EAST DALEY
ANALYTICS

PART II

THE PERMIAN BASIN AT A CROSSROADS:

Why This Pipeline Boom is Different

EAST DALEY ANALYTICS OUTLOOK

This is Part II of a 3-part series examining changing market dynamics in the Permian Basin. Click here to read the first paper, "The Permian Basin at a Crossroads: How Gas Could Drive the Next Investment Cycle".

A New Era of Permian Gas Expansion.

A boom is underway in the Permian as midstream companies scramble to build new natural gas pipelines. It may be the most improbable rally in the storied history of the West Texas and New Mexico hydrocarbon basin.

East Daley Analytics is tracking four newbuild projects out of the Permian Basin that we expect to move forward. Including several other compression expansions planned on existing systems, we anticipate over 9 Bcf/d of new gas egress by 2030 (see Figure 1), amounting to over $12B in new midstream investments. The pipelines combined would boost takeaway for Permian residue gas by 40% from 2025 levels, according to our ***Permian Supply & Demand Report***.

More Than a Buildout—A Transformation

The coming pipeline surge won't just move gas. It will redefine market dynamics across the Permian, Rockies, and beyond.

We view the forecast for 9 Bcf/d of new capacity as conservative, given that companies have lined up customers and reached a final investment decision (FID) on all these projects. Moreover, there is still upside to the outlook. Developers are working to commercialize other pipelines that could eventually reach the finish line. The most significant of these is Tallgrass Energy's plan for a 42-inch line connecting the Permian Basin to the company's Rockies Express Pipeline. The pace of development also appears to be accelerating. Of the 9 Bcf/d of new pipeline capacity in our outlook, sponsors have reached FID on nearly half (~4 Bcf/d) since August 2025.

This infrastructure boom will be transformative for the industry. The new projects have implications on supply growth for all hydrocarbon streams -- crude oil, natural gas and NGLs -- and for gas prices at the Waha hub and other pooling points in the Permian. The expansions may move the US natural gas market at large, unleashing supply that could cap upward pressure on prices from new data centers and LNG export projects. Growth in Permian gas production would also create supply competition for other regions, from the Rockies and Anadarko basins to the Haynesville play in Louisiana and East Texas. The market ripples will extend far once the dust settles on this construction cycle.

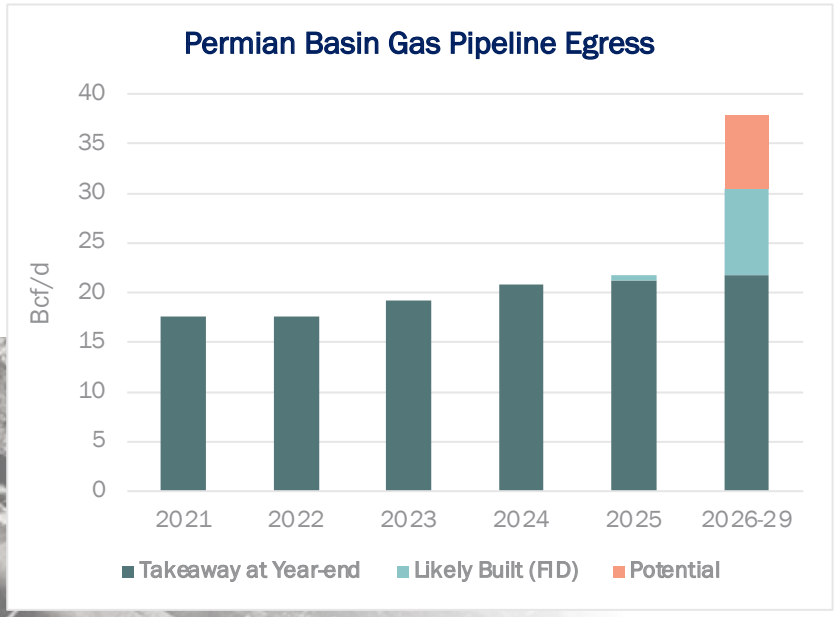


Figure 1: Permian Basin Residue Gas Pipeline Takeaway, Historical and Forecasted to 2029(East Daley Analytics, Permian Basin Supply & Demand Forecast)

An Unlikely Midstream Rally

The Permian is no stranger to pipeline booms. The most recent one occurred in the late 2010s, when midstream companies went on a tear constructing new pipelines to move crude oil, natural gas and NGLs from the basin. However, the pipeline booms of the past were the natural consequences of a wider 'gold rush' mentality, when industry optimism was riding high, producers were pouring money into the Permian, and production was increasing across commodity streams.

