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Tenth District Energy Activity Increased 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 Cortney Cowley, assistant vice president and Oklahoma City Branch executive at the Federal Reserve Bank of Kansas City, Tenth District energy activity increased moderately, while expected growth cooled from last quarter.

“Tenth District drilling activity grew from last quarter at a moderate pace, as oil prices remained elevated for most of Q2, while expectations for future drilling activity cooled but remained expansionary,” said Cowley. “Capital expenditures increased from last year on net, as about a third of firms increased spending plans from the beginning of the year while half left them 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

Second quarter results from the energy survey showed that Tenth District energy activity increased moderately, while expectations cooled from last quarter but remained expansionary. Firms reported that oil prices needed to be on average \$66 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 \$3.61 per million Btu for drilling to be profitable on average, and \$4.53 per million Btu for drilling to increase substantially.

Summary of Quarterly Indicators

Tenth District energy activity increased moderately in the second quarter of 2026, as indicated by firms contacted between June 15, 2026, and June 30, 2026 (Tables 1 & 2). The quarter-over-quarter drilling and business activity index was 18 in Q2, up from 0 in Q1 and from -39 in Q4 (Chart 1). All quarter-over-quarter indexes posted positive readings, with the revenues and profits indexes increasing further to multi-year highs. Employment and access to credit increased as well, to 13 and 15 respectively.

Drilling activity grew somewhat from this time last year, with the year-over-year drilling/business activity index rising from 0 to 9 in Q2, its first positive reading since Q1 2023. All year-over-year indexes increased and posted positive readings. Capital expenditures increased from -9 to 15 amid higher oil prices.

Six-month expectations cooled from last quarter but remained expansionary. The drilling activity, revenues, profits, and capital expenditures indexes all eased from elevated readings as 73% of firms expected oil prices to decline in the next six months. The drilling activity index cooled from 25 to 12; however expected employment growth accelerated from a reading of 6 to 15. The average firm expects WTI oil to be \$75/barrel in the next six months, below the \$83/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 \$66 per barrel (Chart 2), while the average natural gas price needed was \$3.61 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 \$4.53 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 \$75, \$72, \$73, and \$80 per barrel, respectively. The average expected Henry Hub natural gas prices were \$3.38, \$3.53, \$3.90, and \$4.47 per million Btu, respectively.

Firms were asked how certain constraints might hinder business activity in the next 12 months. Just over half of firms reported that labor and/or supply chain issues might constrain activity slightly, while another 15% (6%) reported the supply chain (labor) could constrain activity significantly. Nearly half of firms reported financing conditions would have no impact on activity, while 36% expect them to slightly constrain activity and another 15% expect them to significantly constrain activity. Additionally, a quarter of firms expected regulatory policy to have no impact, while 31% expected a slight constraint and 44% expected a significant constraint.

Contacts were also asked how capital expenditures plans changed from the beginning of the year. Over half of firms (53%) reported no change in their planned capital expenditures, while 32% increased their plans for the remainder of the year and another 6% increased them significantly. Only 9% of contacts reported lowering planned capital expenditures.

Selected Energy Comments

“Spending will continue to be conservative due to commodity price volatility that is expected due to geopolitical conflict, especially in the Mideast.”

“Uncertain price environment is causing our drilling customers to take a ‘wait and see’ approach.”

“Crude oil price reaction has not been anticipated. There is still a possibility of higher crude oil prices once SPR release has ceased.”

“Current futures environment shows that the market expects a quick recovery. Futures prices less than 2 years forward are not significantly changed in spite of shortages in parts of the world.”

“We expect a balanced market over the next several years.”

“Current efforts to open the Strait of Hormuz and releasing sanctions on Iran oil sales will place downward pressure on oil prices.”

“Stabilizing oil prices post Iran War.”

“US storage levels are very low. Higher prices aren't causing demand destruction but rather demand curtailment.”

“Demand increasing moderately and smooth post war recovery.”

“There is a disconnect between the tight physical market and the perceived looseness of the Strait of Hormuz opening. We believe it will be hard to replace the 1.5 billion barrel loss of crude without some higher pricing to displace demand.”

“Once the oil market rebalances there appears there will be a modest over supply of crude oil. Longer term \$75 is an amount that works for the full cycle return of the oil business but not too high for consumers.”

“High domestic production will continue to place downward pressure on gas prices.”

