



**February 2, 2026**





**The TXOGA Chartbook is an essential resource for our members and those interested in understanding the data reflecting ongoing developments within the economy and the oil and gas sectors, both internationally and domestically, including specific trends in Texas.**

### **Key points – Entering the Week of February 2, 2026**

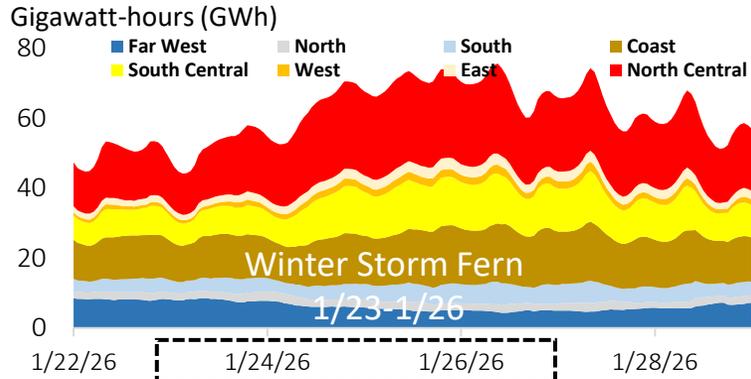
- ▶ **Underlying U.S. economic momentum softened in Q4, with early signs of stabilization entering Q1, though sources of upside support have become less certain.** Industrial production firmed in December (+2.0% year-over-year, y/y) and capacity utilization remained solid, but economy-wide investment was flat in Q3 amid persistent macro and policy uncertainty. Financial conditions remain restrictive but stable, with credit premia near post-2019 medians and bond markets priced for benign outcomes rather than stress. While international trade accounted for a disproportionate share of Q3 GDP growth, more recent data show a widening trade deficit in November, suggesting that trade's earlier tailwind may fade even as high-frequency indicators, including the ADS Index, point to tentative stabilization.
- ▶ **Oil prices broke to the upside this week, driven primarily by renewed Iran-related geopolitical risk, while futures markets continue to signal balanced conditions.** WTI rose above \$65/bbl as geopolitical risk premia re-emerged after several weeks of consolidation, marking a near-term breakout rather than a structural shift. The forward curve remains flat through 2027, consistent with long-run mean reversion. Fundamentals provided support beneath the move: U.S. petroleum net exports strengthened materially, domestic demand held near the middle of its five-year range, and crude inventories remained in the lower end of historical norms. Momentum indicators turned positive mid-week but moderated into the close, reflecting improving near-term price strength tempered by ongoing geopolitical uncertainty.
- ▶ **Natural gas prices softened after a sharp, weather-driven spike, but underlying fundamentals continue to skew risks toward episodic upside.** Prompt-month futures retraced as storm risk premia unwound and contracts rolled forward, realigning prices with long-run mean reversion. Momentum turned decisively lower, confirming the loss of near-term support. Beneath the volatility, structural tightening persists: LNG exports remain strong, consumption has rebounded seasonally, and storage--though still elevated--has begun to draw, underpinning demand.
- ▶ **Chart of the Week: Dispatchable power anchored Texas electricity reliability during Winter Storm Fern.** As load surged during January 22–28, average demand rose 15% week over week and peak load climbed 18%, yet grid reliability was maintained as dispatchable resources supplied nearly 93% of ERCOT generation—led by natural gas at up to 70% of total output. These resources flexed in real time to offset weather-driven volatility. Fuel markets, however, had already reflected tightening conditions ahead of the storm, with increased gas-to-coal switching emerging near \$4/MMBtu, even as end-use electricity rates remained elevated relative to historical norms and neighboring states.



