



The Hilton Palacio del Rio hotel's Robert Thraikill says a major renovation will transform the 43-year-old property.

Hilton Palacio del Rio slated to get \$33 million makeover

BY W. SCOTT BAILEY

The Hilton Palacio del Rio, built for the 1968 World's Fair, has begun work on a major renovation project.

Zachry Hospitality Corp., which owns the landmark property, is investing roughly \$33 million to transform the Palacio del Rio into a more contemporary hotel.

"This is going to make us a much more competitive hotel," says Robert Thraikill, general manager of the Hilton Palacio del Rio.

San Antonio's multibillion-dollar visitor industry is heavily dependent on the city's downtown hotel infrastructure.

A renovated Palacio del Rio will give the Alamo City more ammunition as it seeks to pull more tourists and convention delegates from competing markets, and because of the hotel's location, the remake also could boost local leaders' efforts to redevelop the HemisFair '68 site.

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Wildcatter strikes it rich under the radar

S.A. billionaire has quietly built Texas drilling empire

BY SANFORD NOWLIN

When Rod Lewis flew to the border this summer to make a \$1 million donation to Laredo Community College, he piloted his own helicopter, landing in a nearby softball field.

The energy mogul strode to the podium dressed in a baseball cap, blue dress shirt and cowboy boots. His speech, under a volcanic July sun, lasted about five minutes.

"He was probably the smartest person there, because the rest of us were wearing suits," LCC President Juan L. Maldonado says. "He had his sleeves rolled up, and we were dying in the heat."

It was, observers say, a typical Rod Lewis moment: Deliver big, and don't put on airs.

Lewis, 57, has spent three decades doing just that as he quietly built San Antonio-based Lewis Energy Group into a home-spun oil-and-gas empire.

Lewis Energy holds more than 350,000 acres in the Eagle Ford Shale just south of the Alamo City. It drilled its first horizontal well in the booming petroleum play eight years ago, making industry giants such as Chesapeake Energy and ConocoPhillips newcomers by comparison.

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Lewis Energy Group founder (R) Rodney "Rod" Lewis' South Texas roots stretch back six generations.

City's new ad agency to aggressively pursue new tourism business

BY W. SCOTT BAILEY

Bryan Christian, president of Proof Advertising, an Austin-based agency that was awarded last week a multi-year contract to market San Antonio as a travel destination, says the Alamo City has an opportunity to significantly expand its visitor industry.

But Christian and others say San Antonio will have to implement some new strategies to steal more business away from competing markets.

"We have a real opportunity in San Antonio," Christian says. "We are going to take advantage of that."

San Antonio's visitor industry is a major economic driver, injecting billions of dollars into the community annually.

But San Antonio must become more aggressive if it hopes to pull business away from other cities, industry stakeholders contend.

San Antonio's City Council voted 8-2 last week in favor of awarding the tourism marketing pact to Proof. The new deal begins

in October and is expected to run for three years. Financial terms were not available.

New San Antonio Convention & Visitors Bureau Executive Director Casandra Matej says the Alamo City has an opportunity to grow its visitor industry substantially over the next few years and Proof will be charged

with helping identify and attract that new business.

"That's one of the expectations of this agency," she says.

Proof will replace Bromley Communications, a San Antonio-based agency that has had the contract for about a decade.

"Our first step in the strategic process is a total immersion in the product," says Christian about his agency's immediate game plan for San Antonio. "We probably

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Matej



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LEWIS: Billionaire Texas energy entrepreneur is at home on the range, and in the skies

FROM PAGE 1

"We were under everybody's radar screen for years," Lewis says. "That's where we'd stay if it was up to me. It let us go out and do deals that no one ever thought we were big enough to pull off."

But anonymity isn't much of an option anymore.

Lewis Energy popped up on a lot of radar screens when it struck a 2009 joint venture with U.K.-based energy giant BP for further development across the high-profile Eagle Ford.

And Lewis himself recently landed on Forbes' annual billionaire's list with a reported net worth of \$2.25 billion.

"We've had some attention because we got to the Eagle Ford early," says Lewis, who grew up in Laredo and now splits his time between San Antonio and his family ranch in Encinal, 120 miles south of here. "But we're already looking for the next place."

