TXOGA CHARTBOOK™

June 16, 2025

Key points – Week of June 16, 2025

- **Mixed U.S. economic signals persist.** Consumer sentiment rose 16% in the University of Michigan's preliminary June survey, but concerns about slowing growth, trade policy uncertainty, and persistent inflation continue to keep yields on lower-rated corporate bonds (CCC and below) elevated. Meanwhile, industrial production and the Philadelphia Fed's ADS Index remain consistent with ongoing investment and economic expansion in Q2 2025.
- **Crude oil prices rose further on heightened geopolitical tensions, tighter supply, and a weaker dollar.** WTI crude climbed 12.0% week-over-week to $72.31 per barrel (as of June 13), largely driven by uncertainty over whether Israel's attack on Iran could disrupt physical oil flows. Canadian wildfires continue to shut in an estimated 350,000 barrels per day, while the U.S. dollar weakened by more than 1.0%. According to the latest EIA data, U.S. crude inventories declined for the week ending June 6. Near-term WTI futures have now moved above historical mean reversion levels.
- **Natural gas prices declined, reflecting ample supply and strong storage levels.** Henry Hub July futures dropped 6.3% w/w to $3.55 per million Btu, with U.S. working gas inventories reaching 2.7 trillion cubic feet—placing them in the top 30% of the five-year range. While LNG exports are up more than 1.0 billion cubic feet per day (bcf/d) year-over-year (y/y), marketed production is also 4.7% above year-ago levels. Near-term natural gas prices are aligned with historical averages, and the futures curve remains in contango, with spot prices below forward contracts through the winter.
- **Electricity prices rose across Texas and neighboring states in March 2025, adding cost pressure for industrial consumers.** As the Chart of the Week highlights, Texas' average electricity price increased to 9.96 cents per kWh (up 0.6% m/m and 6.1% y/y), while industrial rates rose more sharply to 6.52 cents per kWh (up 8.1% m/m and 11.8% y/y). Similar increases were seen in Louisiana and New Mexico. The rise likely reflects higher natural gas prices, which fuel the marginal generator. With futures pricing in a 40% increase by winter, further upward pressure on electricity costs appears likely.

Chart of the Week: Electricity prices rise across Texas and neighboring states

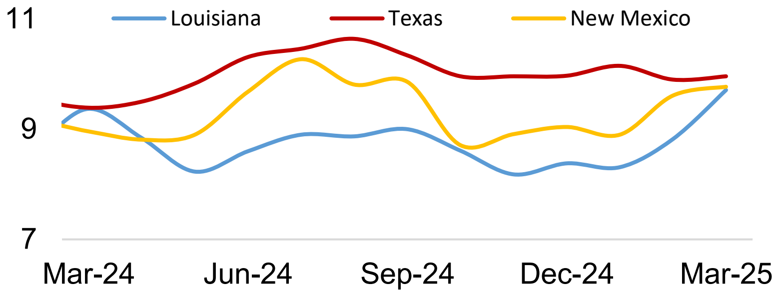
- As the largest electricity consumers in Texas, the oil and natural gas industry closely monitors electricity prices and policy developments. Affordable power is critical to the industry's competitiveness and to the state's broader economic development—especially relative to neighboring states.

- According to EIA data, Texas electricity prices increased in March 2025. The statewide average rose 0.6% month-over-month and 6.1% year-over-year to 9.96 cents per kWh, compared with 9.71 cents in Louisiana and 9.77 cents in New Mexico.

- In the industrial sector, Texas' average electricity price climbed to 6.52 cents per kWh in March, up 8.1% m/m and 11.8% y/y. Louisiana and New Mexico saw similar increases, with industrial rates at 6.61 and 6.77 cents per kWh, respectively. These increases likely reflect higher natural gas prices this year, as natural gas fuels the marginal source of electricity generation. With futures prices rising over 40% between July and January 2026 contracts, further upward pressure on electricity costs appears likely.

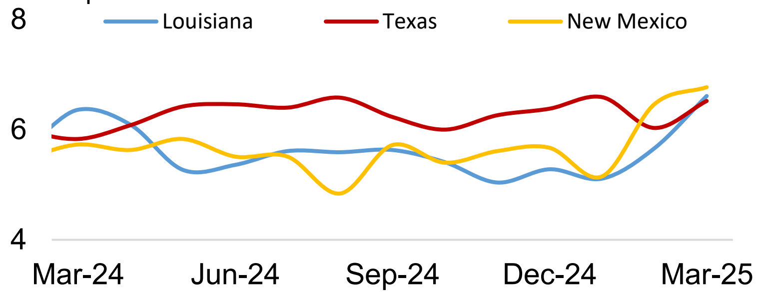
Electricity prices – average across all end-use sectors

