



Federal Reserve
Bank of Dallas

Well.....so much for that Outlook

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Federal Reserve Bank of Dallas – Houston Branch

2Q 2026



We need your input!

*Be part of a survey
that gauges regional
business activity and
informs monetary
policy making.*



Texas **Manufacturing**
Outlook Survey



Texas **Service Sector**
Outlook Survey



Texas **Retail**
Outlook Survey

The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System.

Oil, Natural Gas, Power

Oil & Gas Key Points

US Producers: Do more with less, Permian Plateau... anyway, about Iran

Pre-Iran attacks: market well supplied.

- Lots of floating crude; demand growth ok ~1/2 petchem.
- Bbls from VZ and Russia...no material changes expected near term.

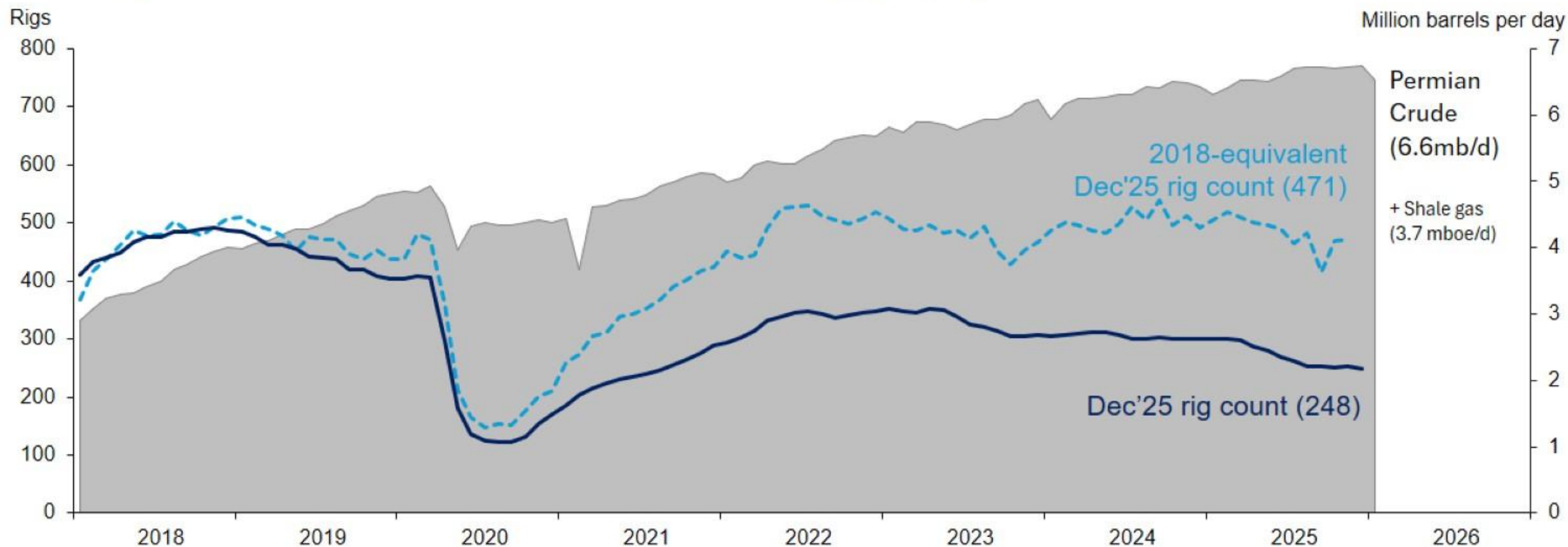
Iran: *developing by the minute* *Effects to broadly expected to persist into late 2026 even if hostilities ended immediately.*

'26-'27? Choose-your-own-Adventure! WTI: \$115+, \$75-95 ish, <\$65

- Mid-high price path: E&P's will wait and see? Shareholders still 1st Priority → Output still flat-ish.... Job losses slow?
- Ref. & Chem... Massive Margins, overcapacity still dominates outlook 2027+
- Midstream? Build-Baby-Build.

...US Producers Doing more with less

Efficiency gains in the Permian Basin reduced the number of drilling rigs by 43 percent since 2018



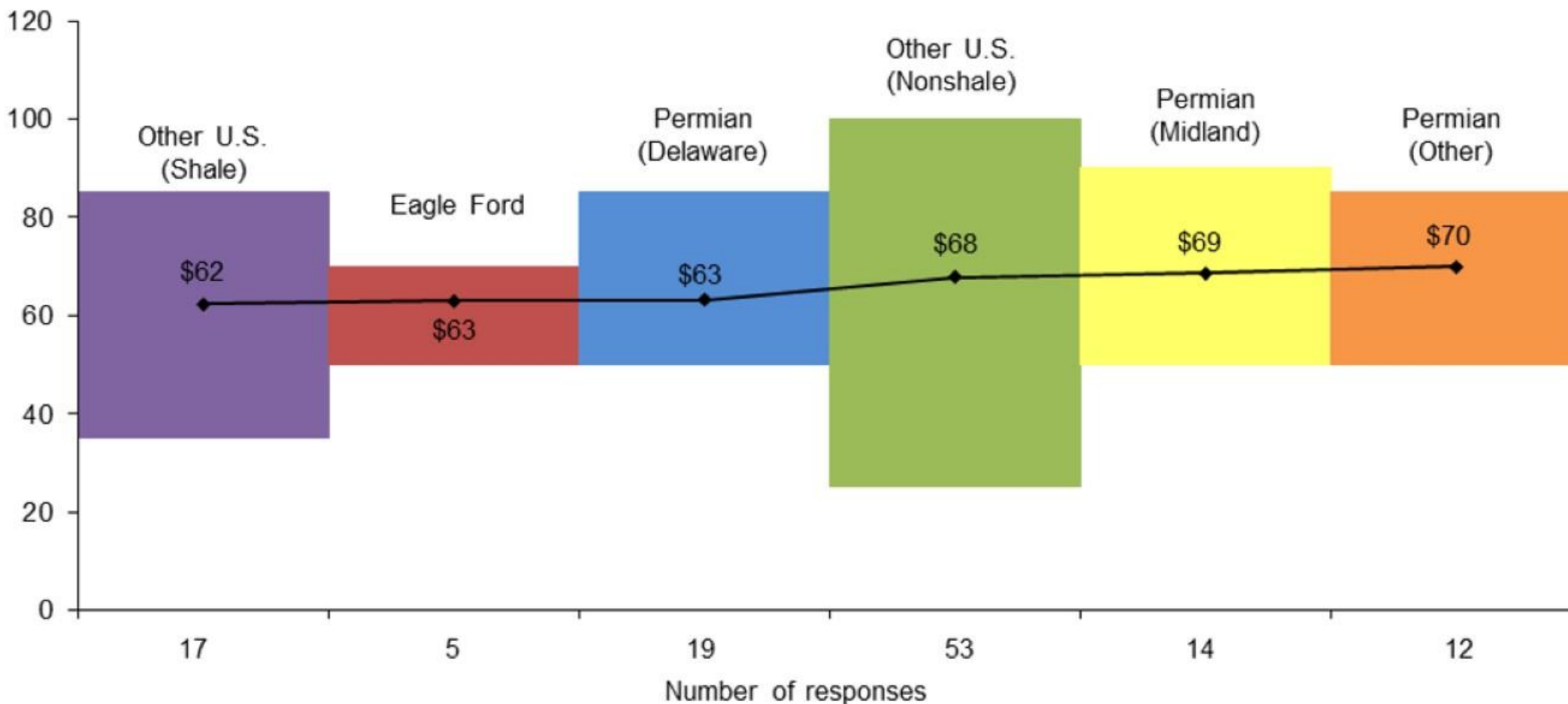
NOTES: Numbers in parentheses are for December 2025. Adjusted rig count shows the approximate number of rigs that would need to run in the Permian today if the average number of feet drilled per well per day were held constant at 2018 levels.