“Ultimately, the US has substantial gas reserves that are stuck in the US. Without additional LNG permitting and exporting, the Henry Hub price will remain dislocated from TTF and JKM.”

Table 1
Summary of Tenth District Energy Conditions, Quarter 2, 2026

Energy Company Indicators	Quarter 2 vs. Quarter 1 (percent)*				Quarter 2 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	24	70	6	18	30	48	21	9	33	45	21	12
Total Revenues	79	18	3	76	70	21	9	61	30	39	30	0
Capital Expenditures					36	42	21	15	39	36	24	15
Supplier Delivery Time	13	75	13	0	16	75	9	6	9	78	13	-3
Total Profits	73	18	9	64	67	15	18	48	33	33	33	0
Number of Employees	27	61	12	15	36	55	9	27	21	73	6	15
Employee Hours	25	63	13	13	28	56	16	13	19	72	9	9
Wages and Benefits	39	58	3	36	70	27	3	67	45	55	0	45
Access to Credit	15	85	0	15	21	76	3	18	18	82	0	18
Expected Oil Prices									12	15	73	-61
Expected Natural Gas Prices									31	63	6	25
Expected Natural Gas Liquids Prices									18	73	9	9

*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 15, 2026 to June 30, 2026 and included 33 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Drilling/Business Activity Indexes

