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Tenth District Energy Activity Continued to Grow in Q3
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 grow, and six-month expectations remained expansionary.

“Tenth District drilling activity increased further in the third quarter, and firms expect growth to continue into next year,” said Cowley. “Capital investment increased at its fastest annual pace in four years, as the yearly revenues and capital expenditures indexes reached their highest readings since 2022.”

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 results from the energy survey showed that Tenth District energy activity continued to grow, and six-month expectations remained expansionary. Firms reported that oil prices needed to be on average \$64 per barrel for drilling to be profitable, and \$85 per barrel for a substantial increase in drilling to occur. Natural gas prices needed to be \$3.59 per million Btu for drilling to be profitable on average, and \$4.70 per million Btu for drilling to increase substantially.

Summary of Quarterly Indicators

Tenth District energy activity continued to grow in the third quarter of 2026, as indicated by firms contacted between September 15, 2026, and September 30, 2026 (Tables 1 & 2). The quarter-over-quarter drilling and business activity index was 20 in quarter 3, up from 18 in quarter 2 and from 0 in quarter 1 (Chart 1). All quarter-over-quarter indexes posted positive readings except supplier delivery time at -14. Quarterly revenues and profits growth cooled from their last readings but remained positive, each with index values of 33. Employment and access to credit also cooled, to 3 and 10 respectively.

Drilling activity growth accelerated from this time last year, with the year-over-year drilling/business activity index rising from 9 to 21 in quarter 3, its highest reading since the fourth quarter of 2022. All year-over-year indexes were positive except for supplier delivery time. Capital expenditures accelerated from 15 to 37 as the annual profits index increased to a reading of 55.

Half of firms expect oil prices to be lower in the next six months, while another third expect them to be unchanged. Despite this, expectations for activity, profits, investment, and other indicators increased from last quarter, with the expected drilling activity index rising from 12 to 18. The average firm expects WTI oil prices to meet \$85/barrel in the next six months, the same price firms report needing to substantially increase 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 \$64 per barrel (Chart 2), while the average natural gas price needed was \$3.59 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 \$85 per barrel (Chart 2), and the average natural gas price needed was \$4.70 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 \$85, \$75, \$74, and \$78 per barrel, respectively. The average expected Henry Hub natural gas prices were \$3.35, \$3.57, \$4.08, and \$4.65 per million Btu, respectively.

Firms were asked the primary factor enabling them to increase production without adding new workers. A plurality of firms (38%) reported technology and/or automation improvements as the top factor enabling productivity, while 31% reported reduced turnover, 14% said subcontracting and/or outsourcing, and 17% reported they were unable to increase production without adding workers.

Contacts were also asked how long they expect it to take for the spread between fuel prices and crude oil to return to 2025 levels. One tenth of firms expect the gasoline-crude oil spread to return to 2025 levels in 1-2 quarters, while 27% expect 2-3 quarters, 40% expect 3-4 quarters, and 23% reported no opinion. On average, firms expect the diesel-gasoline spread to take longer to return to previous levels, with most firms (59%) expecting a return in 3-4 quarters. Only 3% of firms expect diesel spreads to return to 2025 levels in 1-2 quarters, another 17% expect 2-3 quarters, and 21% reported no opinion.

Selected Energy Comments

“There is a tremendous amount of uncertainty in the long-range supply/demand of oil and natural gas for numerous reasons: war and threat of war, permitting and equipment delays, and weather disruptions.”

“Oil price visibility is very challenged right now; price levels are subject to circumstances outside of normal supply/demand dynamics, which leads to low predictability.”

“Putting out bigger horsepower rigs (1500 to 2000) to move into southern Oklahoma and west Texas. We're scrapping our smaller rigs machinal rigs due to lack of demand.”

“Managing expenses under inflationary pressure. Managing through high volatility in commodity pricing.”

“Oil and gas prices we believe will stay in a window that supports drilling through 2027.”

“Continue to execute while trying to temper cost increases, especially for diesel and steel.”

“We are more focused on acquisitions than organic growth at present, primarily in the natural gas weighted plays.”

“Natural Gas prices will not recover in the next year. No demand increase except coastal LNG.”

“Natural Gas prices have been weak. We produce 70% NG by volume. Therefore, the weak pricing has moved us to slow capex next year.”

“New overseas oil supplies being developed. Even with higher prices, domestic increases muted.”

“The current oil price, inflation adjusted, does not create enough demand destruction.”

