



June 9, 2025



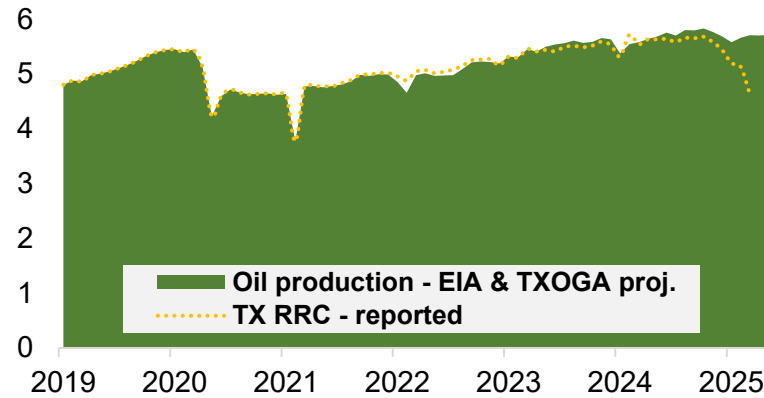


Key points – Week of June 9, 2025

- **Mixed U.S. economic signals persist.** The May employment report showed modest non-farm payroll growth of 139,000, while the unemployment rate held steady at 4.2%. Job gains remain soft, but unemployment has not risen to levels that would typically trigger monetary easing—leaving the economy in a state of limbo. Broader concerns about slowing growth, trade policy uncertainty, and persistent inflation contributed to a 40 basis-point increase in yields on lower-rated corporate bonds (CCC and below). Nonetheless, indicators such as industrial production and the Philadelphia Fed’s ADS Index continue to point to ongoing investment and economic expansion in Q2 2025.
- **Crude oil prices rose on tightening supply and a weaker dollar.** WTI crude increased 6.3% week-over-week to \$64.61 per barrel (as of June 6), supported by multiple supply-side developments: Canadian wildfires reduced heavy crude output by an estimated 350,000 barrels per day, a Ukrainian strike disrupted a Russian oil depot, the U.S. dollar weakened slightly, and domestic crude inventories declined for the week ending May 30. These factors more than offset concerns over weak macroeconomic data and the OPEC+ announcement of a 411,000 b/d supply increase for July.
- **Natural gas prices continued climbing despite strong supply and storage.** As highlighted in the [Chart of the Week](#), Texas natural gas production reached new highs in March, with gross withdrawals of 36.6 billion cubic feet per day (bcf/d) and marketed production of 34.1 bcf/d, according to the EIA. TXOGA estimates suggest continued growth through May. Henry Hub prices rose 7.0% week-over-week to \$3.69 per million Btu, despite a 4.9% weekly increase in U.S. storage injections and working gas inventories reaching 2.6 trillion cubic feet—placing them in the upper third of the five-year range. The market remains in contango, with spot prices trading below futures and near-term contracts approaching historical mean-reversion levels.

Texas crude oil production, Jan. 2019 – May 2025

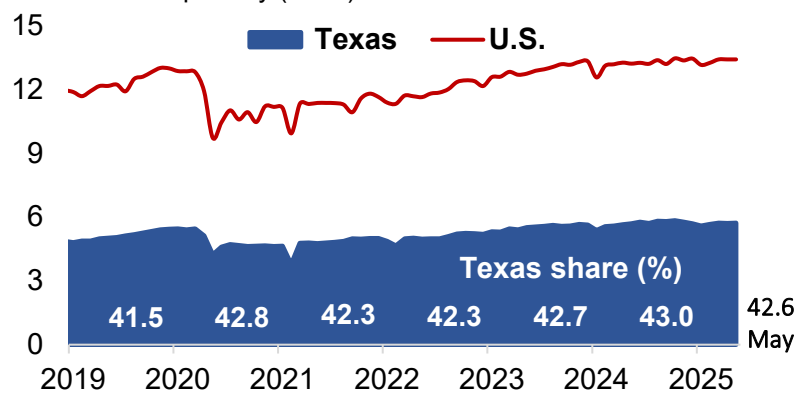
Million barrels per day (mb/d)



Solid oil production sustained. Texas' oil production averaged 5.7 mb/d in March, according to the EIA. TXOGA estimates that production remained steady at 5.7 mb/d in May.

U.S. and Texas crude oil production, Jan. 2019 – May 2025

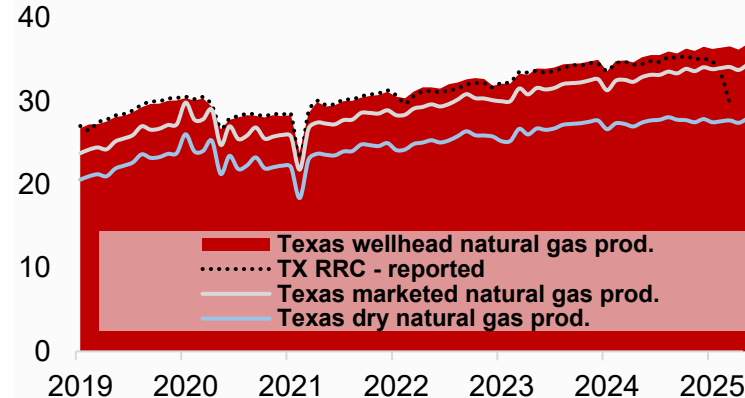
Million barrels per day (mb/d)



In the first five months of 2025, Texas accounted for 42.6% of total U.S. crude oil production.

Texas natural gas production, Jan. 2019 – May 2025

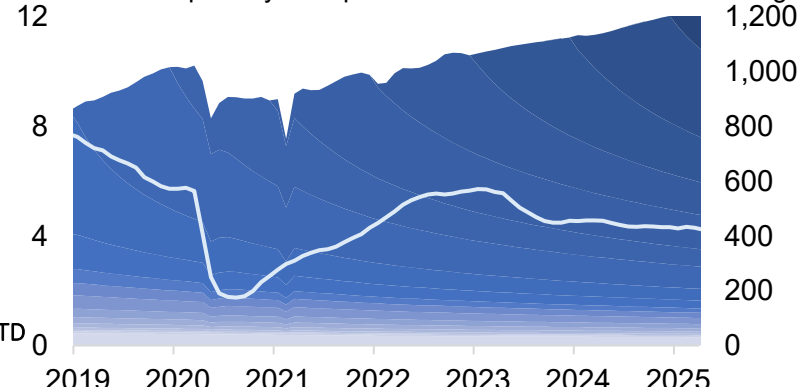
Billion cubic feet per day (bcf/d)



Natural gas production increased. Texas produced record-highs of 36.6 bcf/d of natural gas gross withdrawals and 34.1 bcf/d of marketed production in March per EIA. TXOGA estimates that Texas' marketed production rose to 34.4 bcf/d in May.