# Chart of the Week: Texas electricity – dispatchable supply anchored reliability as prices eased

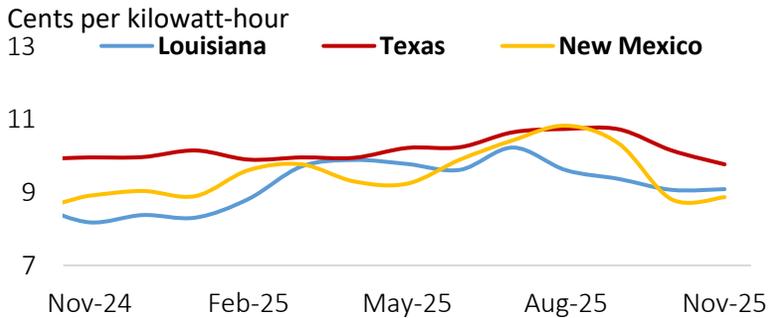


## ERCOT electricity load by region



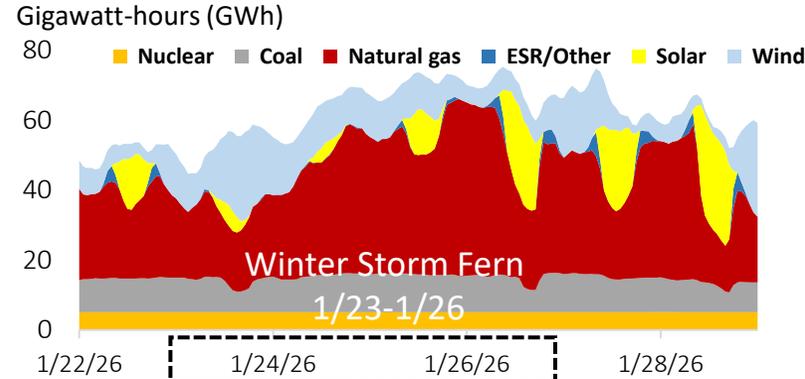
For Jan. 22-28, ERCOT's average hourly electricity load was 60.9 GWh, up 15.0% w/w, while the maximum hourly load of 75.6 GWh rose by 18.0% w/w. Variability was the highest in the West and South Central regions.

## Electricity prices – average across all end-use sectors



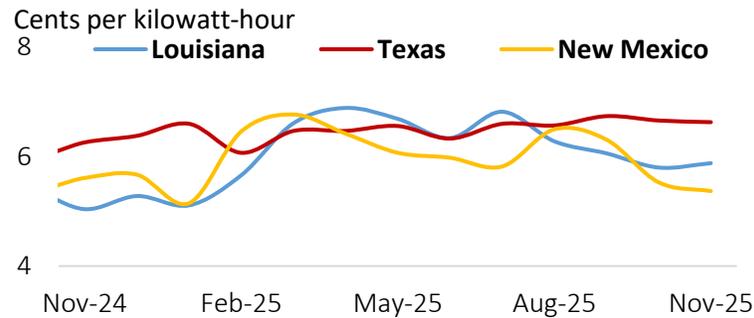
**Texas electricity prices decreased in November.** Average statewide electricity prices fell 3.7% m/m and 1.9% y/y to 9.77 ¢/kWh, compared with 9.09 ¢ in Louisiana and 8.87 ¢ in New Mexico.

## ERCOT hourly electricity generation by source



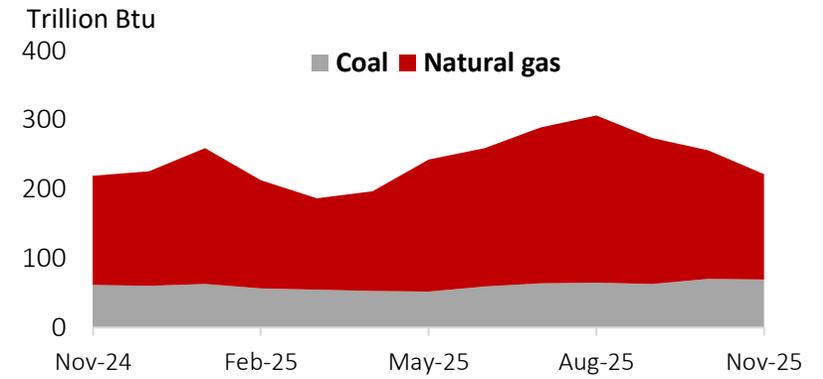
**Dispatchable generation dominated ERCOT's supply.** From Jan. 22-28 thermal and other dispatchable resources supplied as much as 92.8% of ERCOT's total generation, including 70.6% from natural gas. Hourly generation ranged between 45 and 76 GWh, with a standard deviation of 8.1 GWh, indicating higher and more variable seasonal load versus the prior week.

