Combination of the Two – Midstream M&A Ramps Up, and More Is Likely on the Way

Expanded Scope and Breadth Are Key Goals; Permian Is Still a Focus

- **Midstreamers joining forces can enable a broader range of services — and more destination optionality**
- **M&A also enables companies to boost their asset base in key production areas**
- **The Permian Basin is at the center of many deals, but the Eagle Ford and other areas also included**
- **More acquisitions? Sure, but recent M&A has been limiting the number of targets**

1. Introduction

M&A activity among oil and gas producers grabs the headlines — who doesn't take notice when ExxonMobil acquires Pioneer Natural Resources or Chevron announces plans to buy Hess Corp.? But acquisitions in the midstream space can be just as impactful. After all, these companies gather, process, transport, store and export the crude oil, natural gas, NGLs and refined products that the ExxonMobils and Chevrons of the world produce. And midstreamers, like integrated giants and E&Ps, are seeking the scale, scope and synergies they think they will need to succeed in an increasingly competitive industry. In this new Drill Down Report, we discuss the major midstream deals of 2024 and 2025 to date.

As we said in our last Drill Down Report on midstream M&A in the fall of 2023, there are a number of reasons why large midstream companies want to get bigger, either by acquiring smaller midstreamers or merging with near-equals. For many, buying another company and its set of assets gives the acquiring firm a foothold — or additional scale in — an essential and/or growing production area or two. For others, an acquisition or merger enables them to provide the full range of well-to-consumer or well-to-water midstream services — say, gas processing plants, NGL pipelines to Mont Belvieu, fractionators and NGL export capacity.

The Permian continues to be the primary focus of attention, which makes sense, given that the West Texas/Southeast New Mexico shale play is the dominant — and fastest-growing — U.S. production area.

The resulting demand for midstream infrastructure — including gathering systems (for crude, associated gas and produced water), gas processing plants, takeaway pipelines (for crude, natural gas and NGLs), storage facilities, fractionators, and export terminals — led to an unprecedented buildout the likes of which the oil and gas industry hadn't seen for decades. While a significant portion of the midstream development over the past eight to 10 years was undertaken by large publicly held companies or master limited partnerships (MLPs), many other important projects were developed by privately held midstream companies backed by private equity.

In 2024-25, with many publicly held companies looking to gain further scale and scope — and many private-equity-backed midstream companies looking to cash in on their well-timed, well-planned developments or combine with other privately held firms to improve their synergies (and maybe make themselves even more attractive M&A targets in the future) — it could be argued that conditions for large-scale midstream M&A have never been better.

While there have not been any blockbuster, multibillion-dollar M&A deals among midstreamers in the first few weeks of 2025, there have been at least a few noteworthy announcements that suggest that dealmaking among the companies that take hydrocarbons from the wellhead to the end-user — or at least to the export dock — is continuing at a healthy clip. It must be said that the newly reinstalled Trump administration is believed to be amenable to acquisitions. So far this year, Plains All American has announced three deals and Phillips 66 and Kinder Morgan have each announced one. P66 was first out of the gate, saying January 6 that it had agreed to acquire EPIC NGL for $2.2 billion. The deal, which is expected to close later this year, will give P66:

- The 885-mile, 175-Mb/d EPIC NGL pipeline, which transports Y-grade from the Permian's Delaware and Midland basins and the Eagle Ford. EPIC NGL is expanding the pipeline's capacity to 225 Mb/d and has sanctioned a second expansion to 350 Mb/d.
- Two fractionators in Robstown (near Corpus Christi) with a combined capacity of 170 Mb/d. (P66 noted that "EPIC NGL has also identified a third fractionation facility that could bring its fractionation capacity up to 280 Mb/d" but did not elaborate.)
- About 350 miles of NGL purity product distribution lines, including a 30-mile ethane pipeline from Robstown to ExxonMobil and SABIC's new Gulf Coast Growth Ventures (GCGV) steam cracker about 7 miles southeast of Taft (again, near Corpus) and longer pipelines to move NGLs from Robstown to the Markham salt cavern storage facility and P66's Sweeny Hub up the coast.

Next up is Plains, which on January 7 announced that:

- Plains had signed a definitive agreement to acquire Ironwood Midstream Energy Partners II, an EnCap Flatrock Midstream company with a handful of Eagle Ford Basin gathering systems, for about $475 million. The deal is expected to close later in Q1 2025. Plains has also agreed to purchase about 12.7 million units, or 18%, of its outstanding Series A Preferred Units at "par" ($26.25) from EnCap for a purchase price of about $330 million.
- Plains' Permian joint venture with privately held Oryx Midstream — aka Plains Oryx Permian Basin LLC — had acquired Medallion Midstream's Delaware Basin crude oil gathering system from The Energy & Minerals Group for about $160 million ($105 million net to Plains' interest). The deal closed on January 1.
- Plains on December 23 had acquired the remaining 50% interest in Midway Pipeline LLC from a subsidiary of CVR Energy for about $90 million. The 115-Mb/d Midway Pipeline runs from the Cushing, OK, crude oil hub to CVR's 132-Mb/d refinery in Coffeyville, KS.

As for Kinder Morgan, it said on January 13 that it had agreed to purchase a gas gathering and processing system in the Bakken Shale from Outrigger Energy II LLC for $640 million. The deal, which is expected to close by the end of Q1 2025, includes Outrigger's 105-mile, rich-gas gathering system in North Dakota's Mountrail and Williams counties and the company's 270-MMcf/d Bill Sanderson gas processing plant near Williston, ND, in Williams County. The plant has direct access to the Northern Border Pipeline for its gas and to ONEOK's NGL pipeline system for its mixed NGLs.

These midstream deals — and several others announced in 2024 — are discussed in detail in this report.

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