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Tenth District Energy Activity Fell Moderately
Federal Reserve Bank of Kansas City Releases Second Quarter Energy Survey

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the second quarter Energy Survey today. According to Megan Williams, associate economist and survey manager at the Federal Reserve Bank of Kansas City, Tenth District energy activity fell moderately, with no changes expected in the next six months.

“District drilling and business activity declined somewhat in Q2 as oil and gas prices moderated from last quarter,” said Williams. “Firms reported falling employment, revenues, and capital expenditures and do not anticipate any changes in the coming months.”

The Kansas City Fed’s quarterly Tenth District Energy Survey provides information on current and expected activity among energy firms in the Tenth District. The survey monitors oil and gas-related firms located and/or headquartered in the Tenth District, with results based on total firm activity. Survey results reveal changes in several indicators of energy activity, including drilling, capital spending, and employment. Firms also indicate projections for oil and gas prices. All results are diffusion indexes – the percentage of firms indicating increases minus the percentage of firms indicating decreases.

A summary of the survey is attached. Results from past surveys and release dates for future surveys can be found at <https://www.kansascityfed.org/surveys/energy-survey>.

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at www.kansascityfed.org.

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TENTH DISTRICT ENERGY SUMMARY

Second quarter energy survey results showed that Tenth District energy activity fell moderately, with no changes expected in the next six months. Firms reported that oil prices needed to be on average \$64 per barrel for drilling to be profitable, and \$83 per barrel for a substantial increase in drilling to occur. Natural gas prices needed to be \$3.79 per million Btu for drilling to be profitable on average, and \$5.01 per million Btu for drilling to increase substantially.

Summary of Quarterly Indicators

Tenth District energy activity fell moderately in the second quarter of 2025, as indicated by firms contacted between June 16th, 2025, and June 30th, 2025 (Tables 1 & 2). The quarter-over-quarter drilling and business activity index was -17 in Q2, down from 6 in Q1 and from -13 in Q4 (Chart 1). Revenues and profit continued to decline at -10 and -17, respectively. The employment index also decreased at -7 following previous positive readings.

Drilling activity also decreased from this time last year, with the year-over-year drilling/business activity index ticking up from -18 to -17 in Q2. However, employment continued to increase on an annual basis, staying at a reading of 24. Capital expenditures fell only slightly from last year at -3.

Firms do not expect activity to rebound in the coming six months, with the index falling from 21 to 0 in Q2. Further, revenues are expected to increase minimally while capital expenditures, employment, employee hours, and oil prices are all expected to decline further.

Summary of Special Questions

Firms were asked what oil and natural gas prices were needed on average for drilling to be profitable across the fields in which they are active. The average oil price needed was \$64 per barrel (Chart 2), while the average natural gas price needed was \$3.79 per million Btu (Chart 3). Firms were also asked what prices were needed for a substantial increase in drilling to occur across the fields in which they are active. The average oil price needed was \$83 per barrel (Chart 2), and the average natural gas price needed was \$5.01 per million Btu (Chart 3).

Firms reported what they expected oil and natural gas prices to be in six months, one year, two years, and five years. The average expected WTI prices were \$67, \$67, \$71, and \$79 per barrel, respectively. The average expected Henry Hub natural gas prices were \$3.76, \$3.85, \$4.19, and \$4.71 per million Btu, respectively.

Firms were asked how they have changed their inventories if they have adjusted their inventories strategy (Chart 4). Most firms (70%) have not adjusted their inventories strategy. Nearly a fifth (19%) of firms reported they have adjusted their strategy and have higher inventories, while 4% each reported unchanged, lower, and significantly lower inventories.

Contacts were also asked how their firms' capital expenditures plans have changed since the start of the year (Chart 5). About a tenth (11%) reported increasing plans for capital expenditures compared to the beginning of the year while 46% reported decreasing plans for capital expenditures. Another 43% reported their capital expenditures plans have not changed.

Selected Energy Survey Comments

“Energy demand is still increasing, and output is stagnating due to a downturn in investment.”

“Supply and demand imbalances, currently headed toward an oversupply situation with building global inventories, but inventories could tighten significantly by the end of the decade due to lack of global exploration.”

“So much of natural gas prices are now weather bets.”

“Demand is increasing for power generation and LNG exports.”

“Natural gas will need to be utilized more in order to generate electricity. Natural gas is cleaner burning than coal and abundant.”