Cents per kilowatt-hour



Industrial electricity prices

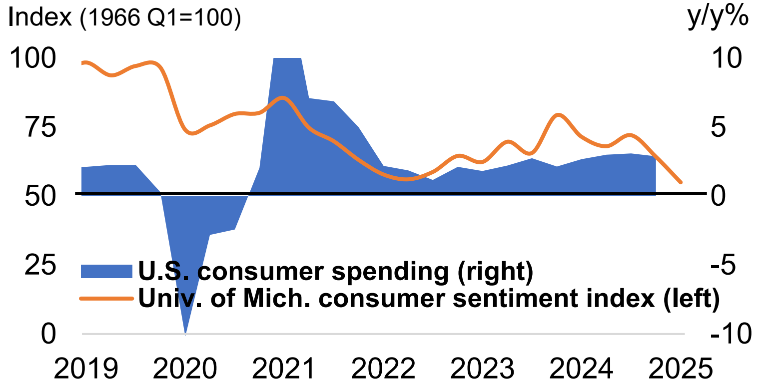
Cents per kilowatt-hour



sources: ERCOT; EIA; TXOGA analysis

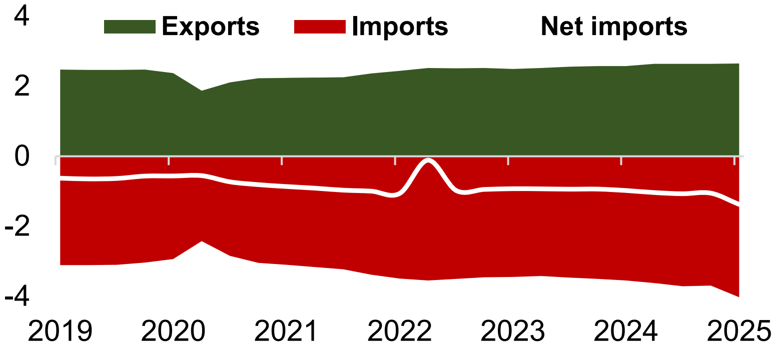
U.S. economic indicators

Consumer sentiment vs. spending



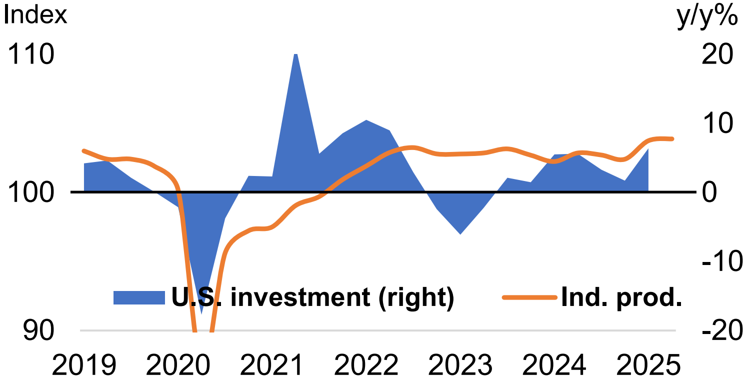
Consumer sentiment rebounded 16.0% in the University of Michigan's preliminary June survey. We track the index on a rolling three-month average as a leading indicator of consumer spending. The BEA revised Q1 consumer spending down by 0.2 percentage points to 2.9% year-over-year, likely reflecting front-loaded purchases. Based on historical patterns, this points to slower consumer spending growth in Q2 2025.

Real net exports of goods and services



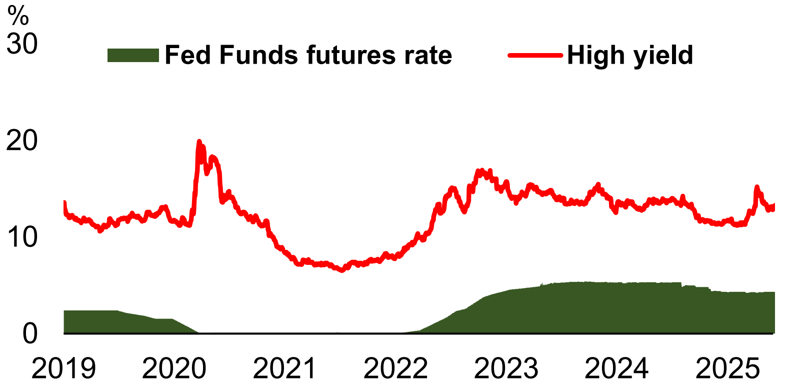
The U.S. real trade deficit ran at an annualized rate of $1.4 trillion in Q1 2025 (up from $0.98 trillion in Q4 2024), per BEA. On a nominal basis, the trade surplus in petroleum and related products was revised up by $8.4 billion to $55.5 billion in Q1 and $56.1 billion a year ago.

Industrial production and investment growth



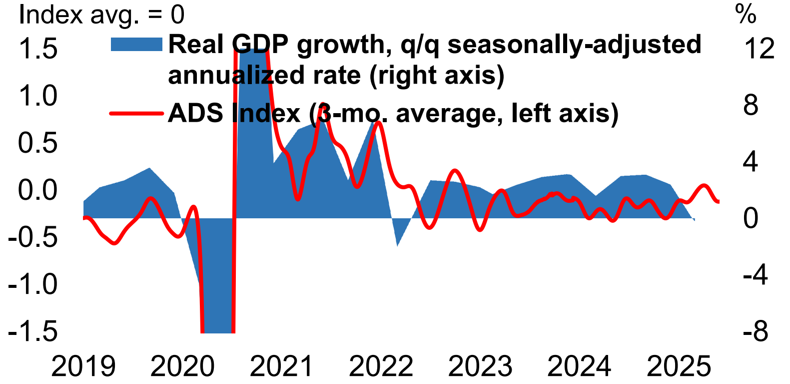
Economywide investment was revised up by 0.5% to 6.4% y/y in Q1, per the Bureau of Economic Analysis. U.S. industrial production rose by 1.5% y/y in April and held flat versus March, according to the Federal Reserve. As a leading indicator of economy-wide investment, the data suggest that business conditions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

Fed Funds rate and CCC and lower corporate bond yields



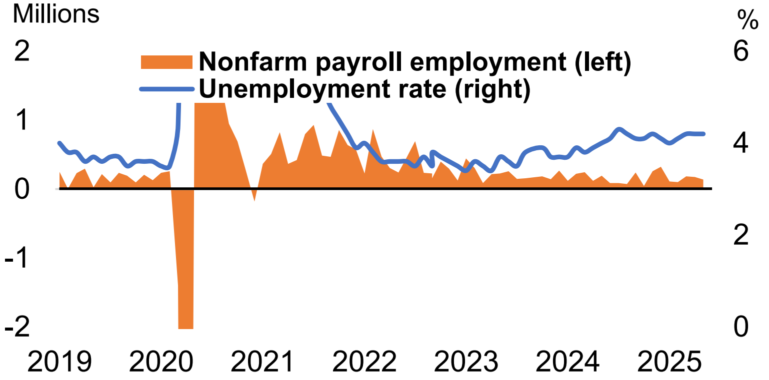
Bond premium for low credit quality decreased. High yield (HY) rates reflect debt costs for firms with below-investment grade credit quality. For the week ended June 13, HY rates (13.2%) fell by 10 basis points w/w, while the 30-day Fed Funds futures rate (4.3%) held steady, yielding a premium for low credit quality of 8.9%.

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 13 showed a deceleration in the ADS index but remained consistent with GDP growth in Q2 2025.

Nonfarm payroll employment & unemployment rate



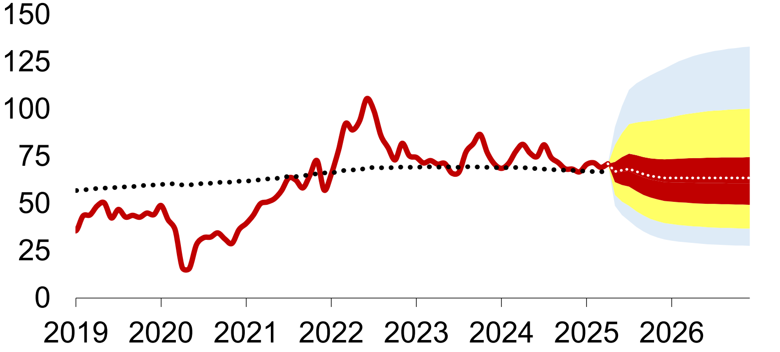
Labor market conditions showed little momentum. Employment is a lagging indicator of GDP growth. Non-farm payrolls increased by 139,000, and the U.S. unemployment rate held steady at 4.2% in May per BLS.

sources: FRED; Univ. of Michigan; BEA; CME Group; Federal Res. Board; Philadelphia Fed. Res.; Bureau of Labor Statistics