The company now manages 1,300 oil and gas wells, more than 700 drilled in the Eagle Ford's Webb and La Salle counties. It employs 1,000 people — 150 in San Antonio — and operates a sprawling pipeline network to get its product to refiners.

Together, its assets produce nearly 270 million cubic feet of natural gas and 4,000 barrels of oil daily.

Not bad for a guy who first worked in the business as a gauger, one of the technicians who do the grimy work of keeping wells in day-to-day operation.

Lewis, at the time recently married to his wife Kim, took the job with Stampede Energy around 1979. He drove 300 miles a day to tinkler with wells and keep them running.

Well-hopping days

The son of an Air Force pilot, Lewis spent \$4,200 on a 65-horsepower Aeronica Chief airplane to slash his travel time between wells. Kim handled the paperwork. Shortly, they had their own contract gauging business.

By 1982, Lewis had dropped a \$13,000 investment — co-signed by his dad — to buy a gas well 30 miles off the nearest blacktop. A Corpus Christi operator had spent \$400,000 drilling the well, but couldn't get it to produce.

With hard work and constant off-road treks, Lewis used his gauging experience to get the gas flowing.

"A lot of people get lazy," he says. "They don't pay attention to their wells. The gauger is one of the most important guys out there. He makes or breaks that well."

Lewis added to his well holdings, all the while immersing himself in the business. He would spend weeks at drill sites, watching processes and talking to the rough-necks. Leveraging his experience working on hot rods in high school, he put himself through diesel-engine school to understand how the gear worked.

"He'd be there talking to the drilling guys all the time," says Dallas-based geologist Stan Jumper, one of Lewis' earliest supporters. "Engineers would call me and say, 'This guy's always out at the well. Is that OK?' He'd spend 18 hours a day just learning the business."

Building a business

Jumper was convinced to join the upstart wildcatter after Lewis drilled a well for \$300,000 — around half the amount others

were dropping to develop the same area.

"I was astonished," says Jumper, now Lewis Energy's vice president of exploration and development. "One engineering guy called me a liar when I told him. I just laid the documentation in front of him and said, 'No, take a look.'"

Lewis pumped his earnings from the early wells back into the business and kept drilling, focused on gas-rich deposits.

His early investors included San Antonio's Harte family and Laredo construction magnate Gary Leyendecker. Although the Hartes bowed out in the mid-'90s, Leyendecker is still a major backer.

"From the first time you talked to Rod, you knew he was completely focused, totally serious about what he was doing," Leyendecker recalls. "He knew exactly what he needed to do. I could detect his drive."

In the late '80s, Lewis Energy also moved into the pipeline business.

Stung by the transport companies' steep fees, Lewis decided he was better off getting his own gas to market. Since then, the company has purchased and integrated nearly 20 other pipeline operations picked up from giants such as Valero Energy Corp., HPL and Tejas Pipeline.

In 2006, the company unloaded some of its pipeline holdings to billionaire Dan Duncan's Enterprise Products Partners for a reported \$325 million. That, in turn, helped fuel Lewis Energy's international expansion.

Rodney "Rod" Lewis

Title: Founder and CEO, Lewis Energy Group

Age: 57

Birthplace: St. Louis

Residence: Splits his time between San Antonio and a ranch in Encinal, Texas

Family: Married with four adult children; his South Texas roots go back six generations

Education: B.A. in criminal justice, Texas A&I University, Laredo

Federal ambitions: Poor eyesight kept Lewis from joining the FBI after graduation.

First energy-industry job: Lewis worked as a gauger for Stampede Energy, driving 300 miles per day.

Hobbies: Collecting vintage World War II aircraft, flying, boating and fishing

Lewis Energy tied up a contract with Mexico's state-run oil company, Pemex, becoming one of the first U.S. firms allowed to produce natural gas south of the Rio Grande. It's since spent \$5 million developing pipes to transfer gas from its Mexican acreage.

It also worked out deals to drill for oil in hard-to-work areas of Colombia, where the rainy season lasts months of the year. Despite the challenges, the company has hit some bona fide gushers in the South American nation. And thanks to an investment in new state-of-the-art gear, Lewis expects production to top 10,000 barrels per day by year-end.

