



PART 1

THE PERMIAN BASIN AT A CROSSROADS:

How Gas Could Drive the Next Investment Cycle

EAST DALEY ANALYTICS OUTLOOK

The Permian's Central Role in U.S. Energy

The Permian Basin is America's energy breadbasket. The vast hydrocarbon region spanning West Texas and southeastern New Mexico supplies about 50% of US crude and NGL production and nearly 20% of the produced natural gas. At any time, about half of the rigs drilling in the Lower 48 are targeting benches in the basin. Where development trends in the Permian, so goes the US oil and gas industry.

Crude has long been the focus of Permian operators, pushing the basin's oil production to 6.7 MMb/d in 2Q25. Associated natural gas, a byproduct of oil drilling, has represented a small share of revenues for producers even in the best of times. In difficult periods, when pipelines exiting the basin are running full, natural gas can be an operational nuisance; gas prices in the Permian at times have fallen below zero, prompting some operators to temporarily flare to keep crude oil flowing from wells.

A Market Turning Point for Natural Gas

At times, Permian gas prices have fallen below zero, forcing operators to flare just to keep oil flowing.

Despite this historical legacy, changes are afoot in energy markets that are likely to alter the dynamic in the Permian. In the years ahead, East Daley Analytics anticipates a fundamental shift in producer behavior as rising LNG and data center demand expands

the US natural gas market by 20% or more, calling on supply wherever it can be found. Rather than just a byproduct of oil drilling, Permian gas is likely to become a prime target. However, the industry will need to invest billions in midstream infrastructure, from gas processing to transmission

pipelines, to achieve this transformation.

[Recent geopolitical volatility has prompted Permian producers to pull back, collectively reducing their Capex guidance by nearly \\$2B since the start of 2025.](#) Oil futures fell sharply after "Liberation Day" on April 2, when the Trump administration announced sweeping tariffs on US trading partners. As a result, East Daley has dropped our Permian rig forecast by more than 30 by 2027, equating to almost 400 Mb/d less crude oil production and a nearly 1 Bcf/d reduction in residue gas. Despite the tempered expectations, we expect Permian oil production will continue to grow. Figure 1 shows our latest supply forecast for the basin as of Sept. 2, 2025, available in Energy Data Studio. We forecast Permian oil production will increase by nearly 300 Mb/d in 2025 to 6.7 MMb/d and reach 7 MMb/d by 2030.

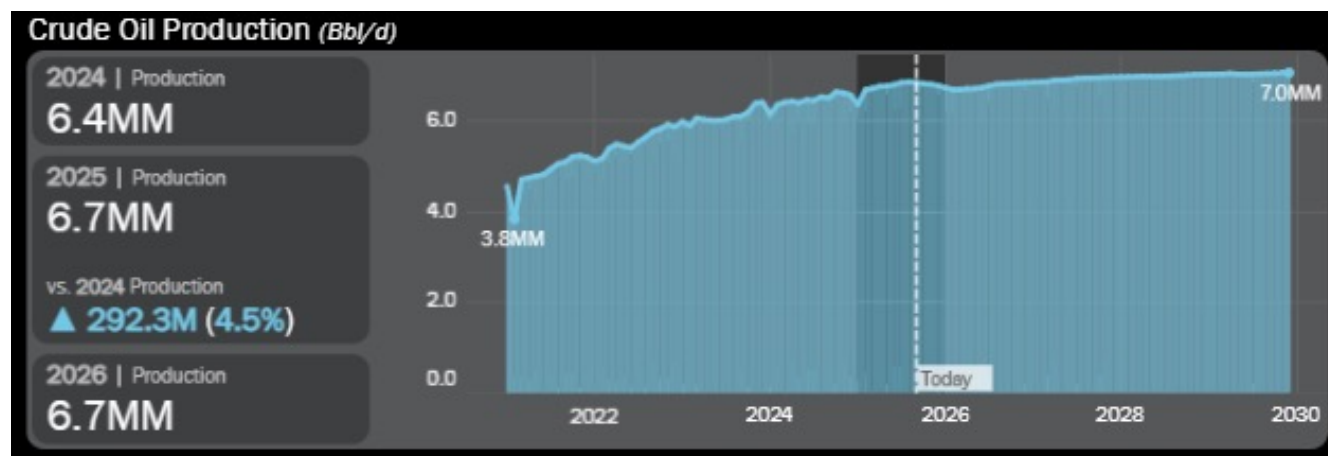


Figure 1: Permian Basin Crude Oil Production Forecast (East Daley Analytics, Energy Data Studio)

Where Will the Gas Come From?