## Industrial electricity prices



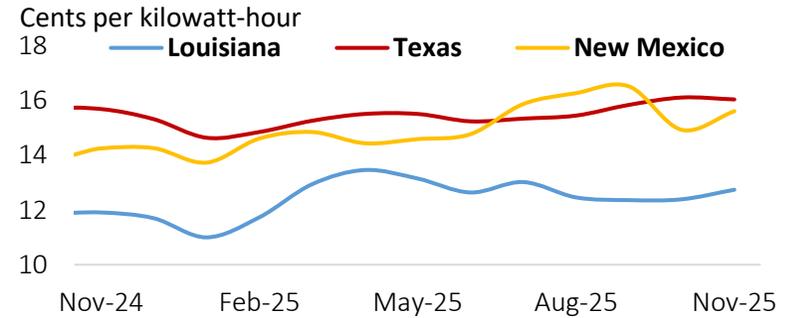
**Industrial electricity prices edged down.** Industrial rates in Texas fell 0.5% m/m but remained up 5.9% y/y to 6.63 ¢/kWh in November. Prices in neighboring states were mixed—up 7.2% y/y in Louisiana but down 4.3% y/y in New Mexico.

## Texas electricity plant receipts of natural gas and coal



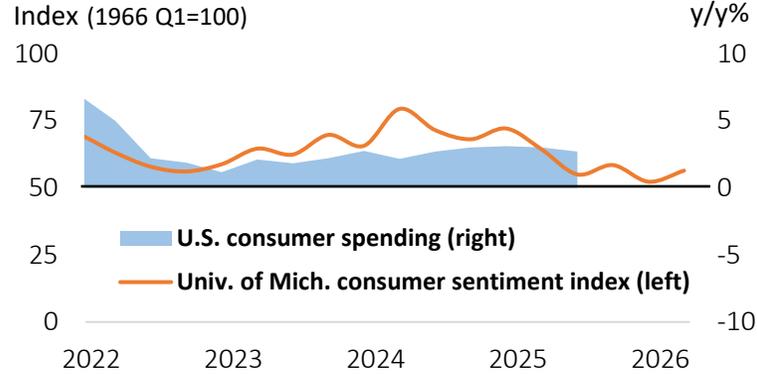
**Natural gas-coal switching accelerated.** Power plant receipts of natural gas in Texas decreased in November by 3.4% y/y, while coal receipts rose 12.6% y/y, reflecting switching towards coal at natural gas prices near \$4.00 per million Btu.

## Residential electricity prices



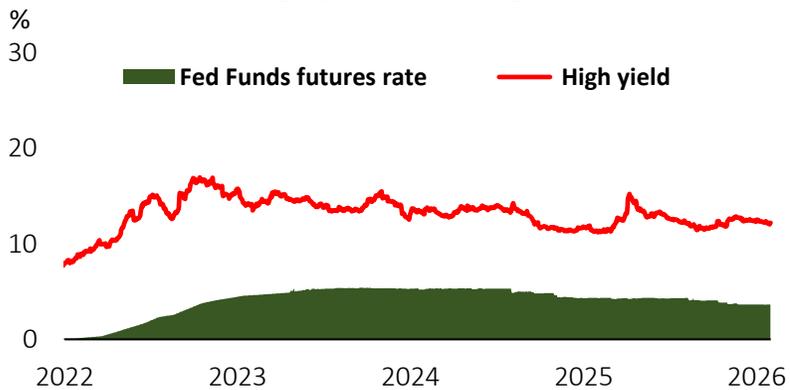
**Residential electricity prices remain elevated across the region.** Texas residential rates slipped in November (-0.4% m/m) but remained up 2.2% y/y at 16.04¢/kWh. Prices continued to climb more rapidly in neighboring states, rising 7.0% y/y in Louisiana and 9.5% y/y in New Mexico. Despite recent increases elsewhere, Louisiana's residential rates remain materially lower--about 21% below Texas levels.

