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Tenth District Energy Activity Was Unchanged
Federal Reserve Bank of Kansas City Releases First Quarter Energy Survey

KANSAS CITY, Mo. –The Federal Reserve Bank of Kansas City released the first 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 was unchanged, but future expectations were substantially higher than last quarter.

“Tenth District drilling and business activity stayed steady in Q1, while capital expenditures continued to decline,” said Cowley. “The revenues and profits indexes reached their highest levels since Q2 2022 amid substantially higher oil prices in recent weeks, but most firms do not expect prices to support a substantial increase in drilling in the next six 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.

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

First quarter energy survey results showed that Tenth District energy activity was unchanged, but future expectations were substantially higher than last quarter. Firms reported that oil prices needed to be on average \$63 per barrel for drilling to be profitable, and \$79 per barrel for a substantial increase in drilling to occur. Natural gas prices needed to be \$3.74 per million Btu for drilling to be profitable on average, and \$4.84 per million Btu for drilling to increase substantially.

Summary of Quarterly Indicators

Tenth District energy activity was unchanged in the first quarter of 2026, as indicated by firms contacted between Mar. 16, 2026, and Mar. 31, 2026 (Tables 1 & 2). The quarter-over-quarter drilling and business activity index was 0 in Q1, up from -39 in Q4 and from -16 in Q3 (Chart 1). All quarter-over-quarter indexes were positive and up from last quarter, except for the access to credit index at -3. The revenues and profits indexes increased to their highest readings since Q2 2022, each at 31.

Drilling activity also was flat from this time last year, with the year-over-year drilling/business activity index rising from -50 to 0 in Q1. All year-over-year indexes increased and posted positive readings, except for capital expenditures which changed from -39 in Q4 to -9 in Q1. Employment levels and access to credit increased from last year, both posting readings of 13.

Six-month expectations increased substantially in Q1 amid higher oil prices, with the drilling activity, revenues, profits, and capital expenditures indexes all posting readings at or above 25. The expected drilling activity index grew from -19 to 25 and expected revenues from -22 to 35. Despite higher oil prices, the average firm only expects WTI oil to be \$76/barrel in the next six months, below the \$79/barrel price the average firm reports needing to support a substantial increase in drilling.

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 \$3.74 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 \$79 per barrel (Chart 2), and the average natural gas price needed was \$4.84 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 \$76, \$71, \$70, and \$75 per barrel, respectively. The average expected Henry Hub natural gas prices were \$3.42, \$3.66, \$4.00, and \$4.59 per million Btu, respectively.

Firms were asked how they expect recovery rates from U.S. shale wells to increase over the next 10 years (Chart 4). A quarter (25%) of firms expect oil recovery rates from U.S. shale wells to increase significantly over the next 10 years, while 50% expect them to increase slightly, another 16% expect no change, and only 9% expect rates to decline. Slightly fewer firms (13%) expect natural gas recovery rates to increase significantly, while 55% expect them to increase slightly, and 32% expect no change.

Contacts were also asked about their expectations for Venezuelan oil production over the next 24 months compared to expectations three months ago. Half of firms (50%) expect slightly more Venezuelan oil production, 22% expect significantly more, 12% report expectations have not changed, 7% expect slightly less production, and 9% reported no opinion.

Selected Energy Survey Comments

“Economic and political uncertainty will have us on the sidelines.”

“Prices will likely remain elevated as long as the Strait of Hormuz is closed. Prices may remain elevated for an extended period of time.”

“Don't anticipate any changes until prices stabilize.”

“High prices for too long will destroy oil demand and prices will go below economic replacement cost. Short term profits will be higher but in the longer term, we could see some disruption due to low prices.”

“At this point we are not altering our drilling plans. We have done some sensitivity analysis on our budget. If oil prices continue to move higher, we will most likely use this as an opportunity to accelerate our debt repayment.”

“Unstable energy prices do not appear to be causing increased drilling activity as it has in past wars. Oil companies are much more measured and capital disciplined, and are not reacting too quickly.”

“Higher oil prices will increase free cash flow that can be reinvested into new wells.”

“Companies are delaying expenditures.”

“Increase in oil prices will drive drilling which will add additional supply to natural gas, driving the price down.”

“In the long term, prices will revert to the norm. Short term we will see a temporary spike in oil prices. At this point, we will not change our strategy.”

“Reduced activity in the near term. Potential for greater activity later this year and over the medium term.”