The outlook for natural gas is starkly different. Demand for the fuel is growing rapidly, mainly from LNG export projects and AI-driven data centers. On the LNG front, a significant project wave will hit the market starting in 2025, including Venture Global's Plaquemines LNG and Cheniere Energy's Corpus Christ Stage 3 expansion. In 2026, the delayed Golden Pass project is due to begin making LNG. Several other projects have made a final investment decision (FID) and are under construction, including NextDecade's Rio Grande LNG and Woodside's Louisiana LNG, and many more have signed customers and are progressing toward FID. As for data centers, East Daley is tracking over 375 proposed projects across the US totaling over 180 GW of capacity. These data centers will need steady electricity supply to operate, and many will opt for natural gas as the fuel of choice for generation.

These market forces are driving a significant expansion in natural gas demand. In the [Macro Supply & Demand Report](#), East Daley Analytics expects gas consumption to increase 24 Bcf/d by 2030 from 2024 levels (see Figure 2).

Finding enough supply to meet this explosive growth poses a challenge for the industry. Our forecast leans heavily on new production from the Haynesville shale in Louisiana and East Texas, given the play's low development costs and its proximity to LNG projects on the Gulf Coast. However, several of the [largest Haynesville operators have expressed reservations about burning through their inventory too quickly](#) without higher prices, throwing into question how fast the play can really grow.

If Haynesville operators don't step up, the Permian is the next-best option for gas supply. However, more constructive Waha hub prices, and more pipeline takeaway, are necessary for this transition. Higher in-basin prices would make gas-focused

development more attractive in the Permian, enabling producers to diversify their drilling footprints and capture profits from crude oil as well as natural gas.