Texas shale basin wellhead oil & natural gas production

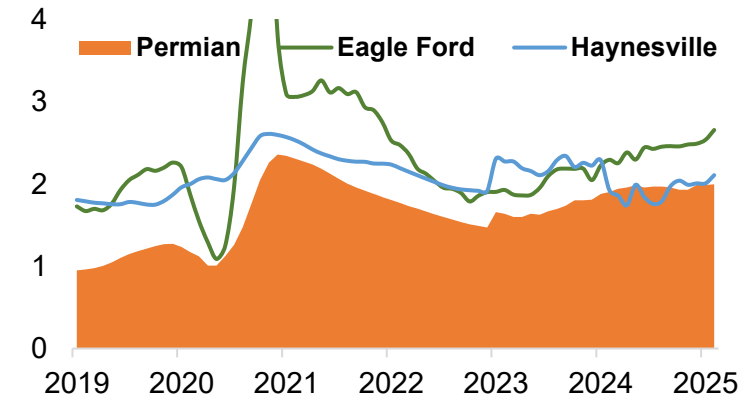
Million barrels per day oil-equivalent



EIA estimates show changes in oil and natural gas production across Texas shale basins in April 2025, including the Permian (+5.7% y/y), Eagle Ford (+3.3% y/y), and Haynesville (+2.5% y/y).

Texas rig productivity by basin – new monthly prod. per rig

Thousand barrels per day oil-equivalent, kb/doe

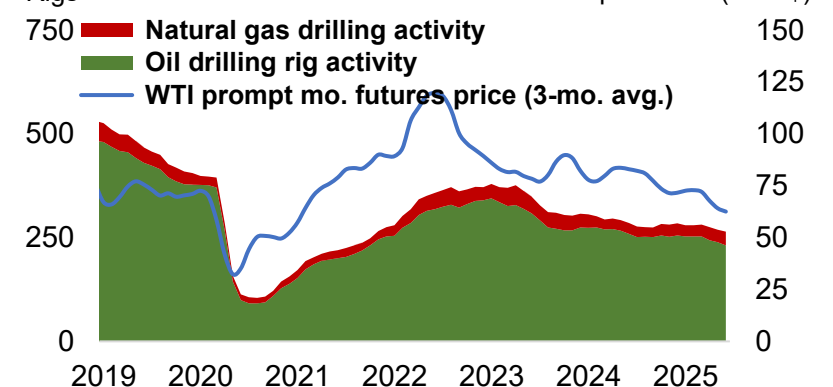


Rig productivity gains continued across major basins in April. EIA estimates of rig productivity for April 2025 showed rig productivity increased by 6.6% y/y in the Permian Basin and 6.9% y/y in the Eagle Ford, and 7.0% y/y in the Haynesville.

Texas drilling activity and WTI crude oil futures prices

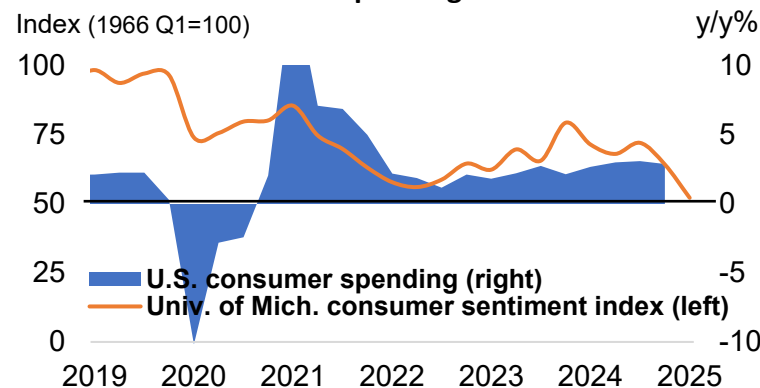
Rigs

Dollars per barrel (2025\$)



As of June 6, Texas' drilling rig activity decreased on net, according to Baker Hughes, with 231 oil-directed rigs (down 5 rigs w/w) and 33 natural gas-directed rigs (up 3 rigs w/w).

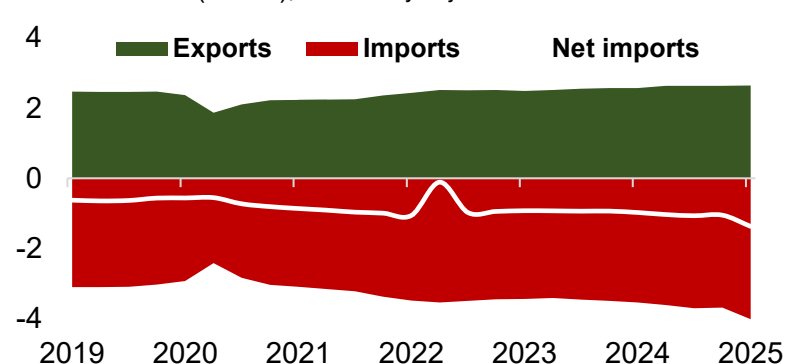
Consumer sentiment vs. spending



Consumer spending was revised down by 0.2 percentage points by BEA to 2.9% y/y for Q1, likely front-loaded by advance purchases. By comparison, the University of Michigan's survey for May remained near its lowest levels on record, and the historical relationship implies little or no consumer spending growth for Q2 2025.