## Consumer sentiment and spending trends



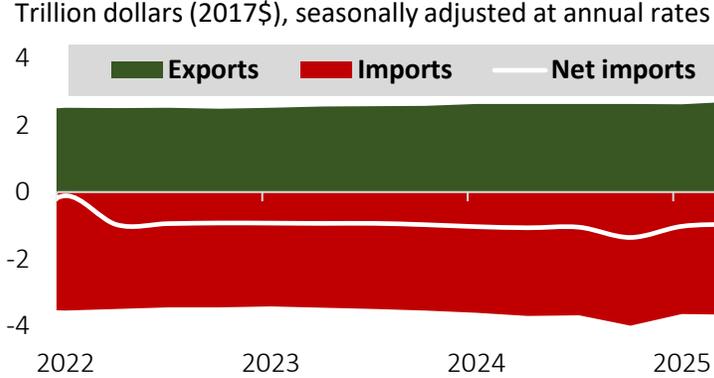
**Consumer sentiment edged up 2.1% m/m but remained 24.1% y/y lower.** January survey results showed weaker confidence among higher-income households and modest improvement among lower-income households—a shift that is net bearish for consumer spending, as higher-income households drive a disproportionate share of discretionary demand.

## Interest rates and high-yield borrowing costs



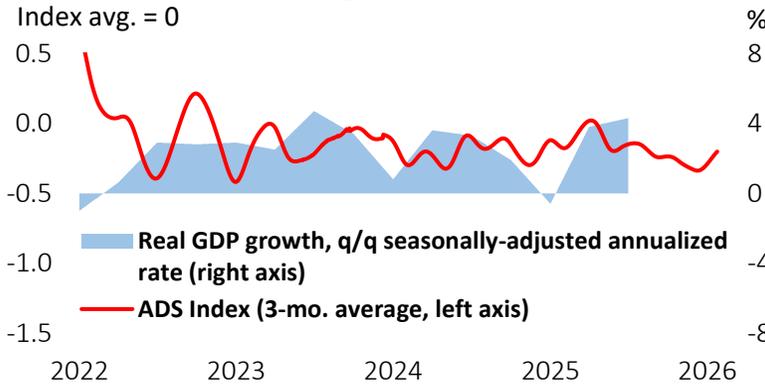
**Credit conditions for lower-quality issuers remained stable.** As of Jan. 30, high-yield borrowing costs held steady at 12.2% while Fed funds futures remained near 3.6%, implying an 8.6 percentage-point premium—in line with the post-2019 median.

## U.S. trade balance and petroleum exports



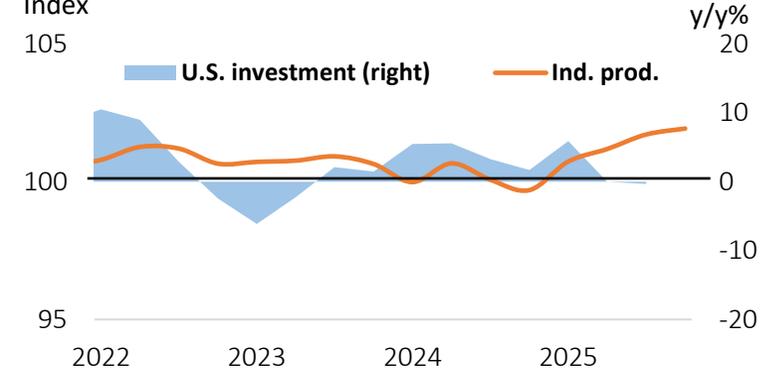
**Trade supported growth in Q3.** The U.S. trade deficit narrowed to an annualized \$0.96 trillion—more than one-third of GDP growth—helped by a rising petroleum trade surplus that partially offset softer domestic demand.

## ADS Index and real GDP growth



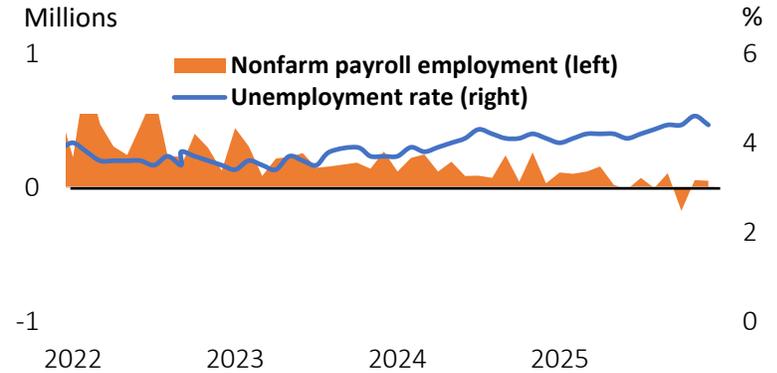
**Underlying momentum softened in Q4, with early signs of stabilization entering Q1.** Although the Philadelphia Fed's ADS Index weakened through Q4, it has recently stabilized and edged higher, suggesting a modest pickup in activity entering Q1.