SOURCES: Baker Hughes; Energy Information Administration; Kayrros; author's calculations.

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**In the top two areas in which your firm is active:
What WTI oil price does your firm need to profitably drill a new well?**

Dollars per barrel



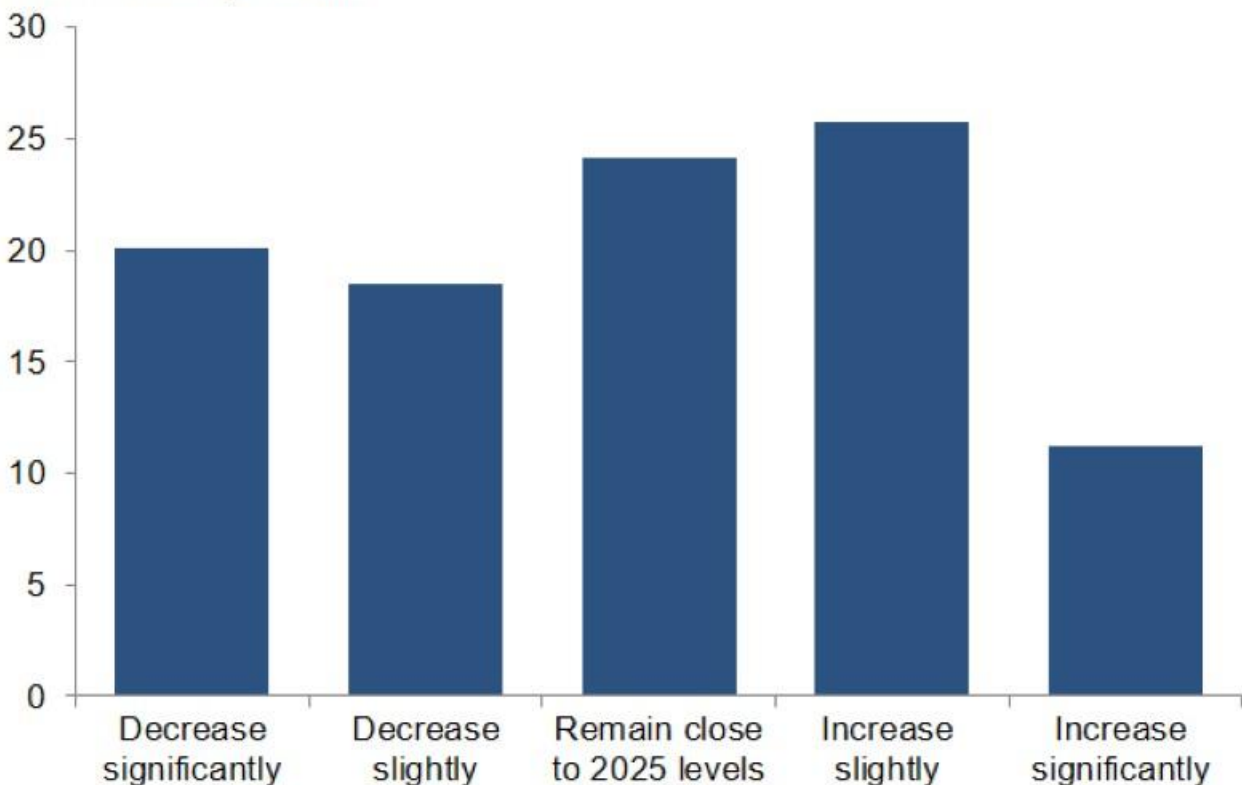
NOTES: Lines show the mean, and bars show the range of responses. Executives from 80 exploration and production firms answered this question during the survey collection period, March 11–19, 2026.

SOURCE: Federal Reserve Bank of Dallas.

O&G firms to spend less in '26, hold line on payroll, assuming avg WTI ~\$60.....on the other hand,

Change in capital spending at your firm for 2026?

