

# Permian Basin: Crude Flows Unconstrained On New Pipelines

The chart to the right shows local refining and takeaway capacity from the Permian Basin vs. Permian production under two price scenarios: NYMEX WTI strip (close 9/22/2019) and WTI at \$70/Bbl starting 1/1/2020.

The possibility of seeing a flat \$70/bbl outlook is increasingly distant due to slowing global demand growth, although rising geopolitical tensions could provide some upside. Nevertheless, our modeling demonstrates that not even \$70/bbl will fill all the capacity coming online before the end of 2025.

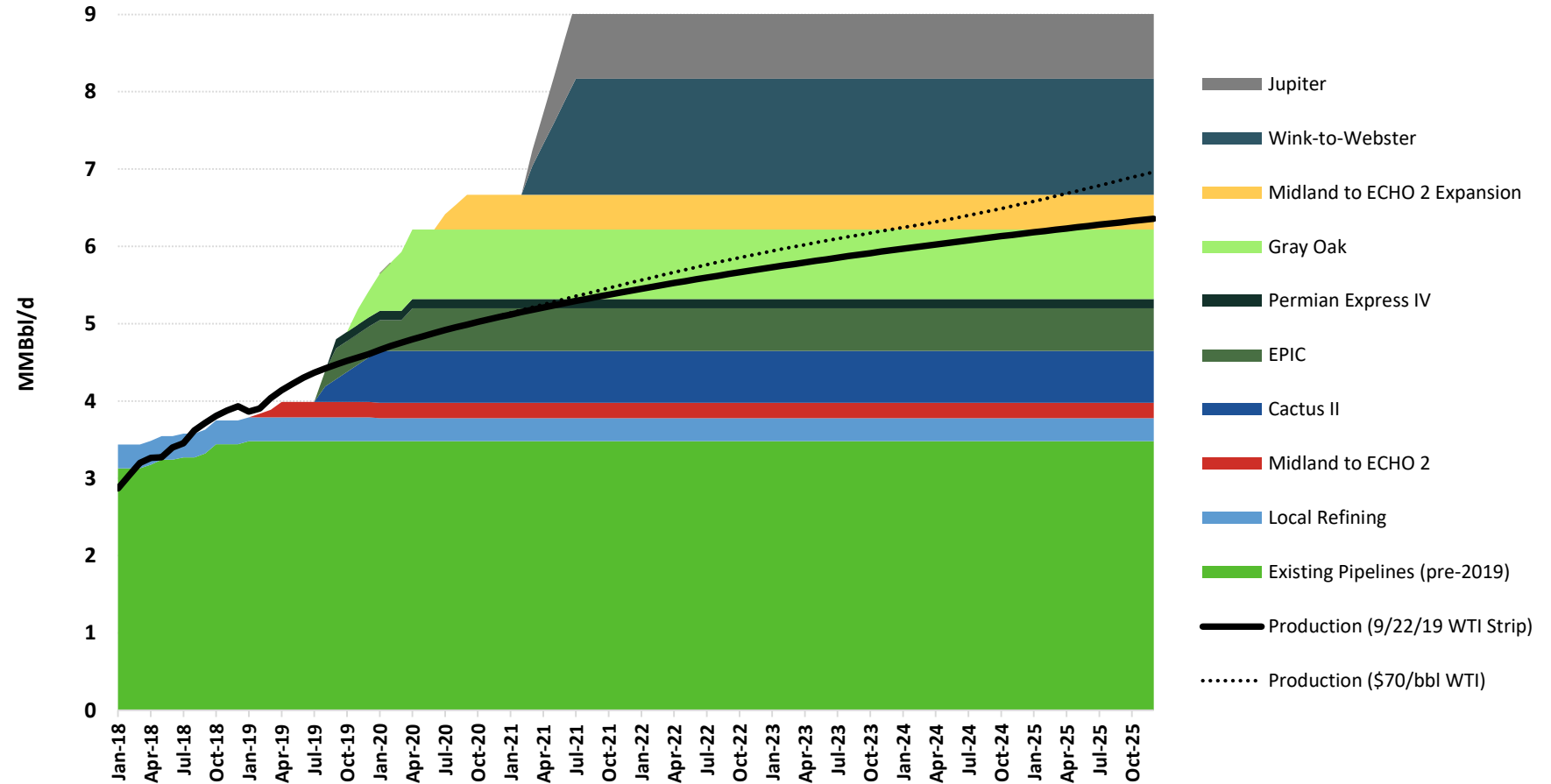
In the near term, pressure will continue to come off the Midland basis. Indeed, Midland WTI has been trading at premiums to Cushing thanks in large part to the startup of Cactus II and EPIC this summer.

Staging linefill for Gray Oak is quickly approaching, and this should give further support to prices at Midland if local inventories get tight.

