



Tenth District Energy Activity Increased Slightly

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First quarter energy survey results revealed that Tenth District energy activity increased slightly, and expectations remained expansionary. Firms reported that oil prices needed to be on average \$65 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 \$3.80 per million Btu for drilling to be profitable on average, and \$5.10 per million Btu for drilling to increase substantially.

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Summary of Quarterly Indicators

Tenth District energy activity increased slightly in the first quarter of 2025, as indicated by firms contacted between March 17th, 2025, and March 31st, 2025 (Tables 1 & 2). The quarter-over-quarter drilling and business activity index was 6 in Q1, up from -13 in Q4 (Chart 1). Employment levels and employee hours increased moderately. Despite the increased activity, revenues and profits still declined, each with readings of -9.

Drilling activity remains lower than this time last year, with the year-over-year drilling/business activity index decreasing from -16 to -18 in Q1. Revenues and profits also fell over the year, and capital expenditures decreased moderately at a reading of -9.

Firms' expectations for future activity rose in Q1, from 13 to 21. Six-month expectations indexes for revenues and profits turned positive in Q1 and increased for capital expenditures. However, future employment is expected to rise only modestly.

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 \$65 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 \$85 per barrel (Chart 2), and the average natural gas price needed was \$5.10 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 \$67, \$69, \$72, and \$79 per barrel, respectively. The average expected Henry Hub natural gas prices were \$3.73, \$3.95, \$4.23, and \$4.78 per million Btu, respectively.

Firms were asked how they believe recent trade policy changes will affect their costs and demand/revenues over the next year (Chart 4). Most firms (62%) believe recent policy changes will increase costs over the next year, but expectations for demand/revenues are mixed. 44% of firms believe the changes will decrease demand, 38% believe they will not change demand, and 18% believe they will increase demand.

Contacts were also asked if they anticipate the share of their inputs/products sourced outside the U.S. to change one year from now and three years from now (Chart 5). 36% of firms anticipate the share of foreign-sourced products to decrease slightly in one year, 46% expect no change, 15% anticipate a slight increase, and 3% expect a significant increase. Additionally, 9% of firms expect their share of foreign-sourced products to decrease significantly in three years, 38% each expect it to decrease slightly and stay steady, 12% anticipate a slight increase, and 3% expect a significant increase.

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?