Chart of the Week: U.S. Oil Market Indicators

WTI crude oil price mean reversion analysis

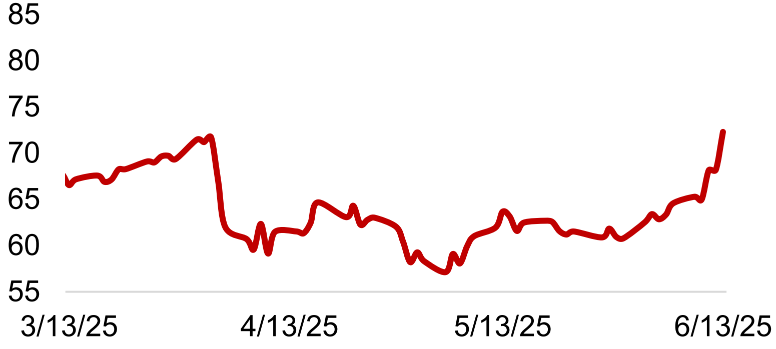
Dollars per barrel (2025$)



Near-term futures prices currently exceed 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

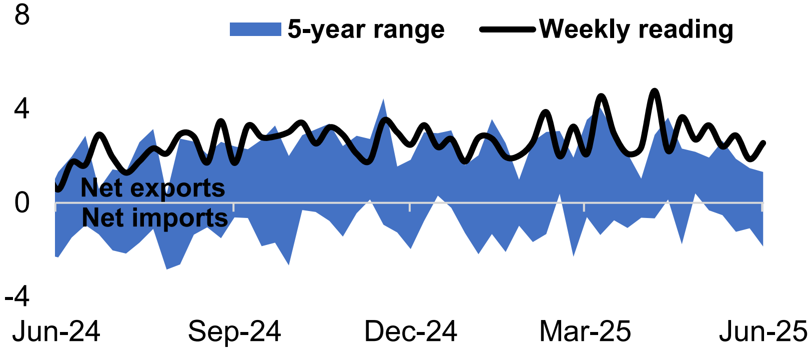
Dollars per barrel



WTI crude oil prices rose 12.0% w/w to $72.31 per barrel as of June 13, due to Middle East geopolitical uncertainties.

U.S. petroleum net exports (imports)

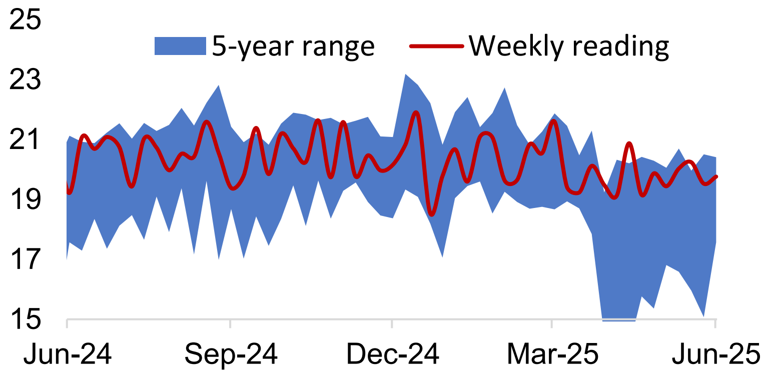
Million barrels per day, mb/d



Petroleum net exports rose. Net exports rose to 2.5 mb/d for the week ended June 6, an increase of 0.6 mb/d from the prior week.

U.S. petroleum demand

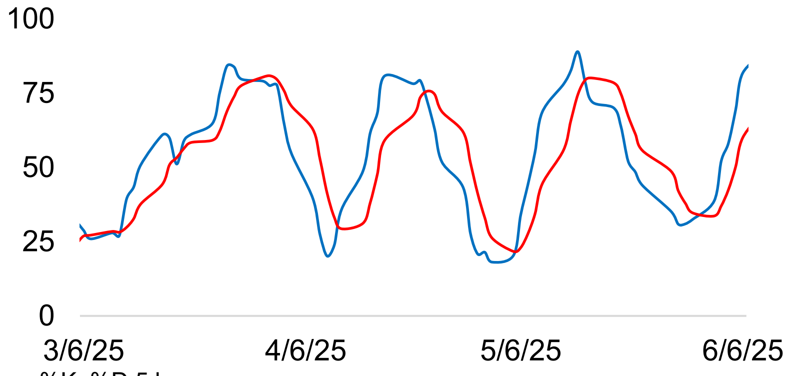
Million barrels per day (mb/d)



Petroleum demand increased. U.S. petroleum demand as of June 6, as measured by deliveries, rose by 0.2 mb/d versus the prior week to 19.7 mb/d.

WTI crude prompt month futures slow stochastic

Index level

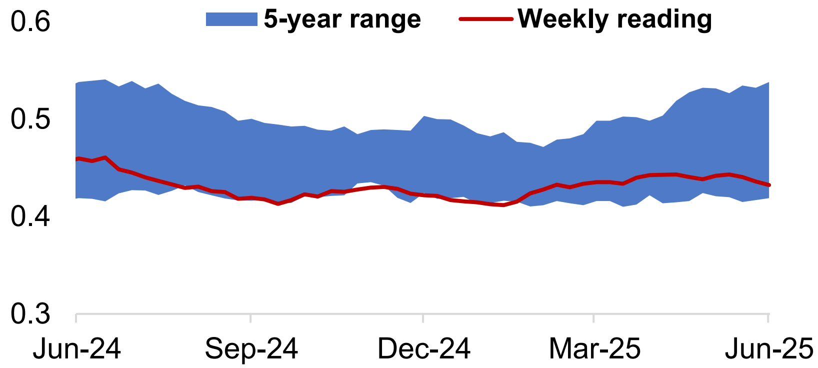


%K, %D 5 bars

Price momentum rose for the week ended June 13.