“Increasing ownership of large gas assets for example in the Deep Bossier/Western Haynesville in Texas skews the economics differently to delivered prices in countries such as Japan.”

“Domestic gas price will be linked to US LNG send out. Demand from data centers will be very hard to predict and, while supportive, will probably not drive significant price gains.”

“The projected record El Nino could add an additional trillion cubic feet of natural gas into storage if it comes through this winter.”

Table 1
Summary of Tenth District Energy Conditions, Quarter 3, 2026

Energy Company Indicators	Quarter 3 vs. Quarter 2 (percent)*				Quarter 3 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	23	73	3	20	39	43	18	21	29	61	11	18
Total Revenues	47	40	13	33	72	17	10	62	45	38	17	28
Capital Expenditures					53	30	17	37	55	31	14	41
Supplier Delivery Time	3	79	17	-14	7	75	18	-11	11	82	7	4
Total Profits	53	27	20	33	72	10	17	55	48	34	17	31
Number of Employees	23	57	20	3	31	48	21	10	28	62	10	17
Employee Hours	23	70	7	17	25	64	11	14	21	76	3	17
Wages and Benefits	37	60	3	33	79	17	3	76	55	45	0	55
Access to Credit	13	83	3	10	28	66	7	21	21	76	3	17
Expected Oil Prices									17	33	50	-33
Expected Natural Gas Prices									55	41	3	52
Expected Natural Gas Liquids Prices									40	37	23	17