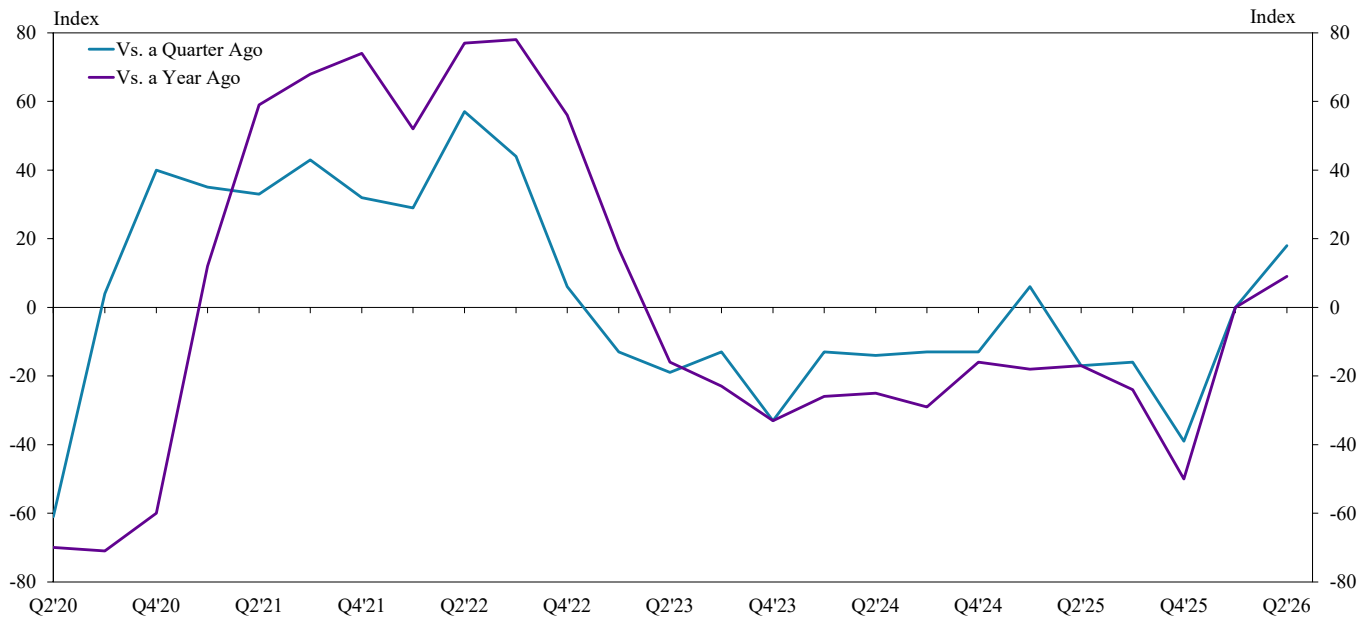


Table 2
Historical Energy Survey Indexes

	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26
<i>Versus a Quarter Ago</i>													
(not seasonally adjusted)													
Drilling/Business Activity	-19	-13	-33	-13	-14	-13	-13	6	-17	-16	-39	0	18
Total Revenues	-42	13	-13	0	-10	-13	-16	-9	-10	-24	-33	31	76
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	-21	-10	-3	-16	-13	-3	-10	6	-3	-3	0	3	0
Total Profits	-39	-3	-19	-6	-13	-6	-23	-9	-17	-29	-42	31	64
Number of Employees	27	13	13	18	3	19	19	21	-7	-5	-3	10	15
Employee Hours	18	6	0	3	13	-3	13	12	10	-26	-9	3	13
Wages and Benefits	27	35	32	48	27	19	39	50	23	16	28	39	36
Access to Credit	3	-3	-6	-3	13	6	3	6	-7	5	0	-3	15
<i>Versus a Year Ago</i>													
Drilling/Business Activity	-16	-23	-33	-26	-25	-29	-16	-18	-17	-24	-50	0	9
Total Revenues	-48	-23	-17	-6	-21	-42	-39	-3	-21	-29	-31	9	61
Capital Expenditures	0	6	6	-21	-20	-9	13	-9	-3	-18	-39	-9	15
Supplier Delivery Time	-45	-6	-23	-39	-28	-13	-16	-3	0	0	6	6	6
Total Profits	-48	-26	-17	-13	-10	-26	-19	-9	-34	-34	-33	6	48
Number of Employees	39	23	43	34	24	26	13	24	24	-8	0	13	27
Employee Hours	21	3	20	13	14	-10	10	6	10	-24	-14	3	13
Wages and Benefits	58	77	73	69	72	71	68	71	72	37	56	61	67
Access to Credit	6	-3	0	3	14	6	10	9	3	11	-6	13	18
<i>Expected in Six Months</i>													
(not seasonally adjusted)													
Drilling/Business Activity	-22	7	7	-10	21	-3	13	21	0	0	-19	25	12
Total Revenues	3	42	23	13	28	-3	-3	15	3	3	-22	35	0
Capital Expenditures	-9	16	7	-19	14	13	3	18	-14	0	-11	28	15
Supplier Delivery Time	-42	0	-13	-13	-4	-6	0	9	10	3	0	6	-3
Total Profits	-3	23	3	3	24	29	-10	12	7	3	-25	34	0
Number of Employees	12	19	40	25	28	35	19	18	-21	-11	-6	6	15
Employee Hours	3	3	27	13	14	10	10	3	-14	-11	-3	-3	9
Wages and Benefits	24	52	55	31	34	45	45	29	17	24	39	29	45
Access to Credit	3	-3	-3	10	0	10	16	6	3	8	3	6	18
Expected Oil Prices	42	32	32	31	14	16	-32	-21	-30	-13	-23	-16	-61
Expected Natural Gas Prices	53	50	-16	45	86	56	38	21	17	53	15	19	25
Expected Natural Gas Liquids Prices	31	37	-7	16	41	45	13	0	-3	22	-24	0	9
<i>Special Price Questions</i>													
(averages)													
Profitable WTI Oil Price (per barrel)	\$63	\$64	\$64	\$65	\$64	\$65	\$62	\$65	\$64	\$63	\$61	\$63	\$66
WTI Price to Substantially Increase Drilling	\$86	\$90	\$84	\$90	\$91	\$89	\$84	\$85	\$83	\$78	\$75	\$79	\$83
WTI Price Expected in 6 Months	\$75	\$91	\$76	\$81	\$79	\$73	\$70	\$67	\$67	\$63	\$57	\$76	\$75
WTI Price Expected in 1 Year	\$79	\$88	\$79	\$83	\$80	\$77	\$71	\$69	\$67	\$65	\$62	\$71	\$72
WTI Price Expected in 2 Years	\$83	\$88	\$84	\$85	\$83	\$80	\$75	\$72	\$71	\$69	\$69	\$70	\$73
WTI Price Expected in 5 Years	\$88	\$93	\$88	\$90	\$88	\$86	\$81	\$79	\$79	\$76	\$73	\$75	\$80
Profitable Natural Gas Price (per million BTU)	\$3.49	\$3.45	\$3.12	\$3.47	\$3.47	\$3.43	\$3.69	\$3.80	\$3.79	\$3.56	\$3.80	\$3.74	\$3.61
Natural Gas Price to Substantially Increase Drilling	\$4.67	\$4.36	\$4.04	\$4.38	\$4.68	\$4.24	\$4.66	\$5.10	\$5.01	\$4.64	\$4.89	\$4.84	\$4.53
Henry Hub Price Expected in 6 Months	\$3.00	\$3.06	\$2.55	\$2.16	\$3.00	\$2.73	\$3.09	\$3.73	\$3.76	\$3.37	\$3.69	\$3.42	\$3.38
Henry Hub Price Expected in 1 Year	\$3.33	\$3.34	\$3.04	\$2.71	\$3.10	\$3.05	\$3.36	\$3.95	\$3.85	\$3.65	\$4.05	\$3.66	\$3.53
Henry Hub Price Expected in 2 Years	\$3.71	\$3.97	\$3.42	\$3.01	\$3.45	\$3.33	\$3.67	\$4.23	\$4.19	\$3.98	\$4.35	\$4.00	\$3.90
Henry Hub Price Expected in 5 Years	\$3.98	\$4.83	\$3.96	\$3.58	\$3.86	\$3.68	\$3.98	\$4.78	\$4.71	\$4.39	\$4.93	\$4.59	\$4.47