Hands-on experience

Leyendecker was surprised when Lewis told him he wanted to forge ahead with an investment in Colombia. Although he feared it would take years for the South American investment to bear fruit, he was willing to give his partner the benefit of the doubt and kept his money in the venture.

"I had full confidence in him," Leyendecker says. "I can't think of a single thing he's failed to get done once he put



COURTESY OF LEWIS ENERGY GROUP

Rod Lewis' (L) first job in the energy business was as a gauger. He says his hands-on experience in the field gives him an advantage over many other executives in his business.

his mind to it."

Lewis says his early hands-on experience continues to guide the business, even as it spreads further from its South Texas roots.

"What I have that others don't is I know what goes on in the field," he says. "It's awful hard to pull the wool over my eyes about what goes on out there. It gives you a feeling and an intuition what happens two, three and four miles down the line. If you're not out there living it, you're just listening to someone else's opinion."

The company, he adds, also has maintained an advantage in South Texas because it understands what property owners and investors want. The bilingual Lewis has border roots that run back six generations.

"It's a different culture down there," he says. "I started working on my family's ranch when I was 4 years old. I spent summers down there. I understood the temperament of the people. I worked with the hands, I built the fences, and I also got to know the landowners."

It also doesn't hurt that Lewis is a tough negotiator, associates say. He works hard to slash costs and does as much work as he can in-house to maintain control. In the company's early days, Jumper says, Lewis would occasionally take his own truck on supply runs to avoid delivery fees.

And there's another component to Lewis' success, friends add: guts. Lewis used the proceeds from the sale of a successful batch of wells to fund his pipeline purchases — a gamble Jumper says took a visionary eye and a spine of steel.

"He could have walked away from that sale and been comfortable for the rest of his life, him and his family," Jumper says. "I wouldn't have the courage to do that."

Different kind of courage

Four years ago, however, Lewis faced a challenge that required a different kind of courage.

Diagnosed with advanced throat cancer, doctors told him he needed simultaneous chemotherapy and radiation treatment if he wanted to live.

"They nearly kill you and bring you back to life," Lewis remembers. "I had a feeding tube. I couldn't eat for months."

Decimated by the treatments, Lewis retreated to his ranch. He cut his workdays — which often started before sunrise and

wrapped up around midnight — to just two hours. As his strength returned, he built back up, adding two more hours at a time.

Lewis says he has been cancer-free since the treatment, and his strength has returned. Even so, the chemo destroyed his salivary glands, forcing him to sip regularly from bottled water to keep his mouth from drying out.

"I had kids I didn't want to leave without a father," he says. "I realized I had a lot to live for. Before, it was work, work, work. Now, I don't let the stress get to me."

Lewis says he unwinds by taking friends and business partners out fishing, often grilling up their catch on the boat.

He also seeks solace in the air.

Lewis regularly flies his own corporate jet to business meetings, even if they're in Bogotá, Colombia or deep in Mexico. This summer, he took his collection of vintage World War II fighter planes to the Oshkosh Air Show. (See related story on page 4.)

"Flying is my therapy," he says. "It lets me clear my head."

Doing what he wants

But Lewis' appreciation for a low-stress life doesn't mean he's putting the brakes on corporate growth.

Lewis Energy put \$100 million into additional pipeline development over the past 12 months, and its \$500 million drilling budget will balloon to \$1 billion next year. He declines to disclose revenue or profit figures for his company.

A self-professed technology junkie, Lewis recently commissioned five new computer-controlled drilling rigs from Houston's IDE.

Their design — which he predicts others in the industry will copy — will allow them to be up and working in a fraction of the up to 10 days it normally takes.

"We'd like to be able to do it in two," he says.

Ambitious plans to be sure.

But don't expect Lewis Energy to tap the public markets as it moves to execute them. Lewis says he's happy sticking with the group of 20 banks that understand his approach and have dependably helped finance the company's development.

In other words, he's fine flying solo.

"I want to be flexible, and you lose that when you go public," Lewis says. "I'm used to having the ability to do what I want, when I want to do it."