“Current natural gas prices are stronger than the last few years, which will encourage drilling in the mid-term. The increased production that results softens prices longer term.”

“Capital will flow to dry gas areas if above \$3.50.”

Table 1
Summary of Tenth District Energy Conditions, Quarter 2, 2025

| Energy Company Indicators | Quarter 2 vs. Quarter 1 (percent)* | | | | Quarter 2 vs. Year Ago (percent)* | | | | Expected in Six Months (percent)* | | | |
|-------------------------------------|---------------------------------------|--------|----------|--------|--------------------------------------|--------|----------|--------|--------------------------------------|--------|----------|--------|
| | No | | Diff | | No | | Diff | | No | | Diff | |
| | Increase | Change | Decrease | Index^ | Increase | Change | Decrease | Index^ | Increase | Change | Decrease | Index^ |
| Drilling/Business Activity | 20 | 43 | 37 | -17 | 24 | 34 | 41 | -17 | 24 | 52 | 24 | 0 |
| Total Revenues | 40 | 10 | 50 | -10 | 34 | 10 | 55 | -21 | 34 | 34 | 31 | 3 |
| Capital Expenditures | | | | | 27 | 43 | 30 | -3 | 21 | 45 | 34 | -14 |
| Supplier Delivery Time | 3 | 90 | 7 | -3 | 7 | 86 | 7 | 0 | 14 | 83 | 3 | 10 |
| Total Profits | 30 | 23 | 47 | -17 | 24 | 17 | 59 | -34 | 34 | 38 | 28 | 7 |
| Number of Employees | 10 | 73 | 17 | -7 | 38 | 48 | 14 | 24 | 10 | 59 | 31 | -21 |
| Employee Hours | 23 | 63 | 13 | 10 | 28 | 55 | 17 | 10 | 10 | 66 | 24 | -14 |
| Wages and Benefits | 27 | 70 | 3 | 23 | 76 | 21 | 3 | 72 | 28 | 62 | 10 | 17 |
| Access to Credit | 7 | 80 | 13 | -7 | 17 | 69 | 14 | 3 | 10 | 83 | 7 | 3 |
| Expected Oil Prices | | | | | | | | | 27 | 17 | 57 | -30 |
| Expected Natural Gas Prices | | | | | | | | | 34 | 48 | 17 | 17 |
| Expected Natural Gas Liquids Prices | | | | | | | | | 28 | 41 | 31 | -3 |

*Percentage may not add to 100 due to rounding.

^Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

Note: The second quarter survey ran from June 16, 2025 to June 30, 2025 and included 30 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Drilling/Business Activity Indexes

