EXHIBIT 14
DATE 1-10-05
HB 43

LYCO ENERGY CORPORATION

John B. Kiser
Vice President - Administration

January 10, 2005

The Honorable Alan Olson
House Federal Relations, Energy and
Telecommunications Committee
State Capitol
Helena, Montana 59620 - 0500

Re: House Bill No. 43
Require Gas Producers to Itemize Charges

Chairman Olson and Members of the Committee:

This letter is written to register the concerns of Lyco Energy Corporation ("Lyco") with regard to House Bill No. 43 ("HB43") which is being brought before the House Federal Relations, Energy and Telecommunications Committee.

By way of introduction, Lyco Energy Corporation is a small independent exploration and production company headquartered in Dallas, Texas. Lyco was founded in 1981 and has been an active operator in practically every major oil and gas producing state in the country. Our presence in Montana is currently limited to Richland, County where we operate 66 producing wells. Lyco has a substantial leasehold position in the county and we currently employ three drilling rigs dedicated to its development. Currently, we have an additional 107 drilling locations planned for this area.

In 2004 Lyco also assembled a significant acreage position in neighboring McKenzie County, North Dakota. Our initial well on this acreage is one of several drilled in the county in 2004 and we are encouraged by the activity and success of this area. Our hope and intention is to identify and develop our significant reserves in North Dakota with a multi-well drilling program beginning in 3Q 2005.

While in the process of making plans for developing our Montana and North Dakota acreage over the coming years, Lyco became aware of HB43 and its implications for the oil and gas industry in Montana. On behalf of all operators in Montana, we respectfully request that the committee vote against HB43 for the following reasons:

- Lyco has been an excellent business partner and producer for many years and in many states. Until this bill, we have not experienced an attempt by any state legislature to insert legislation between Lyco and its royalty owners for this type of action. We believe that this action is not only unnecessary, but would also serve as a detriment to ongoing development of reserves in the state.

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- The administrative burden associated with HB43 could be substantial. It would add to the cost of conducting business in Montana and would be particularly detrimental to small producers, like Lyco who, because of their size, already have a disproportionately high overhead as a percentage of production versus its larger counterparts.

- This administrative burden is exacerbated by the vague nature of the bill. The requirement to specify every line item charge, its method of calculation, and the beneficiary of the charge is unreasonable and leaves the specifics and format of reporting to the discretion of the producer.

- Given the additional burden on producers and, in some cases, the lack of information available to them, the idea that a criminal offense has occurred for failure to properly report the aforementioned information is not a sound legislative concept. The penalty described in HB43 is also very vague in that it is unclear as to whether the fine is per incident, per royalty payment, per well, etc.

Notwithstanding the above points, the bottom line is that HB43 stands the chance of making the business climate in Montana inferior relative to its neighboring states.

Lyco was the first operator to recognize the significant reserve potential in Richland County and drilled the first horizontal well which ultimately launched the rapid development of Richland County that Montana enjoys today. Lyco and its working interest partners were attracted to Montana because of the reasonable business climate and industry incentives that the state has created.

We believe that HB43 runs the risk of jeopardizing that environment for producers. Like many producers, Lyco has discretion as to where it will invest its available resources, and we believe that Montana will best be served by maintaining the reasonable and fair business climate that it currently has in place.

I thank you for your attention to this request. Please contact me if you would like some additional input with regard to HB43 or with regard to Lyco's participation in developing the oil and gas reserves of Montana.

Sincerely,

John B. Kiser

Cc: Gail Abercrombie – Montana Petroleum Association

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January 6, 2005

The Honorable Alan Olson
House Fed. Relations, Energy & Telecom Committee
State Capitol
Helena, Montana 59620-0500

Re: HB 43 – Require Gas Producers to Itemize Charges

Chairman Olson and Members of the Committee:

I am writing to express my concerns regarding HB 43 (Require Gas Producers to Itemize Charges). Though completely unnecessary, this Bill imposes stiff criminal penalties for the violation of some rather vague reporting requirements, penalties that could potentially break a producer for no good reason. HB 43 is also likely to lead to the same rash of litigation experienced in other states that have adopted check stub laws.

Special protection for royalty owners is already afforded under the law. Montana law already requires full reporting to the royalty owner. *See* Mont. Code Ann. §82-10-103. If the royalty owner has any specific questions with regard to deductions, he may contact the producer for details. If the producer is non-responsive, he can be hauled into court for an accounting, and if judgment is entered against him, must pay the attorney fees and costs of the royalty owner. Mont. Code Ann. §82-10-101.

It is perhaps for this reason that there have been no problems with the current system. I have been in the practice of oil and gas law for several years and am presently unaware of any litigation in Montana regarding payment of private royalties. Nor have I received any calls from disaffected royalty owners. HB 43 is a prime example of unnecessary and patronizing legislation. The State of Montana has much better things to do than meddle in private affairs and contracts.

Though HB 43 would be of no benefit, it would impose a significant burden on producers. New computer programs would have to be developed and purchased to handle the new reports. Natural gas prices are not static, but commonly change every month. Significant time each month would be expended in attempting to comply with the reporting requirements.

The Bill is vague, and therefore would impose significant risk. What does it mean to say that a producer must specify and describe the calculation of "every charge" against the royalty owner, including but not limited to transportation and treating charges? The Bill seems to contemplate downstream charges. How are these charges, often beyond the producer's knowledge or control, to be determined? Is the penalty – not less than $1000 – to be based on each incident of non-compliance? Even small producers pay tens or hundreds of royalty owners per month. A producer that makes one wrong guess on a reporting requirement could be finished, even though every penny of royalty due was paid. The vagueness of the statute, together with the extreme criminal penalties, makes fertile ground for the very type of litigation that states such as Colorado have experienced.

While this type of legislation sustains the legal profession, HB 43 will no doubt dampen productive industry. Many new producers are now coming into Montana from other states, and even local producers have production in other states. HB 43 would impose new and inconsistent reporting requirements on Montana production. Together with the severe penalty for non-compliance, this cannot help but dampen activity.

After many hard years, natural gas producers are finally making a comeback in this state – thanks in part to incentives previously put in place by the Montana Legislature. Tax revenues are up, employment is up, and the future looks great. Now is not the time impede progress for no good reason; now is the time for stable, consistent leadership on the part of state government.

Please vote against HB 43. Thank you for considering my comments.

Sincerely,

COLBY L. BRANCH