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

Billion barrels



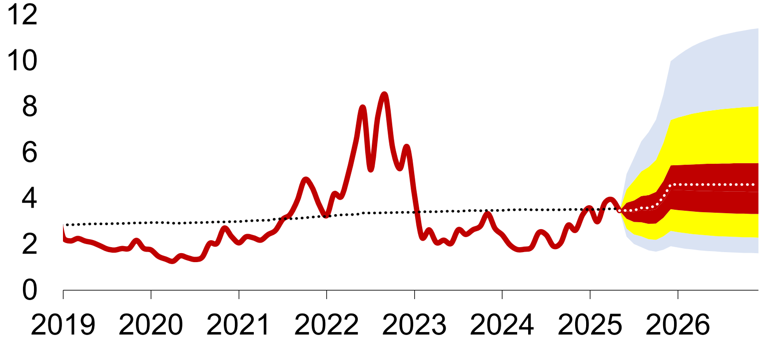
Inventories decreased. U.S. ending stocks of crude oil excluding the Strategic Petroleum Reserve (SPR) decreased by 3.6 million barrels (mb) for the week ended June 6.

sources: U.S. Energy Information Administration; CME Group; Bureau of Labor Statistics; TXOGA analysis

U.S. natural gas market indicators

Natural gas price mean reversion analysis

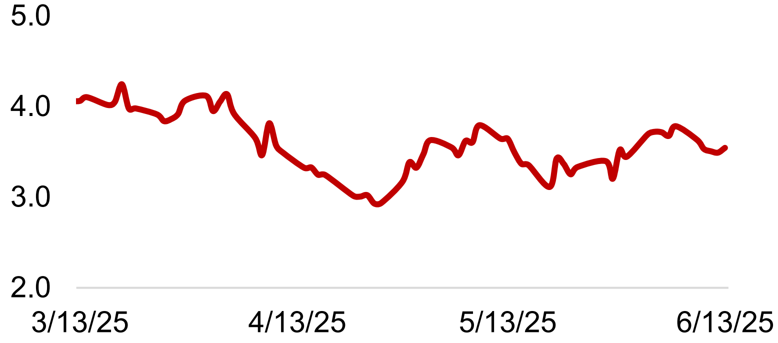
Dollars per mmBtu (2025$)



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.

Natural gas prompt month futures prices

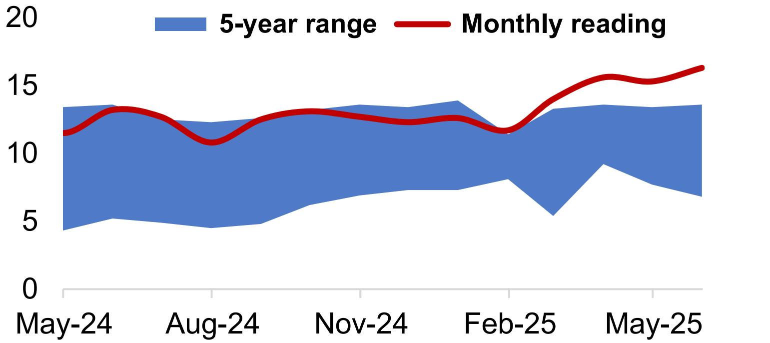
Dollars per million Btu



Henry Hub natural gas prices fell 6.3% week-over-week to $3.55 per million Btu for the week ended June 13.

U.S. natural gas net exports

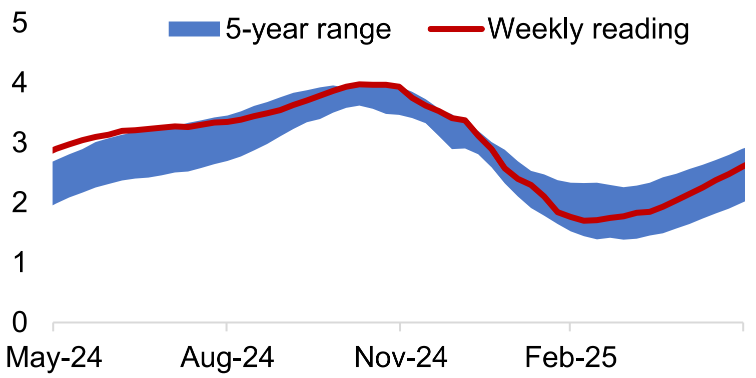
Billion cubic feet per day, bcf/d



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. weekly working gas storage

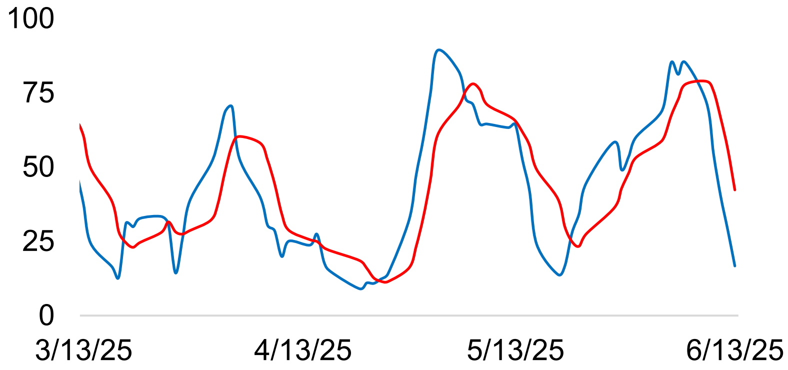
Trillion cubic feet (tcf)



Working natural gas storage increased. Working gas in underground storage rose by 4.2% w/w to 2.7 tcf as of June 6—top 30% within the five-year range.

Natural gas futures slow stochastic

Index level

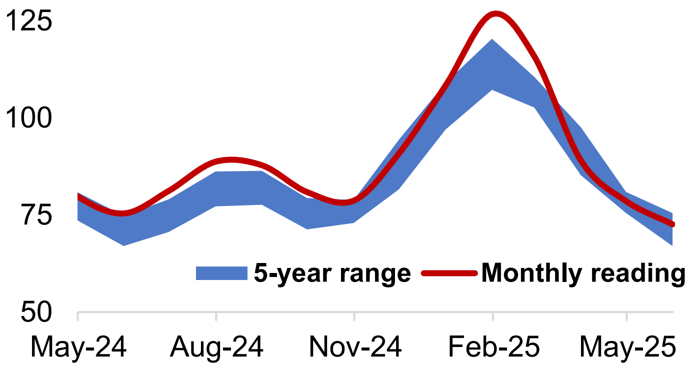


%K, %D 5 bars

Natural gas price momentum rose and then turned down for the week ended June 13.