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?

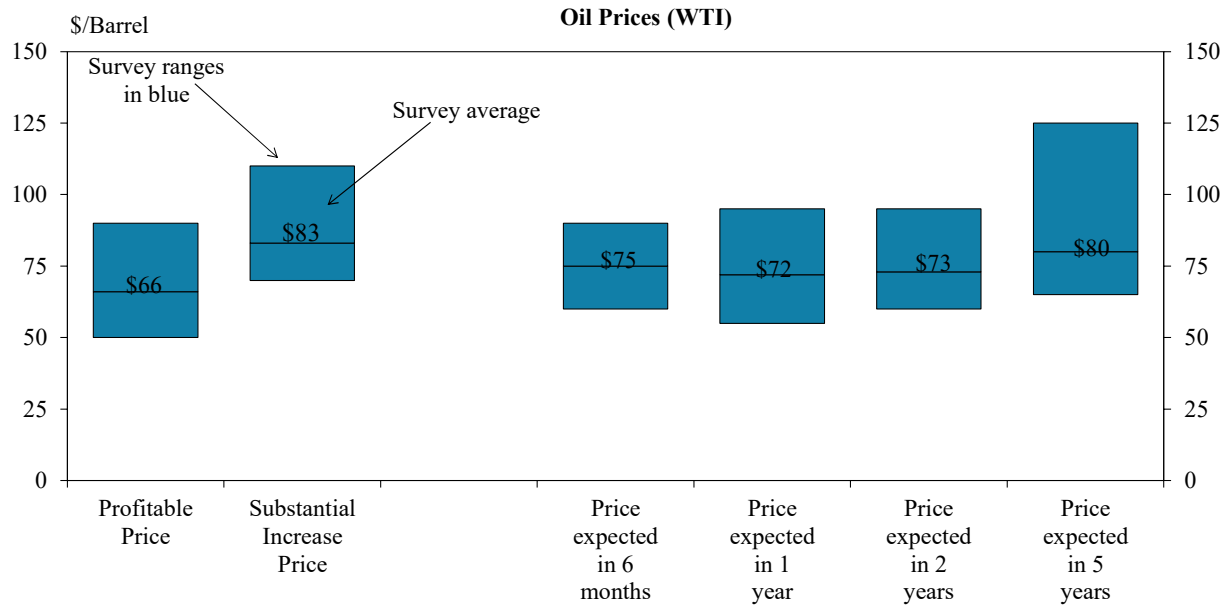


Chart 3. Special Question: What price is currently needed for a drilling to be profitable and for a substantial increase in drilling to occur for natural gas? What do you expect Henry Hub prices to be in six months, one year, two years, and five years?

