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Tenth District Energy Activity Continued to Decline

Federal Reserve Bank of Kansas City Releases Third Quarter Energy Survey

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the third quarter Energy Survey today. According to Cortney Cowley, assistant vice president and Oklahoma City Branch executive at the Federal Reserve Bank of Kansas City, Tenth District energy activity continued to decline, with no changes expected in the next six months.

"District drilling and business activity fell in Q3, and firms do not anticipate a rebound in the near-term," said Cowley. "Revenues, employment, and capital expenditures continued to decrease, with many firms delaying investment amid heightened policy uncertainty."

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.

The views expressed are those of the authors and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

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TENTH DISTRICT ENERGY SUMMARY

Third quarter energy survey results showed that Tenth District energy activity continued to decline, with no changes expected in the next six months. Firms reported that oil prices needed to be on average $63 per barrel for drilling to be profitable, and $78 per barrel for a substantial increase in drilling to occur. Natural gas prices needed to be $3.56 per million Btu for drilling to be profitable on average, and $4.64 per million Btu for drilling to increase substantially.

Summary of Quarterly Indicators

Tenth District energy activity continued to decline in the third quarter of 2025, as indicated by firms contacted between Sept. 15, 2025, and Sept. 30, 2025 (Tables 1 & 2). The quarter-over-quarter drilling and business activity index was -16 in Q3, up from -17 in Q2 and down from 6 in Q1 (Chart 1). Revenues and profits fell to their lowest levels in two years, at -24 and -29 respectively. The number of employees fell for the second consecutive quarter, and employee hours fell from 10 to -26.

Drilling activity also decreased from this time last year, with the year-over-year drilling/business activity index falling from -17 to -24 in Q3. Employment levels fell from the previous year for the first time since Q1 2021, with a reading of -8. More firms reported decreasing capital expenditures on net compared to last quarter, with the index declining from -3 to -18.

Firms still do not anticipate a rebound in drilling activity or capital expenditures in the next six months, as their expectations indexes remained at 0. Further, firms only expect modest increases in revenues and profits while employment is expected to fall 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 $63 per barrel (Chart 2), while the average natural gas price needed was $3.56 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 $78 per barrel (Chart 2), and the average natural gas price needed was $4.64 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 $63, $65, $69, and $76 per barrel, respectively. The average expected Henry Hub natural gas prices were $3.37, $3.65, $3.98, and $4.39 per million Btu, respectively.

Firms were asked if they have delayed investment decisions this year in response to heightened uncertainty (Chart 4). Nearly half (47%) of firms reported slightly delaying investment decisions due to uncertainty, while a quarter reported delaying decisions significantly. An additional 25% of firms have not delayed investment decisions due to uncertainty, and 3% reported no opinion.

Contacts were also asked what share of their oil and gas production is hedged in 2025, and how much they plan to hedge in 2026. Chart 5 shows the median share of production that is/will be hedged among the firms that reported hedging. The median firm has hedged 45% of oil production in 2025 and plans to hedge 40% in 2026. Additionally, the median firm reported hedging 50% of natural gas production in 2025 and plans to hedge 33% in 2026.

Selected Energy Survey Comments

“Tremendous uncertainty in the markets currently, which has a negative effect on investment decisions for the industry.”

“The current price of oil is equivalent to approximately $45 oil in 2016-2017. We are going to have to start laying off people soon if the price doesn't change. We are losing money producing oil. All fixed costs have gone up (materials, pipe, pumps, chemical) and they will not recess. Also, our price of labor has increased significantly to keep up with inflation.”

“There is no funding, no investors, and no capital available for drilling and mining. No new leases available.”

“We continue to be bullish on the future of the fossil fuel industry in the years to come.”

“We believe shale production is maturing and that will place upward pressure on oil prices.”

“OPEC continues to raise production rate and building world inventories.”

“Natural gas is a weather bet. We need a cold winter for $4 natural gas prices and that is a rarity. We can build supply at $3.50 pricing significantly in the U.S. if needed within 6-9 months.”

“There will be occasional natural gas price spikes in the next 5 years, but nothing sustained because of global supply outpacing demand. As surplus natural gas from the Permian basin is monetized by LNG exports, domestic prices will increase steadily to match global demand and prices.”

“Current pricing is not enough incentive to keep up with fast growing demand for LNG and then power generation. Gas supply growth is very dependent on infrastructure development and oil focused drilling in Permian.”