U.S. natural gas consumption

Billion cubic feet per day, bcf/d

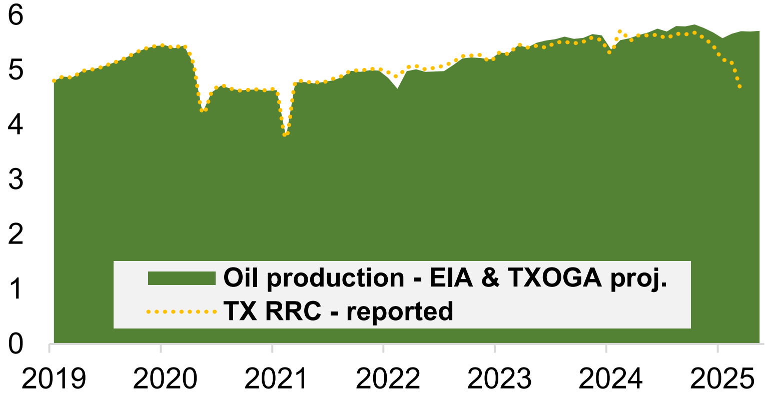


Lower consumption continued in May. U.S. natural gas consumption of 72.6 bcf/d in May fell by 3.7% y/y per EIA.

sources: U.S. Energy Information Administration; CME Group; Bureau of Labor Statistics; TXOGA analysis

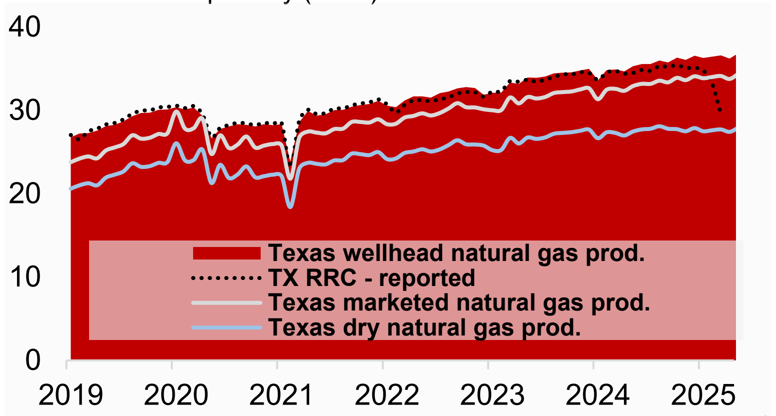
Texas oil and natural gas production

Texas crude oil production, Jan. 2019 – May 2025
Million barrels per day (mb/d)



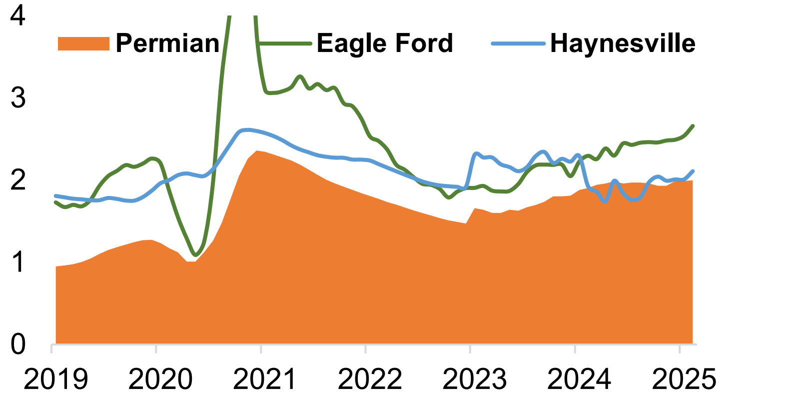
Solid oil production sustained. Texas' oil production averaged 5.7 mb/d in March, according to the EIA. TXOGA estimates that production remained steady at 5.7 mb/d in May.

Texas natural gas production, Jan. 2019 – May 2025
Billion cubic feet per day (bcf/d)



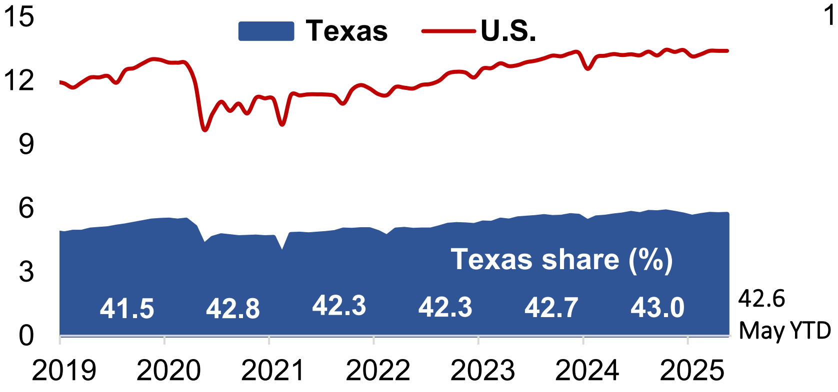
Natural gas production increased. Texas produced record-highs of 36.6 bcf/d of natural gas gross withdrawals and 34.1 bcf/d of marketed production in March per EIA. TXOGA estimates that Texas' marketed production rose to 34.4 bcf/d in May.

Texas rig productivity by basin – new monthly prod. per rig
Thousand barrels per day oil-equivalent, kb/doe



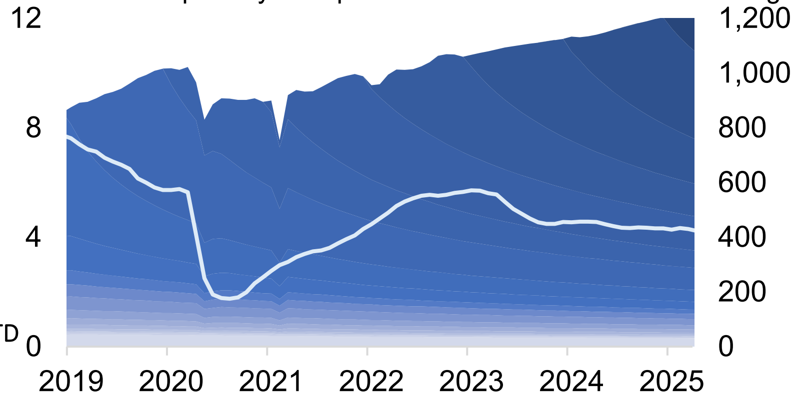
Rig productivity gains continued across major basins in April. EIA estimates of rig productivity for April 2025 showed rig productivity increased by 6.6% y/y in the Permian Basin and 6.9% y/y in the Eagle Ford, and 7.0% y/y in the Haynesville.

U.S. and Texas crude oil production, Jan. 2019 – May 2025
Million barrels per day (mb/d)



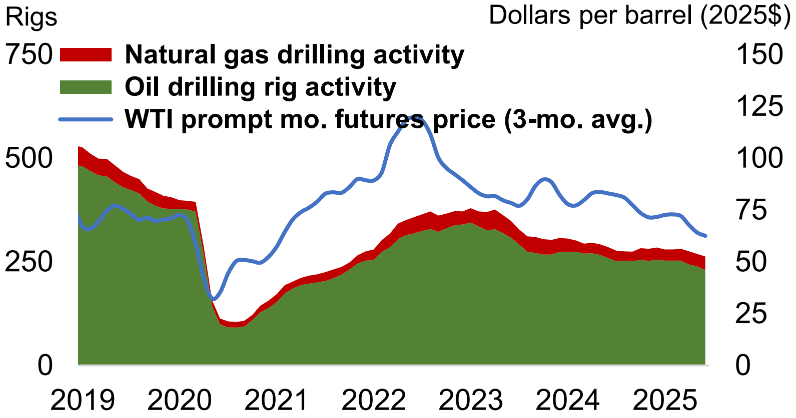
In the first five months of 2025, Texas accounted for 42.6% of total U.S. crude oil production.

