West Texas Highway – Pipelines Make Houston a Key Outlet for Permian Crude

Attractive Mix of Export Access, Refining Capacity Help it Play a Central Role

BridgeTex Pipeline is the only conduit serving Houston that is still underutilized

Few pieces of crude oil infrastructure have been able to adapt to change like Longhorn Pipeline

For many producers, Midland to ECHO 2's return to crude service can't come too soon

ExxonMobil's strategy for Wink to Webster Pipeline enhances its control of Permian crude

1. Introduction

Crude oil producers in the prolific Permian Basin have plenty of options to move their barrels, especially since pipeline capacity currently exceeds production, but not every route out of the basin is equal. One of the hottest destinations for Permian crude is Houston, which boasts an attractive mix of refining and export demand.

The Permian produces about 6.6 MMb/d of crude oil today, most of it destined for the U.S. Gulf Coast. The Houston and Corpus Christi areas are in a tight race for those barrels, competing head-to-head to attract the largest flows. Corpus Christi surpassed Houston as the top dog in Q1 2025, with Permian-to-Corpus flows averaging 2.5 MMb/d compared to Houston's 2.4 MMb/d, according to RBN's weekly Crude Oil Permian report. (In 2024, Houston outpaced Corpus for half of the months.) Combined, they account for about three-quarters of Permian output.

Permian barrels also reach the Cushing, OK, storage hub as well as the Louisiana and Nederland, TX, markets. Further, a smaller portion is refined locally in West Texas, New Mexico and Oklahoma. Key refineries at the heart of the region include Marathon Petroleum's El Paso, TX, refinery (133 Mb/d); HF Sinclair's Navajo refinery (100 Mb/d) in Artesia, NM; and Delek US's Big

Spring, TX, refinery (73 Mb/d). Phillips 66's Borger, TX, refinery (149 Mb/d) and Valero Energy's Ardmore, OK, refinery (90 Mb/d) also consume Permian barrels.

Houston is considered an excellent option for Permian crude, with its network of pipelines connecting the basin to refineries, storage facilities and export terminals — thereby providing a high degree of market optionality. Unlike Corpus Christi, which has a few refineries but is predominantly an export market, Houston has a more balanced split between refineries and exports. Houston is a large refining center, with about 2.35 MMb/d of crude processing capacity.