S.A. businessman has global reputation as vintage aircraft collector

BY SANFORD NOWLIN

Oil-and-gas mogul Rod Lewis remembers being around planes virtually from the time he was born.

"I grew up on the Air Force bases," says Lewis, founder and CEO of San Antonio's Lewis Energy Group. "You'd wake up in the morning every day and hear the planes. First the turboprops, then the jets."

After entering the energy business, it didn't take Lewis long to figure out that aircraft cut down his travel time as he crossed the parched South Texas landscape to visit wells. He took flying lessons from his Air Force pilot father and bought his first plane in 1980.

Since then, he's had a hard time staying out of the air. Lewis maintains a fleet of 24 vintage World War II "warbirds" — the Lewis Air Legends collection — which make the rounds to major airshows. He hangsars the planes at San Antonio International Airport and his El Jardin Ranch in Encinal, located about 120 miles south of



PHOTO BY PAUL BOWEN/COURTESY OF LEWIS ENERGY GROUP
Entrepreneur Rod Lewis' vintage aircraft collection includes Glacier Girl, a restored twin-boom World War II-era P-38 Lightning.

the Alamo City.

"I love to show them off to the old guys that worked on them," says Lewis, who hosts an annual "fly-in" at his ranch that has attracted storied pilots — including World War II ace Col. Bud Anderson.

Lewis Air Legends' centerpiece is Glacier Girl, a P-38 fighter rescued from under 270 feet of ice decades after a 1942 crash in Greenland. The plane, excavated by Kentucky businessman Roy Shoffner, underwent years of restoration before returning to flight with 80 percent of

his own jet to business meetings — even those in Mexico City and Bogotá, Colombia. He's flown the Bogotá trip at least once in a helicopter.

"I hate to add to his ego," friend and longtime Lewis Energy investor Gray Leyendecker says. "but he is a damn good pilot."

Lewis regularly shows off his collection to active-duty military personnel, and that has allowed him to hitch rides on some of his warbirds' modern equivalents. He's been up in both F-14 and F-16 fighters.

This summer, he took another big leap, ascending 70,000 feet with Air Force pilots in a Lockheed U-2 spyplane. Because of the U-2's operating altitude, personnel must wear the equivalent of space suits in case the plane loses cabin pressure.

"That's something very few people ever get to do," Lewis says. "Not too much could top that except going into space."



COURTESY OF LEWIS ENERGY GROUP
Rod Lewis overlooks the terrain below while flying one of his company's helicopters.

her original parts.

Lewis picked up Glacier Girl for \$10 million in 2006, according to a recent Forbes magazine article.

The collection also includes the Rare Bear, a Grumman F8F Bearcat, whose top speeds of 528 mph set the record for propeller-driven planes, and a Curtiss Aviation P-40C Tomahawk made famous by its "Flying Tigers" warpaint.

Lewis prides himself on being able to fly every aircraft in his collection, spending as much as eight weeks of each year in flight training. He relaxes by flying

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travel News

by Patricia Stout

Mexican Tourism Secretary reassures US travelers about safety in Mexico

In a recent interview, Secretary of Tourism Gloria Guevara Manzo vouched for the safety of tourist destinations in Mexico, and encouraged visitors from the United States to enjoy the best of what Mexico has to offer.

Regarding the reports of violence, Guevara pointed out that when there are increased reports of violence in the U.S., the cities are specifically reported, discouraging beliefs that violence as a whole has increased in the entire country. Secretary Guevara said, "For us in Mexico, when we talk about the U.S., we don't say the U.S., we say Orlando, L.A., Washington. If something happened last week, if there was a shooting in East L.A., does that mean you can't go to Washington? Of course not."

According to Guevara, out of more than 2,500 counties in Mexico only 80 are prone to violence, dismissing media claims that the entire state has seen an increase in drug-related violent activity. Guevara also notes that 90 percent of Americans go to six destinations in Mexico, none of which are included in the 80 troubled counties.

As with any tourist in any new destination, Guevara recommends visitors carry a map to avoid being lost in unfamiliar territory. She also recommends that visitors explore outside of the typical destinations, suggesting Huatulo and Oaxaca for a more traditional Mexican cultural experience, or Campeche for those interested in the Mayan culture.

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