Texas 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 drilling activity and WTI crude oil futures prices

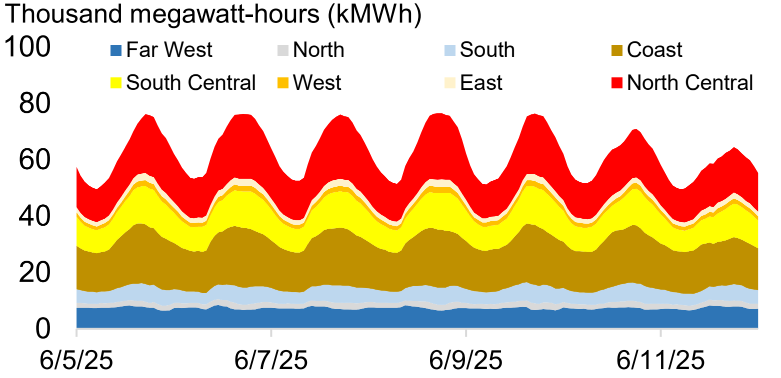


As of June 13, Texas' drilling rig activity decreased, according to Baker Hughes, with 230 oil-directed rigs (down 1 rig w/w) and 32 natural gas-directed rigs (down 1 rig w/w).

sources: U.S. Energy Information Administration; Texas Railroad Commission; Baker Hughes; CME Group; TXOGA analysis

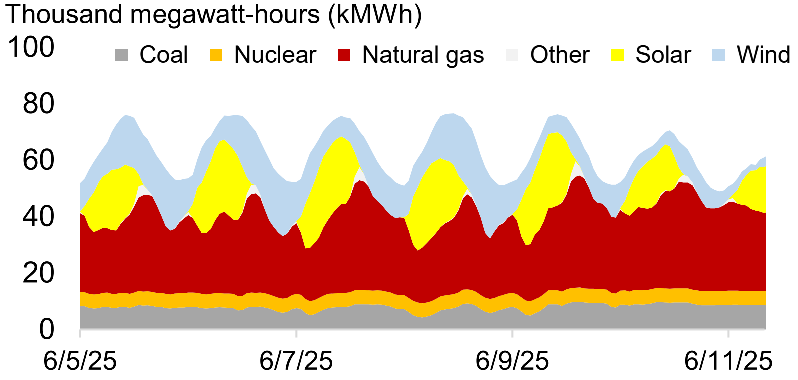
Texas Electricity Analysis

ERCOT electricity load by region



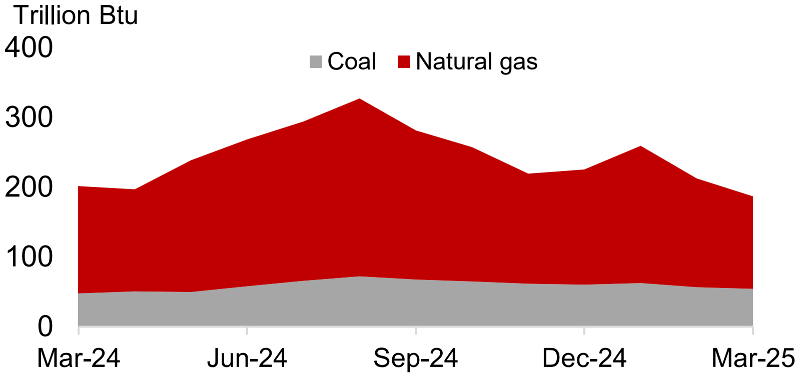
For June 5-11, ERCOT's average hourly electricity load was 62.8 kMWh, down 0.4% w/w, while the maximum hourly load of 76.6 kMWh remained steady. Variability was the highest in the North Central and South regions.

ERCOT hourly electricity generation by source



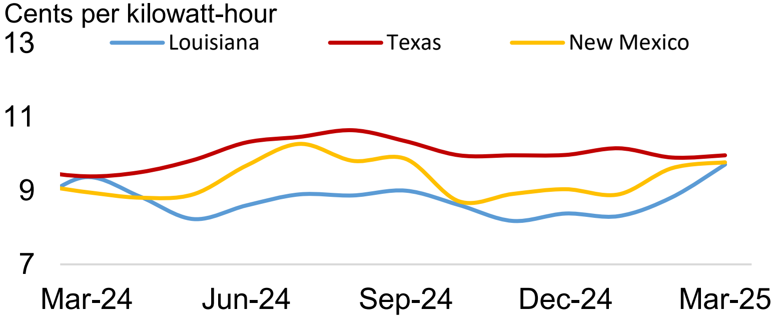
Thermal and dispatchable resources generated up to 89.4 of ERCOT's electricity. ERCOT's hourly electricity generation for the period June 5-11 ranged between 49 and 77 kMWh with a standard deviation of 8.6 kMWh. Thermal and dispatchable sources generated 89.4% of the region's power on the morning of June 11, including 61.6% from natural gas.

Texas electricity plant receipts of natural gas and coal



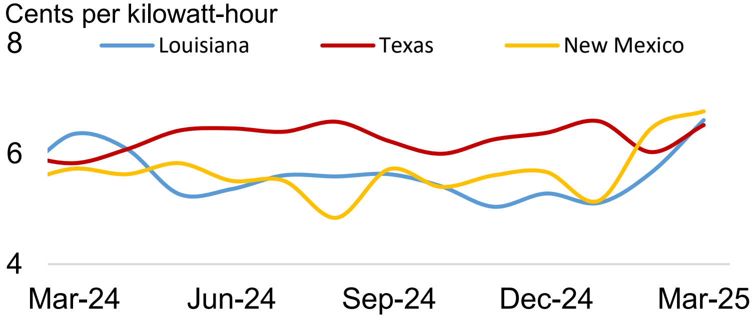
Coal-gas switching returned in March. Texas electricity plant receipts of natural gas fell by 14.0% y/y in March 2025, while receipts of coal rose 14.0% y/y.

Electricity prices – average across all end-use sectors



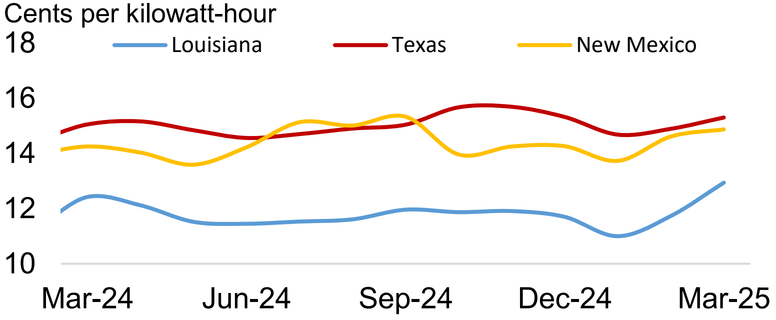
Texas' electricity prices rose in March 2025. The average price of electricity in Texas increased by 0.6% m/m and 6.1% y/y in March to 9.96 cents per kWh, compared with 9.71 cents per kWh in Louisiana and 9.77 cents per kWh in New Mexico.