Percent of respondents

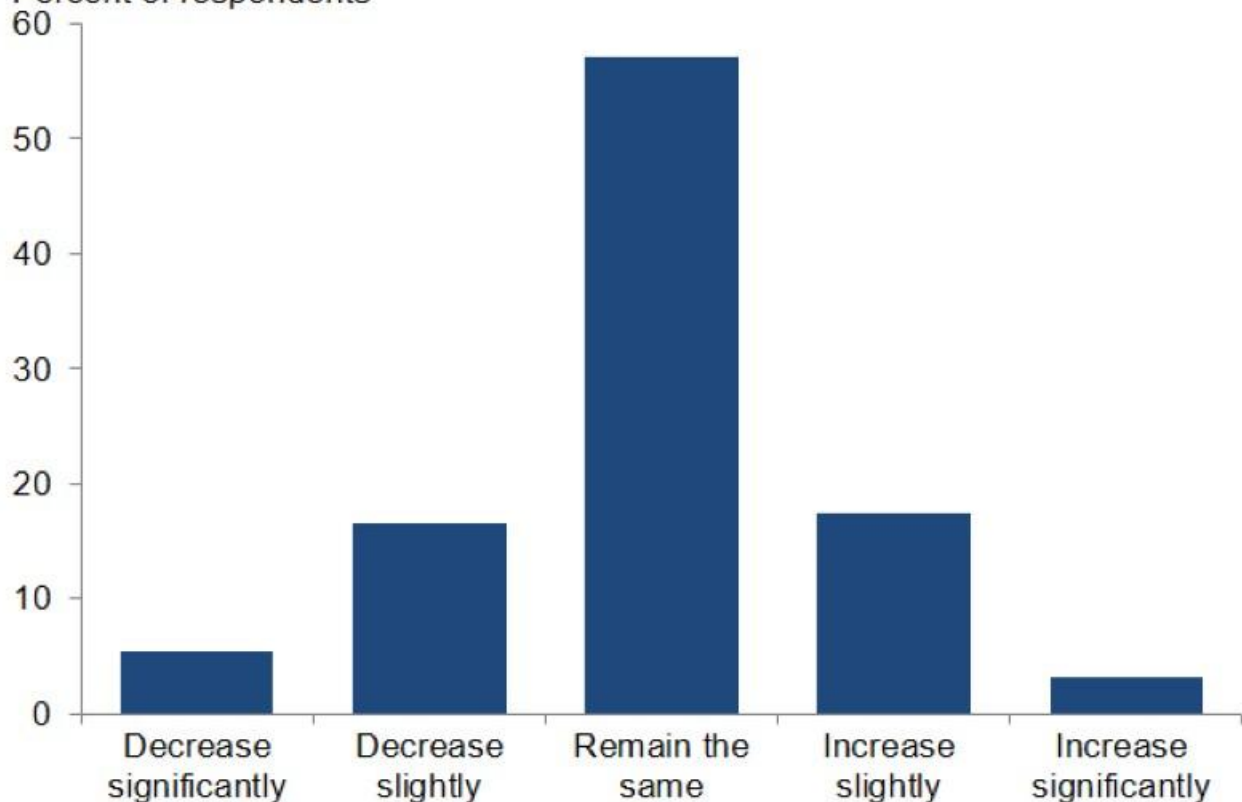


NOTE: Executives from 124 oil and gas firms answered this question during the survey collection period, Dec. 3–11, 2025.

SOURCE: Federal Reserve Bank of Dallas.

Change in number of employees at your firm Dec.'25 to Dec. '26?

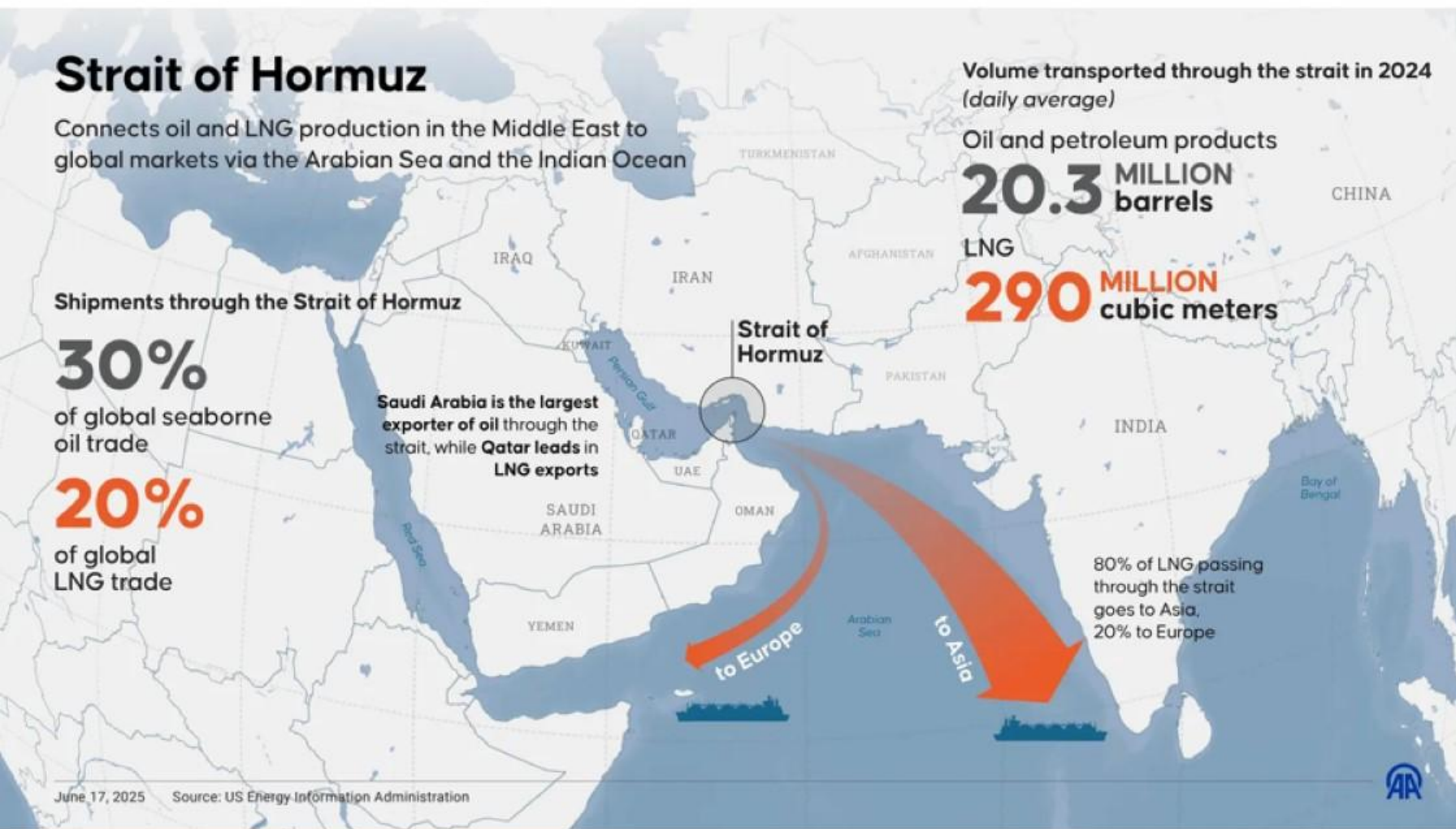
Percent of respondents



NOTE: Executives from 126 oil and gas firms answered this question during the survey collection period, Dec. 3–11, 2025.