The current pipeline boom stands out for the lack of such animal spirits. Indeed, investor sentiment in 2025, particularly in crude oil markets, is quite dour. After starting the year over $80/bbl, WTI fell into a $60 price range in April. Markets slid on dual pressures from the OPEC+ cartel's plan to unwind production cuts, plus demand concerns following "Liberation Day," when the Trump administration announced sweeping tariffs on most US trade partners. Several leading Permian operators pared their 2025 Capex guidance in the wake of the decline in oil prices, including Diamondback Energy (FANG), Coterra Energy (CTRA), EOG Resources (EOG) and Devon Energy (DVN). New 25% tariffs on imported steel, enacted in March, have further raised operating costs and contributed to pessimism among producers. Collectively, the sector has cut over $2B from spending plans since the start of 2025.

The impact of these cutbacks are evident in declining Permian rig activity. Figure 2 shows the recent drilling trend in the basin, available in the "Permian Energy Path" dashboard in East Daley's ***Energy Data Studio***. Permian rig counts fell to 242 in early October, the fewest active rigs to date in 2025 and about 25% below the recent peak of 322 rigs in February 2024. In mid-October, WTI oil futures slid below $57/bbl, the lowest prices in nearly five years. Chatter is also growing among industry executives that peak oil production could be on the horizon in the Permian. Such bearish macro conditions hardly seem fertile ground to birth a pipeline rally.

A Pipeline Boom in a Bear Market

Even as oil prices slump and rigs go idle, midstream investment in the Permian is surging once again.