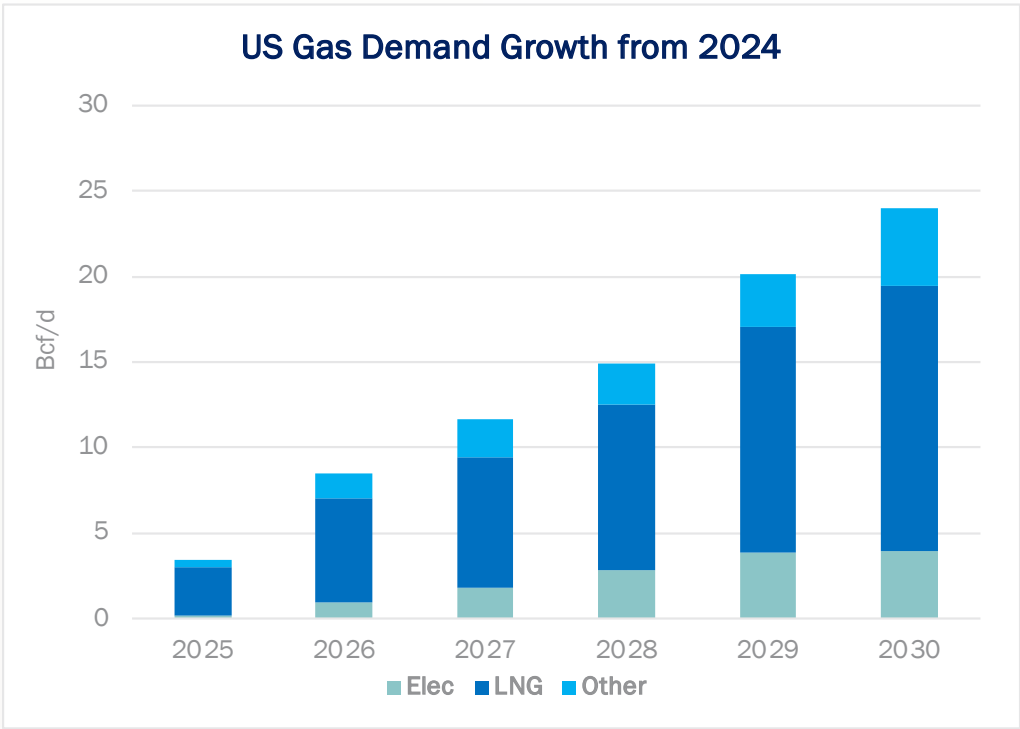
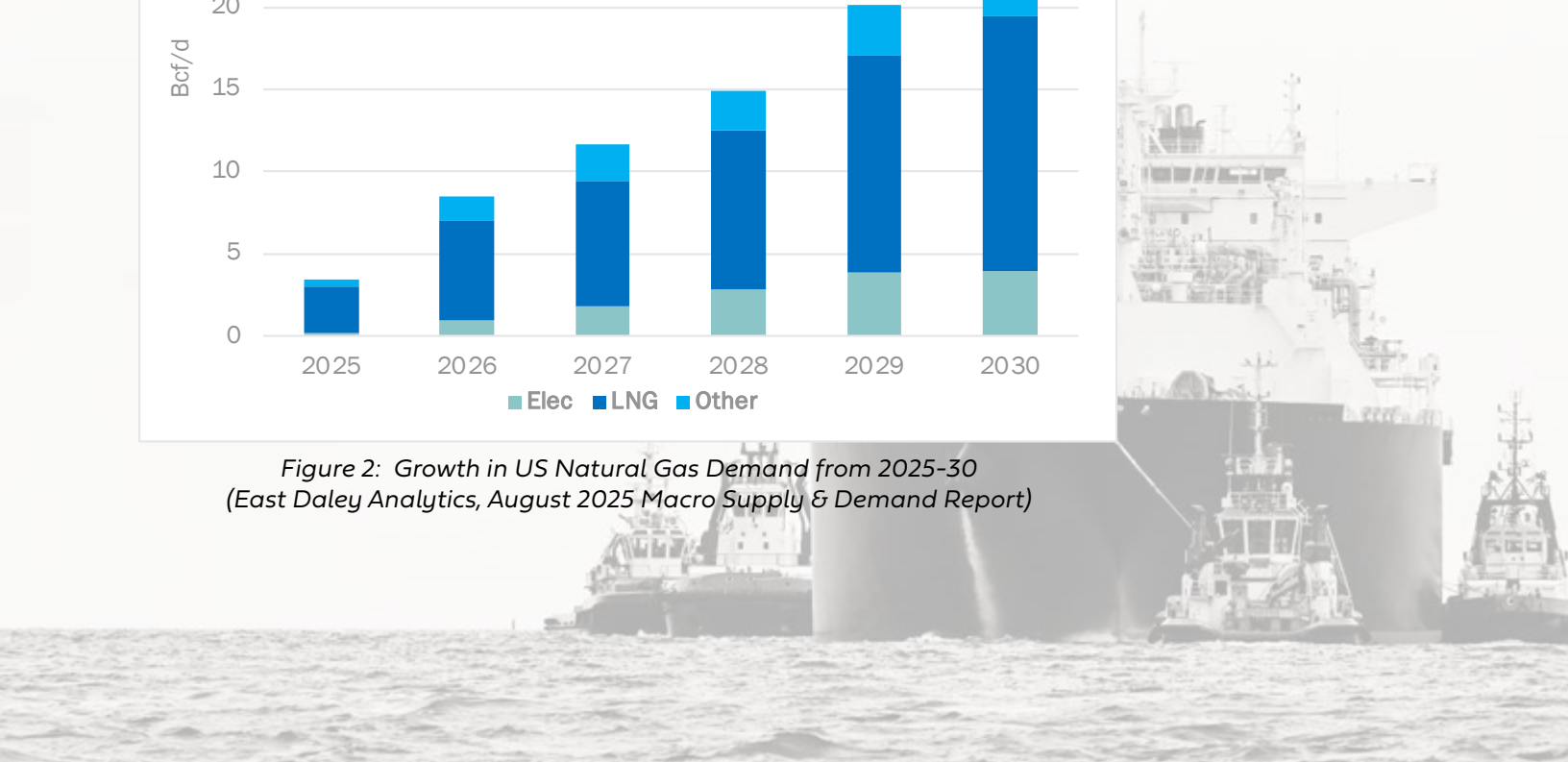


Figure 2: Growth in US Natural Gas Demand from 2025-30 (East Daley Analytics, August 2025 Macro Supply & Demand Report)



Building the Infrastructure for Growth

At a meeting of the Independent Petroleum Association of America (IPAA) earlier in 2025, Diamondback Energy (FANG) laid out the case for another “5 to 10 Bcf/d of gas out of the Permian,” contingent on supportive gas prices and more egress takeaway. This comes just months after FANG said \$60/bbl WTI puts the basin into maintenance mode, with prices any lower leading to declines. And despite natural gas making up over 20% of FANG’s production output, the commodity’s minimal revenue contribution (<1%) at an average \$2.11/Mcf price underscores how significant this shift would be.