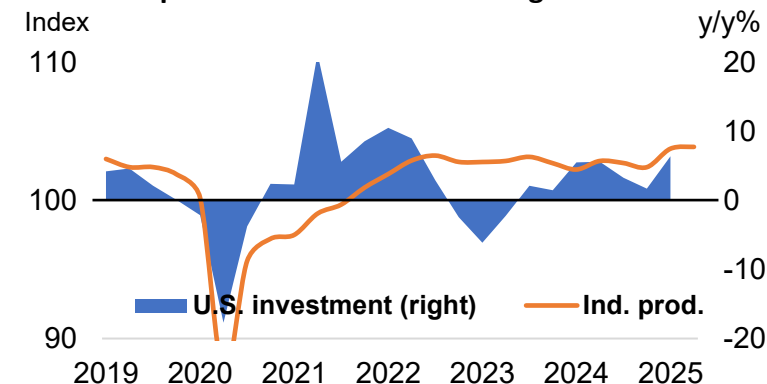
Real net exports of goods and services

Trillion dollars (2017\$), seasonally adjusted at annual rates



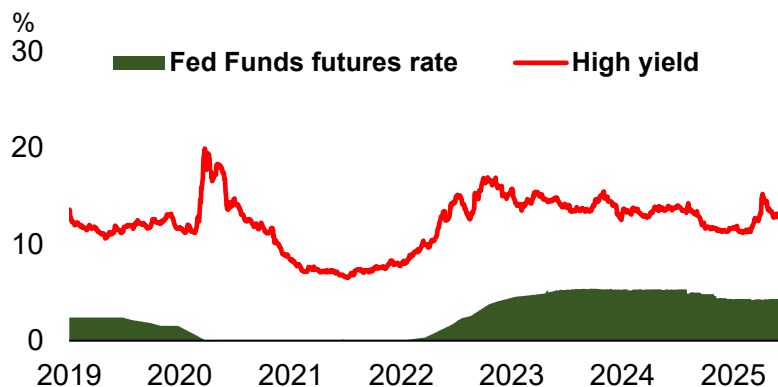
The U.S. real trade deficit ran at an annualized rate of \$1.4 trillion in Q1 2025 (up from \$0.98 trillion in Q4 2024), per BEA. On a nominal basis, the trade surplus in petroleum and related products was revised up by \$8.4 billion to \$55.5 billion in Q1 and \$56.1 billion a year ago.

Industrial production and investment growth



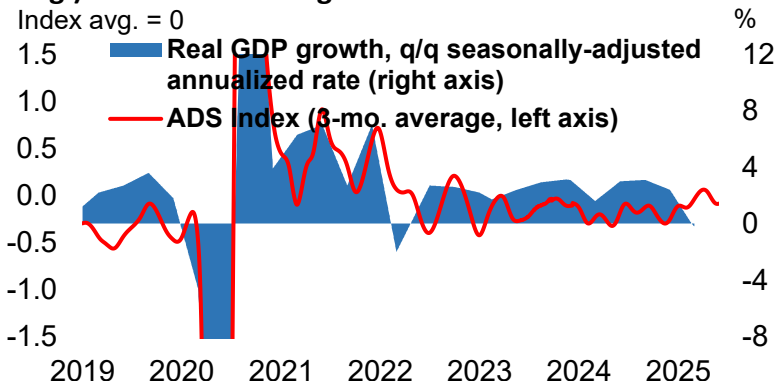
Economywide investment was revised up by 0.5% to 6.4% y/y in Q1, per the Bureau of Economic Analysis. U.S. industrial production rose by 1.5% y/y in April and held flat versus March, according to the Federal Reserve. As a leading indicator of economy-wide investment, the data suggest that business conditions remain constructive.

Fed Funds rate and CCC and lower corporate bond yields



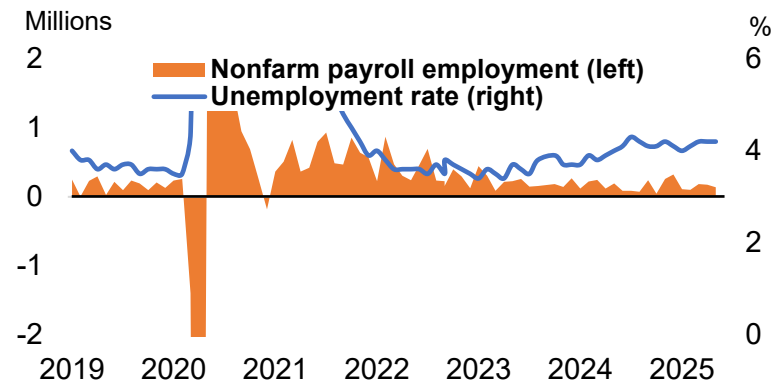
Bond premium for low credit quality increased. High yield (HY) rates reflect debt costs for firms with below-investment grade credit quality. For the week ended June 6, HY rates (13.3) rose by 40 basis points w/w, while 30-day Fed Funds futures held steady at 4.3%, yielding a premium for low credit quality of 9.0%.

Aruoba-Diebold-Scotti Business Conditions Index (qtr. avg.) vs. U.S. real GDP growth



U.S. real GDP growth contracted q/q in Q1 2025. The ADS business conditions index, published by the Philadelphia Fed. Res. Bank, is a leading indicator of GDP growth. Readings as of June 6 showed a deceleration in the ADS index but remained consistent with GDP growth in Q2 2025.

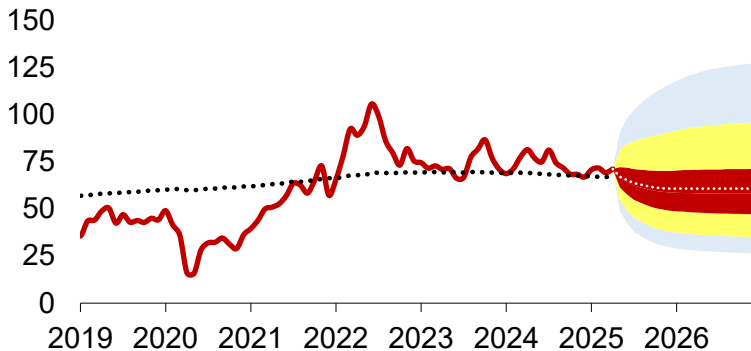
Nonfarm payroll employment & unemployment rate



Labor market conditions showed little momentum. Employment is a lagging indicator of GDP growth. Non-farm payrolls increased by 139,000, and the U.S. unemployment rate held steady at 4.2% in May per BLS.

