1950 water in the watershed and the irrigators on the Powder River are supposed to get 58%.

Negotiations for the Yellowstone River Compact began in the 1930's because Montana irrigators believed that they were not receiving their share of water in the dry years. The original negotiations centered on discussions that the interstate tributaries should not be separated at the state line, but have the water allocated by priority date as if there were no division between the states. It took until 1950 to reach the agreement achieved in the Yellowstone Compact.

The apportionment in the Compact has never been administered since its inception. Wyoming appears to continue approving water projects with disregard to providing water for the pre 1950 water rights in Montana. We believe that no further water projects should be approved in Wyoming at this time for the four Yellowstone tributaries covered by the Compact until the issues associated with the Compact are resolved.

The Tongue and Powder River appear to be over-allocated and Wyoming continues to approve numerous coal bed methane reservoirs in the Tongue and Powder River basins. Although Wyoming claims that they are only approving off-channel reservoirs we flew over an area near Sheridan and several of the reservoirs were on-channel and will stop runoff water from getting into the Tongue River.

We have attached copies of the flows from Wyoming for the Tongue and the Powder Rivers for the 19th through the 26th of May of this year. At this time of the year please notice that the historical median daily flows for the Powder River have been 800 to 950 cubic feet per second (cfs) and that the high was around 300 CFS for May 24th. Notice that the historical Tongue River median daily flows for this time of year have been 1100 to 1400 CFS and the high has been around 500 CFS for a few hours on May 22nd and 23rd. The flows have increased in the last few days on the Tongue River and we pray that trend continues.

The original impetus for Montana to sign the Compact was the reward of large federal storage projects on the interstate border. The Yellowtail Dam was one project that was designed to achieve this goal in the Big Horn. Moorhead Reservoir on the Powder,

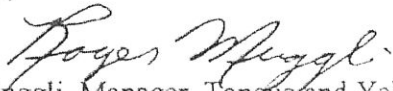
Exhibit B

MT-12975

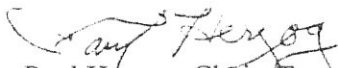
however, was never built, so the Powder River flow remains unprotected and the Tongue River Dam may not be large enough to store water to cover Montana uses in a dry year. The apportionment is based on large water storage projects to provide Montana its water. It is not based on real time apportionment and that needs to happen because the large federal storage projects were never built. Montana is no better off now than when the Compact was ratified. On behalf of the State of Montana, the irrigators listed below are asking that you take the appropriate legal action with Wyoming to protect Montana's share of the tributaries to the Yellowstone.

Contact Roger Muggli at home 406-232-4038 or at work 406-232-5312 or cellular phone 406-951-0296 if you need more information. We are losing our share of the water every day that goes by. Please help us by taking immediate action. Thank You.

Sincerely,



Roger Muggli, Manager, Tongue and Yellowstone Irrigation District
RR. 1 Box 2216
Miles City, MT 59301



Paul Herzog, Chair, Tongue and Yellowstone Irrigation District
RR. 1 Box 2216
Miles City, MT 59301



Art Hayes Jr., Chair Tongue River Water Users Association
Box 578
Birney, MT 59012