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

Chart 1. Drilling/Business Activity Indexes

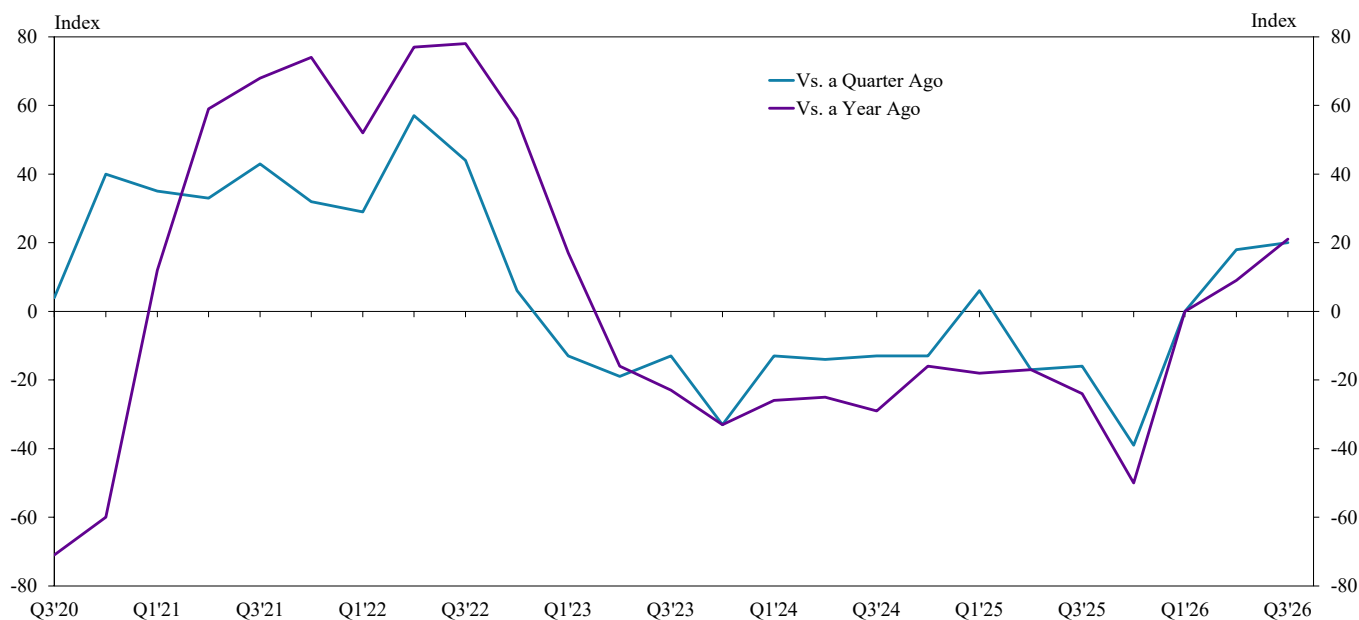


Table 2
Historical Energy Survey Indexes

	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Q3'26
<i>Versus a Quarter Ago</i>													
(not seasonally adjusted)													
Drilling/Business Activity	-13	-33	-13	-14	-13	-13	6	-17	-16	-39	0	18	20
Total Revenues	13	-13	0	-10	-13	-16	-9	-10	-24	-33	31	76	33
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	-16	-13	-3	-10	6	-3	-3	0	3	0	-14
Total Profits	-3	-19	-6	-13	-6	-23	-9	-17	-29	-42	31	64	33
Number of Employees	13	13	18	3	19	19	21	-7	-5	-3	10	15	3
Employee Hours	6	0	3	13	-3	13	12	10	-26	-9	3	13	17
Wages and Benefits	35	32	48	27	19	39	50	23	16	28	39	36	33
Access to Credit	-3	-6	-3	13	6	3	6	-7	5	0	-3	15	10
<i>Versus a Year Ago</i>													
Drilling/Business Activity	-23	-33	-26	-25	-29	-16	-18	-17	-24	-50	0	9	21
Total Revenues	-23	-17	-6	-21	-42	-39	-3	-21	-29	-31	9	61	62
Capital Expenditures	6	6	-21	-20	-9	13	-9	-3	-18	-39	-9	15	37
Supplier Delivery Time	-6	-23	-39	-28	-13	-16	-3	0	0	6	6	6	-11
Total Profits	-26	-17	-13	-10	-26	-19	-9	-34	-34	-33	6	48	55
Number of Employees	23	43	34	24	26	13	24	24	-8	0	13	27	10
Employee Hours	3	20	13	14	-10	10	6	10	-24	-14	3	13	14
Wages and Benefits	77	73	69	72	71	68	71	72	37	56	61	67	76
Access to Credit	-3	0	3	14	6	10	9	3	11	-6	13	18	21
<i>Expected in Six Months</i>													
(not seasonally adjusted)													
Drilling/Business Activity	7	7	-10	21	-3	13	21	0	0	-19	25	12	18
Total Revenues	42	23	13	28	-3	-3	15	3	3	-22	35	0	28
Capital Expenditures	16	7	-19	14	13	3	18	-14	0	-11	28	15	41
Supplier Delivery Time	0	-13	-13	-4	-6	0	9	10	3	0	6	-3	4
Total Profits	23	3	3	24	29	-10	12	7	3	-25	34	0	31
Number of Employees	19	40	25	28	35	19	18	-21	-11	-6	6	15	17
Employee Hours	3	27	13	14	10	10	3	-14	-11	-3	-3	9	17
Wages and Benefits	52	55	31	34	45	45	29	17	24	39	29	45	55
Access to Credit	-3	-3	10	0	10	16	6	3	8	3	6	18	17
Expected Oil Prices	32	32	31	14	16	-32	-21	-30	-13	-23	-16	-61	-33
Expected Natural Gas Prices	50	-16	45	86	56	38	21	17	53	15	19	25	52
Expected Natural Gas Liquids Prices	37	-7	16	41	45	13	0	-3	22	-24	0	9	17
<i>Special Price Questions</i>													
(averages)													
Profitable WTI Oil Price (per barrel)	\$64	\$64	\$65	\$64	\$65	\$62	\$65	\$64	\$63	\$61	\$63	\$66	\$64
WTI Price to Substantially Increase Drilling	\$90	\$84	\$90	\$91	\$89	\$84	\$85	\$83	\$78	\$75	\$79	\$83	\$85
WTI Price Expected in 6 Months	\$91	\$76	\$81	\$79	\$73	\$70	\$67	\$67	\$63	\$57	\$76	\$75	\$85
WTI Price Expected in 1 Year	\$88	\$79	\$83	\$80	\$77	\$71	\$69	\$67	\$65	\$62	\$71	\$72	\$75
WTI Price Expected in 2 Years	\$88	\$84	\$85	\$83	\$80	\$75	\$72	\$71	\$69	\$69	\$70	\$73	\$74
WTI Price Expected in 5 Years	\$93	\$88	\$90	\$88	\$86	\$81	\$79	\$79	\$76	\$73	\$75	\$80	\$78
Profitable Natural Gas Price (per million BTU)	\$3.45	\$3.12	\$3.47	\$3.47	\$3.43	\$3.69	\$3.80	\$3.79	\$3.56	\$3.80	\$3.74	\$3.61	\$3.59
Natural Gas Price to Substantially Increase Drilling	\$4.36	\$4.04	\$4.38	\$4.68	\$4.24	\$4.66	\$5.10	\$5.01	\$4.64	\$4.89	\$4.84	\$4.53	\$4.70
Henry Hub Price Expected in 6 Months	\$3.06	\$2.55	\$2.16	\$3.00	\$2.73	\$3.09	\$3.73	\$3.76	\$3.37	\$3.69	\$3.42	\$3.38	\$3.35
Henry Hub Price Expected in 1 Year	\$3.34	\$3.04	\$2.71	\$3.10	\$3.05	\$3.36	\$3.95	\$3.85	\$3.65	\$4.05	\$3.66	\$3.53	\$3.57
Henry Hub Price Expected in 2 Years	\$3.97	\$3.42	\$3.01	\$3.45	\$3.33	\$3.67	\$4.23	\$4.19	\$3.98	\$4.35	\$4.00	\$3.90	\$4.08
Henry Hub Price Expected in 5 Years	\$4.83	\$3.96	\$3.58	\$3.86	\$3.68	\$3.98	\$4.78	\$4.71	\$4.39	\$4.93	\$4.59	\$4.47	\$4.65