WTI crude oil price mean reversion analysis

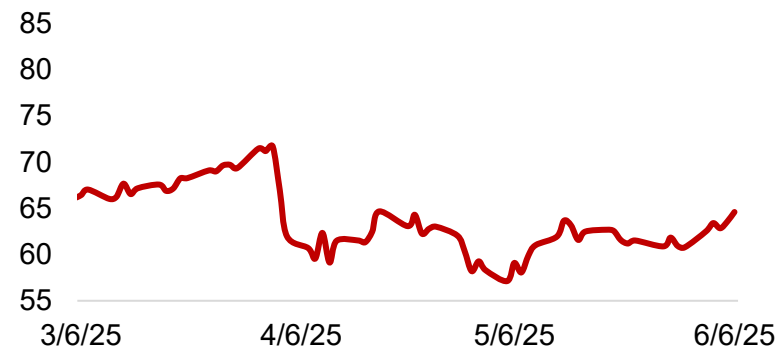
Dollars per barrel (2025\$)



Futures prices are aligned with their historical mean reversion threshold. The futures strip remains in backwardation (i.e., futures prices are below spot prices).

WTI crude prompt month futures prices

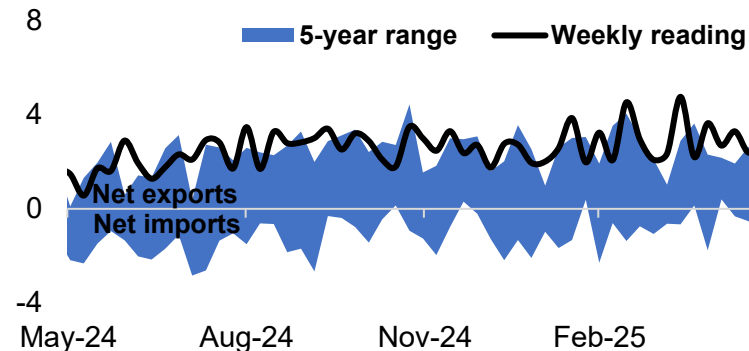
Dollars per barrel



WTI crude oil prices rose 6.3% w/w to \$64.61 per barrel as of June 6, despite OPEC+ supply increases and looser U.S. fundamentals.

U.S. petroleum net exports (imports)

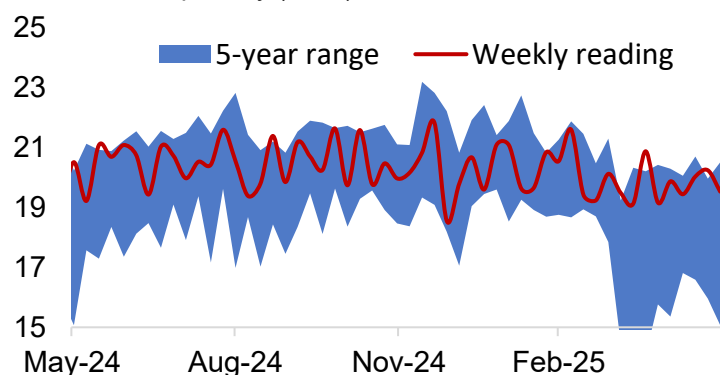
Million barrels per day, mb/d



Petroleum net exports fell. Net exports fell to 1.9 mb/d for the week ended May 30, a decrease of 1.0 mb/d from the prior week.

U.S. petroleum demand

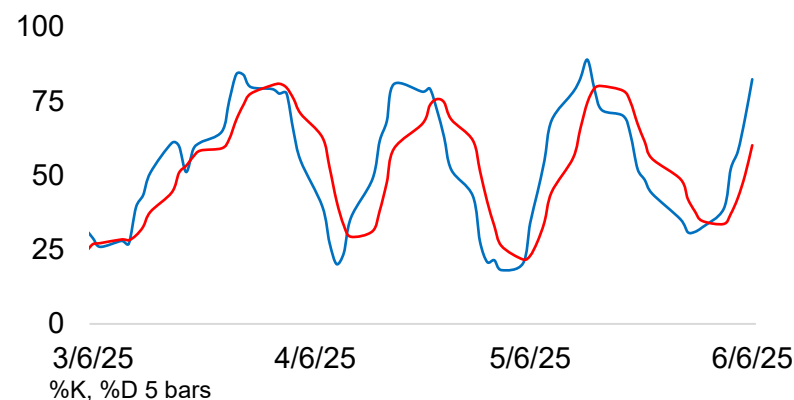
Million barrels per day (mb/d)



Petroleum demand decreased. U.S. petroleum demand as of May 30, as measured by deliveries, fell by 0.7 mb/d versus the prior week to 19.5 mb/d.

WTI crude prompt month futures slow stochastic

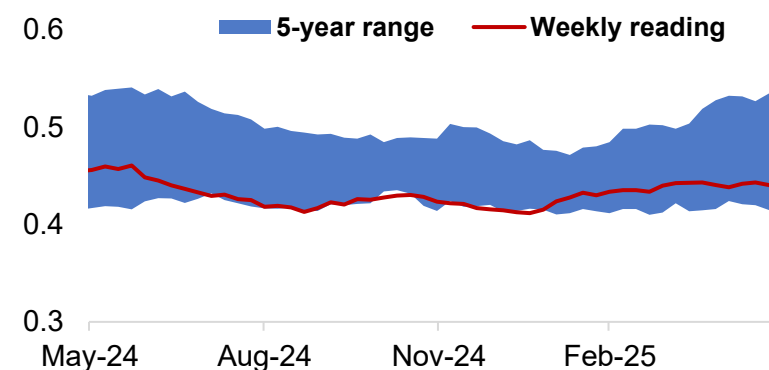
Index level



Price momentum turned positive for the week ended June 6.

U.S. ending stocks of crude oil (excluding the SPR)

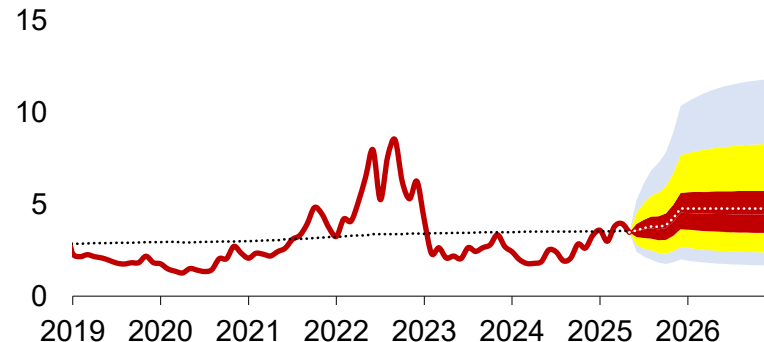
Billion barrels



Inventories decreased. U.S. ending stocks of crude oil excluding the Strategic Petroleum Reserve (SPR) decreased by 4.3 million barrels (mb) for the week ended May 30.

