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Tenth District Energy Activity Fell Sharply
Federal Reserve Bank of Kansas City Releases Fourth Quarter Energy Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the fourth 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 fell sharply, with further contraction expected in the next six months.

“Tenth District drilling and business activity decreased to its lowest level since 2020,” said Cowley. “One reason for these declines was that WTI oil prices fell below District firms’ average profitable price of \$61 per barrel in Q4 2025. Moving forward, the outlook for investment in 2026 is mixed, with similar shares of firms planning to increase investment, decrease investment, or leave it unchanged.”

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

Fourth quarter energy survey results showed that Tenth District energy activity fell sharply, with further contraction expected in the next six months. Firms reported that oil prices needed to be on average \$61 per barrel for drilling to be profitable, and \$75 per barrel for a substantial increase in drilling to occur. Natural gas prices needed to be \$3.80 per million Btu for drilling to be profitable on average, and \$4.89 per million Btu for drilling to increase substantially.

Summary of Quarterly Indicators

Tenth District energy activity fell sharply in the fourth quarter of 2025, as indicated by firms contacted between Dec. 15, 2025, and Dec. 31, 2025 (Tables 1 & 2). The quarter-over-quarter drilling and business activity index was -39 in Q4, down from -16 in Q3 and from -17 in Q2 (Chart 1). Revenues and profits fell further from their lowest levels in two years, now at -33 and -42 respectively. However, employment levels only contracted modestly at -3.

Drilling activity also decreased from this time last year, with the year-over-year drilling/business activity index falling from -24 to -50 in Q4. Revenues and profits fell further, and accordingly, capital expenditures fell from -18 to -39. Employment levels stayed steady from last year, but the employee hours index remained in negative territory at -14.

Firms anticipated further declines in drilling activity, revenues, profits, employment, and capital expenditures in the next six months. The expected drilling activity index fell from 0 to -19 and expected revenues decreased from 3 to -22, the lowest readings in over two years.

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 \$61 per barrel (Chart 2), while the average natural gas price needed was \$3.80 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 \$75 per barrel (Chart 2), and the average natural gas price needed was \$4.89 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 \$57, \$62, \$69, and \$73 per barrel, respectively. The average expected Henry Hub natural gas prices were \$3.69, \$4.05, \$4.35, and \$4.93 per million Btu, respectively.

Firms were asked their expectations for capital spending and employment levels for 2026 compared to 2025 (Chart 4). Expectations for capital expenditures were mixed, with 9% expecting a significant increase, 29% a slight increase, 34% expecting similar levels to 2025, 17% expecting a slight decrease, and 11% expecting a significant decrease. A majority of firms (60%) expect employment to remain close to 2025 levels, while 3% expect a significant increase, 9% expect a slight increase, 25% expect a slight decrease, and another 3% expect a significant decrease.

Contacts were also asked how they expect rising U.S. power demand to affect natural gas demand, prices, and drilling activity relevant to their firm over the next five years. A majority of firms (62%) expect it will modestly increase demand and support somewhat higher prices and drilling activity, and another 29% expect it will materially increase demand and support substantially higher prices and drilling activity. Only 9% expect little effect on demand, prices, or drilling activity.

Selected Energy Survey Comments

“Our company is not making money at current oil prices. We do not see that current reserve development is warranted.”

“We need help in prices.”

“Lots of uncertainty but better long-term prospects.”

“High OPEC production pushing down global oil price.”

“I am hopeful if oil prices fall below \$55, that Permian producers will cut back and that will lower supply and we can see a rebound late 2026.”

“It looks like demand should build slowly.”

“Low capital investment will eventually lead to tighter supply. Inflation drivers will push prices up.”

“The sweet spot for oil prices where companies make acceptable profits, but it's not too high to impact economic activity is \$70-\$80/barrel.”

“AI energy requirements will create more demand for natural gas.”

“Adequate supply to meet forecasted demand.”

“The shoulder months with lower demand have weak pricing, and I think we keep seeing that until data center and LNG demand is large enough to compete with injections.”

“A lot of new demand with LNG and electric generation, but gas is plentiful and fairly quick to bring online. Infrastructure seems to be catching up.”