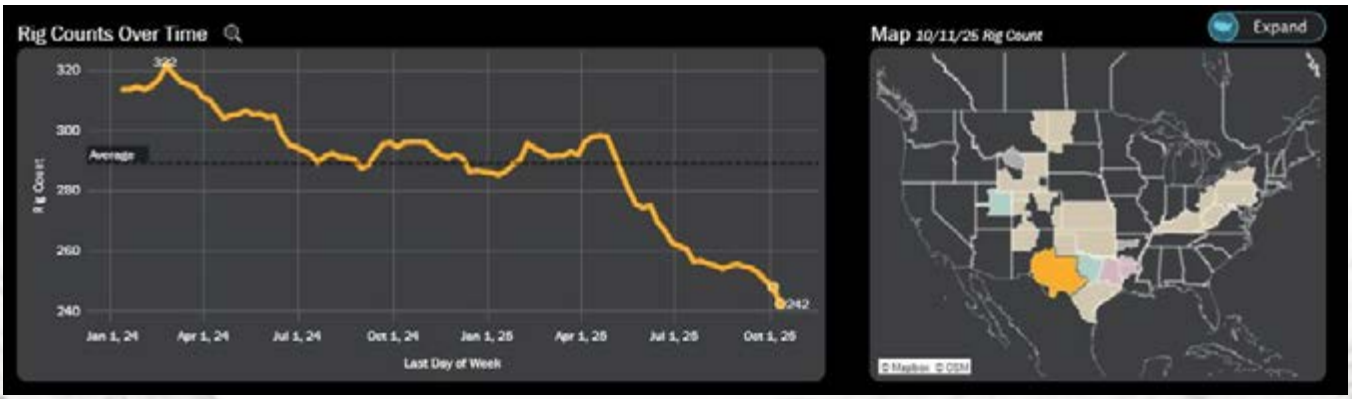
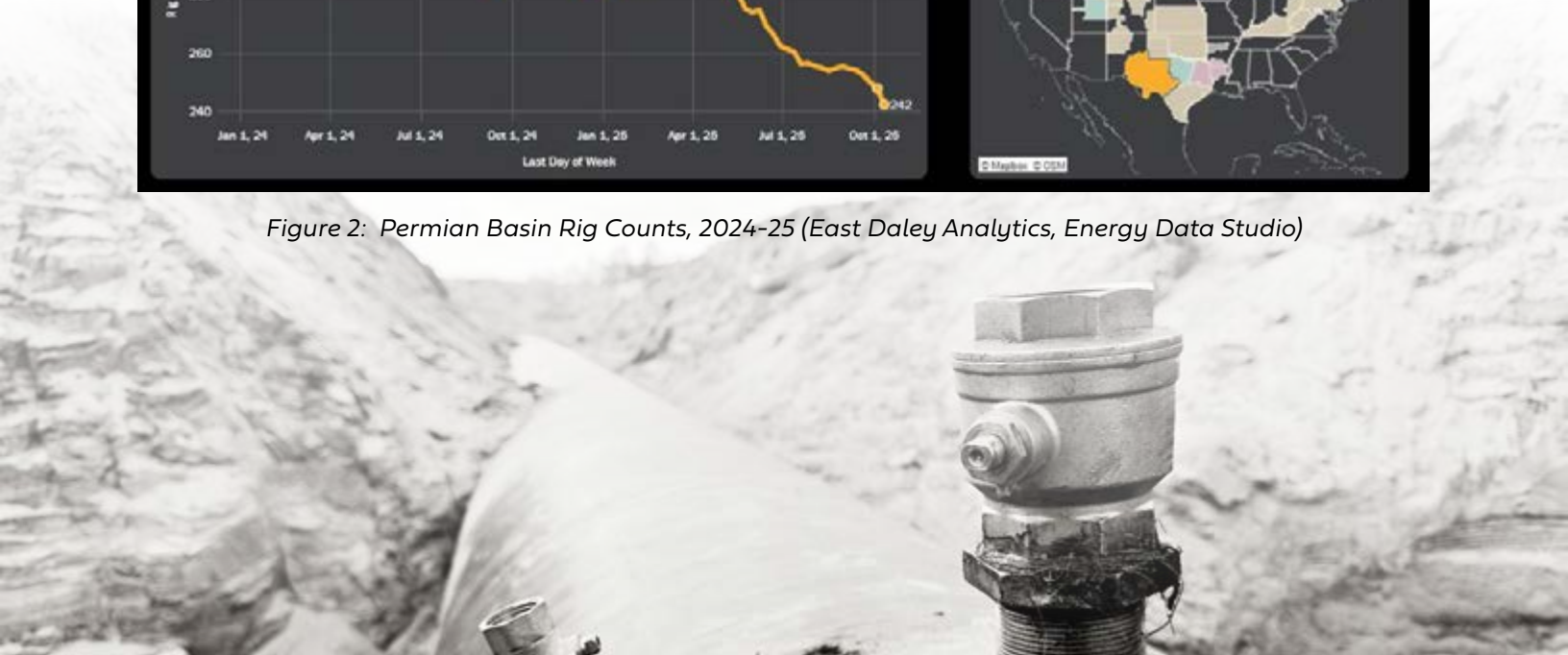


Figure 2: Permian Basin Rig Counts, 2024-25 (East Daley Analytics, Energy Data Studio)



The Force is With You

The wider challenges facing the industry are real. East Daley believes Permian oil production will continue to increase, but the pace of growth is slowing. Yet on the gas side, the basin has several supportive factors providing tailwinds for business.

From a supply perspective, natural gas is becoming a larger share of Permian output. The basin has a large base of maturing wells, and as oil wells age and reservoir pressure declines, more methane is released from hydrocarbon formations. The rising gas-to-oil ratio (GOR) of Permian wells doesn't translate into supply growth, but does mean that the decline curve for natural gas is more resilient than for crude oil.