“Short term price spike, some higher drilling activity in 2026 and 2027.”

“We layered in additional hedges, but left room for more should the conflict get worse.”

“We are looking to hedge more at these high prices.”

“With oil prices backward dated, we have no plans to add to hedges.”

Table 1
Summary of Tenth District Energy Conditions, Quarter 1, 2026

Energy Company Indicators	Quarter 1 vs. Quarter 4 (percent)*				Quarter 1 vs. Year Ago (percent)*				Expected in Six Months (percent)*			
	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^
Drilling/Business Activity	16	69	16	0	25	50	25	0	38	50	13	25
Total Revenues	53	25	22	31	44	22	34	9	52	32	16	35
Capital Expenditures					22	47	31	-9	47	34	19	28
Supplier Delivery Time	6	91	3	3	9	88	3	6	13	81	6	6
Total Profits	53	25	22	31	41	25	34	6	50	34	16	34
Number of Employees	23	65	13	10	26	61	13	13	13	81	6	6
Employee Hours	19	65	16	3	23	58	19	3	10	77	13	-3
Wages and Benefits	42	55	3	39	65	32	3	61	32	65	3	29
Access to Credit	6	84	10	-3	23	68	10	13	13	81	6	6
Expected Oil Prices									39	6	55	-16
Expected Natural Gas Prices									41	38	22	19
Expected Natural Gas Liquids Prices									38	25	38	0

*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 first quarter survey ran from Mar. 16, 2025 to Mar. 31, 2026 and included 32 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Drilling/Business Activity Indexes