SOURCE: Federal Reserve Bank of Dallas.

The longer this lasts, the worse it will get

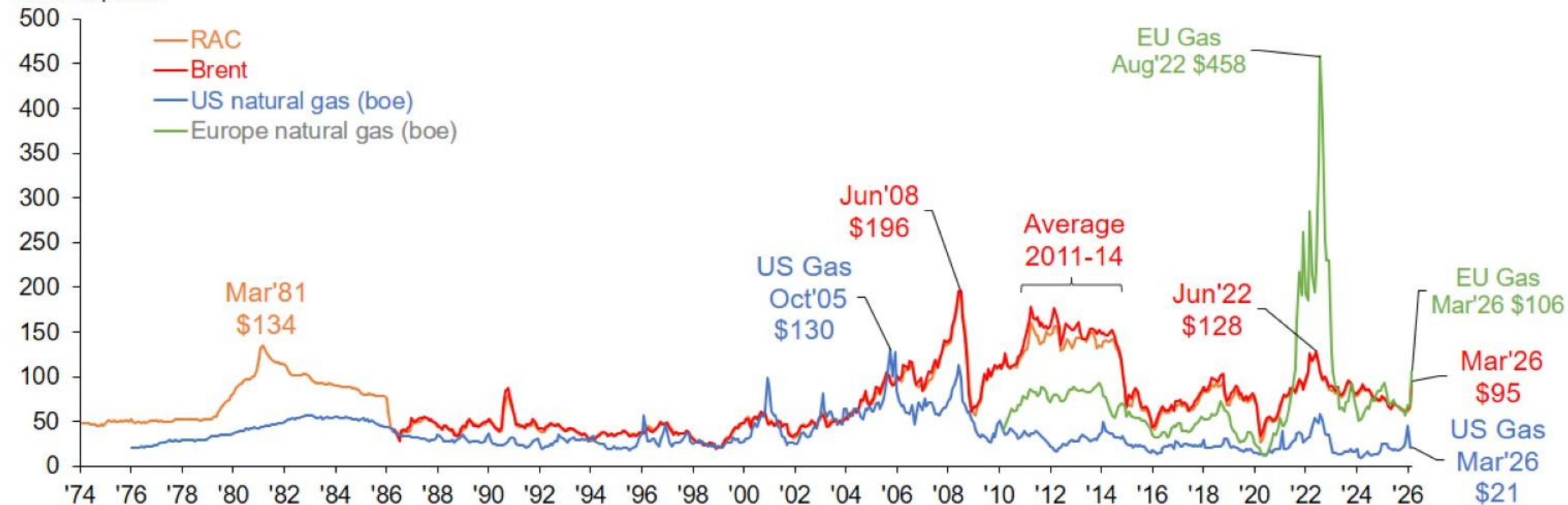


- Traffic through the strait was down over 90% in March... some ships are getting through
- Rerouting + floating storage + inventories, SPR... Net loss (ballpark): ~8mb/d crude and product.
- Consumers pulling back, rationing.... When are we back to normal?

Historical context for the recent level of oil and gas prices in 2025-dollars

Inflation-adjusted oil and natural gas prices (BOE)

2025\$US per bbl

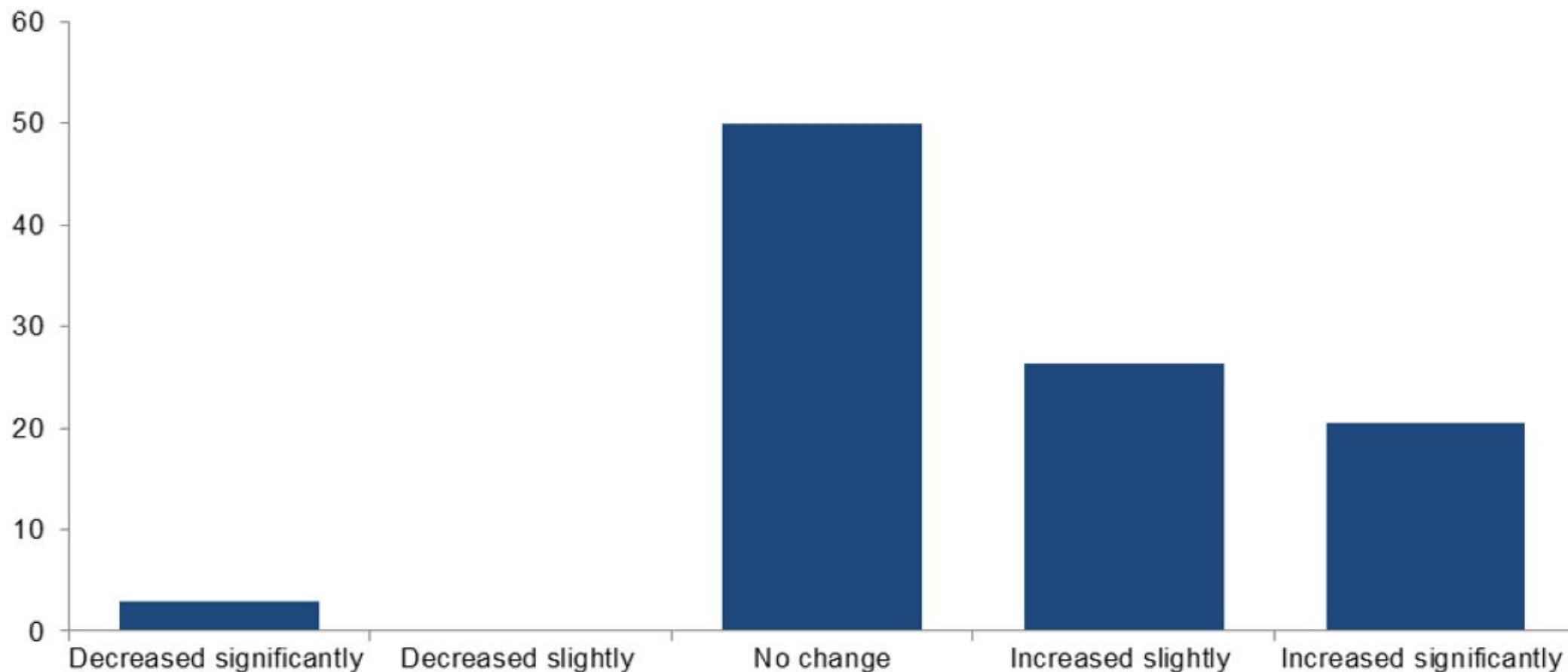


NOTE: Data are monthly averages. European natural gas converted from Euros/MWh to US\$/mmbtu using exchange rates. Historical US natural gas and oil prices are based on wellhead pricing and the US Refiners Acquisition Cost of Crude (RAC). March 2026 estimates based on month-to-date data through 3/25/2026, a no-change forecast, and assumed 0.002% monthly inflation for March 2026. Adjusted to 2025 dollars using CPI. BOE means 'barrel of oil equivalent'.