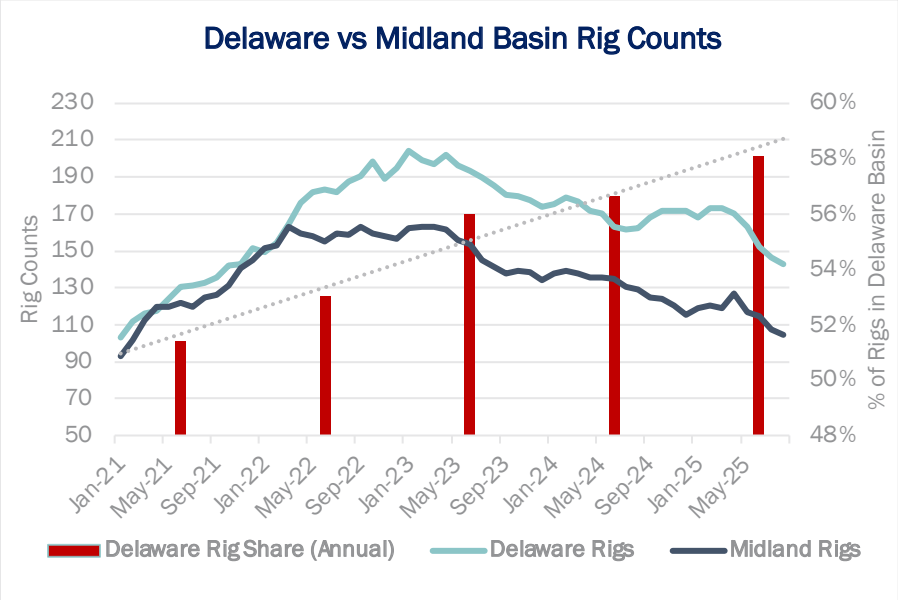


Figure 3: Rig Activity in the Delaware vs Midland Basins (East Daley Analytics, Energy Data Studio)

Permian drilling activity is also migrating toward gassier acreage. The trend is most clear when comparing rig activity in the Midland to the Delaware sub-basin on the western side of the Permian. Operators are steadily investing more in the Delaware relative to the Midland. Rig counts in the Delaware accounted for 58% of total Permian activity through the first nine months of 2025, up from a 51% share of rigs in 2021 (see Figure 3). Benches in the Delaware tend to have higher natural gas content than in the Midland -- not necessarily an attractive feature when operators are targeting liquids. But the Delaware also has more undeveloped acreage, particularly on federal lands in the northern part of the basin, providing more runway for growth. As a result, newly drilled wells are contributing relatively more natural gas as a share of Permian hydrocarbon output.

The Force Behind the Boom

With rising gas output and eager buyers, a new balance of power is fueling the Permian's next pipeline surge.

The structural pillars supporting Permian gas supply have been apparent for some time. What is a new phenomenon, and a potential game-changer for pipeline developers, is the emergence of demand-side pressures. Historically, producers have bankrolled most gas pipelines out of the Permian, directly financing new projects or contracting for capacity on third-party lines. This 'supply-push' strategy has enabled operators to move their associated gas to premium markets outside the basin, supporting more oil development without resorting to flaring. Yet increasingly, natural gas consumers also have been willing to step to the plate and reserve capacity on Permian pipelines.

East Daley Analytics explored these forces in the first paper of this series (see The Permian Basin at a Crossroads: How Gas Could Drive the Next Investment Cycle). Natural gas consumption is growing rapidly for LNG exports and to generate electricity for data centers. With 24 Bcf/d of new demand in our Macro outlook by 2030, the potential for price volatility grows. Gas consumers can mitigate this risk by contracting for pipeline capacity close to the supply source. This concurrent 'demand-pull' force is spurring pipeline development beyond what the fundamentals suggest is necessary to move gas from the Permian.

Data Centers, Utilities Back New Permian Pipelines

Demand-side pressures have played a critical role in commercializing several recent Permian projects. Below is a list, likely incomplete, of new pipelines with backing from downstream consumers.