Natural gas price mean reversion analysis

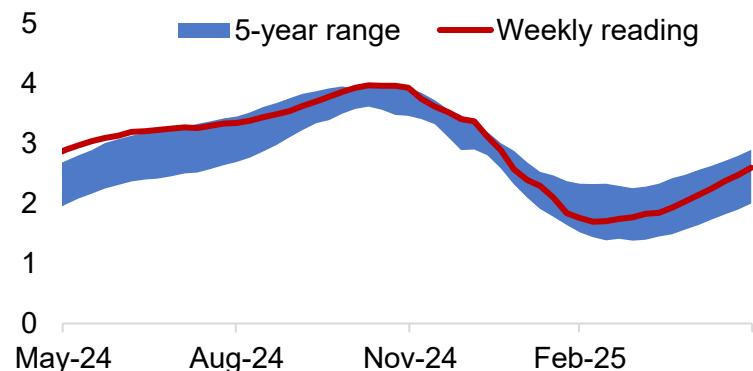
Dollars per mmBtu (2025\$)



Near-term futures prices are aligned with their historical mean reversion threshold. Futures prices are in contango (that is, spot prices are lower than futures prices). Historical confidence intervals suggest more potential for upside price movement than downside.

U.S. weekly working gas storage

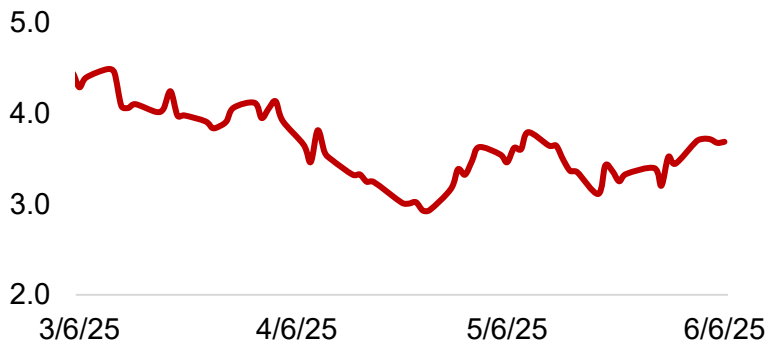
Trillion cubic feet (tcf)



Working natural gas storage increased. Working gas in underground storage rose by 4.9% w/w to 2.6 tcf as of May 30—top third within the five-year range.

Natural gas prompt month futures prices

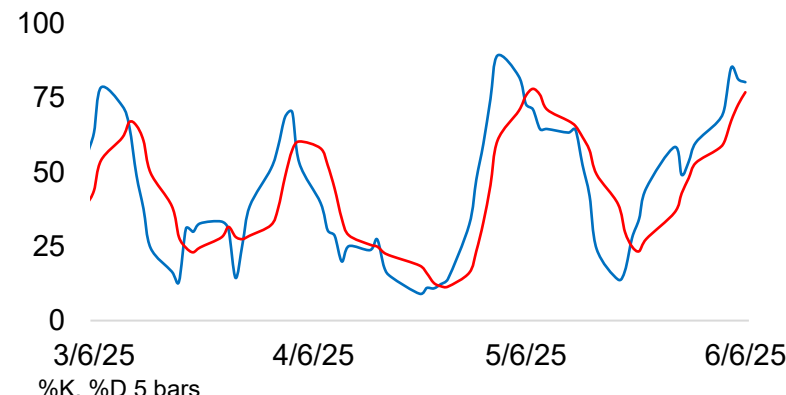
Dollars per million Btu



Henry Hub natural gas prices rose 7.0% week-over-week to \$3.69 per million Btu for the week ended June 30.

Natural gas futures slow stochastic

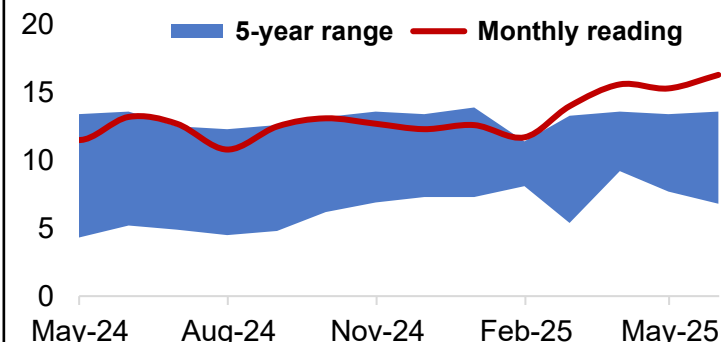
Index level



Natural gas price momentum rose for the week ended June 6.

U.S. natural gas net exports

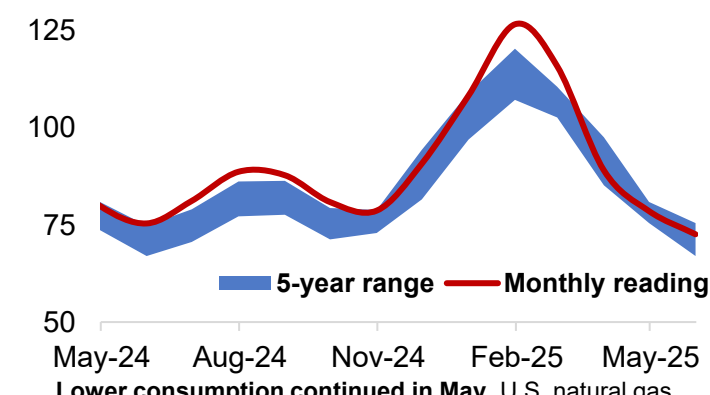
Billion cubic feet per day, bcf/d



According to EIA estimates, U.S. natural gas net exports rose to a record 16.3 bcf/d in May, up 23.5% y/y

U.S. natural gas consumption

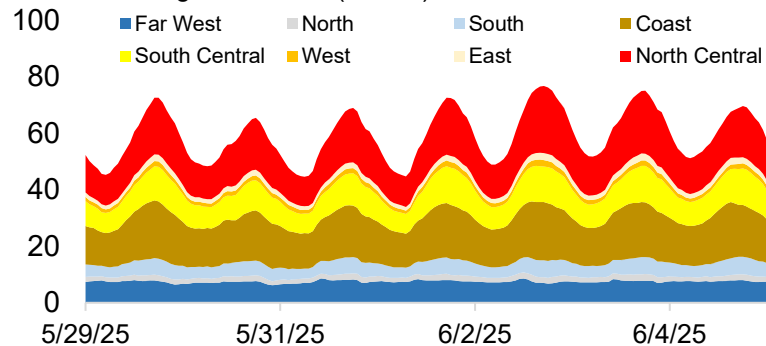
Billion cubic feet per day, bcf/d



Lower consumption continued in May. U.S. natural gas consumption of 72.6 bcf/d in May fell by 3.7% y/y per EIA.