SOURCES: Bank of International Sentiments, Bureau of Labor Statics, Energy Information Administration, Intercontinental Exchange.

In light of the recent increase in oil prices, how has the number of wells your firm expects to drill in 2026 changed since the start of the year?

Percent of respondents



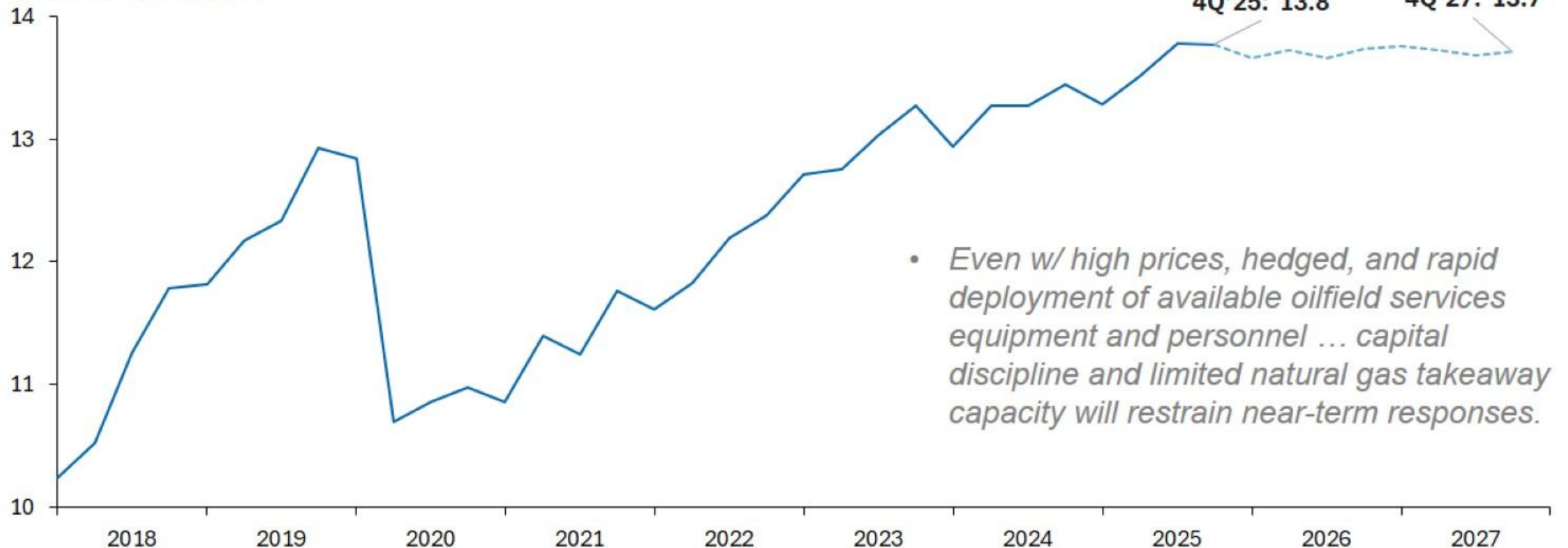
NOTE: Executives from 34 exploration and production firms answered this question during the survey collection period, March 11–19, 2026. This question was posed only to executives who each said their firm drilled or completed a horizontal well in the past two years.

SOURCE: Federal Reserve Bank of Dallas.

US crude output to flatten as productivity offsets reduced spending...

Consensus of projections for U.S. crude production (January)

Million barrels per day (mb/d)



- *Even w/ high prices, hedged, and rapid deployment of available oilfield services equipment and personnel ... capital discipline and limited natural gas takeaway capacity will restrain near-term responses.*

NOTE: The dark blue line represents historical data from the Energy Information Administration. The light blue dashed line is a consensus of forecasts from major agencies, banks and consultancies. The consensus is an average of forecasts from sources published in January 2026.

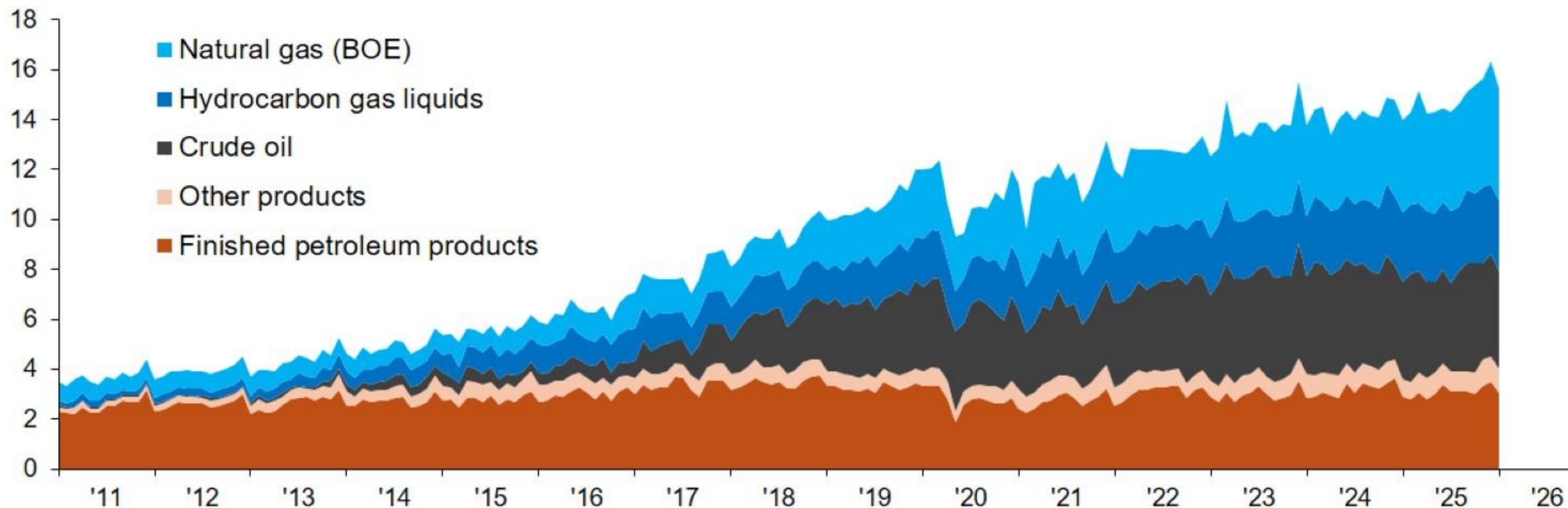
SOURCES: Major energy agencies; industry consultants; financial institutions; Dallas Fed.