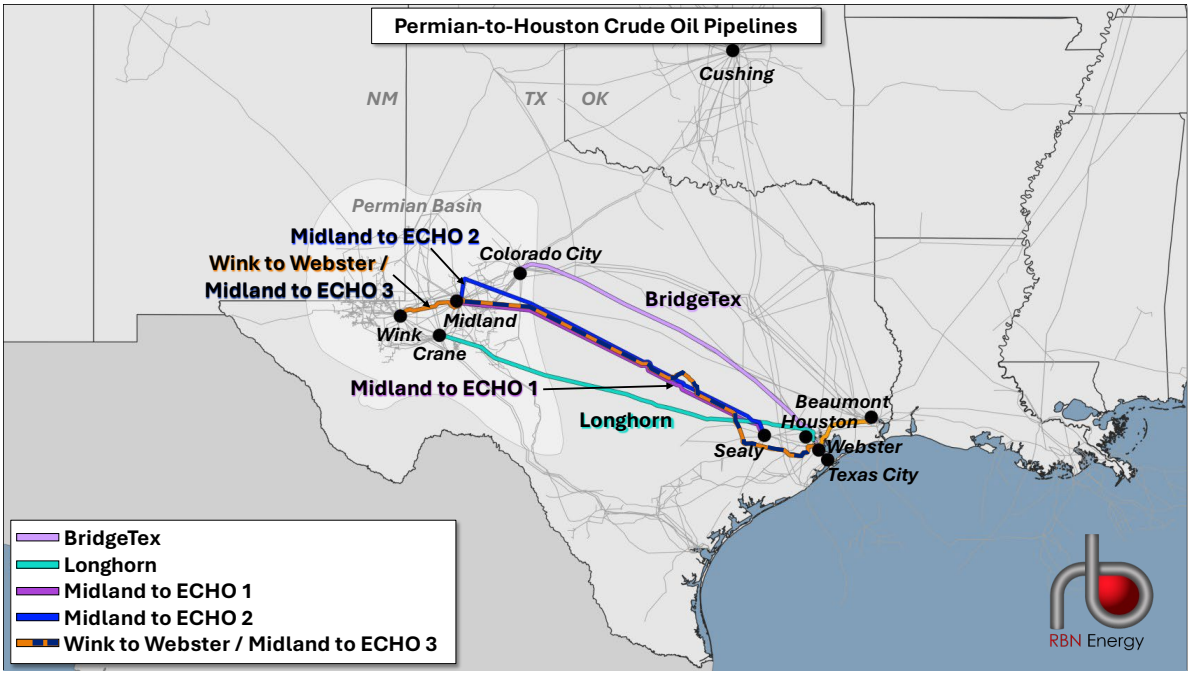

Figure 1. Permian-to-Houston Crude Oil Pipelines. Source: RBN

The major moves that have impacted the Permian-to-Houston route in recent years include:

- **ONEOK's Acquisition of Magellan:** ONEOK's purchase of Magellan Midstream Partners in 2023 was transformative for the region's pipeline landscape. The deal, valued at $18.8 billion, included numerous assets, among them Magellan's 30% interest in the 440-Mb/d BridgeTex Pipeline (light-purple line in Figure 1 above) and the 275-Mb/d Longhorn Pipeline (teal line), both of which stretch from the Permian to Houston. Over the past two years, ONEOK has actively sought growth opportunities. Since the acquisition, volumes on both pipelines have increased and both have benefited from growing Permian production and optimization under ONEOK's expanded footprint. These systems now play a more prominent role in moving crude to Houston, reflecting the region's growing importance as a destination for Permian barrels.
- **Midland to ECHO 2 (M2E-2):** One of the biggest changes impacting Houston will occur later this year when M2E-2 (dark-blue line) will convert back to crude service, restoring 220 Mb/d of capacity to Houston. The pipeline is currently in NGL service (and referred to as Seminole Pipeline) and will switch back to crude service (and the M2E-2 name) once Enterprise's Bahia NGL pipeline comes online, which is expected sometime in Q4 2025. The conversion is part of a broader trend of pipeline optimization aimed at keeping pace

with rising production. As crude oil pipelines from the Permian to the Gulf Coast approach full utilization, it's becoming more challenging for producers and shippers alike. Amid this emerging crunch, converting M2E-2 back to crude oil service can't come quickly enough.

- **Permian Production Growth:** One of the biggest factors influencing Houston is crude production growth in the Permian, which we expect to remain the country's major oil engine. We forecast Permian production to reach 6.8 MMb/d by the end of this year and potentially reach 7 MMb/d by the end of 2026. Not much Permian outbound capacity has been added since early 2022, although there have been some recent additions to pipelines to Corpus Christi. The Gray Oak Pipeline added 80 Mb/d this spring and a second, 40-Mb/d expansion is planned for next year, while the EPIC Crude pipeline appears to be using drag-reducing agents (additives injected into pipelines to allow for higher volumes of fluid) to boost its volumes. With Corpus Christi pipes at or near full utilization for quite some time, Houston has been the primary beneficiary of recent Permian production growth.

The Permian-to-Houston crude pipelines have an overall capacity of 2.8 MMb/d, which should return to 3 MMb/d once M2E-2 comes back online. Our new report looks at what makes each of the existing pipelines unique, their history, supply points, flows and delivery points, challenges and advantages; each are discussed in detail:

- Section 2: BridgeTex
- Section 3: Longhorn
- Section 4: Midland to ECHO
- Section 5: Wink to Webster

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