Table 1
Summary of Tenth District Energy Conditions, Quarter 3, 2025

	Quarter 3 vs. Quarter 2 (percent)*				Quarter 3 vs. Year Ago (percent)*				Expected in Six Months (percent)*			
Energy Company Indicators	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^
Drilling/Business Activity	13	58	29	-16	18	39	42	-24	21	58	21	0
Total Revenues	18	39	42	-24	29	13	58	-29	26	50	24	3
Capital Expenditures					24	34	42	-18	32	35	32	0
Supplier Delivery Time	5	87	8	-3	13	74	13	0	8	87	5	3
Total Profits	24	24	53	-29	21	24	55	-34	29	45	26	3
Number of Employees	21	53	26	-5	24	45	32	-8	13	63	24	-11
Employee Hours	5	63	32	-26	11	55	34	-24	8	74	18	-11
Wages and Benefits	24	68	8	16	53	32	16	37	32	61	8	24
Access to Credit	11	84	5	5	16	79	5	11	11	87	3	8
Expected Oil Prices									16	55	29	-13
Expected Natural Gas Prices									58	37	5	53
Expected Natural Gas Liquids Prices									27	68	5	22

*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 third quarter survey ran from Sept. 15, 2025 to Sept. 30, 2025 and included 38 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Drilling/Business Activity Indexes