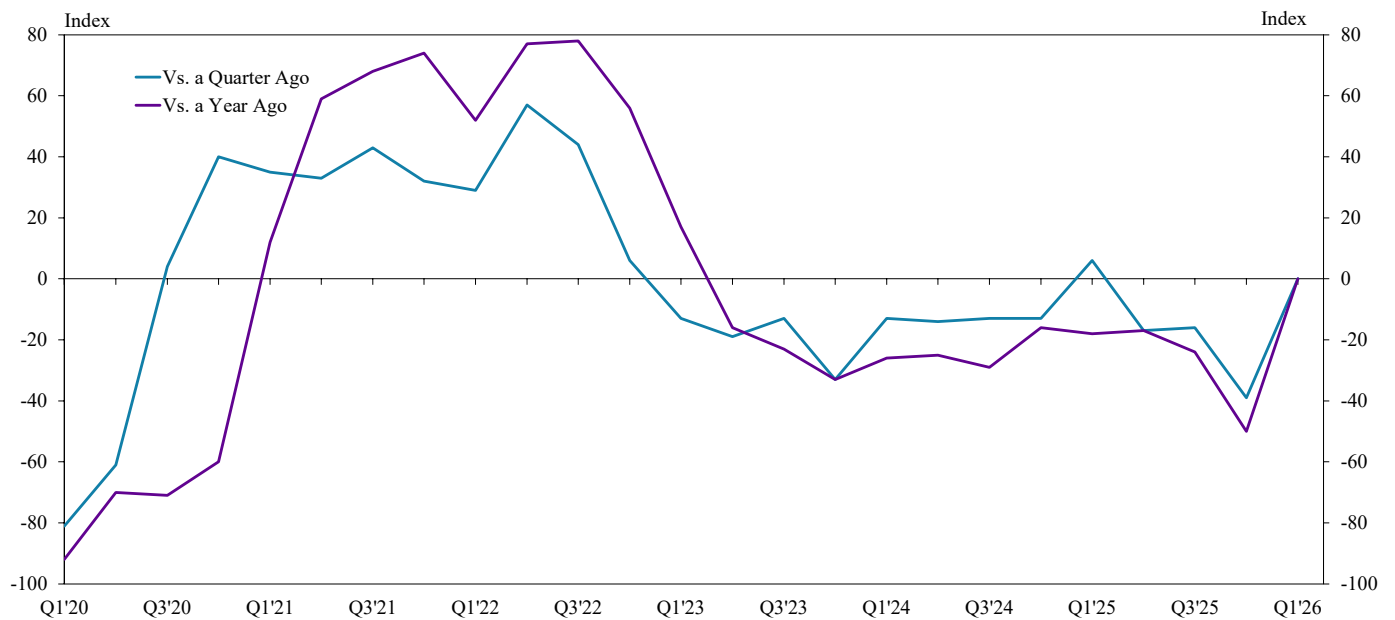


Table 2
Historical Energy Survey Indexes

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26
<i>Versus a Quarter Ago</i>													
(not seasonally adjusted)													
Drilling/Business Activity	-13	-19	-13	-33	-13	-14	-13	-13	6	-17	-16	-39	0
Total Revenues	-42	-42	13	-13	0	-10	-13	-16	-9	-10	-24	-33	31
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	-21	-10	-3	-16	-13	-3	-10	6	-3	-3	0	3
Total Profits	-26	-39	-3	-19	-6	-13	-6	-23	-9	-17	-29	-42	31
Number of Employees	6	27	13	13	18	3	19	19	21	-7	-5	-3	10
Employee Hours	6	18	6	0	3	13	-3	13	12	10	-26	-9	3
Wages and Benefits	42	27	35	32	48	27	19	39	50	23	16	28	39
Access to Credit	0	3	-3	-6	-3	13	6	3	6	-7	5	0	-3
<i>Versus a Year Ago</i>													
Drilling/Business Activity	17	-16	-23	-33	-26	-25	-29	-16	-18	-17	-24	-50	0
Total Revenues	-10	-48	-23	-17	-6	-21	-42	-39	-3	-21	-29	-31	9
Capital Expenditures	26	0	6	6	-21	-20	-9	13	-9	-3	-18	-39	-9
Supplier Delivery Time	10	-45	-6	-23	-39	-28	-13	-16	-3	0	0	6	6
Total Profits	3	-48	-26	-17	-13	-10	-26	-19	-9	-34	-34	-33	6
Number of Employees	26	39	23	43	34	24	26	13	24	24	-8	0	13
Employee Hours	26	21	3	20	13	14	-10	10	6	10	-24	-14	3
Wages and Benefits	77	58	77	73	69	72	71	68	71	72	37	56	61
Access to Credit	6	6	-3	0	3	14	6	10	9	3	11	-6	13
<i>Expected in Six Months</i>													
(not seasonally adjusted)													
Drilling/Business Activity	-13	-22	7	7	-10	21	-3	13	21	0	0	-19	25
Total Revenues	-26	3	42	23	13	28	-3	-3	15	3	3	-22	35
Capital Expenditures	-6	-9	16	7	-19	14	13	3	18	-14	0	-11	28
Supplier Delivery Time	-23	-42	0	-13	-13	-4	-6	0	9	10	3	0	6
Total Profits	-23	-3	23	3	3	24	29	-10	12	7	3	-25	34
Number of Employees	13	12	19	40	25	28	35	19	18	-21	-11	-6	6
Employee Hours	13	3	3	27	13	14	10	10	3	-14	-11	-3	-3
Wages and Benefits	45	24	52	55	31	34	45	45	29	17	24	39	29
Access to Credit	-6	3	-3	-3	10	0	10	16	6	3	8	3	6
Expected Oil Prices	29	42	32	32	31	14	16	-32	-21	-30	-13	-23	-16
Expected Natural Gas Prices	14	53	50	-16	45	86	56	38	21	17	53	15	19
Expected Natural Gas Liquids Prices	20	31	37	-7	16	41	45	13	0	-3	22	-24	0
<i>Special Price Questions</i>													
(averages)													
Profitable WTI Oil Price (per barrel)	\$64	\$63	\$64	\$64	\$65	\$64	\$65	\$62	\$65	\$64	\$63	\$61	\$63
WTI Price to Substantially Increase Drilling	\$86	\$86	\$90	\$84	\$90	\$91	\$89	\$84	\$85	\$83	\$78	\$75	\$79
WTI Price Expected in 6 Months	\$75	\$75	\$91	\$76	\$81	\$79	\$73	\$70	\$67	\$67	\$63	\$57	\$76
WTI Price Expected in 1 Year	\$81	\$79	\$88	\$79	\$83	\$80	\$77	\$71	\$69	\$67	\$65	\$62	\$71
WTI Price Expected in 2 Years	\$86	\$83	\$88	\$84	\$85	\$83	\$80	\$75	\$72	\$71	\$69	\$69	\$70
WTI Price Expected in 5 Years	\$90	\$88	\$93	\$88	\$90	\$88	\$86	\$81	\$79	\$79	\$76	\$73	\$75
Profitable Natural Gas Price (per million BTU)	\$3.45	\$3.49	\$3.45	\$3.12	\$3.47	\$3.47	\$3.43	\$3.69	\$3.80	\$3.79	\$3.56	\$3.80	\$3.74
Natural Gas Price to Substantially Increase Drilling	\$4.74	\$4.67	\$4.36	\$4.04	\$4.38	\$4.68	\$4.24	\$4.66	\$5.10	\$5.01	\$4.64	\$4.89	\$4.84
Henry Hub Price Expected in 6 Months	\$2.82	\$3.00	\$3.06	\$2.55	\$2.16	\$3.00	\$2.73	\$3.09	\$3.73	\$3.76	\$3.37	\$3.69	\$3.42
Henry Hub Price Expected in 1 Year	\$3.33	\$3.33	\$3.34	\$3.04	\$2.71	\$3.10	\$3.05	\$3.36	\$3.95	\$3.85	\$3.65	\$4.05	\$3.66
Henry Hub Price Expected in 2 Years	\$4.04	\$3.71	\$3.97	\$3.42	\$3.01	\$3.45	\$3.33	\$3.67	\$4.23	\$4.19	\$3.98	\$4.35	\$4.00
Henry Hub Price Expected in 5 Years	\$4.51	\$3.98	\$4.83	\$3.96	\$3.58	\$3.86	\$3.68	\$3.98	\$4.78	\$4.71	\$4.39	\$4.93	\$4.59