The egress capacity is coming, as laid out in East Daley’s [Permian Supply & Demand Report](#). WhiteWater’s Blackcomb Pipeline (+2.5 Bcf/d), Kinder Morgan’s (KMI) Gulf Coast Express

Despite natural gas making up over 20% of FANG’s production, it contributes less than 1% of revenue at current prices.

expansion (+0.6 Bcf/d) and Energy Transfer’s (ET) Hugh Brinson Pipeline (+1.5 Bcf/d) are expected to begin service through 2027. Several other major greenfield projects have reached FID this year out of the Permian and are scheduled to start

service later this decade, including ET’s Desert Southwest (+1.5 Bcf/d) and WhiteWater’s newly announced Eiger Express (+2.5 Bcf/d). Even more gas pipelines are in the works, such as [Tallgrass Energy’s proposed connector from the Permian to Rockies Express](#).

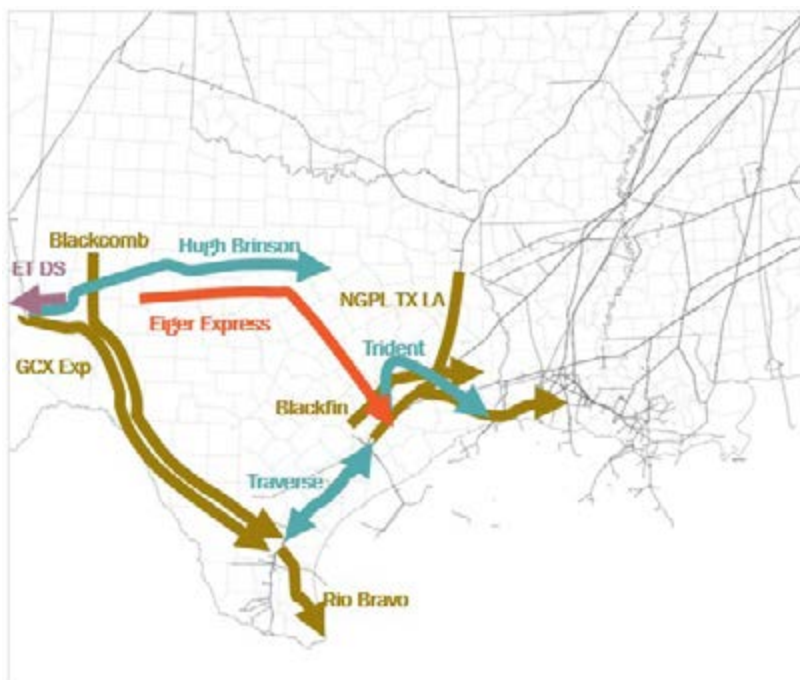


Figure 3: Existing and Proposed Permian and Gulf Coast Gas Pipelines (East Daley Analytics)

The Road Ahead

How many natural gas pipelines will ultimately be constructed out of the Permian, and how might this buildout affect prices in the basin? Will there be enough supply to fill all the lines?

And what are the implications for oil and NGL markets if gas emerges as a driver of Permian investment? East Daley will examine these questions and more in later papers. In Part II of this series, we will take a closer look at the pipeline proposals underway to unlock Permian gas supply. In Part III, we will examine the implications of the buildout for oil, gas and NGL markets, leveraging our integrated basin and commodity models.

East Daley Analytics: Energy Clarity Starts Here

We don’t just track the market—we decode it. From wellhead to world markets, our models strip away guesswork and expose the true drivers of value in natural gas and midstream infrastructure.

The edge isn’t optional. It’s essential. Price volatility, export uncertainty, and shifting supply aren’t risks when you can see them coming. That’s the power of East Daley insight. [Talk to an Expert](#) ►