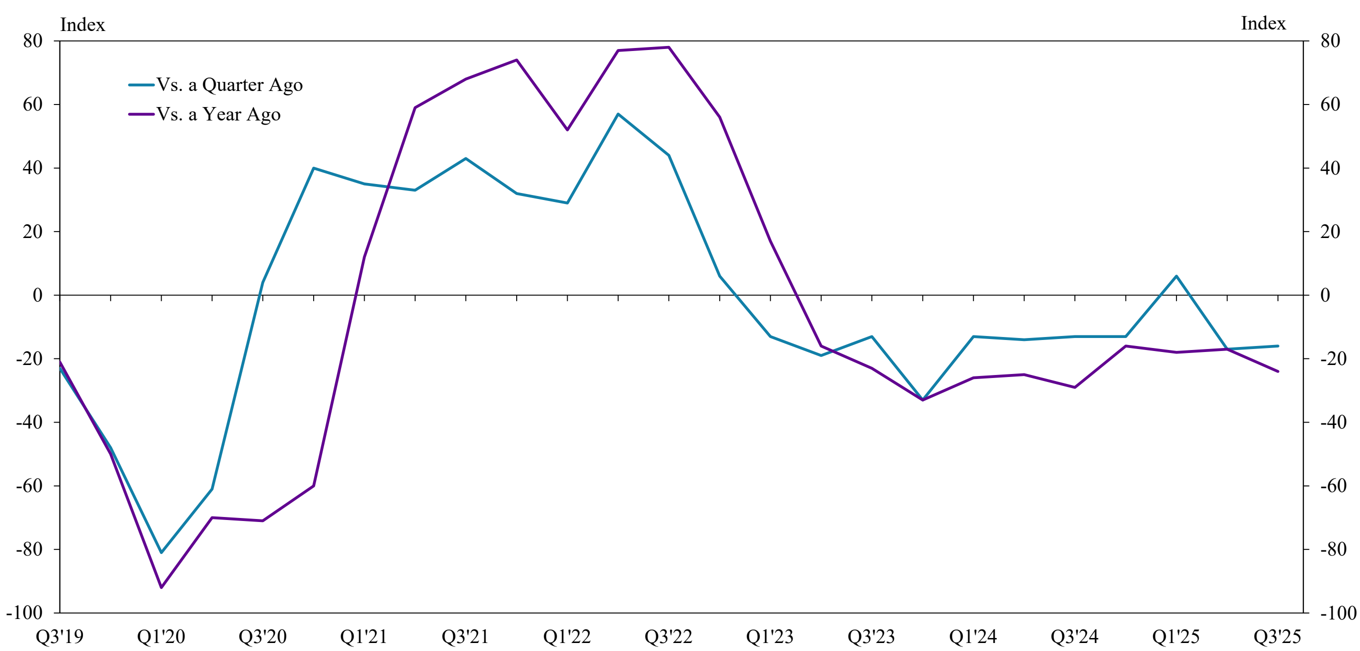

Table 2
Historical Energy Survey Indexes

	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25
Versus a Quarter Ago													
(not seasonally adjusted)													
Drilling/Business Activity	44	6	-13	-19	-13	-33	-13	-14	-13	-13	6	-17	-16
Total Revenues	25	-8	-42	-42	13	-13	0	-10	-13	-16	-9	-10	-24
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	-3	-11	-3	-21	-10	-3	-16	-13	-3	-10	6	-3	-3
Total Profits	29	-17	-26	-39	-3	-19	-6	-13	-6	-23	-9	-17	-29
Number of Employees	47	38	6	27	13	13	18	3	19	19	21	-7	-5
Employee Hours	37	41	6	18	6	0	3	13	-3	13	12	10	-26
Wages and Benefits	61	59	42	27	35	32	48	27	19	39	50	23	16
Access to Credit	6	6	0	3	-3	-6	-3	13	6	3	6	-7	5
Versus a Year Ago													
Drilling/Business Activity	78	56	17	-16	-23	-33	-26	-25	-29	-16	-18	-17	-24
Total Revenues	87	67	-10	-48	-23	-17	-6	-21	-42	-39	-3	-21	-29
Capital Expenditures	71	65	26	0	6	6	-21	-20	-9	13	-9	-3	-18
Supplier Delivery Time	6	-5	10	-45	-6	-23	-39	-28	-13	-16	-3	0	0
Total Profits	84	61	3	-48	-26	-17	-13	-10	-26	-19	-9	-34	-34
Number of Employees	61	56	26	39	23	43	34	24	26	13	24	24	-8
Employee Hours	50	57	26	21	3	20	13	14	-10	10	6	10	-24
Wages and Benefits	87	89	77	58	77	73	69	72	71	68	71	72	37
Access to Credit	27	3	6	6	-3	0	3	14	6	10	9	3	11
Expected in Six Months													
(not seasonally adjusted)													
Drilling/Business Activity	25	19	-13	-22	7	7	-10	21	-3	13	21	0	0
Total Revenues	27	11	-26	3	42	23	13	28	-3	-3	15	3	3
Capital Expenditures	52	49	-6	-9	16	7	-19	14	13	3	18	-14	0
Supplier Delivery Time	-10	-19	-23	-42	0	-13	-13	-4	-6	0	9	10	3
Total Profits	39	6	-23	-3	23	3	3	24	29	-10	12	7	3
Number of Employees	42	38	13	12	19	40	25	28	35	19	18	-21	-11
Employee Hours	27	30	13	3	3	27	13	14	10	10	3	-14	-11
Wages and Benefits	65	70	45	24	52	55	31	34	45	45	29	17	24
Access to Credit	7	3	-6	3	-3	-3	10	0	10	16	6	3	8
Expected Oil Prices	20	62	29	42	32	32	31	14	16	-32	-21	-30	-13
Expected Natural Gas Prices	-10	-3	14	53	50	-16	45	86	56	38	21	17	53
Expected Natural Gas Liquids Prices	21	22	20	31	37	-7	16	41	45	13	0	-3	22
Special Price Questions													
(averages)													
Profitable WTI Oil Price (per barrel)	$61	$64	$64	$63	$64	$64	$65	$64	$65	$62	$65	$64	$63
WTI Price to Substantially Increase Drilling	$102	$89	$86	$86	$90	$84	$90	$91	$89	$84	$85	$83	$78
WTI Price Expected in 6 Months	$88	$83	$75	$75	$91	$76	$81	$79	$73	$70	$67	$67	$63
WTI Price Expected in 1 Year	$89	$86	$81	$79	$88	$79	$83	$80	$77	$71	$69	$67	$65
WTI Price Expected in 2 Years	$90	$88	$86	$83	$88	$84	$85	$83	$80	$75	$72	$71	$69
WTI Price Expected in 5 Years	$93	$88	$90	$88	$93	$88	$90	$88	$86	$81	$79	$79	$76
Profitable Natural Gas Price (per million BTU)	$4.42	$4.32	$3.45	$3.49	$3.45	$3.12	$3.47	$3.47	$3.43	$3.69	$3.80	$3.79	$3.56
Natural Gas Price to Substantially Increase Drilling	$7.65	$6.13	$4.74	$4.67	$4.36	$4.04	$4.38	$4.68	$4.24	$4.66	$5.10	$5.01	$4.64
Henry Hub Price Expected in 6 Months	$7.46	$5.01	$2.82	$3.00	$3.06	$2.55	$2.16	$3.00	$2.73	$3.09	$3.73	$3.76	$3.37
Henry Hub Price Expected in 1 Year	$6.48	$5.52	$3.33	$3.33	$3.34	$3.04	$2.71	$3.10	$3.05	$3.36	$3.95	$3.85	$3.65
Henry Hub Price Expected in 2 Years	$6.16	$5.78	$4.04	$3.71	$3.97	$3.42	$3.01	$3.45	$3.33	$3.67	$4.23	$4.19	$3.98
Henry Hub Price Expected in 5 Years	$6.51	$6.19	$4.51	$3.98	$4.83	$3.96	$3.58	$3.86	$3.68	$3.98	$4.78	$4.71	$4.39

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?