Hugh Brinson Pipeline

Energy Transfer in December 2024 took FID on the $2.7B Hugh Brinson Pipeline (formerly the Warrior Pipeline), a 42-inch line that will run 400 miles from the Waha hub to Maypearl, south of Dallas/Fort Worth. From Maypearl, Hugh Brinson will connect to several other intrastate systems owned by ET, providing downstream access to the Carthage and Katy hubs.

On the company's 3Q24 earnings call ahead of the FID announcement, ET executives said contracting for Hugh Brinson is "weighted a little bit heavier towards market pool than it is on producer push." Rapid population growth in the Dallas/Fort Worth area has coincided with declining production from the local Barnett shale play, creating a gap for Permian supply to fill. The Dallas/Fort Worth metroplex also hosts numerous data center projects that are set to raise gas demand. ET expects to start Phase 1 (1.5 Bcf/d of capacity) by the end of 2026, and with additional commitments could upsize the project to 2.2 Bcf/d.

Desert Southwest

Energy Transfer is pursuing another Permian-based project backed by gas consumers. In August 2025, the company announced FID on Desert Southwest, an expansion of its Transwestern Pipeline to serve growing natural gas demand in the Southwest region. The estimated $5.3B project will add 516 miles of 42-inch pipe from Texas to central Arizona and have a capacity of 1.5 Bcf/d.

New 516-mile pipeline expansion to Arizona aims to close a 1.6 Bcf/d supply gap by 2030.

Desert Southwest will help address a supply shortage East Daley has flagged in the *West Coast Supply & Demand Report*. The Southwest is a growing hub for data center development; we are tracking 16 projects in Arizona, most near Phoenix in Maricopa County, that in a high case could consume 1.3 Bcf/d of gas. Combined with the expected startup of Sempra Energy's (SRE) ECA LNG project on Mexico's Pacific coast, and we forecast a regional supply and demand imbalance of over 1.6 Bcf/d by YE2030.

ET took FID on Desert Southwest despite holding no open season for the project. ET indicated an open season would be conducted later in 3Q25, and left open the possibility that pipeline could be expanded to accommodate demand beyond the 1.5 Bcf/d already declared. The project proposes to deliver gas to multiple customers in the Southwest, including in Luna and Doña Ana counties in New Mexico and in Cochise, Pinal, Yuma and Maricopa counties in Arizona. ET expects to bring Desert Southwest into service by 4Q29.

Figure 4: Existing and Planned Permian and Gulf Coast Gas Pipelines (East Daley Analytics)

Transporter (Permian to Rockies Express)

In May 2025, Tallgrass Energy announced anchor shippers for a new pipeline to move up to 2.4 Bcf/d from the Waha hub to its Rockies Express Pipeline (REX). The Denver-based company launched an open season on July 21 to offer additional capacity, but said the precedent agreements are already sufficient to move forward with construction. Tallgrass proposes to start the new line in late 2028.