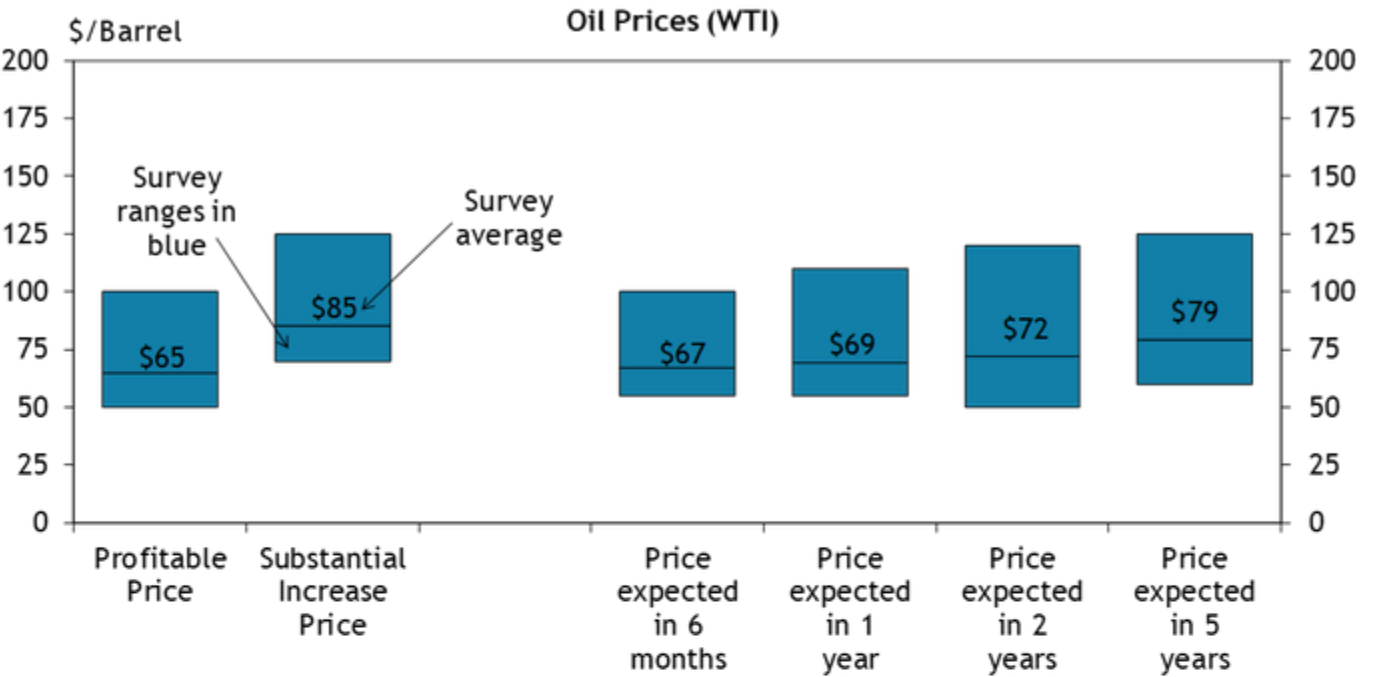


Chart 3. Special Question: What price is currently needed for a drilling to be profitable and for a substantial increase in drilling to occur for natural gas? What do you expect Henry Hub prices to be in six months, one year, two years, and five years?