Industrial electricity prices



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



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).

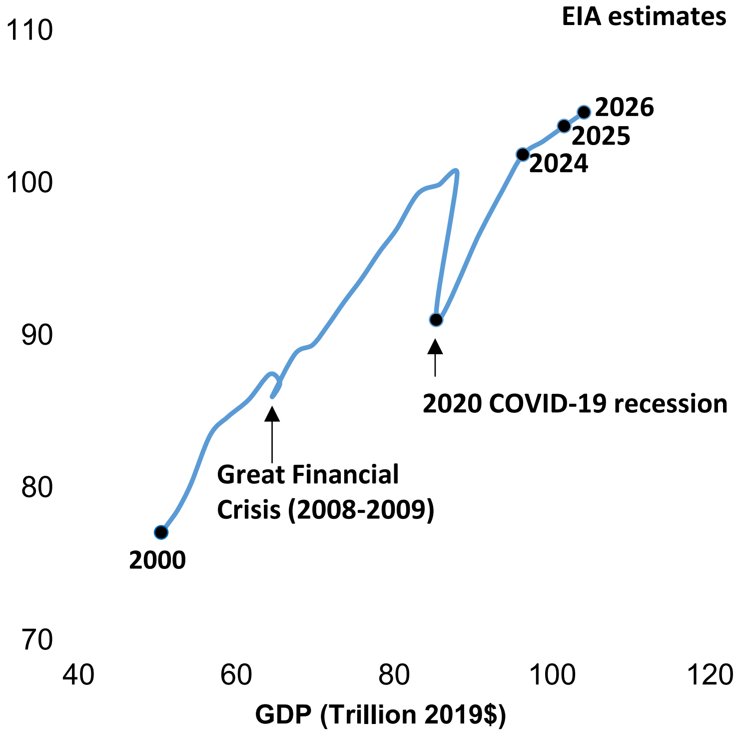
sources: ERCOT; EIA; TXOGA analysis

Global oil market outlook – Global supply expected to outpace record demand through 2026

- **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 growth through 2026,** with Brent crude oil prices averaging $66 per barrel in 2025—compared with $69 currently.

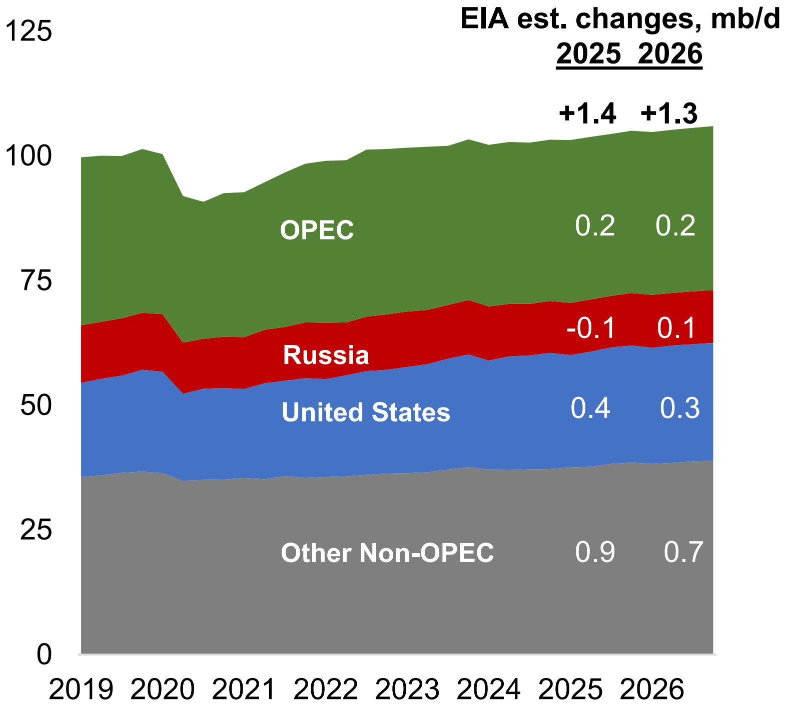
Global oil demand and GDP

Million barrels per day (mb/d)



Oil production by country/region

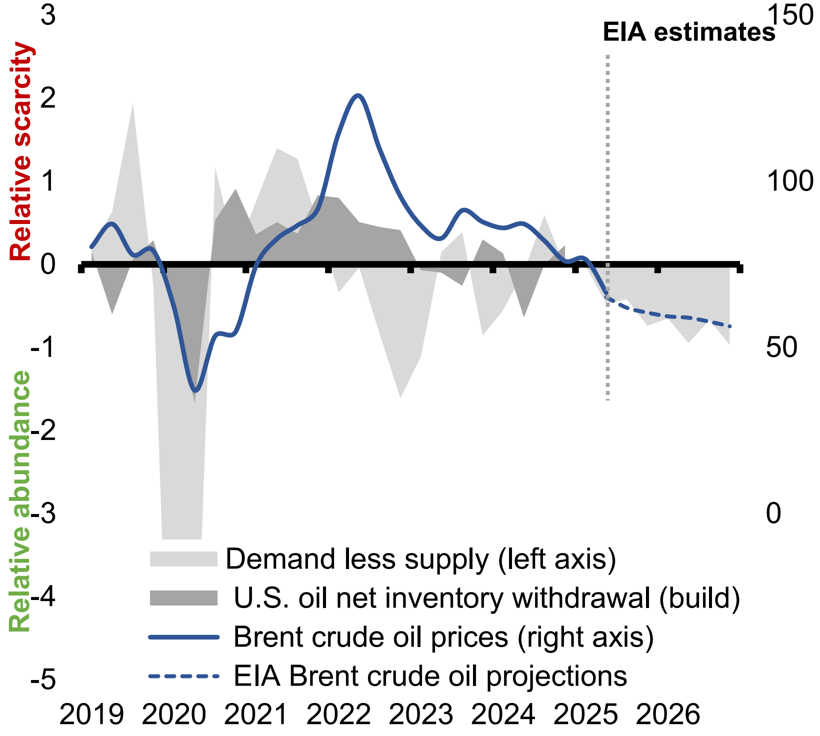
Million barrels per day, mb/d



Global demand/supply & Brent prices

Million barrels per day (mb/d)