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?

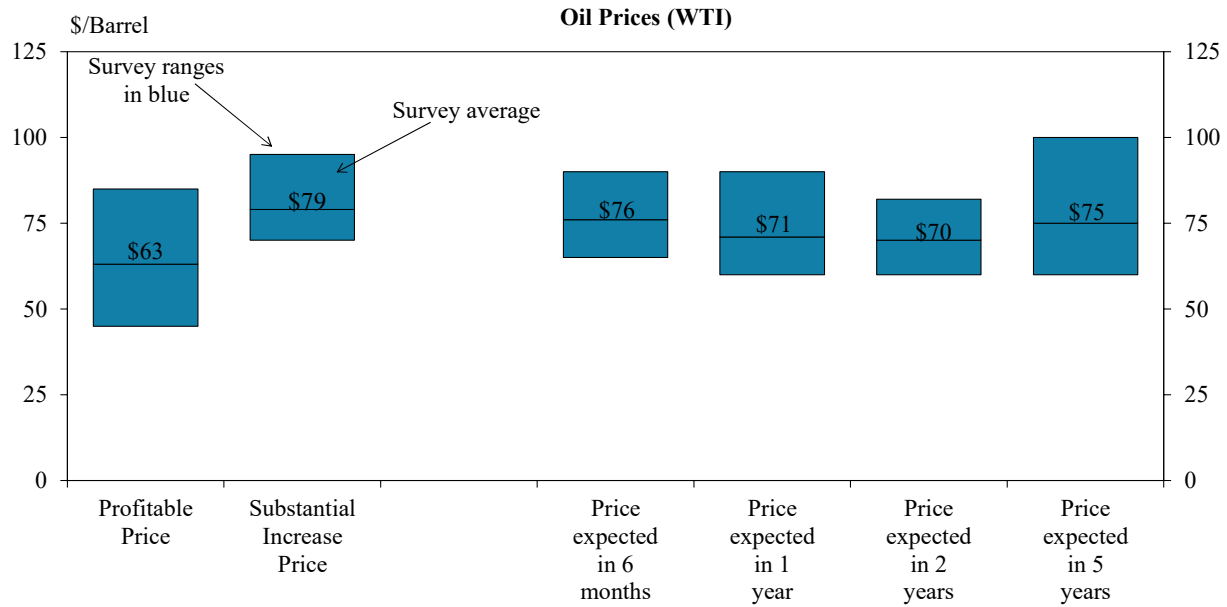


Chart 3. Special Question: What price is currently needed for a drilling to be profitable and for a substantial increase in drilling to occur for natural gas? What do you expect Henry Hub prices to be in six months, one year, two years, and five years?