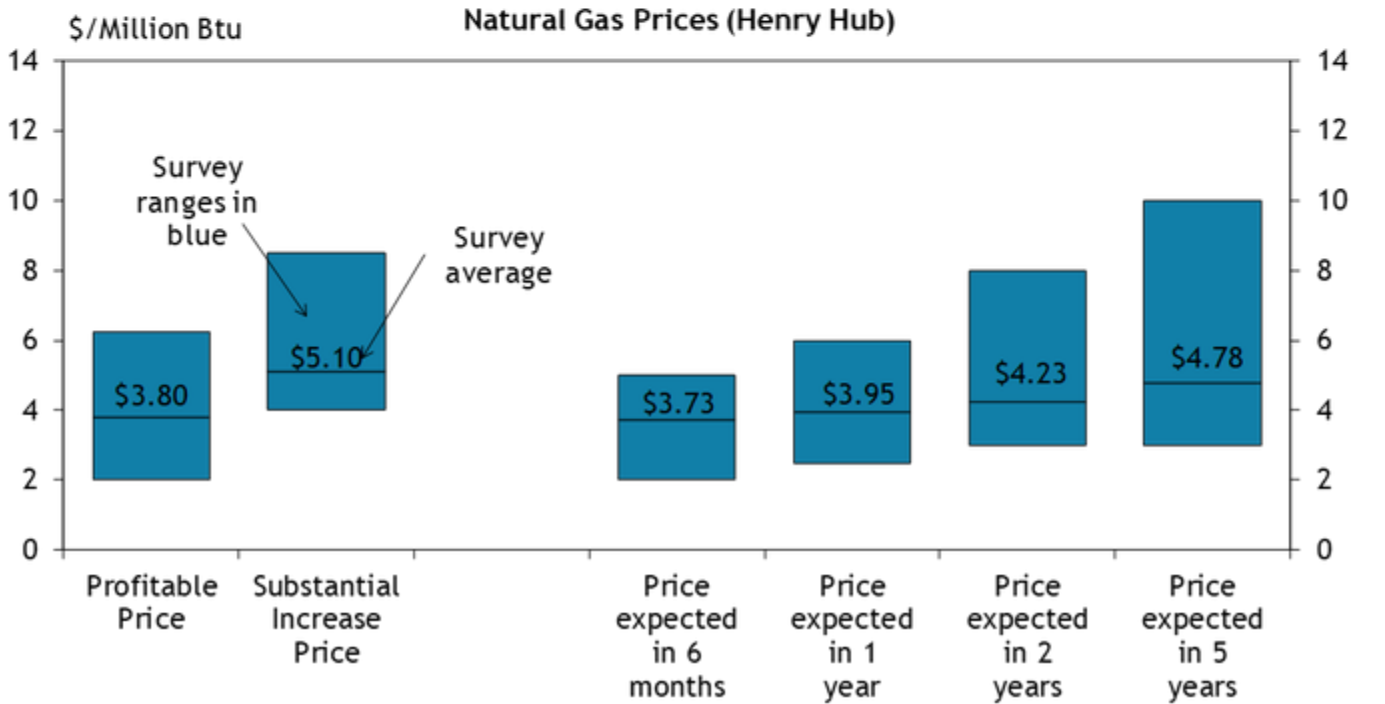


Table 1

Summary of Tenth District Energy Conditions, Quarter 1, 2025

	Quarter 1 vs. Quarter 4 (percent)*				Quarter 1 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 [^]
Energy Company Indicators												
Drilling/Business Activity	26	53	21	6	24	35	41	-18	32	56	12	21
Total Revenues	35	21	44	-9	41	15	44	-3	42	30	27	15
Capital Expenditures					21	50	29	-9	29	59	12	18
Supplier Delivery Time	9	88	3	6	9	79	12	-3	15	79	6	9
Total Profits	32	26	41	-9	35	21	44	-9	35	41	24	12
Number of Employees	26	68	6	21	38	47	15	24	24	71	6	18
Employee Hours	18	76	6	12	24	59	18	6	15	74	12	3
Wages and Benefits	50	50	0	50	71	29	0	71	29	71	0	29
Access to Credit	15	76	9	6	21	67	12	9	6	94	0	6
Expected Oil Prices									18	44	38	-21
Expected Natural Gas Prices									36	48	15	21
Expected Natural Gas Liquids Prices									15	70	15	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 March 17, 2025 to March 31, 2025 and included 34 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Table 2
Historical Energy Survey Indexes