ERCOT electricity load by region

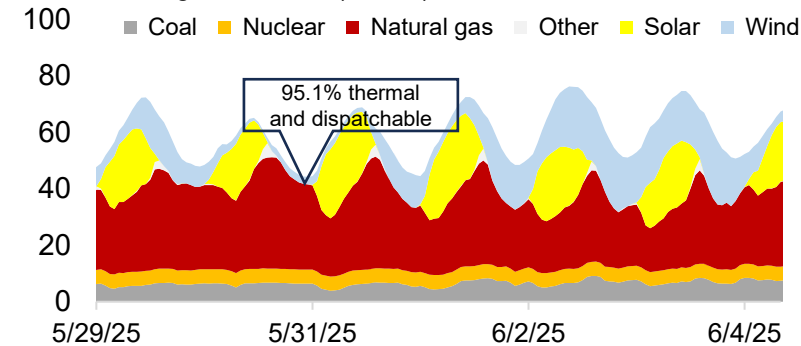
Thousand megawatt-hours (kMWh)



For May 29-June 4, ERCOT's average hourly electricity load was 69.5 kMWh, down 1.5% w/w, while the maximum hourly load of 76.7 kMWh fell by 2.8% w/w. Variability was the highest in the North Central and South Central regions.

ERCOT hourly electricity generation by source

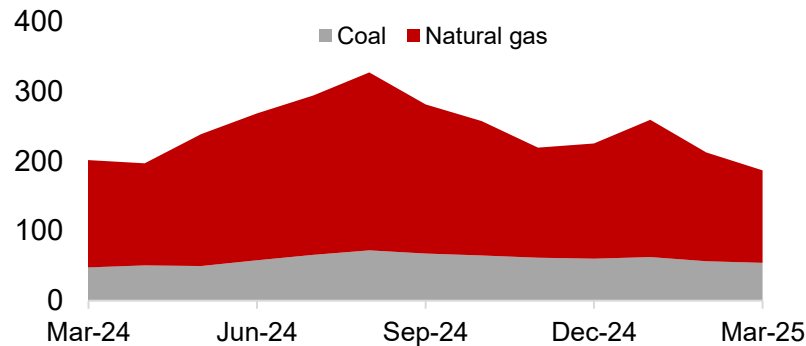
Thousand megawatt-hours (kMWh)



Thermal and dispatchable resources generated up to 95.1% of ERCOT's electricity. ERCOT's hourly electricity generation for the period May 29-June 4 ranged between 44 and 76 kMWh with a standard deviation of 8.9 kMWh. Thermal and dispatchable sources generated 95.1% of the region's power on the morning of May 31, including 72.7% from natural gas.

Texas electricity plant receipts of natural gas and coal

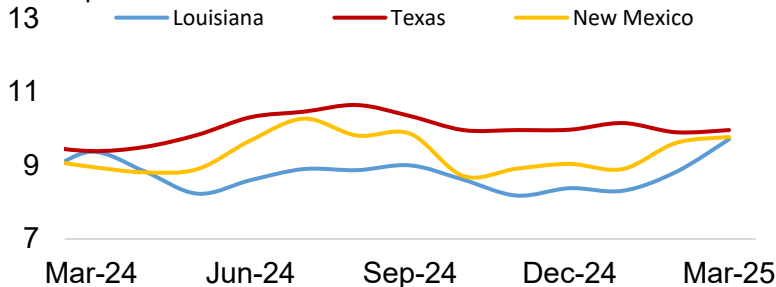
Trillion Btu



Coal-gas switching returned in March. Texas electricity plant receipts of natural gas fell by 14.0% y/y in March 2025, while receipts of coal increased by 14.0% y/y.

Electricity prices – average across all end-use sectors

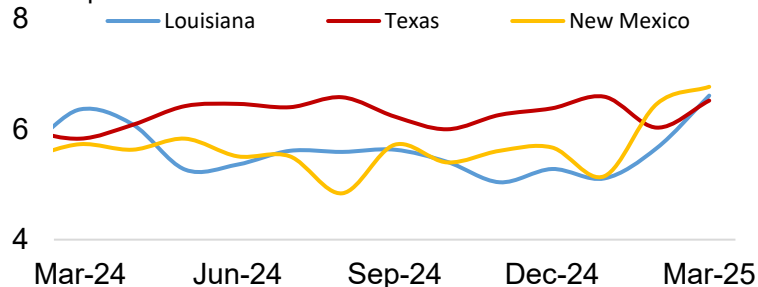
Cents per kilowatt-hour



Texas' electricity prices rose in March 2025. The average price of electricity in Texas increased by 0.6% m/m and 6.1% y/y in March to 9.96 cents per kWh, compared with 9.71 cents per kWh in Louisiana and 9.77 cents per kWh in New Mexico.

Industrial electricity prices

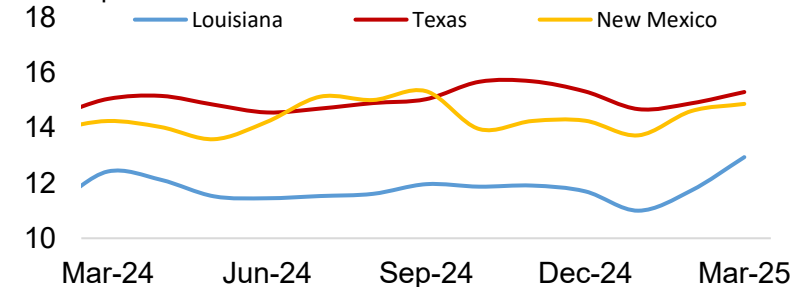
Cents per kilowatt-hour



Texas' average industrial electricity price rose to 6.52 cents per kWh in March, up 8.1% m/m and 11.8% y/y. Rates in Louisiana and New Mexico also increased to similar levels, 6.61 cents per kWh in Louisiana and 6.77 cents per kWh in New Mexico.