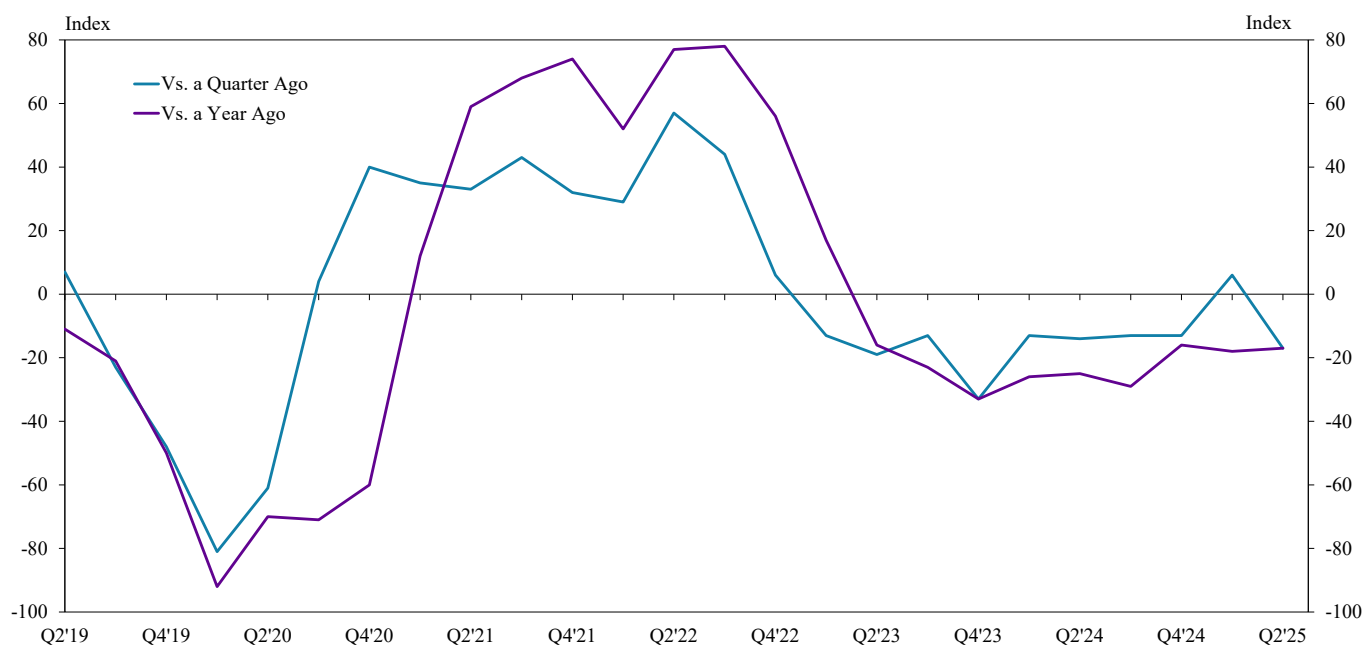


Table 2
Historical Energy Survey Indexes

| | Q2'22 | Q3'22 | Q4'22 | Q1'23 | Q2'23 | Q3'23 | Q4'23 | Q1'24 | Q2'24 | Q3'24 | Q4'24 | Q1'25 | Q2'25 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <i>Versus a Quarter Ago</i> | | | | | | | | | | | | | |
| (not seasonally adjusted) | | | | | | | | | | | | | |
| Drilling/Business Activity | 57 | 44 | 6 | -13 | -19 | -13 | -33 | -13 | -14 | -13 | -13 | 6 | -17 |
| Total Revenues | 87 | 25 | -8 | -42 | -42 | 13 | -13 | 0 | -10 | -13 | -16 | -9 | -10 |
| Capital Expenditures | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Supplier Delivery Time | 10 | -3 | -11 | -3 | -21 | -10 | -3 | -16 | -13 | -3 | -10 | 6 | -3 |
| Total Profits | 68 | 29 | -17 | -26 | -39 | -3 | -19 | -6 | -13 | -6 | -23 | -9 | -17 |
| Number of Employees | 42 | 47 | 38 | 6 | 27 | 13 | 13 | 18 | 3 | 19 | 19 | 21 | -7 |
| Employee Hours | 39 | 37 | 41 | 6 | 18 | 6 | 0 | 3 | 13 | -3 | 13 | 12 | 10 |
| Wages and Benefits | 58 | 61 | 59 | 42 | 27 | 35 | 32 | 48 | 27 | 19 | 39 | 50 | 23 |
| Access to Credit | 16 | 6 | 6 | 0 | 3 | -3 | -6 | -3 | 13 | 6 | 3 | 6 | -7 |
| <i>Versus a Year Ago</i> | | | | | | | | | | | | | |
| Drilling/Business Activity | 77 | 78 | 56 | 17 | -16 | -23 | -33 | -26 | -25 | -29 | -16 | -18 | -17 |
| Total Revenues | 90 | 87 | 67 | -10 | -48 | -23 | -17 | -6 | -21 | -42 | -39 | -3 | -21 |
| Capital Expenditures | 71 | 71 | 65 | 26 | 0 | 6 | 6 | -21 | -20 | -9 | 13 | -9 | -3 |
| Supplier Delivery Time | 23 | 6 | -5 | 10 | -45 | -6 | -23 | -39 | -28 | -13 | -16 | -3 | 0 |
| Total Profits | 81 | 84 | 61 | 3 | -48 | -26 | -17 | -13 | -10 | -26 | -19 | -9 | -34 |
| Number of Employees | 55 | 61 | 56 | 26 | 39 | 23 | 43 | 34 | 24 | 26 | 13 | 24 | 24 |
| Employee Hours | 55 | 50 | 57 | 26 | 21 | 3 | 20 | 13 | 14 | -10 | 10 | 6 | 10 |
| Wages and Benefits | 77 | 87 | 89 | 77 | 58 | 77 | 73 | 69 | 72 | 71 | 68 | 71 | 72 |
| Access to Credit | 19 | 27 | 3 | 6 | 6 | -3 | 0 | 3 | 14 | 6 | 10 | 9 | 3 |
| <i>Expected in Six Months</i> | | | | | | | | | | | | | |
| (not seasonally adjusted) | | | | | | | | | | | | | |
| Drilling/Business Activity | 50 | 25 | 19 | -13 | -22 | 7 | 7 | -10 | 21 | -3 | 13 | 21 | 0 |
| Total Revenues | 55 | 27 | 11 | -26 | 3 | 42 | 23 | 13 | 28 | -3 | -3 | 15 | 3 |
| Capital Expenditures | 52 | 52 | 49 | -6 | -9 | 16 | 7 | -19 | 14 | 13 | 3 | 18 | -14 |
| Supplier Delivery Time | 16 | -10 | -19 | -23 | -42 | 0 | -13 | -13 | -4 | -6 | 0 | 9 | 10 |