Table 1
Summary of Tenth District Energy Conditions, Quarter 4, 2025

Energy Company Indicators	Quarter 4 vs. Quarter 3 (percent)*				Quarter 4 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	6	50	44	-39	11	28	61	-50	19	42	39	-19
Total Revenues	19	28	53	-33	28	14	58	-31	19	39	42	-22
Capital Expenditures					19	22	58	-39	25	39	36	-11
Supplier Delivery Time	6	89	6	0	11	83	6	6	8	83	8	0
Total Profits	19	19	61	-42	25	17	58	-33	19	36	44	-25
Number of Employees	19	58	22	-3	25	50	25	0	11	71	17	-6
Employee Hours	14	63	23	-9	14	57	29	-14	18	62	21	-3
Wages and Benefits	28	72	0	28	61	33	6	56	47	44	8	39
Access to Credit	8	83	8	0	8	78	14	-6	11	80	9	3
Expected Oil Prices									14	49	37	-23
Expected Natural Gas Prices									35	44	21	15
Expected Natural Gas Liquids Prices									12	53	35	-24

*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 fourth quarter survey ran from Dec. 15, 2025 to Dec. 31, 2025 and included 36 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Drilling/Business Activity Indexes

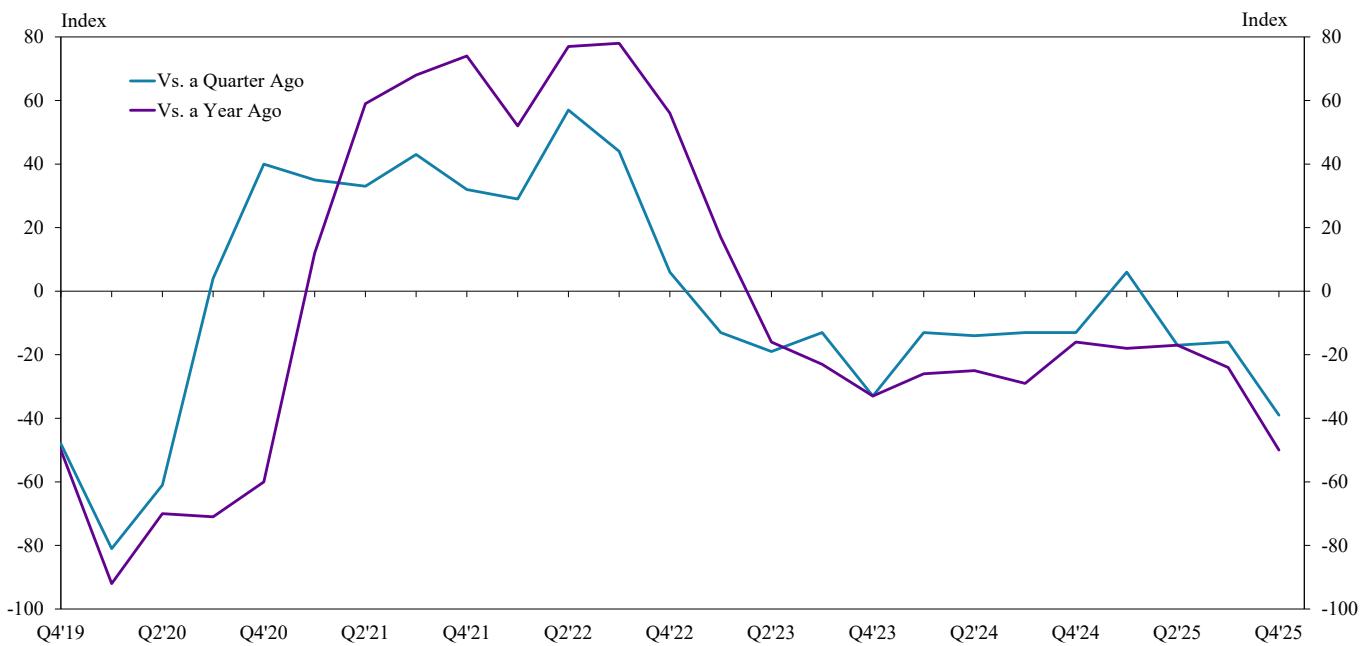


Table 2
Historical Energy Survey Indexes

	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25
<i>Versus a Quarter Ago</i>													
(not seasonally adjusted)													
Drilling/Business Activity	6	-13	-19	-13	-33	-13	-14	-13	-13	6	-17	-16	-39
Total Revenues	-8	-42	-42	13	-13	0	-10	-13	-16	-9	-10	-24	-33
Capital Expenditures	n/a												
Supplier Delivery Time	-11	-3	-21	-10	-3	-16	-13	-3	-10	6	-3	-3	0
Total Profits	-17	-26	-39	-3	-19	-6	-13	-6	-23	-9	-17	-29	-42
Number of Employees	38	6	27	13	13	18	3	19	19	21	-7	-5	-3
Employee Hours	41	6	18	6	0	3	13	-3	13	12	10	-26	-9
Wages and Benefits	59	42	27	35	32	48	27	19	39	50	23	16	28
Access to Credit	6	0	3	-3	-6	-3	13	6	3	6	-7	5	0
<i>Versus a Year Ago</i>													
Drilling/Business Activity	56	17	-16	-23	-33	-26	-25	-29	-16	-18	-17	-24	-50
Total Revenues	67	-10	-48	-23	-17	-6	-21	-42	-39	-3	-21	-29	-31
Capital Expenditures	65	26	0	6	6	-21	-20	-9	13	-9	-3	-18	-39
Supplier Delivery Time	-5	10	-45	-6	-23	-39	-28	-13	-16	-3	0	0	6
Total Profits	61	3	-48	-26	-17	-13	-10	-26	-19	-9	-34	-34	-33
Number of Employees	56	26	39	23	43	34	24	26	13	24	24	-8	0
Employee Hours	57	26	21	3	20	13	14	-10	10	6	10	-24	-14
Wages and Benefits	89	77	58	77	73	69	72	71	68	71	72	37	56