## Industrial production and investment



**Industrial production firmed while investment remained constrained by uncertainty.** Industrial production rose 2.0% y/y in December, supported by sustained output growth and solid capacity utilization (76.3%, up 0.2 pp m/m). However, BEA data show economy-wide investment was flat q/q in Q3, reflecting continued caution amid elevated macro and policy uncertainty despite improving production conditions.

## Employment and unemployment trends



**Labor market conditions remained muted.** Payrolls rose 50,000 in December, while the unemployment rate fell 0.2 percentage points to 4.4%.

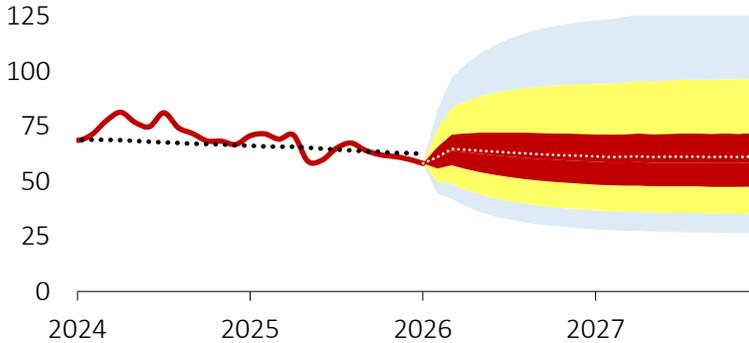


# Geopolitics drove an upside break in oil prices; market structure remains balanced



## WTI futures mean reversion analysis

Dollars per barrel (2025\$)



Prices firmed but remain consistent with long-run mean reversion, with no clear evidence of structural mispricing.

## WTI crude prompt month futures prices

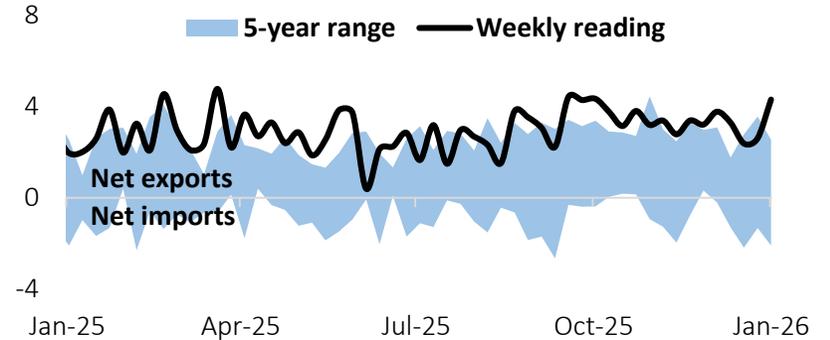
Dollars per barrel



WTI crude prompt-month futures prices. WTI rose to \$65.87/bbl (+7.9% w/w) as of January 30, driven primarily by a renewed geopolitical risk premium tied to escalating Iran-related tensions, following several weeks of range-bound trading.

## U.S. petroleum net exports (imports)

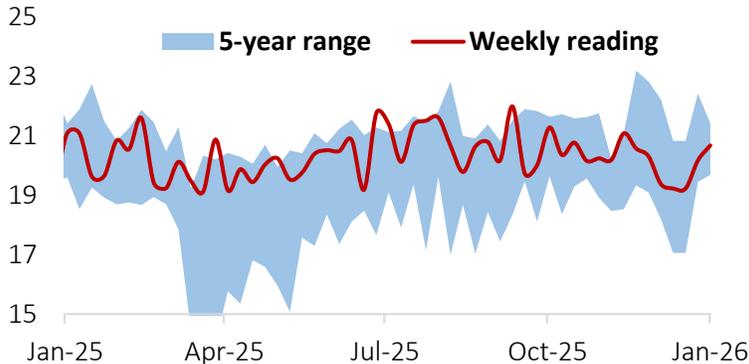
Million barrels per day, mb/d



U.S. petroleum net exports rose to 4.3 mb/d for the week ended January 23, up 1.7 mb/d w/w and 38% above the 5-year range.