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Rising US oil and gas output *must* flow through to exports...

US Exports of crude, Petroleum products, and Hydrocarbon Gas Liquids (HGLs)

Millions of barrels per day



NOTE: "Hydrocarbon gas liquids" is a blanket term that includes ethane, propane, butane, and pentanes. Monthly data through April, 2025.

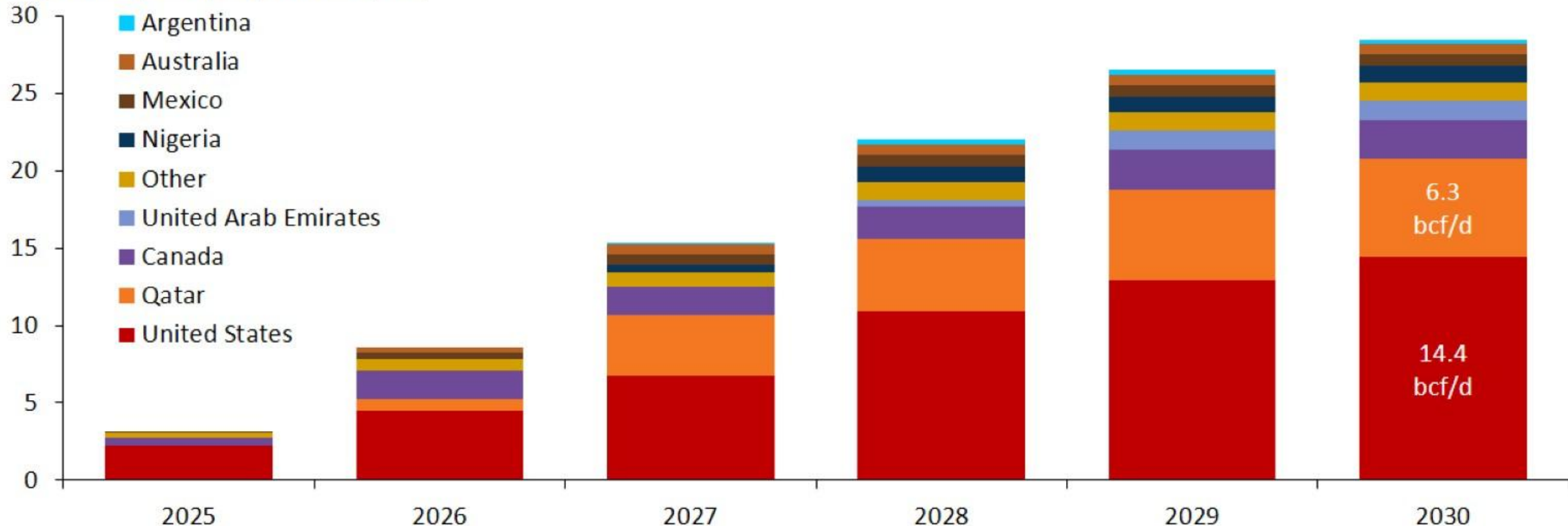
SOURCES: Energy Information Administration.

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Over half of new LNG capacity '24-'30 in US, a 60% increase -- *May Change Post Iran Attacks*

Cumulative Liquefaction Capacity Additions from Post-FID Projects

Change in nameplate capacity from 2024 (bcf/d)



NOTES: Data as of 6/26/2025. "Other" category includes Republic of Congo, Gabon, Malaysia, Oman, and Senegal.