2025$/Bbl

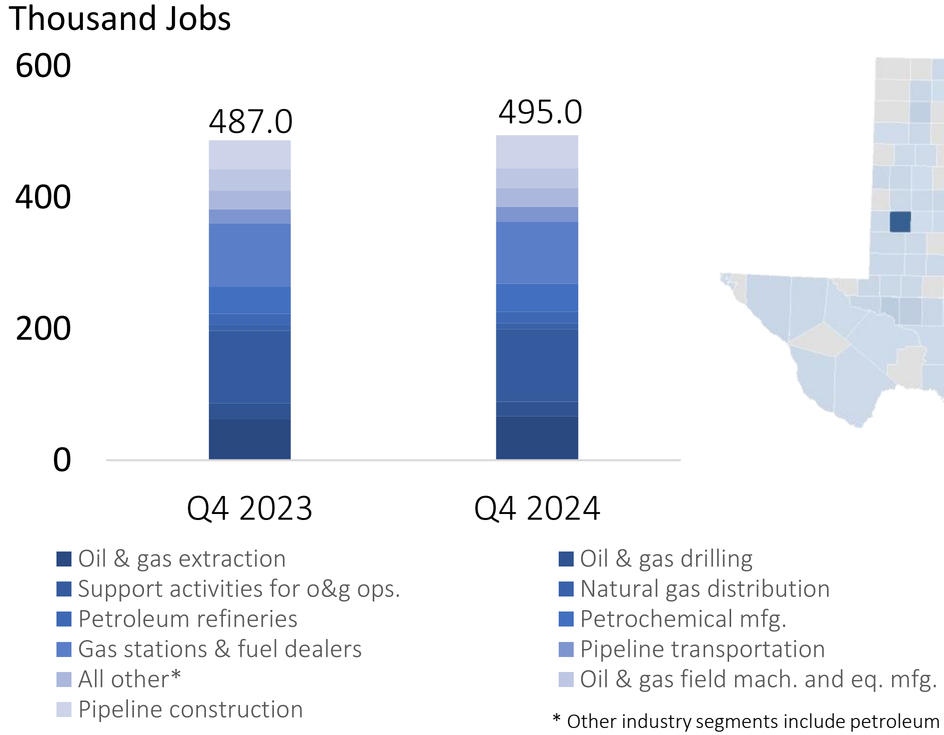


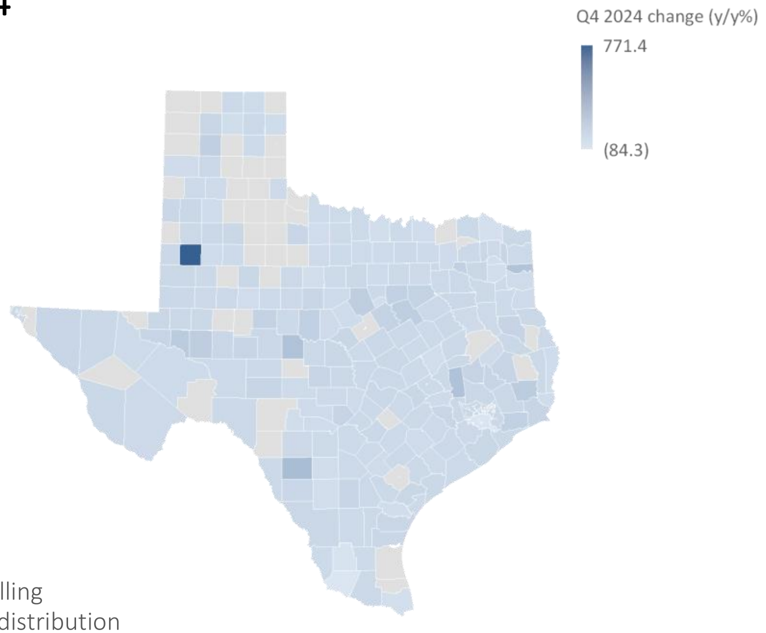
sources: U.S. Energy Information Administration (May 2025); TXOGA analysis

Texas oil and natural gas industry jobs and wages increased in Q4 2024

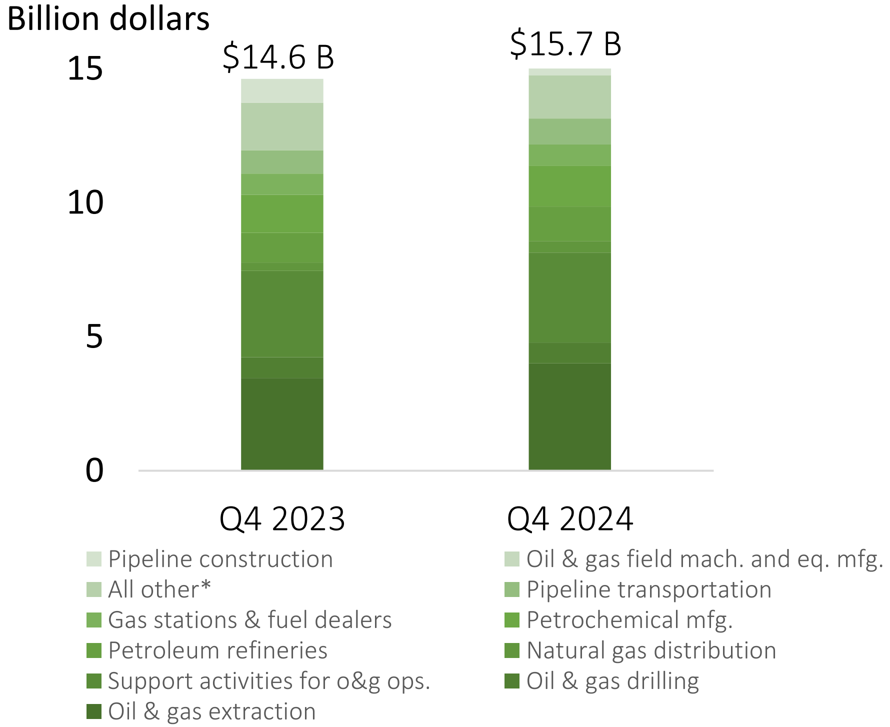
- Texas oil and natural gas industry employment and wages grew by 1.6% and 7.6% year-over-year (y/y), respectively, in Q4 2024, reaching 494,961 jobs and $15.7 billion in wages.
- The vast majority of job growth year-over-year occurred in pipeline construction (+6,674 jobs) and natural gas extraction (+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





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



* Other industry segments include petroleum and pet. product wholesalers, lubricant mfg., asphalt mfg., industrial sand mining, nitrogenous fertilizer mfg., basic organic chem. mfg., plastics and resin mfg.

sources: U.S. Census Bureau; Texas Workforce Commission

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