## U.S. petroleum demand

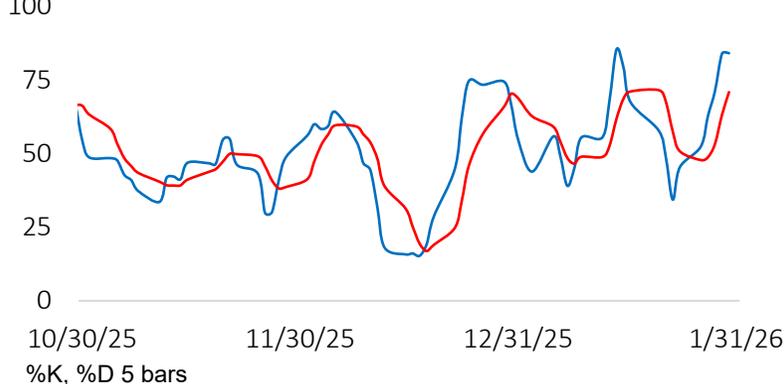
Million barrels per day (mb/d)



U.S. petroleum demand rose to 20.7 mb/d for the week ended January 23, up 0.5 mb/d w/w, placing deliveries in the middle of the five-year range.

## WTI futures momentum indicator

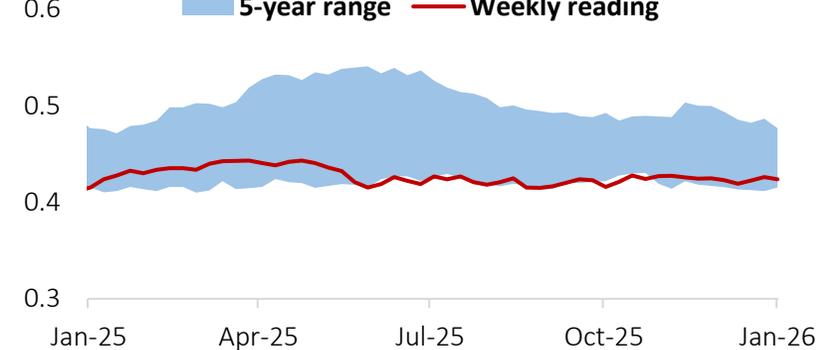
Index level



Momentum turned decisively positive mid-week but moderated into the January 30 close, suggesting improving near-term price strength tempered by market caution ahead of further geopolitical clarity.

## U.S. crude oil inventories (excluding the SPR)

Billion barrels



U.S. crude oil inventories fell 2.3 million barrels in the week ended January 23 and remained in the bottom 20% of the five-year range.

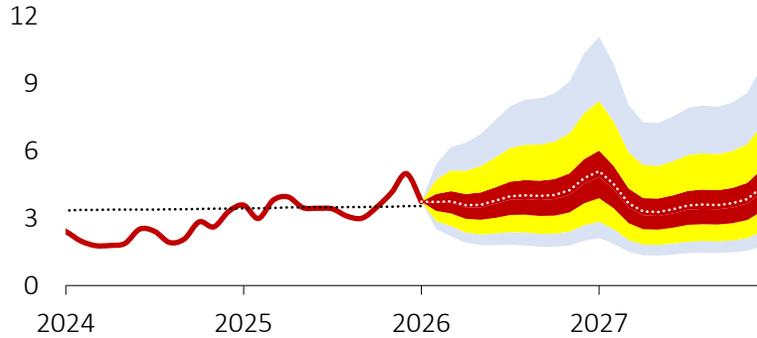


# Near-term natural gas prices softened, but structural demand and export growth skew risks toward upside volatility



## Natural gas futures mean reversion analysis

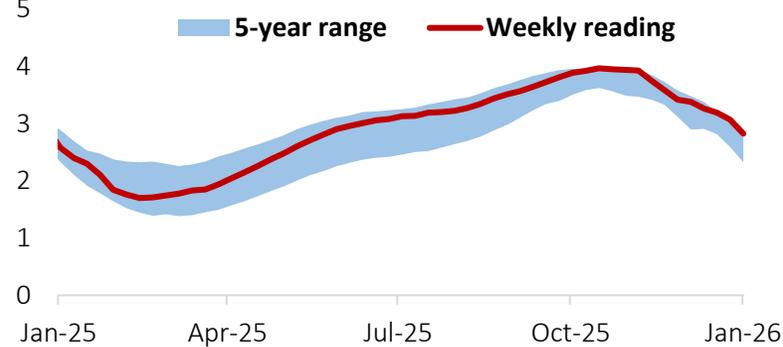
Dollars per MMBtu (2025\$)



Near-term natural gas futures have retraced and are now broadly aligned with the historical mean-reversion threshold, indicating that recent volatility reflected temporary shocks rather than a sustained shift in fundamentals.