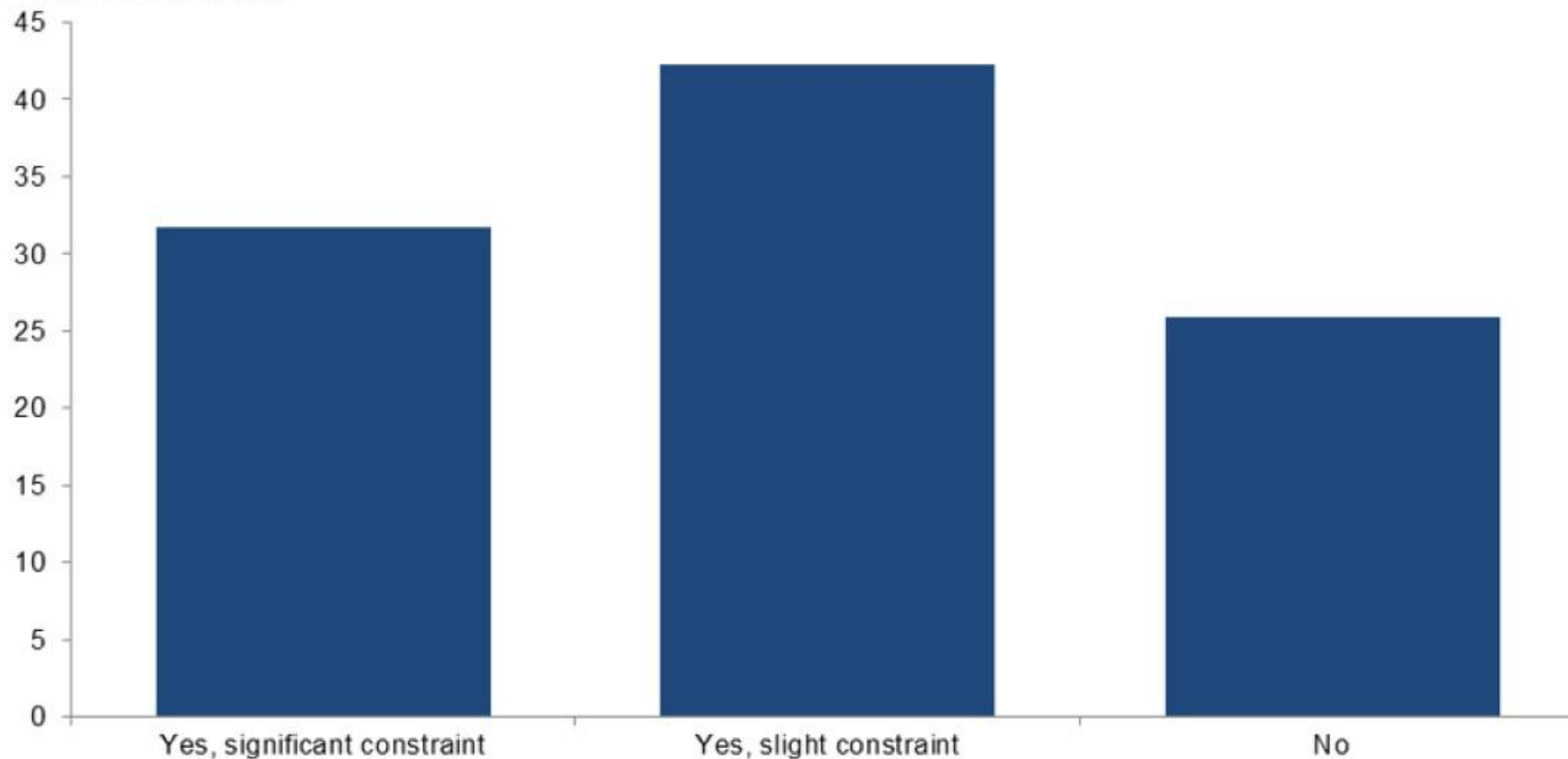
SOURCE: International Energy Agency.

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Produced water management to constrain drilling and production activity through 2030...

Sometime over the next five years, do you expect challenges related to produced water management to constrain drilling and completion activity in the Permian?

Percent of respondents



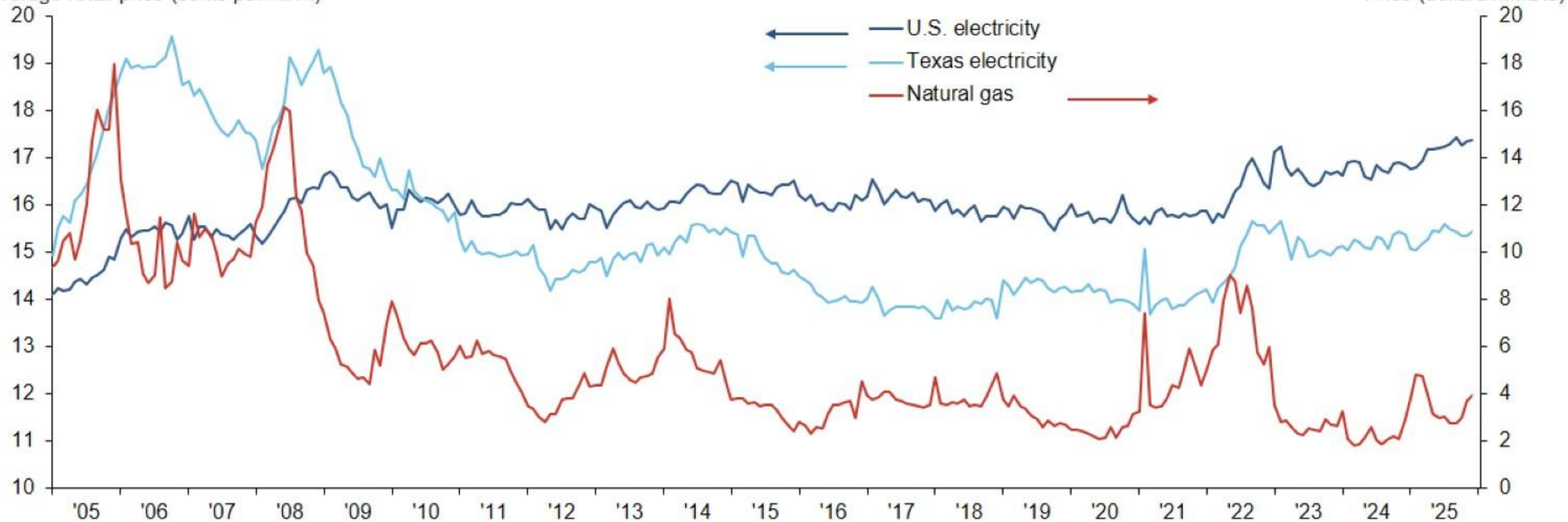
NOTE: Executives from 104 oil and gas firms answered this question during the survey collection period, June 18–26, 2025.

SOURCE: Federal Reserve Bank of Dallas.

Power prices rising on 'transportation & distribution', more demand, cold weather.

Real residential retail power prices

average retail price (cents per KWh)