Access to Credit	3	6	6	-3	0	3	14	6	10	9	3	11	-6
<i>Expected in Six Months</i>													
(not seasonally adjusted)													
Drilling/Business Activity	19	-13	-22	7	7	-10	21	-3	13	21	0	0	-19
Total Revenues	11	-26	3	42	23	13	28	-3	-3	15	3	3	-22
Capital Expenditures	49	-6	-9	16	7	-19	14	13	3	18	-14	0	-11
Supplier Delivery Time	-19	-23	-42	0	-13	-13	-4	-6	0	9	10	3	0
Total Profits	6	-23	-3	23	3	3	24	29	-10	12	7	3	-25
Number of Employees	38	13	12	19	40	25	28	35	19	18	-21	-11	-6
Employee Hours	30	13	3	3	27	13	14	10	10	3	-14	-11	-3
Wages and Benefits	70	45	24	52	55	31	34	45	45	29	17	24	39
Access to Credit	3	-6	3	-3	-3	10	0	10	16	6	3	8	3
Expected Oil Prices	62	29	42	32	32	31	14	16	-32	-21	-30	-13	-23
Expected Natural Gas Prices	-3	14	53	50	-16	45	86	56	38	21	17	53	15
Expected Natural Gas Liquids Prices	22	20	31	37	-7	16	41	45	13	0	-3	22	-24
<i>Special Price Questions</i>													
(averages)													
Profitable WTI Oil Price (per barrel)	\$64	\$64	\$63	\$64	\$64	\$65	\$64	\$65	\$62	\$65	\$64	\$63	\$61
WTI Price to Substantially Increase Drilling	\$89	\$86	\$86	\$90	\$84	\$90	\$91	\$89	\$84	\$85	\$83	\$78	\$75
WTI Price Expected in 6 Months	\$83	\$75	\$75	\$91	\$76	\$81	\$79	\$73	\$70	\$67	\$67	\$63	\$57
WTI Price Expected in 1 Year	\$86	\$81	\$79	\$88	\$79	\$83	\$80	\$77	\$71	\$69	\$67	\$65	\$62
WTI Price Expected in 2 Years	\$88	\$86	\$83	\$88	\$84	\$85	\$83	\$80	\$75	\$72	\$71	\$69	\$69
WTI Price Expected in 5 Years	\$88	\$90	\$88	\$93	\$88	\$90	\$88	\$86	\$81	\$79	\$79	\$76	\$73
Profitable Natural Gas Price (per million BTU)	\$4.32	\$3.45	\$3.49	\$3.45	\$3.12	\$3.47	\$3.47	\$3.43	\$3.69	\$3.80	\$3.79	\$3.56	\$3.80
Natural Gas Price to Substantially Increase Drilling	\$6.13	\$4.74	\$4.67	\$4.36	\$4.04	\$4.38	\$4.68	\$4.24	\$4.66	\$5.10	\$5.01	\$4.64	\$4.89
Henry Hub Price Expected in 6 Months	\$5.01	\$2.82	\$3.00	\$3.06	\$2.55	\$2.16	\$3.00	\$2.73	\$3.09	\$3.73	\$3.76	\$3.37	\$3.69
Henry Hub Price Expected in 1 Year	\$5.52	\$3.33	\$3.33	\$3.34	\$3.04	\$2.71	\$3.10	\$3.05	\$3.36	\$3.95	\$3.85	\$3.65	\$4.05
Henry Hub Price Expected in 2 Years	\$5.78	\$4.04	\$3.71	\$3.97	\$3.42	\$3.01	\$3.45	\$3.33	\$3.67	\$4.23	\$4.19	\$3.98	\$4.35
Henry Hub Price Expected in 5 Years	\$6.19	\$4.51	\$3.98	\$4.83	\$3.96	\$3.58	\$3.86	\$3.68	\$3.98	\$4.78	\$4.71	\$4.39	\$4.93