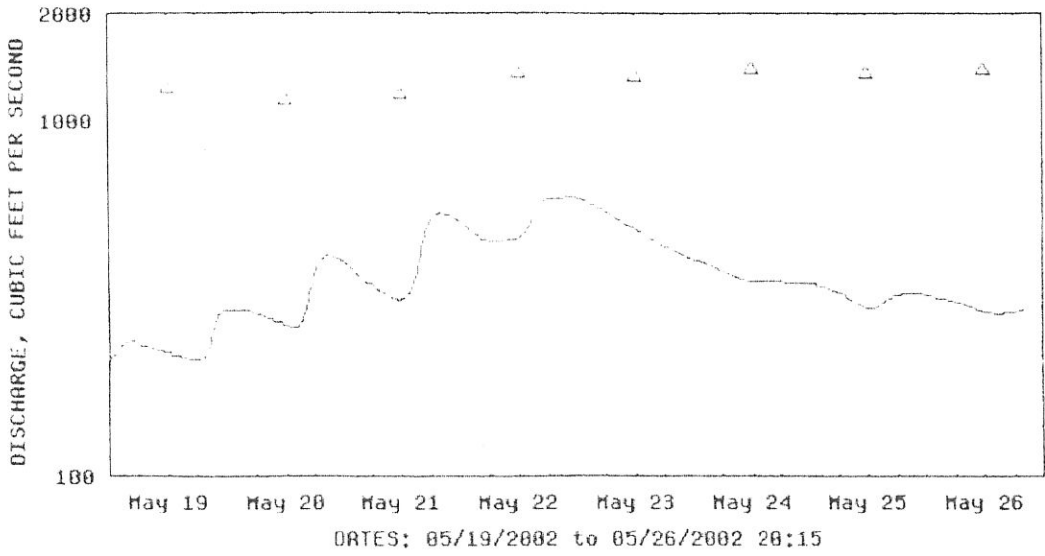


Dave Swartz, Chair Buffalo Rapids Irrigation District
Box 907
Terry, MT 59349

Cc: Judy Martz, Governor for the State of Montana
Jack Stults, Montana Yellowstone Compact Representative
Bud Clinch, Director DNRC
Jeri Small, Chair Northern Cheyenne Tribe
Rep. Norma Bixby
Sen. Tom Zook
Rep. Ron Devlin
Rep. Gary Matthews
David Pengelly, attorney



USGS 06306300 Tongue River at State Line nr Decker MT

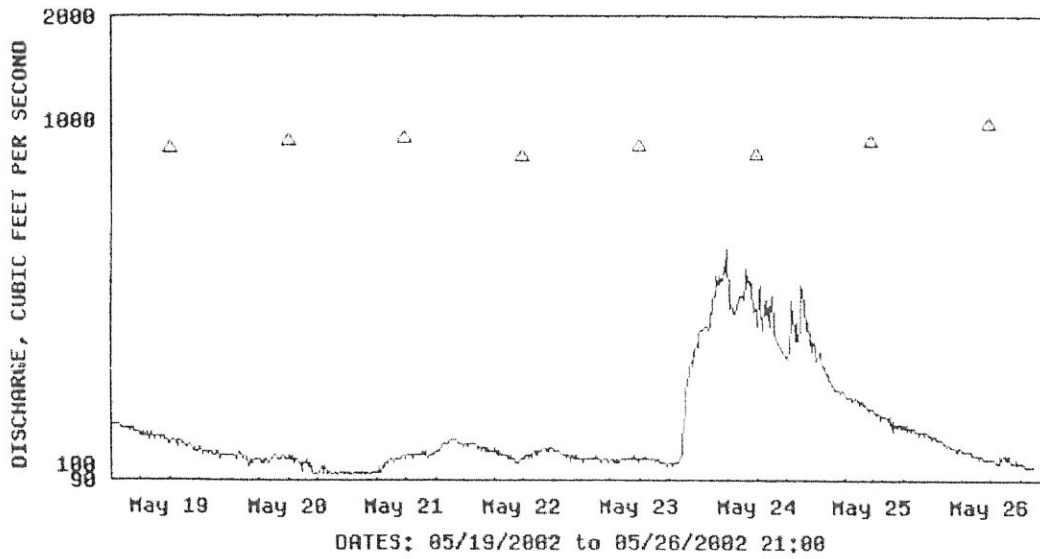


- EXPLANATION
- DISCHARGE
 - MEDIAN DAILY STREAMFLOW BASED ON 41 YEARS OF RECORD

Provisional Data Subject to Revision



USGS 06324500 Powder River at Moorhead MT



EXPLANATION
— DISCHARGE
Δ MEDIAN DAILY STREAMFLOW BASED ON 71 YEARS OF RECORD

Provisional Data Subject to Revision