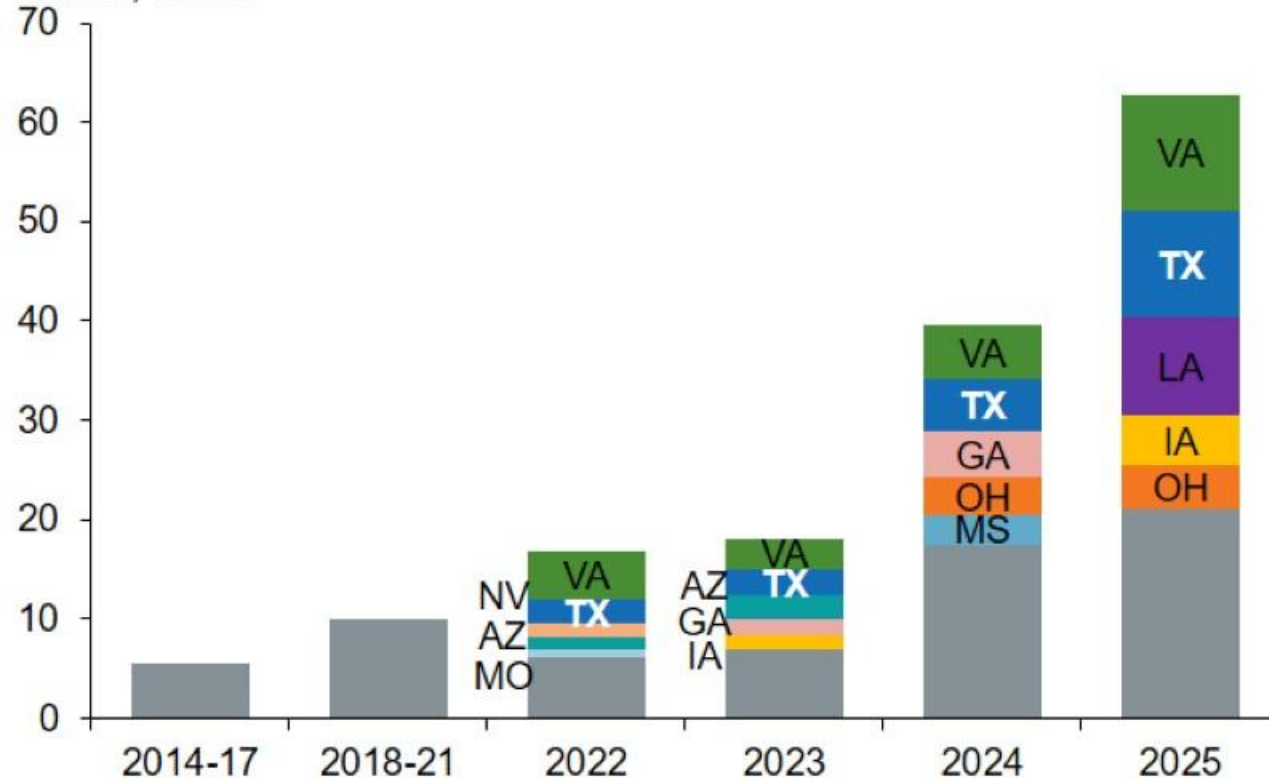
NOTE: Data are seasonally adjusted. All prices are deflated to 1Q'25 dollars using the chained PCE price index. Data are for the period from January 2005 to Sept. 2025 and may be subject to revision. KWh is kilowatt hour. MMBtu is million British thermal units.

SOURCE: Energy Information Administration; Bureau of Labor Statistics; adjustments by the Dallas Fed.

Texas second among states for data center construction, power prices muted vs other regions

Data center construction contracts

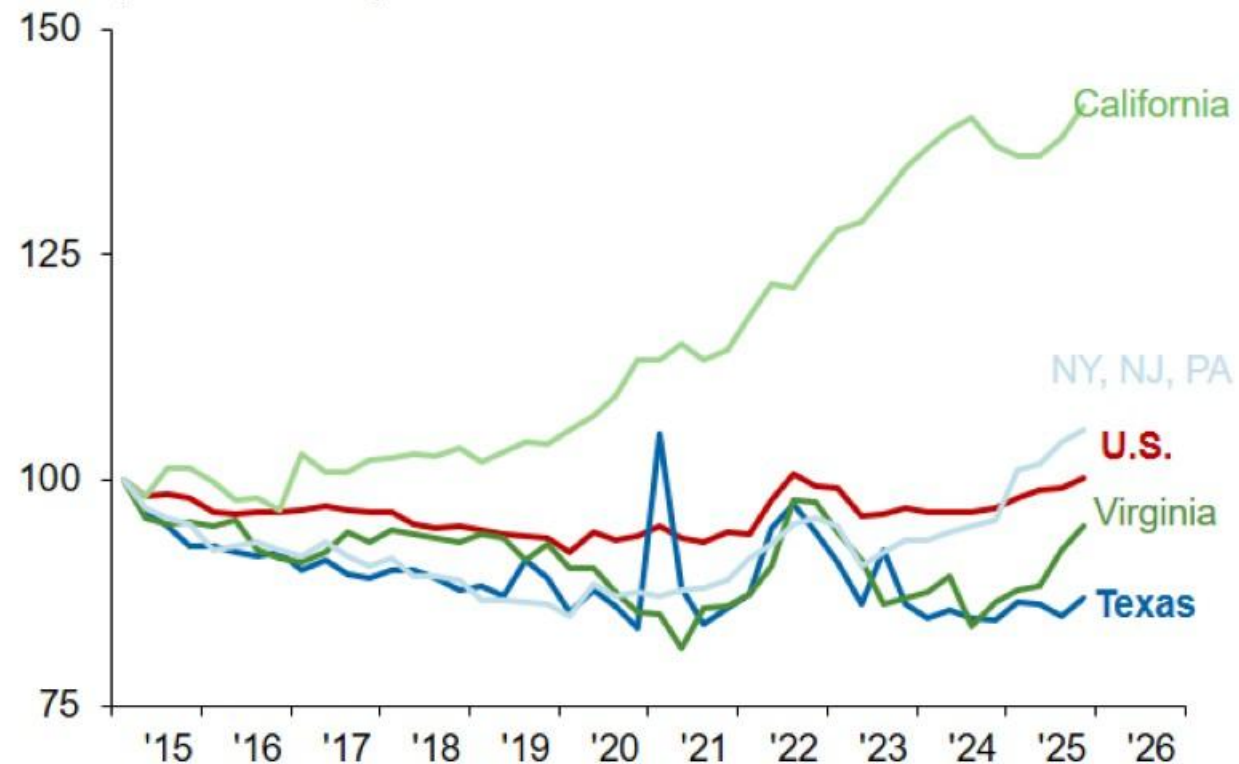
Dollars, billion



NOTES: Shown are total real annual construction contract values for data centers in the nation in 2025 dollars. Bars from 2022-2025 are broken out by the top 5 states and the rest of the nation. Bars for 2014-2017 and 2018-2021 show average annual contract values.
SOURCE: Dodge Construction.

Real retail price of electricity, indexed

Index (Q1 2015 = 100)



NOTES: Shown are indexed quarterly average retail prices of electricity per kilowatt hour for all sectors (commercial, industrial, residential, transportation, other) deflated by the PCE index. Data are seasonally adjusted and through Q3 2025.
SOURCE: Energy Information Administration.

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