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?

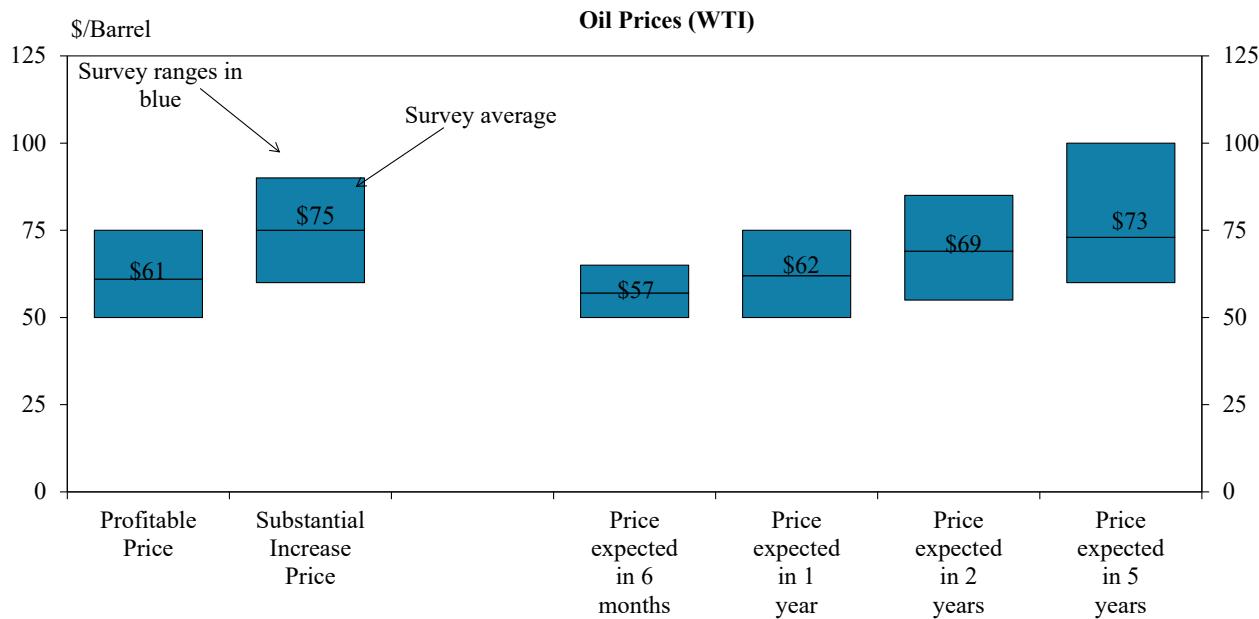


Chart 3. Special Question: What price is currently needed for a drilling to be profitable and for a substantial increase in drilling to occur for natural gas? What do you expect Henry Hub prices to be in six months, one year, two years, and five years?