| Total Profits | 35 | 39 | 6 | -23 | -3 | 23 | 3 | 3 | 24 | 29 | -10 | 12 | 7 |
| Number of Employees | 42 | 42 | 38 | 13 | 12 | 19 | 40 | 25 | 28 | 35 | 19 | 18 | -21 |
| Employee Hours | 32 | 27 | 30 | 13 | 3 | 3 | 27 | 13 | 14 | 10 | 10 | 3 | -14 |
| Wages and Benefits | 63 | 65 | 70 | 45 | 24 | 52 | 55 | 31 | 34 | 45 | 45 | 29 | 17 |
| Access to Credit | 6 | 7 | 3 | -6 | 3 | -3 | -3 | 10 | 0 | 10 | 16 | 6 | 3 |
| Expected Oil Prices | -6 | 20 | 62 | 29 | 42 | 32 | 32 | 31 | 14 | 16 | -32 | -21 | -30 |
| Expected Natural Gas Prices | 10 | -10 | -3 | 14 | 53 | 50 | -16 | 45 | 86 | 56 | 38 | 21 | 17 |
| Expected Natural Gas Liquids Prices | 0 | 21 | 22 | 20 | 31 | 37 | -7 | 16 | 41 | 45 | 13 | 0 | -3 |
| <i>Special Price Questions</i> | | | | | | | | | | | | | |
| (averages) | | | | | | | | | | | | | |
| Profitable WTI Oil Price (per barrel) | \$65 | \$61 | \$64 | \$64 | \$63 | \$64 | \$64 | \$65 | \$64 | \$65 | \$62 | \$65 | \$64 |
| WTI Price to Substantially Increase Drilling | \$98 | \$102 | \$89 | \$86 | \$86 | \$90 | \$84 | \$90 | \$91 | \$89 | \$84 | \$85 | \$83 |
| WTI Price Expected in 6 Months | \$109 | \$88 | \$83 | \$75 | \$75 | \$91 | \$76 | \$81 | \$79 | \$73 | \$70 | \$67 | \$67 |
| WTI Price Expected in 1 Year | \$102 | \$89 | \$86 | \$81 | \$79 | \$88 | \$79 | \$83 | \$80 | \$77 | \$71 | \$69 | \$67 |
| WTI Price Expected in 2 Years | \$88 | \$90 | \$88 | \$86 | \$83 | \$88 | \$84 | \$85 | \$83 | \$80 | \$75 | \$72 | \$71 |
| WTI Price Expected in 5 Years | \$86 | \$93 | \$88 | \$90 | \$88 | \$93 | \$88 | \$90 | \$88 | \$86 | \$81 | \$79 | \$79 |
| Profitable Natural Gas Price (per million BTU) | \$4.64 | \$4.42 | \$4.32 | \$3.45 | \$3.49 | \$3.45 | \$3.12 | \$3.47 | \$3.47 | \$3.43 | \$3.69 | \$3.80 | \$3.79 |
| Natural Gas Price to Substantially Increase Drilling | \$6.34 | \$7.65 | \$6.13 | \$4.74 | \$4.67 | \$4.36 | \$4.04 | \$4.38 | \$4.68 | \$4.24 | \$4.66 | \$5.10 | \$5.01 |
| Henry Hub Price Expected in 6 Months | \$7.06 | \$7.46 | \$5.01 | \$2.82 | \$3.00 | \$3.06 | \$2.55 | \$2.16 | \$3.00 | \$2.73 | \$3.09 | \$3.73 | \$3.76 |
| Henry Hub Price Expected in 1 Year | \$6.65 | \$6.48 | \$5.52 | \$3.33 | \$3.33 | \$3.34 | \$3.04 | \$2.71 | \$3.10 | \$3.05 | \$3.36 | \$3.95 | \$3.85 |
| Henry Hub Price Expected in 2 Years | \$6.06 | \$6.16 | \$5.78 | \$4.04 | \$3.71 | \$3.97 | \$3.42 | \$3.01 | \$3.45 | \$3.33 | \$3.67 | \$4.23 | \$4.19 |
| Henry Hub Price Expected in 5 Years | \$5.77 | \$6.51 | \$6.19 | \$4.51 | \$3.98 | \$4.83 | \$3.96 | \$3.58 | \$3.86 | \$3.68 | \$3.98 | \$4.78 | \$4.71 |

