

## COVER STORY

# In spite of a dropping rig count, Webb County's oil and gas revenue in 2018 surpassed \$3 billion



By Ashley Sanchez  
Laredo Morning Times

**T**he vast oil and gas industry in Webb County and surrounding areas has been on the rise after an industry bust in 2014. Among the various geologic layers, found at depths between 4,000 and 14,000 feet under South Texas' surface, lies the Eagle Ford Shale formation.

This shale sweeps across Texas from the border near Laredo into East Texas, roughly 50 miles wide and 400 miles long with an average thickness of 250 feet, according to the Railroad Commission of Texas website.

Webb County's 2018 oil and gas (mineral) properties appraisal showed a total of 5,246 wells that were drilled with 2,000 deemed uneconomic, meaning they weren't producing and were completely shut down, according to data compiled by Charles Williams from Wardlaw Appraisal Group, LC., contracted by Webb County Appraisal District.

The mineral interest appraisal data shows Webb County's total gas revenue for 2018 as \$2.6 billion, while total oil revenue generated a total of \$911 million — a significant increase from 2017. Williams also noted that 74 percent of total revenue in Webb comes from natural gas.

Another 2018 chart obtained by Webb County Appraisal District shows the allocation that the tax levies collected from this revenue.

"The county, as a whole, generates about \$476 million in tax revenue, for all the entities," said Martin Villarreal, chief appraiser for Webb CAD. These entities include Webb county, and various cities and ISD's.

Both Lewis Energy Group and Escondido Resource II — two of the most preeminent oil and gas companies drilling in Webb County — agree that although there is a decrease in the number of well permits, it's because production is up, and each well is producing more and for longer periods of time.

This is due to directional drilling improvements where hydraulic fracturing, or fracking, jobs are done in a more efficient manner with horizontal drilling, versus verti-

cal drilling. They say production is also up due to improved technology.

Both companies agree that Laredo's proximity to Mexico has provided an economic opportunity to transport hydrocarbon liquid into and out of Mexico.

Lewis Energy Group, L.P., a privately-owned company, began with Rod Lewis and his family when he attained his first well in 1982, said Tony Trevino, special council to CEO Rod Lewis.

"As a natural gas producer, (we are) a clean burning fuel company and we actually take that to heart and operate our rigs and trucks on natural gas as well," said Trevino.

The company owns and operates over 1,600 wells on more than 450,000 acres, while employing over 1,000 team members in South Texas, per Lewis Energy's website.

"Lewis Energy is the third largest natural gas producer in Texas and we also have operations in Columbia and Mexico. We are the first U.S. company to go in and partner with Pemex (a natural gas project owned by Petroleos Mexicanos in northeast Mexico)," said Trevino.

Trevino said he believes they're seeing a resurgence again with Eagle Ford and other oil and gas producers coming back.

"Our deal is to stay there and to expand our operations within Webb, La Salle and Dimmit Counties. ... One thing that Mr. Lewis believes in is that this is his backyard and he wants to stay in it," he said.

"The oil and gas industry and the special natural gases is an important part of (the) economy in Webb County and Laredo and will continue to be for many years to come and for many years beyond our lifetime," said Trevino.

"Mr. Lewis' philosophy is that he's going to hopefully continue beyond his lifetime and that Lewis Energy will continue to be a vital part and a player within Webb County and continue to employ people within Laredo and its surrounding communities," he said.

"He believes in Laredo and believes in supporting it and has enjoyed a good relationship with its land owners," said Trevino.

Escondido Resources, LP, is a private independent exploration, production and development company, formed in 2004, although their senior management team



has been working in the South Texas region since the late 1980s, according to their website.

Focused on developing conventional and unconventional reserves in South Texas, Escondido Resources confirmed their total acreage position is more than 40,000 acres.

"We drilled 160 wells and about half of those wells were in Webb County and other half in La Salle (County), and then we sold the company in 2007," said William E. "Bill" Deupree, founding partner, president and CEO of Escondido Resources.

They then formed the current version, Escondido Resources II, in 2007. Their concentration is almost entirely focused on Webb County and the Eagle Ford Shale.

"The well count is down but not appreciably down. There're two reasons its gone down ... one is commodity prices ... and the other is technology," said Deupree.

"When commodity prices drop, the industry slows down. I don't think that's the big driver here as much as it is in more oily producing areas. I think the real reason the well count is down in Webb County is technology (improvements)," he said.

Deupree explained how companies are drilling longer laterals — they drill wells horizontally, with a typical well reaching anywhere from 1 mile to over 2 miles laterally.

He said the average horizontal well from five years ago was probably 5,000 feet long and now it's closer to 10,000 feet long; requiring fewer wells.

"To make these wells economic, we fracture stimulate them, and they're quite a bit bigger as well," said Deupree. "Our typical well in 2019 is probably two times as

long as it was five years ago, and probably three to four times as many reserves, just because technology has improved so much. We could do more with less."

He stated since the technology improved and there's a relatively stable gas price environment, they're seeing a lot of new entrance in Webb County which is shown in increasing activity levels over the last three years.

"I think rig count is up the first quarter of 2019 than what it was in 2018 so you're seeing a lot of activity in Webb County and I think the state of the industry is really good," he said.

With the proximity and availability to transport into Mexico and Corpus Christi, which transports as far as Asia, Escondido Resources II has the economic opportunity to utilize both and go either way.

He said demand is rising there as well and when that happens, it helps their gas prices quite a bit. He believes his company is in the preferred geographic location with these opportunities.

"Right now, in Webb County, there's about two billion cubic feet of gas per day being produced, which is up from about half a BCF 10 years ago," said Deupree. "Webb County is providing almost half of the gas that's going into Mexico currently; demand is strong and growing."

"I believe the state of the oil and gas industry is strong, as a whole, and more importantly, I believe it's extremely strong in Webb County. While commodity prices have fallen in the last few years, technology and access to good markets has allowed us to continue to drill highly economic wells in Webb County," he said.