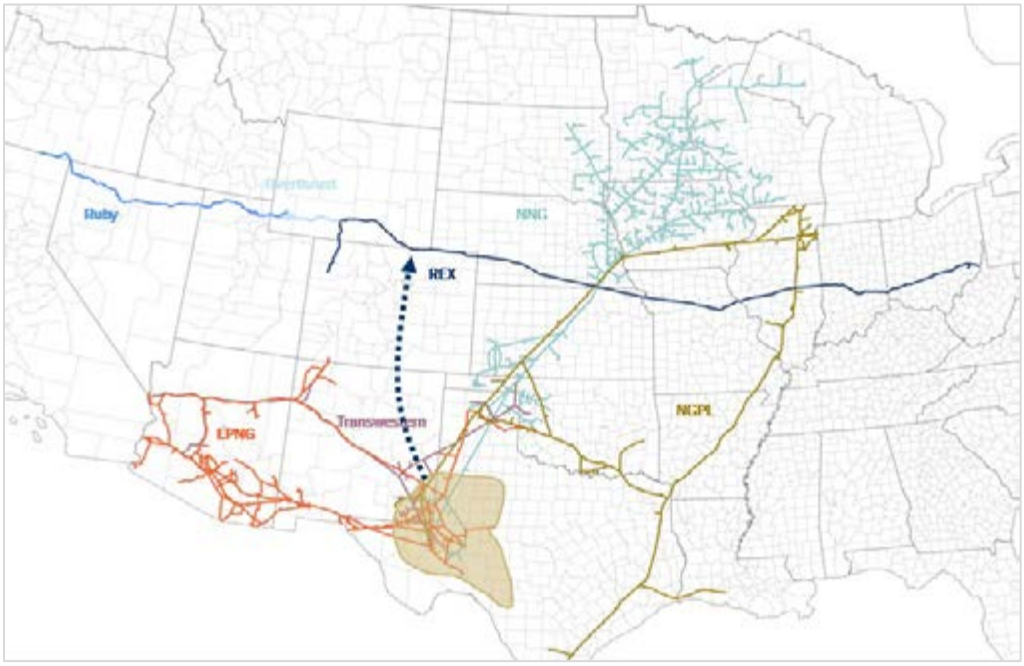


Figure 5: Potential Route of Tallgrass Energy's Transporter Pipeline (East Daley Analytics)

Tallgrass has been mum on key details of the project, including the planned route from the Permian to REX, but did offer a clue in its open season documents. The pipeline, to be named Transporter, will connect into REX Zone 2, according to the documents. Zone 2 covers the REX route from the Cheyenne hub through Nebraska and Kansas to the Mexico compressor station in northern Missouri.

Based on this disclosure, East Daley expects Transporter will connect into the Cheyenne hub near the Colorado and Wyoming border (see Figure 5). Zone 2 of REX interconnects with several major pipeline systems, including ANR, Northern Natural Gas, and Natural Gas Pipeline of America. But none of these interconnects are true trading hubs, nor provide the liquidity that Permian shippers would need to offload over 2 Bcf/d of gas. The Cheyenne hub is the logical place to build along the Zone 2 route.

Another clue comes from a July 24 announcement by developer Crusoe to build a 1.8 GW AI-focused data center campus in partnership with Tallgrass. The facility will be located in southeastern Wyoming, just south of Cheyenne. Tallgrass has not disclosed shippers participating in the open season, but the timing of the announcement, just days after the start of the open season, suggests Crusoe is among those securing capacity on the new line.

Tallgrass has yet to formally take FID on Transporter, and therefore East Daley does not include it in the base case outlook in the ***Permian Supply & Demand Report***. However, the Tallgrass project has the most potential to shake up the US gas market. Rockies Express is one of the longest US gas pipelines, stretching 1,679 miles from the Meeker hub in western Colorado to Clarington, OH, and receives supply from multiple basins. If Transporter is ultimately constructed, Permian gas would directly compete for market with basins across the Lower 48, including the Rockies, Anadarko and Appalachia, as well as pipeline imports from Canada.