Chart 2. Special Question: What price is currently needed for a drilling to be profitable and for a substantial increase in drilling to occur for oil? What do you expect WTI prices to be in six months, one year, two years, and five years?

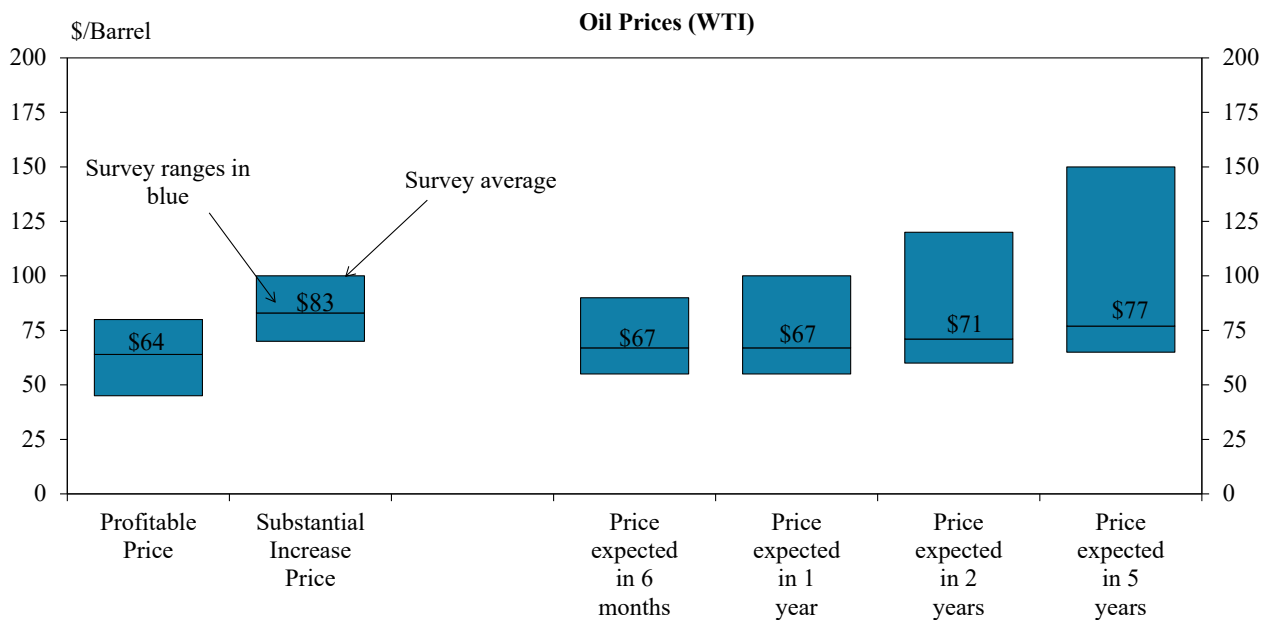


Chart 3. Special Question: What price is currently needed for a drilling to be profitable and for a substantial increase in drilling to occur for natural gas? What do you expect Henry Hub prices to be in six months, one year, two years, and five years?