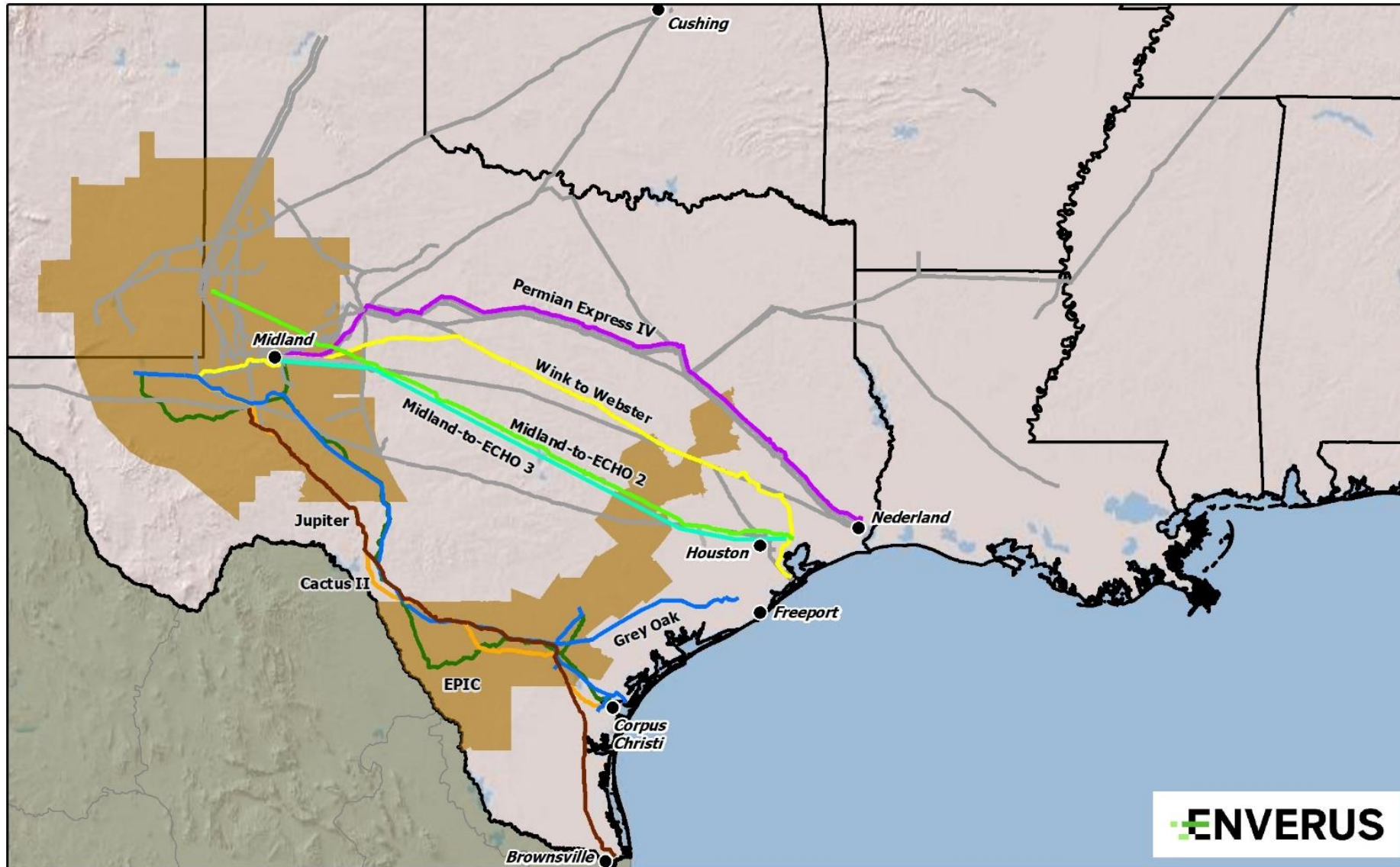
As barrels begin to flow on committed pipeline space, uncommitted shippers on legacy pipeline systems will be squeezed as arbs tighten. Walk-up tariff compression is already underway.

Incremental supplies will head to the Gulf Coast at the expense of Cushing, where stocks will likely continue drawing until offset by lower refinery crude demand turning October-November turnarounds.

## Permian Crude & Condensate Production vs. Takeaway Capacity



# Permian Long-Haul Crude Pipelines: 2019-2021



# Permian Production vs. Takeaway Capacity

Permian gas production growth continues at a fast pace, testing the limits of takeaway capacity. Flaring has been an outlet and finally the first pipeline starts services: Kinder Morgan's Gulf Coast Express. However, this relief would be temporary as the constraint is expected to return in early to mid 2020.

Multiple projects have been proposed to add takeaway capacity, including some that have already reached FID. Currently, the only project under construction is Permian Highway, which is expected to come online at the end of 2020.

## Permian Production and Expected Capacity Expansions