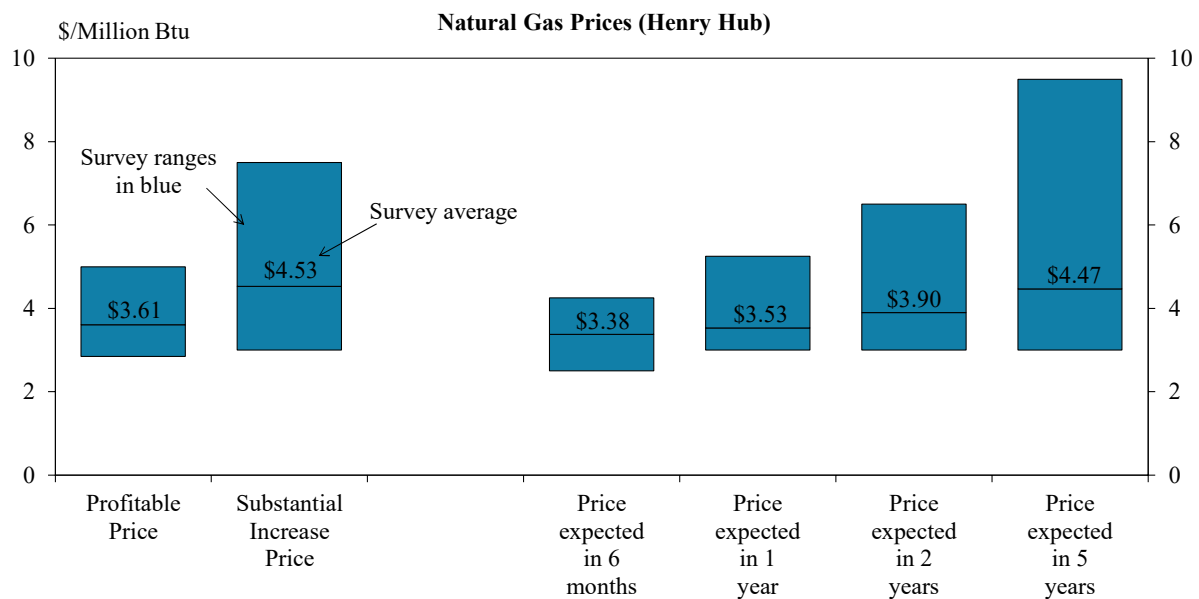


Chart 4. Special Question: To what extent might the following constraints hinder your firm's business activity in the next 12 months?

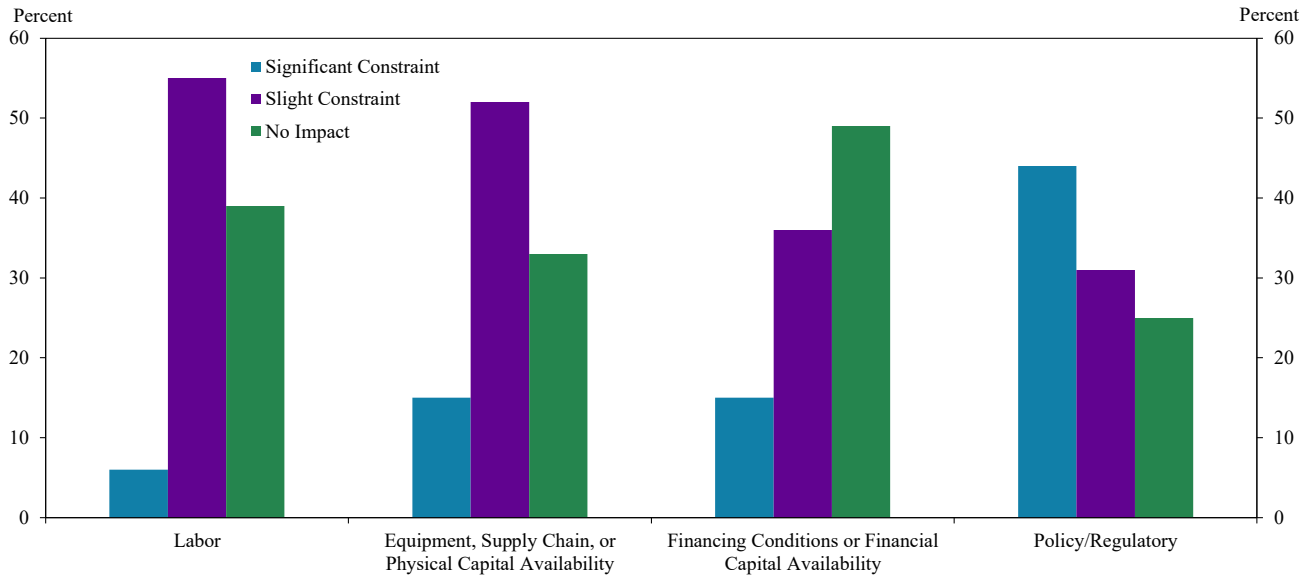


Chart 5. Special Question: Compared to the beginning of the year, how have your planned capital expenditures changed for the remainder of 2026?