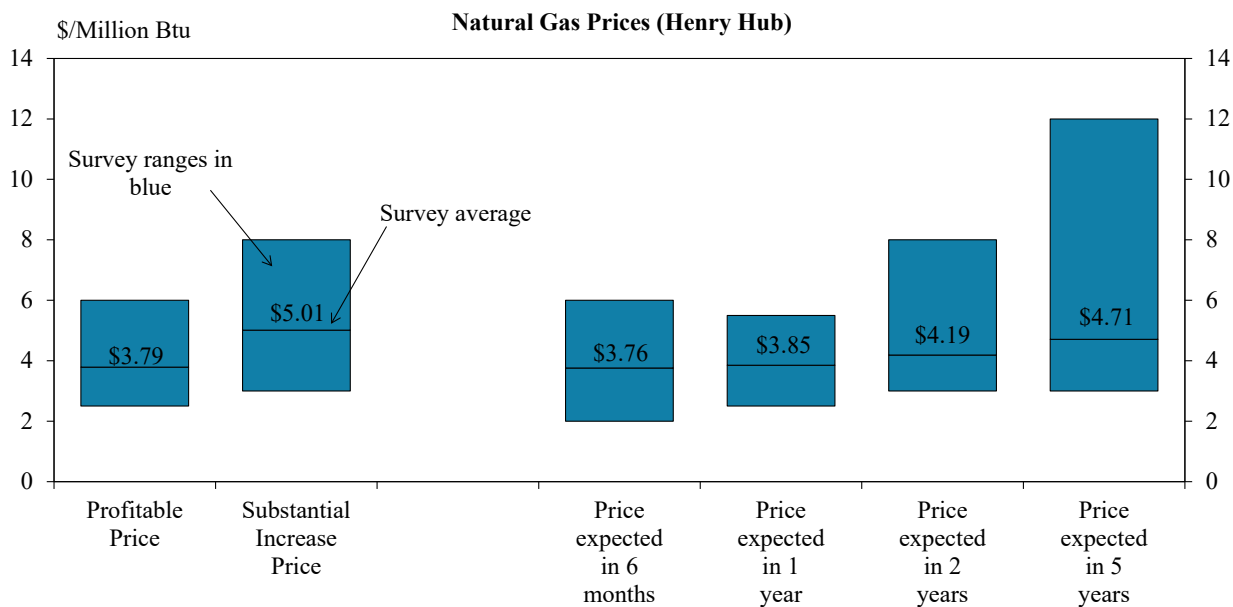


Chart 4. Special Question: If you have adjusted your inventory strategies, how have your inventories changed?

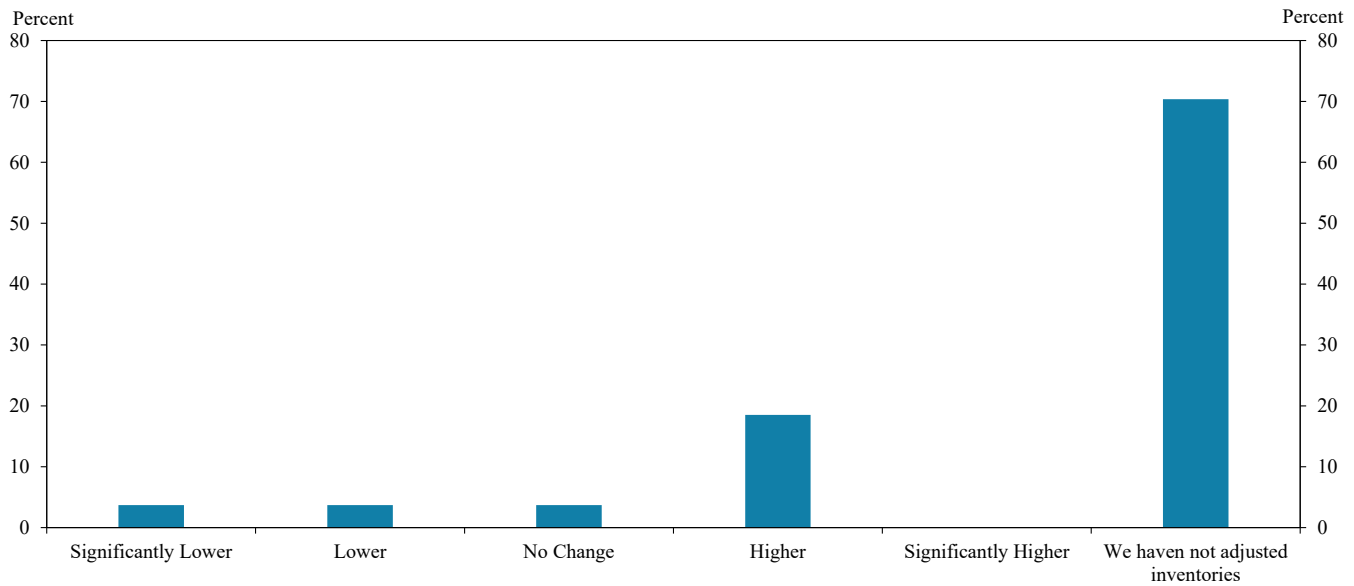


Chart 5. Special Question: Since the start of the year, have your firm's capital expenditure plans changed for the remainder of 2025?