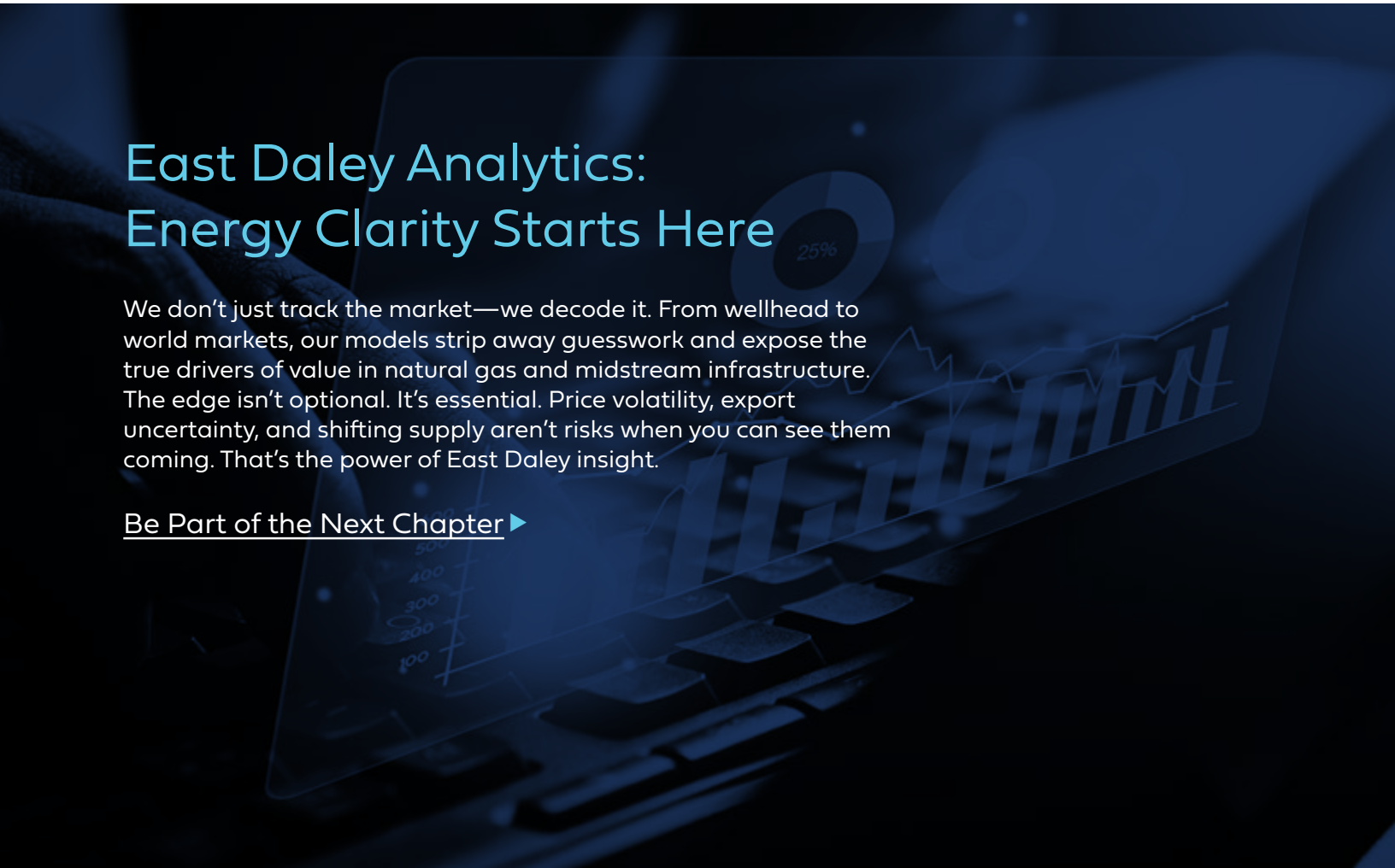
Expansions Transform Permian Outlook

The list of pipelines discussed in this paper is not comprehensive. Other projects, such as Blackcomb Pipeline and Eiger Express, are also moving forward -- we suspect these are mostly backed by producers. Taken together, the 9+ Bcf/d of new Permian takeaway will transform energy markets – natural gas of course, but also for crude oil and NGLs.

How might this buildout affect gas prices in the basin? Will there be enough supply to fill all the lines? And what are the implications for oil and NGL production if natural gas becomes a larger driver of Permian investment? In Part III of this series, East Daley will examine the implications of the pipeline boom for oil, gas and NGL markets, leveraging our integrated basin and commodity models. We will present our base case forecast for the Permian Basin, and examine alternative scenarios that could transpire depending on commodity prices. In any scenario, we anticipate big changes ahead for energy markets. Stay tuned.

Can the Permian fill every new pipeline?

Part III will explore whether supply growth can keep pace — and what it means for oil, gas and NGL markets.



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.

Be Part of the Next Chapter ▶