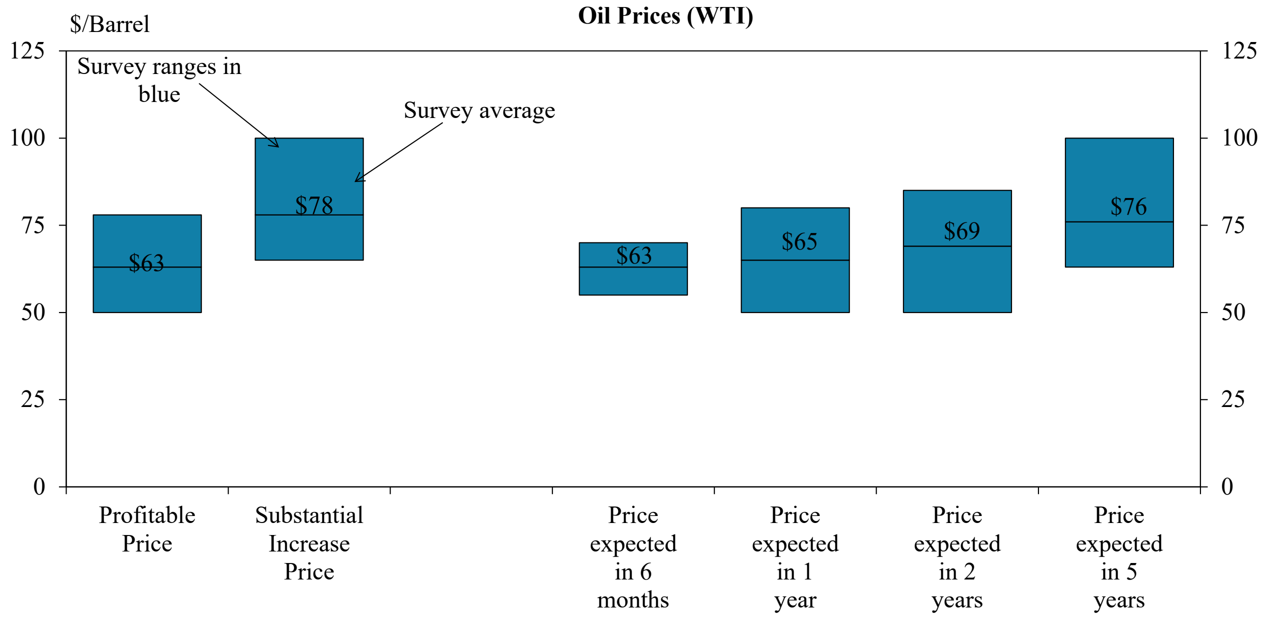

Chart 3. Special Question: What price is currently needed for a drilling to be profitable and for a substantial increase in drilling to occur for natural gas? What do you expect Henry Hub prices to be in six months, one year, two years, and five years?