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?

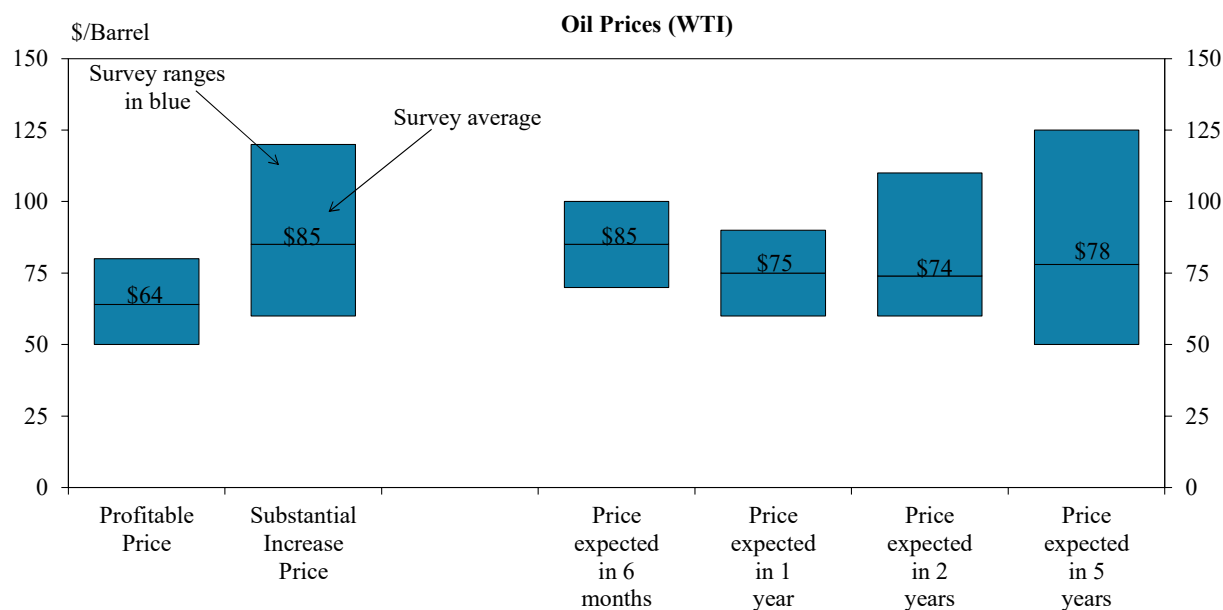


Chart 3. Special Question: What price is currently needed for a drilling to be profitable and for a substantial increase in drilling to occur for natural gas? What do you expect Henry Hub prices to be in six months, one year, two years, and five years?