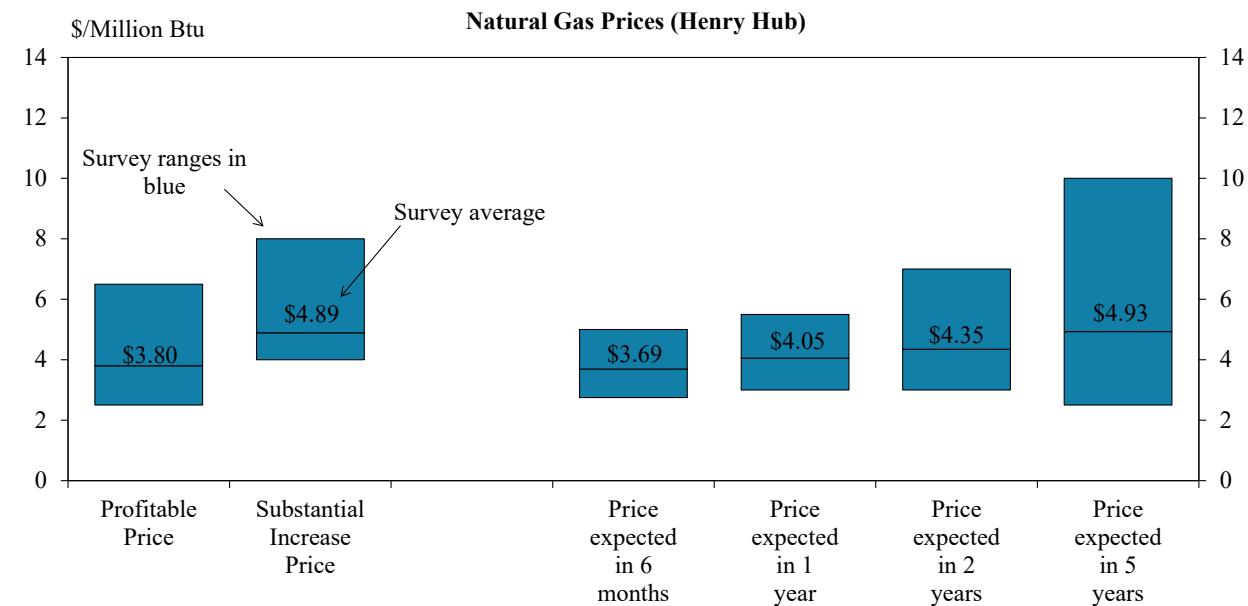


Chart 4. Special Question: What are your expectations for your firm's capital spending and employment levels next year compared to this year?

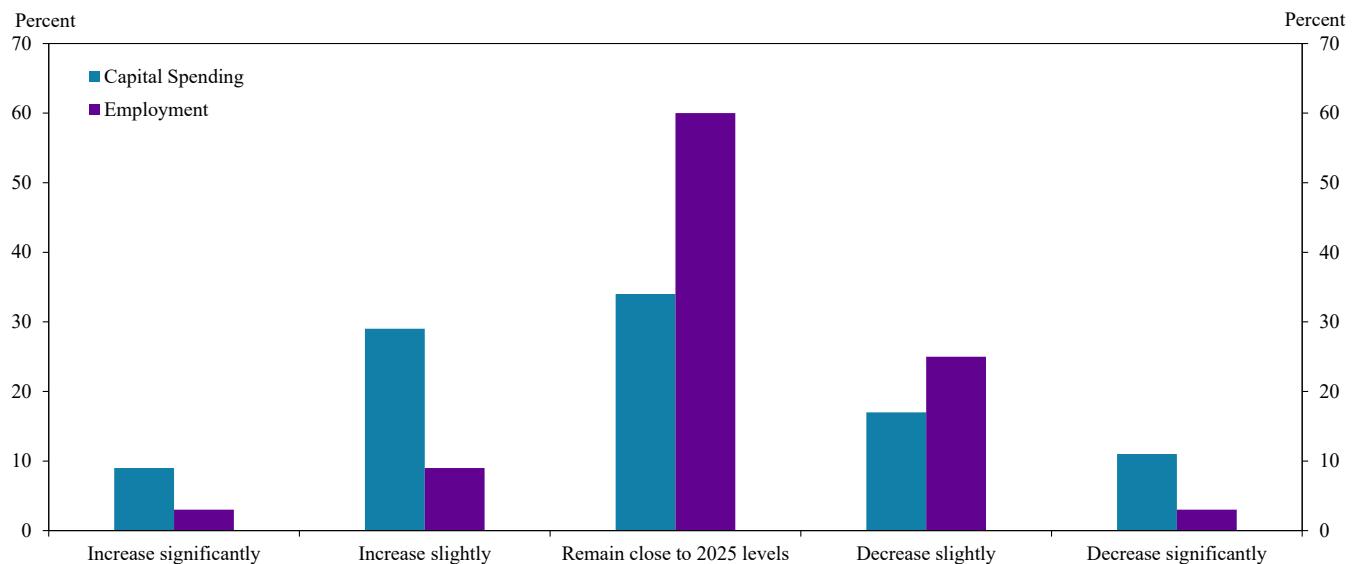


Chart 5. Special Question: Over the next five years, how do you expect rising U.S. power demand (including from data centers and other electricity-intensive uses) to affect natural gas demand, prices, and drilling relevant to your firm?