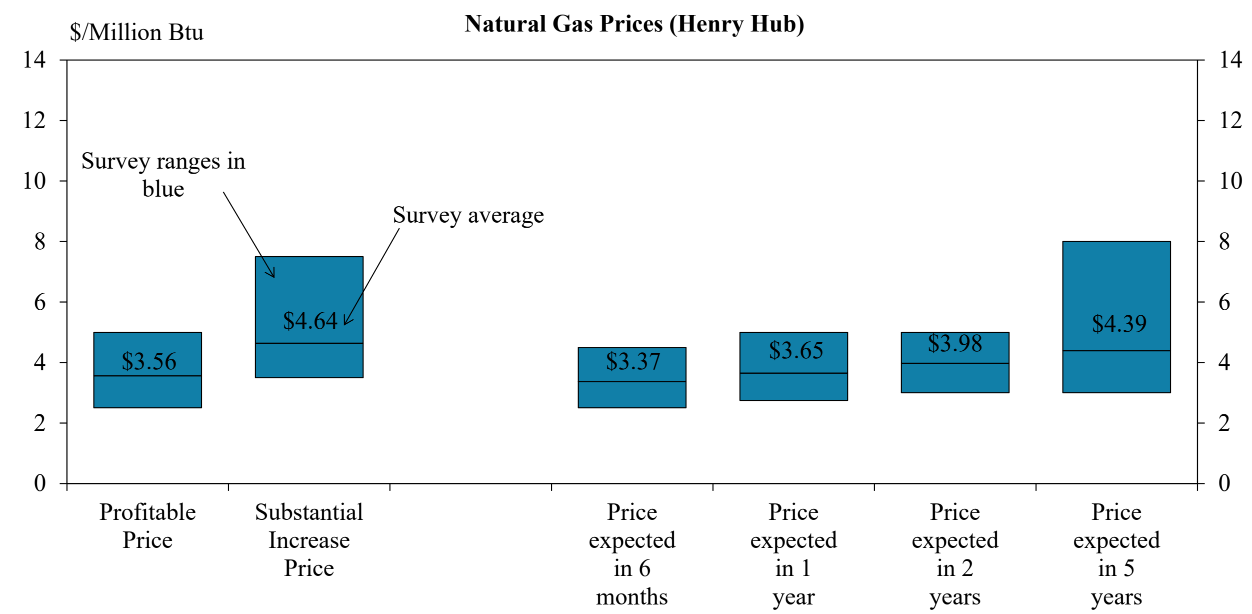

Chart 4. Special Question: Has your firm delayed investment decisions this year in response to heighted uncertainty about energy, trade, or regulatory policy?

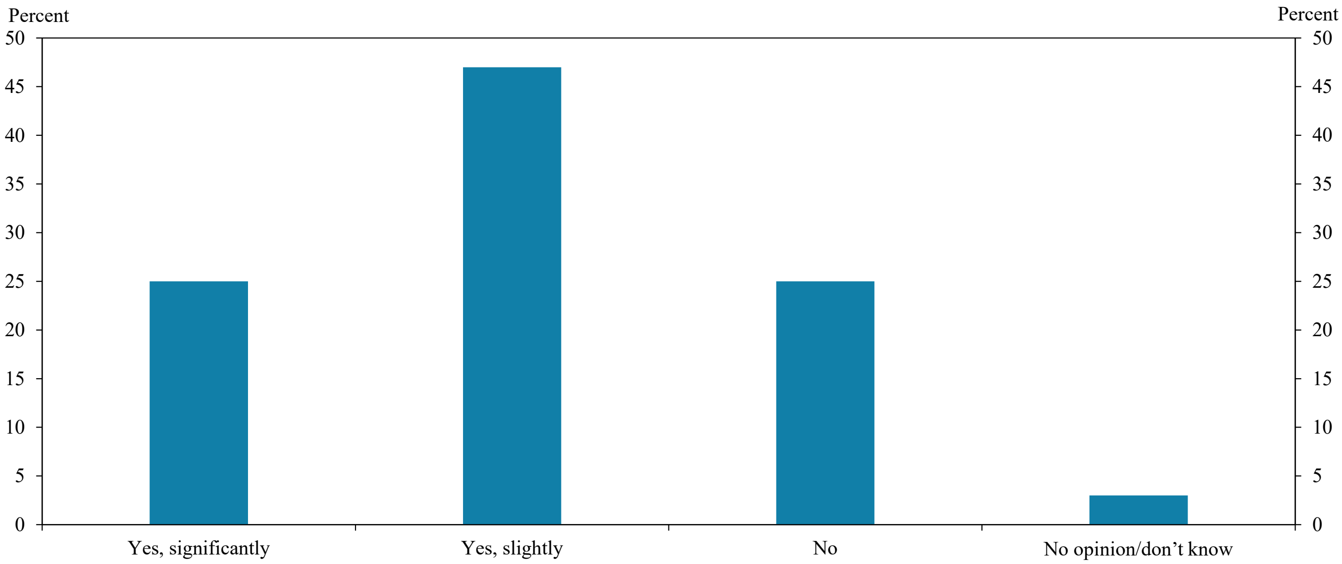

Chart 5. Special Question: Median share of production that is hedged in 2025 and planned to hedge in 2026 (among firms that reported hedging)