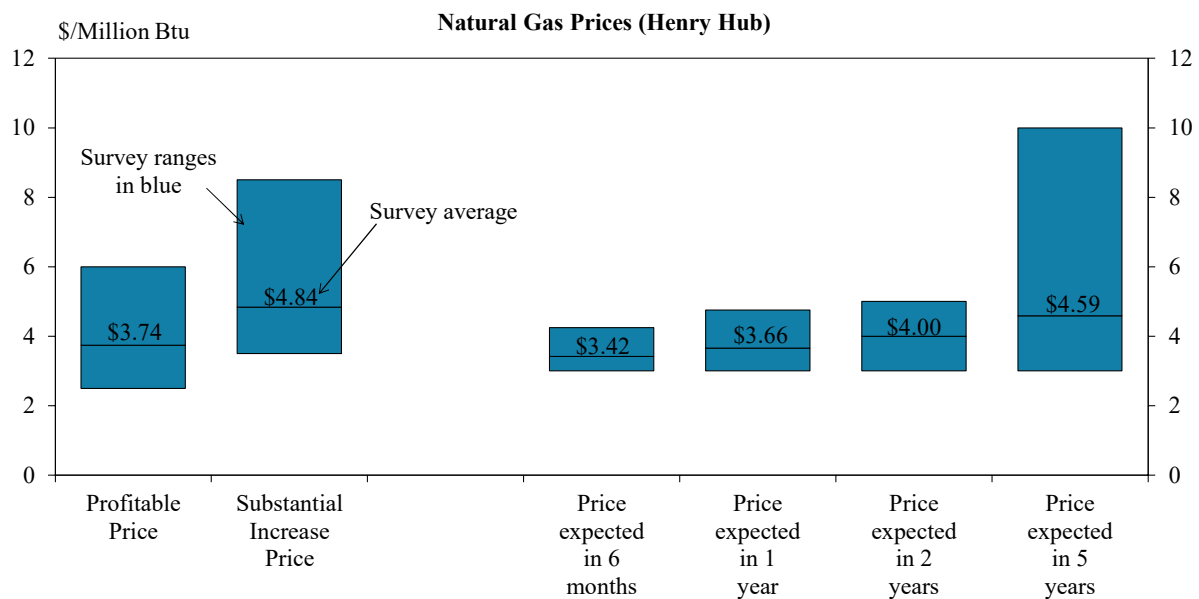


Chart 4. Special Question: Do you expect upstream firms will be able to increase oil recovery rates from U.S. shale wells over the next 10 years? How about for natural gas?

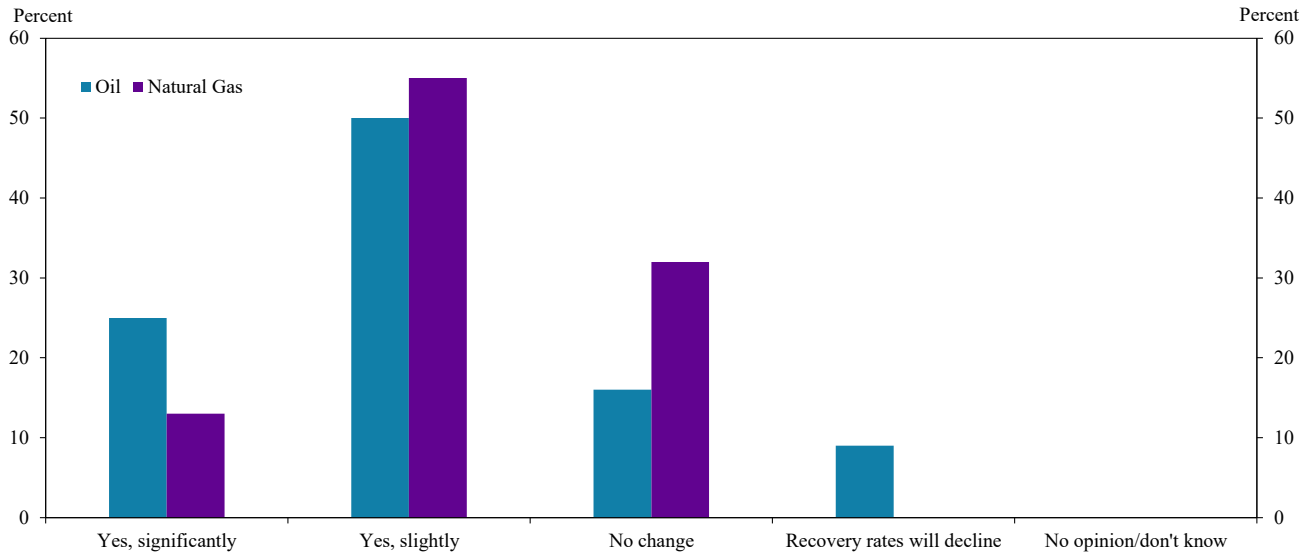


Chart 5. Special Question: How have your expectations changed for Venezuelan oil production over the next 24 months when compared with your expectations three months ago?