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
<i>Versus a Quarter Ago</i> (not seasonally adjusted)													
Drilling/Business Activity	29	57	44	6	-13	-19	-13	-33	-13	-14	-13	-13	6
Total Revenues	38	87	25	-8	-42	-42	13	-13	0	-10	-13	-16	-9
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	-9	10	-3	-11	-3	-21	-10	-3	-16	-13	-3	-10	6
Total Profits	44	68	29	-17	-26	-39	-3	-19	-6	-13	-6	-23	-9
Number of Employees	39	42	47	38	6	27	13	13	18	3	19	19	21
Employee Hours	41	39	37	41	6	18	6	0	3	13	-3	13	12
Wages and Benefits	56	58	61	59	42	27	35	32	48	27	19	39	50
Access to Credit	25	16	6	6	0	3	-3	-6	-3	13	6	3	6
<i>Versus a Year Ago</i>													
Drilling/Business Activity	52	77	78	56	17	-16	-23	-33	-26	-25	-29	-16	-18
Total Revenues	72	90	87	67	-10	-48	-23	-17	-6	-21	-42	-39	-3
Capital Expenditures	63	71	71	65	26	0	6	6	-21	-20	-9	13	-9
Supplier Delivery Time	-3	23	6	-5	10	-45	-6	-23	-39	-28	-13	-16	-3
Total Profits	75	81	84	61	3	-48	-26	-17	-13	-10	-26	-19	-9
Number of Employees	66	55	61	56	26	39	23	43	34	24	26	13	24
Employee Hours	63	55	50	57	26	21	3	20	13	14	-10	10	6
Wages and Benefits	84	77	87	89	77	58	77	73	69	72	71	68	71
Access to Credit	38	19	27	3	6	6	-3	0	3	14	6	10	9
<i>Expected in Six Months</i> (not seasonally adjusted)													
Drilling/Business Activity	42	50	25	19	-13	-22	7	7	-10	21	-3	13	21
Total Revenues	53	55	27	11	-26	3	42	23	13	28	-3	-3	15
Capital Expenditures	63	52	52	49	-6	-9	16	7	-19	14	13	3	18
Supplier Delivery Time	9	16	-10	-19	-23	-42	0	-13	-13	-4	-6	0	9
Total Profits	38	35	39	6	-23	-3	23	3	3	24	29	-10	12
Number of Employees	47	42	42	38	13	12	19	40	25	28	35	19	18
Employee Hours	41	32	27	30	13	3	3	27	13	14	10	10	3
Wages and Benefits	72	63	65	70	45	24	52	55	31	34	45	45	29
Access to Credit	19	6	7	3	-6	3	-3	-3	10	0	10	16	6
Expected Oil Prices	-16	-6	20	62	29	42	32	32	31	14	16	-32	-21
Expected Natural Gas Prices	0	10	-10	-3	14	53	50	-16	45	86	56	38	21
Expected Natural Gas Liquids Prices	19	0	21	22	20	31	37	-7	16	41	45	13	0
<i>Special Price Questions</i> (averages)													
Profitable WTI Oil Price (per barrel)	\$62	\$65	\$61	\$64	\$64	\$63	\$64	\$64	\$65	\$64	\$65	\$62	\$65
WTI Price to Substantially Increase Drilling	\$86	\$98	\$102	\$89	\$86	\$86	\$90	\$84	\$90	\$91	\$89	\$84	\$85
WTI Price Expected in 6 Months	\$96	\$109	\$88	\$83	\$75	\$75	\$91	\$76	\$81	\$79	\$73	\$70	\$67
WTI Price Expected in 1 Year	\$89	\$102	\$89	\$86	\$81	\$79	\$88	\$79	\$83	\$80	\$77	\$71	\$69
WTI Price Expected in 2 Years	\$83	\$88	\$90	\$88	\$86	\$83	\$88	\$84	\$85	\$83	\$80	\$75	\$72
WTI Price Expected in 5 Years	\$84	\$86	\$93	\$88	\$90	\$88	\$93	\$88	\$90	\$88	\$86	\$81	\$79
Profitable Natural Gas Price (per million BTU)	\$3.72	\$4.64	\$4.42	\$4.32	\$3.45	\$3.49	\$3.45	\$3.12	\$3.47	\$3.47	\$3.43	\$3.69	\$3.80
Natural Gas Price to Substantially Increase Drilling	\$4.53	\$6.34	\$7.65	\$6.13	\$4.74	\$4.67	\$4.36	\$4.04	\$4.38	\$4.68	\$4.24	\$4.66	\$5.10
Henry Hub Price Expected in 6 Months	\$4.45	\$7.06	\$7.46	\$5.01	\$2.82	\$3.00	\$3.06	\$2.55	\$2.16	\$3.00	\$2.73	\$3.09	\$3.73
Henry Hub Price Expected in 1 Year	\$4.32	\$6.65	\$6.48	\$5.52	\$3.33	\$3.33	\$3.34	\$3.04	\$2.71	\$3.10	\$3.05	\$3.36	\$3.95
Henry Hub Price Expected in 2 Years	\$4.29	\$6.06	\$6.16	\$5.78	\$4.04	\$3.71	\$3.97	\$3.42	\$3.01	\$3.45	\$3.33	\$3.67	\$4.23
Henry Hub Price Expected in 5 Years	\$4.74	\$5.77	\$6.51	\$6.19	\$4.51	\$3.98	\$4.83	\$3.96	\$3.58	\$3.86	\$3.68	\$3.98	\$4.78

Selected Energy Comments

“Lots of uncertainty on tariffs and overall economy.”

“Manufacturing capacity takes years to put online. No choices currently for large diameter pipe.”

“It is great to finally see some strength in the natural gas market.”

“Fundamentals don't seem to affect the prices like they once did, little regard for storage numbers or lack of new discoveries.”

“Slowing demand due to slowing economy and flattening of production growth driven by lower unit sales prices and increasing cost of supply.”

“Softening of the economy in near term leads to lower energy prices.”

“High demand and inflation pushing up development costs.”

“Increase in electricity demand will require more natural gas.”

“Growing base load power demand and increasing LNG export capacity. Reduced oil growth will reduce associated gas supply to support price.”

“Production growth matching new demand from LNG and electric generation. If supply response to higher pricing outpaces current expectations, we will see some weakness.”

“Production of dissociated natural gas in West Texas and NM will continue to keep natural gas rig count suppressed.”

Additional Resources

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Authors



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