



**FOR IMMEDIATE RELEASE**

**MERITAGE MIDSTREAM SERVICES TO BUILD RICH GAS  
GATHERING SYSTEM IN WEBB COUNTY, TEXAS:  
Will provide natural gas gathering services for Escondido Resources II**

Houston, Texas – July 13, 2011 - Meritage Midstream Services, LLC announced today that the company will build a new rich gas gathering system in Webb County, Texas. Escondido Resources II, LLC will serve as the system's anchor tenant and will also have firm capacity on Meritage's existing Eagle Ford Escondido Gathering System to move its Eagle Ford volumes. Escondido Resources will dedicate approximately 33,000 acres to Meritage including deep and shallow rights in the Eagle Ford, Escondido and Olmos formations.

Known as the Cuervo Creek Pipeline, Meritage's rich gas gathering system will cover more than 1,300 square miles from Encinal south to Laredo. The 60-mile system will include multiple downstream interconnects, providing Meritage customers with numerous options for moving rich gas to high value markets out of the multizone, rich gas developments taking place in the region, including the Eagle Ford shale. The 16-inch Cuervo Creek Pipeline will have an initial capacity of 150 MMcf/d and is expected to be in service in the fourth quarter of 2011. Meritage expects to increase its rich gas gathering capacity in 2012 to accommodate the quickly developing shallow gas play.

"We are very pleased to be working with Escondido Resources II and our other producers to provide the gathering capacity and optionality they need for their rich gas developed in the Eagle Ford's rich gas window," said Meritage President and CEO Steven B. Huckaby. "The developing Escondido and Olmos story in northern and central Webb County is a real game changer for the area and this dedication by Escondido Resources has allowed us to significantly accelerate our rich gas gathering and processing projects for our entire customer base."

"Pipeline capacity has been a critical challenge to producers operating in both the shallow and deep horizons in the region. Our drilling program in the Eagle Ford, Escondido and Olmos formations has been extremely successful. We are currently producing more than 50 MMcf/d with plans to bring on additional rigs and expand our drilling activity," said Bill Deupree, president and CEO of Escondido Resources II. "Meritage Midstream's willingness to work with us to provide optionality and rapid access to multiple markets will give us the ability to complete our wells and flow gas without interruption."

Meritage's existing lean gas system, the Eagle Ford Escondido Gathering System (EEG), serves multiple producers working in dry gas windows with more than 100 miles of high-pressure gathering lines and 145 MMcf/d in treating capacity at the EEG facility near Laredo.

**About Meritage Midstream Services, LLC**

Headquartered in Golden, Colorado, Meritage Midstream provides oil and gas producers with a full complement of midstream services. Capabilities include the gathering, treating and handling of natural gas, crude oil and condensate. The company differentiates itself with a focus on excellence in customer service, integrated all-in solutions and the ability to respond quickly to rapidly developing resource

plays. The Meritage management team has a combined 140 years experience in natural gas gathering and processing. Meritage is backed by equity commitments from EnCap Flatrock Midstream and TPH Partners. Visit [MeritageMidstream.com](http://MeritageMidstream.com) for more information.

**About Escondido Resources II, LLC**

With headquarters in Midland, Texas, and offices in Houston, San Antonio and Kingwood, Escondido Resources II is a privately held company engaged in the development of conventional and unconventional natural gas reserves in south Texas. Escondido II is focused on the development of acreage in Webb, LaSalle and McMullen counties in the Eagle Ford shale and the Olmos and Escondido formations. Partners William E. Deupree, Mark E. Semmelbeck, Kurt von Plonski and David Wrather formed Escondido Resources II as the successor to Escondido Resources, L.P., which was sold for \$249.5 million in October 2007. Escondido II is backed by private equity commitments from EnCap Investments L.P. Visit [Escondido-Resources.com](http://Escondido-Resources.com) for more information.

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