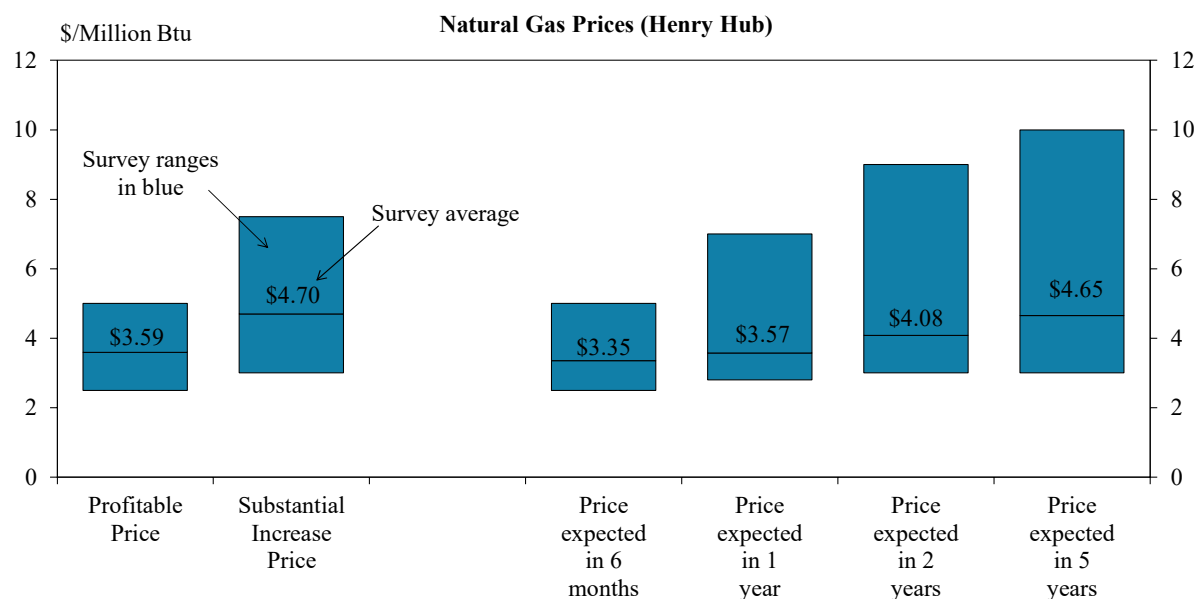


Chart 4. Special Question: What is the primary factor enabling you to increase production without adding workers?

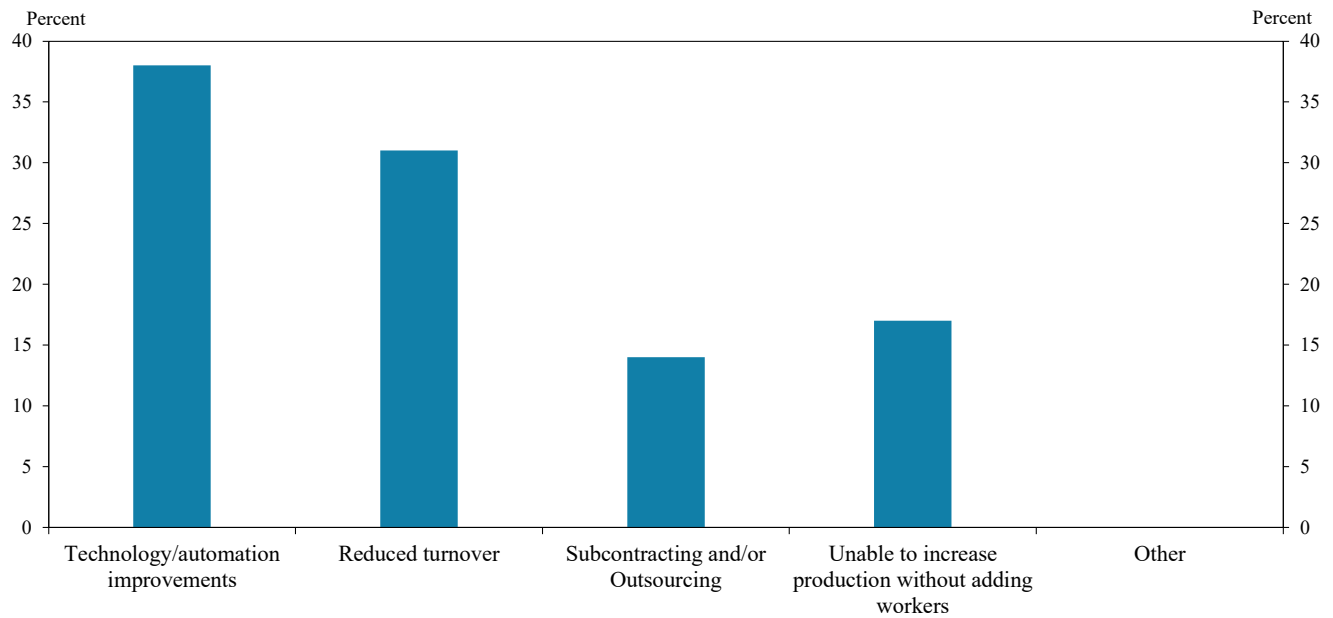


Chart 5. Special Question: How many quarters do you expect it will take for the spread between fuel prices and crude oil prices to return to levels seen in 2025?

