

Deals help teach man the oil, gas business

By **TRICIA CORTEZ**
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Editor's note: This is the second of a two-part profile of wildcatter Rodney R. "Rod" Lewis, a self-made man who started as a gauger — the person who is in charge of maintenance and production of a gas well — and is now an international player in the energy industry.

After taking a job as a gauger during the lean early days of his marriage, Rod Lewis soon discovered that he could flourish in the natural gas industry with hard work, dedication and the help of his wife, the former Kim Spicer of Houston.

In 1982, Lewis saw the chance to try his hand at owning his own gas wells with the Williams and Williams 1A well near the Callaghan Ranch.

"This man from Corpus Christi had spent \$400,000 drilling and was going to plug it," Lewis recalled. "I liked the well and thought it had potential, so I went to Corpus, negotiated a 'salvage value' sale and bought it for \$13,000." The temperamental well was located 30 miles down a dirt road and required a half-day of travel. It also required plenty of attention.

Lewis went several times each week to unload it of fluids.

"If you don't offload a well of fluids, it will only last a few years and won't produce," Lewis said.

By 1989, he had incorporated aviation into his business. He used a white Piper Super Cub to get to his well, cutting his travel time from a half-day to 30 minutes.

In 1983, Lewis took on some partners, the Harte family out of San Antonio. They bought 40 percent of the Williams well, which remained in production until about two years ago.

"That well made us some good money," said Lewis, who would remain business partners with Harte for 11 years.

"In 1994, Will (Harte) decided that he didn't want to take on any more bank debt," Lewis said. "We split up, and I bought their half of the interest in the pipeline, and at the same time, sold my interest in another company to finance it." Lewis' ventures into actual drilling, however, began in 1984, when he drilled his first well with the Holcomb family out of Encinal.

"That first well, Juan Salinas 1, was a failure," Lewis said.

First failure, first success

"Ed Holcomb had a Canadian partner, and he told me, 'Sit on this rig and make sure these Canadians don't take my money'," Lewis said. "I told him, 'I'm just a gauger,' so he gave me a 5 percent interest to do it, and I later bought 8 percent." Lewis lived on the rig for several weeks and spent six months at the well,

taking notes the whole time.

“I learned enough from that experience to get my feet wet,” he said.

It took Lewis about two years to recover from that failed investment, but his luck would soon turn with the Leyendecker Kone 1A well.

He teamed up with Adolph Kahn, Art Ochoa, B.B. Leyendecker and Gary Leyendecker, who has been a faithful business partner the last 20 years.

Lewis told them he could drill the well for \$325,000, far less than the going rate, and after a shaky start, did it for \$5,000 less. The same well would now cost \$700,000 to drill.

“It takes a lot of money in this business,” said Lewis who has drilled 500 wells in Webb and La Salle counties and now operates about 980 wells.

Leyendecker Kone 1A was “a very successful well,” and Murexco, the Canadian leasehold owner, would eventually lease out 3,000 acres to Lewis.

“That’s what got me kicked off on drilling,” Lewis said.

He often decided where to drill based on his “gut instinct” and on the work of geologist Stan Jumper, who still works for him out of Dallas. Now, the wildcatter relies more on 3-D seismic to get a sense of where the deposits are buried.

By 1987, Lewis was buying up more leases, and in 1989 made his first pipeline deal.

“We were the largest producers in the area, and needed to get it out,” he said. “I felt like I was getting screwed on the marketing of gas, and figured there was a better way of skinning this cat.”

Bread and butter

“Our bread and butter (for drilling) was the Olmos formation,” Lewis said. “Its nickname was the ‘Almost’ formation because it was not a heavy hitter, production wise, such as the Lobo formation south of Laredo and into Zapata.” The Lobo gas wells tend to produce 1.5 to 12 million cubic feet a day, making some landowners rich overnight.

“Ours produce about half a million a day, and take two-to-three years to pay off, so the Olmos didn’t come with the glamour,” Lewis said.

Still, Lewis hustled to build a vertically integrated company, buy out the competition, own most of the acreage and corner the market “when everyone was asleep at the wheel.” Throughout the 1980s and 1990s, Lewis bought out 15 to 20 production and pipeline companies, which included Exxon, Texaco, Shell and Enron.

“They weren’t making enough money in the area, and we could do it for a lot lower cost,” he said. “And remember, when I got into the natural gas business in 1982, it was the beginning of the crash of the mid 1980s.” For nearly 20 years, Lewis quietly built his empire with no competition.

But then the price of natural gas skyrocketed from \$2 per million cubic feet to \$6. Beginning around 2000, competitors swooped in and Lewis turned his attention to drilling the more unconventional and deeper sour gas.

Last July, he sold his pipeline network “because the competition was fierce and driving down my margins.” “It was 15 percent of my revenue and 80 percent of my headaches,” he said.

The sale also relieved him of heavy debt.

“At one point, I had over \$300 million in debt, but now, it’s much less,” he said.

New gambles

Lewis is concentrating on drilling gas wells in Mexico and building the infrastructure to pipe it into the United States.

“We’re taking the gamble and have to find enough gas to make it work,” he said.

Lewis is also busy with his oil-drilling venture in Colombia, and he is about to make a huge investment in untested drilling technology. No one yet owns such equipment in the United States, he said.

“If it fails, we will have blown a lot of money,” he said. “If it works, no one can touch us. Our success is based on how we can do something different and better than anyone in this area.” Lewis is always quick to give credit to his “core group” of long-time staff, field gaugers, office managers and petroleum engineers.

“This is not a one-man deal,” he said.

After a cancer scare three years ago, Lewis has tried to take it easier, spending more time with his wife and four children.

He also established a charitable foundation to support programs and projects related to cancer, aviation and education.

Lewis said he realizes the importance of giving his support to the community that has given him a great deal.

“I want to do something and help people in need,” he said.

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4/30/2007

[Back](#)