Residential electricity prices

Cents per kilowatt-hour

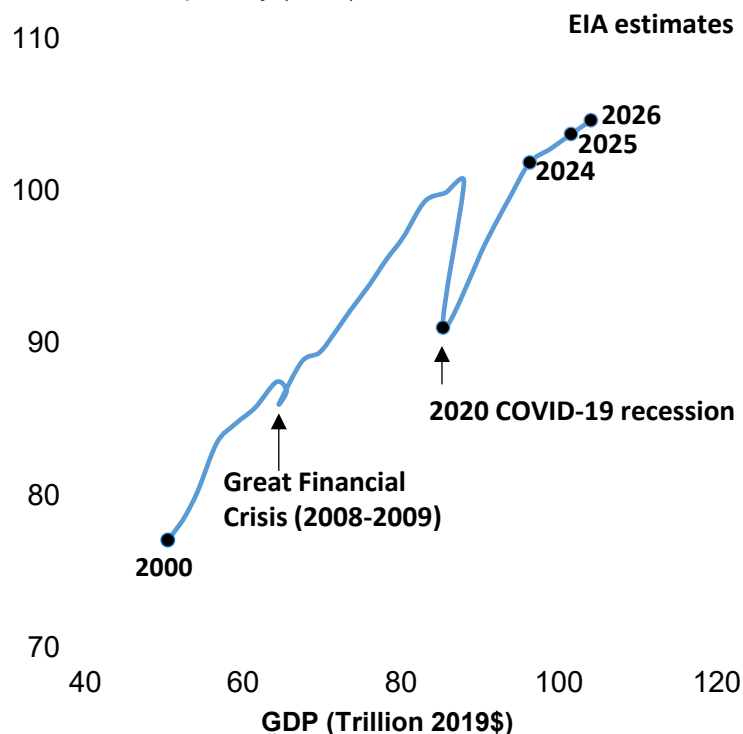


Texas' residential electricity prices rose. Residential electricity prices in Texas rose to 15.30 cents per kWh in March, up 1.7% y/y, remaining above rates in Louisiana (12.94 cents per kWh) and New Mexico (14.87 cents per kWh).

- Global oil demand has been downgraded but could still reach a 3rd consecutive record high, increasing from 102.7 mb/d in 2024 to 103.7 mb/d in 2025 and 104.6 mb/d in 2026 per EIA
- EIA projects 2025-2026 global supply increases of 1.4 mb/d and 1.3 mb/d, respectively,
- EIA projects continued oil supply abundance through 2026, with Brent crude oil prices averaging \$66 per barrel in 2025—compared with \$64 currently.

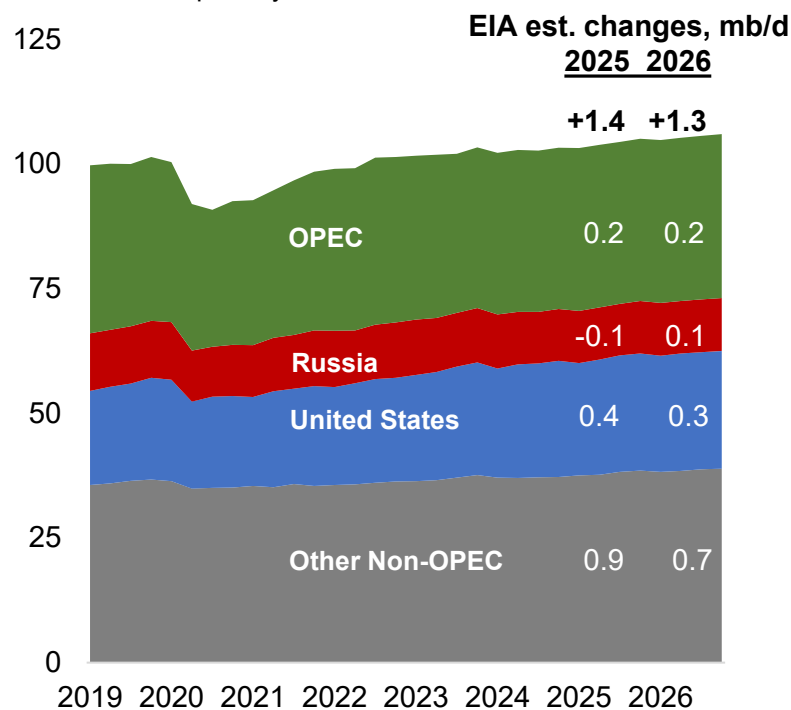
Global oil demand and GDP

Million barrels per day (mb/d)



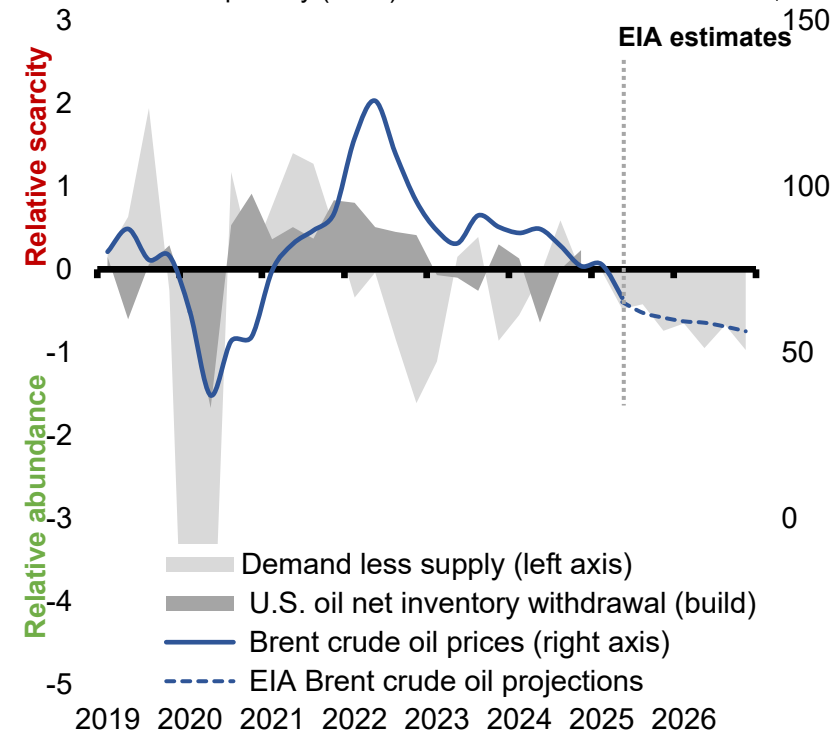
Oil production by country/region

Million barrels per day, mb/d



Global demand/supply & Brent prices

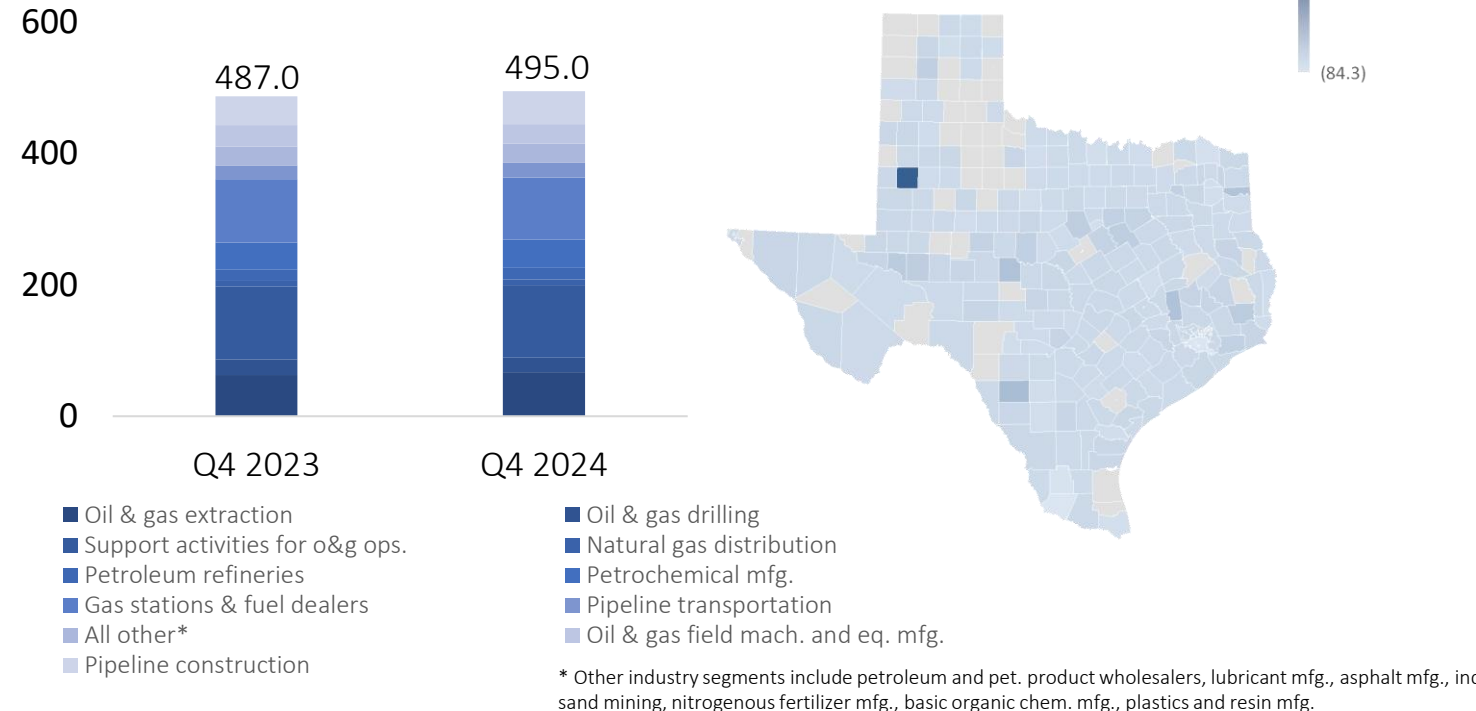
Million barrels per day (mb/d)



- Texas oil and natural gas industry employment and wages grew by 1.6% and 7.6% year-over-year (y/y), respectively, in Q4 2024, reaching 494,961 jobs and \$15.7 billion in wages.
- The vast majority of job growth year-over-year occurred in pipeline construction (+6,674 jobs) and natural gas extraction (+4,612 jobs), per data from the U.S. Census Bureau and the Texas Workforce Commission.

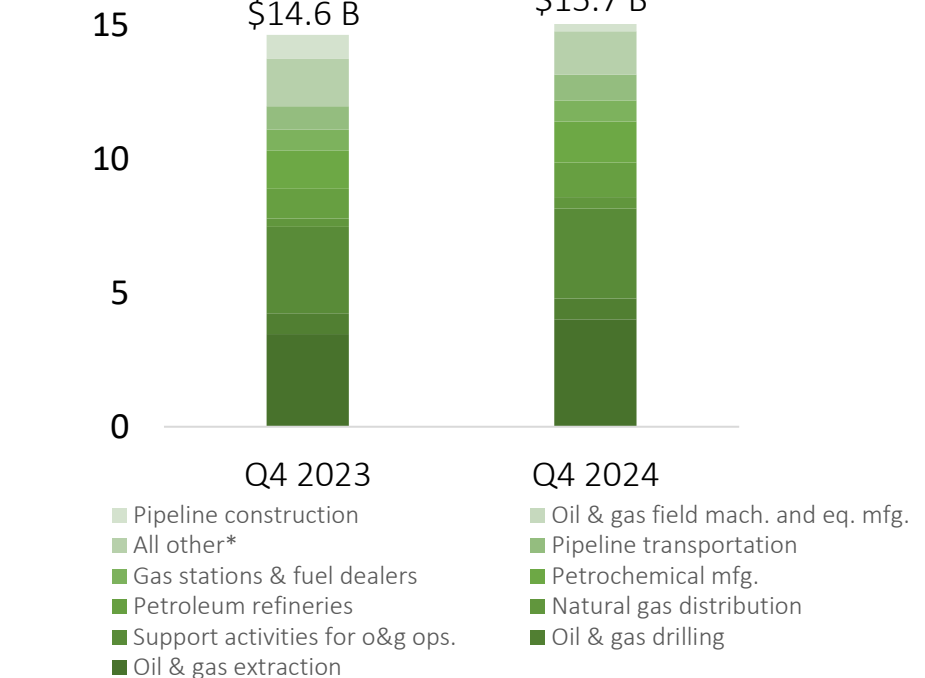
Texas oil and natural gas industry direct employment rose by +1.6% y/y in Q4 2024

Thousand Jobs



Texas oil and natural gas industry direct wages rose by +7.6% y/y in Q4 2024

Billion dollars





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