## Working natural gas storage

Trillion cubic feet (tcf)



Working natural gas storage declined 7.9% w/w to 2.82 tcf as of January 23 and but remained in the top 10% of the five-year range.

## Natural gas prompt month futures prices

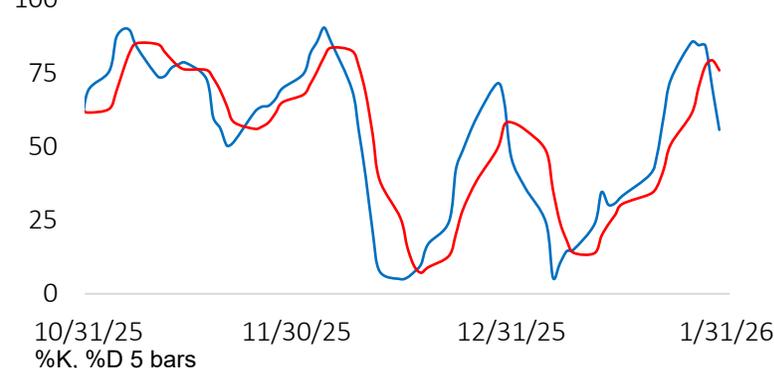
Dollars per million Btu



Natural gas prices declined following Winter Storm Fern, with prompt-month futures falling 17.0% to \$4.38/MMBtu as of January 30, reflecting a rapid unwind of storm-driven risk premiums and contract roll to March 2026 delivery.

## Natural gas futures momentum indicator

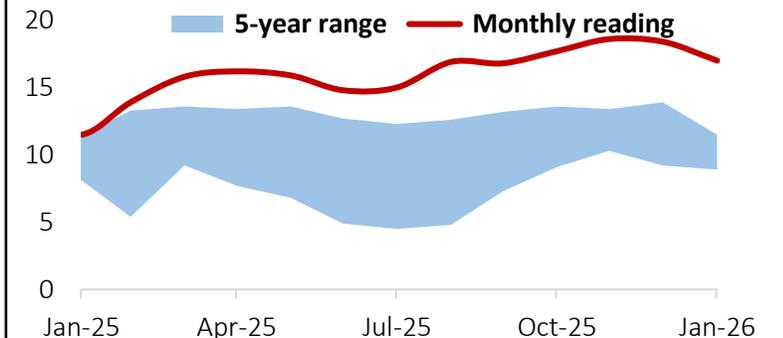
Index level



Momentum peaked during the storm-driven price spike and turned decisively lower late in the week, confirming a loss of near-term price support as weather-related risks faded.

## U.S. natural gas net exports

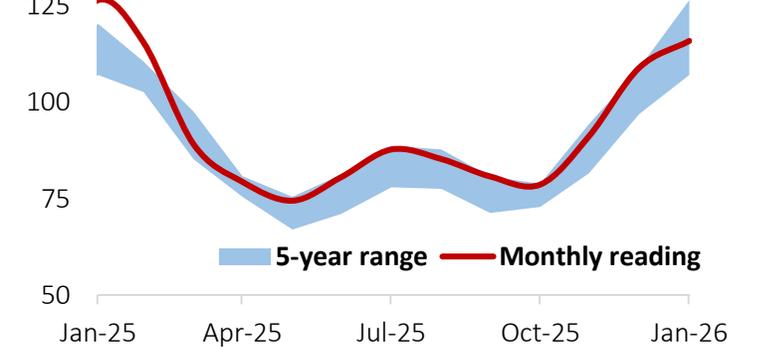
Billion cubic feet per day, bcf/d



U.S. natural gas net exports rose 47.8% y/y to 17.0 bcf/d in January, per EIA estimates, underscoring LNG exports' growing structural role in tightening the U.S. gas balance.

## U.S. natural gas consumption

Billion cubic feet per day, bcf/d



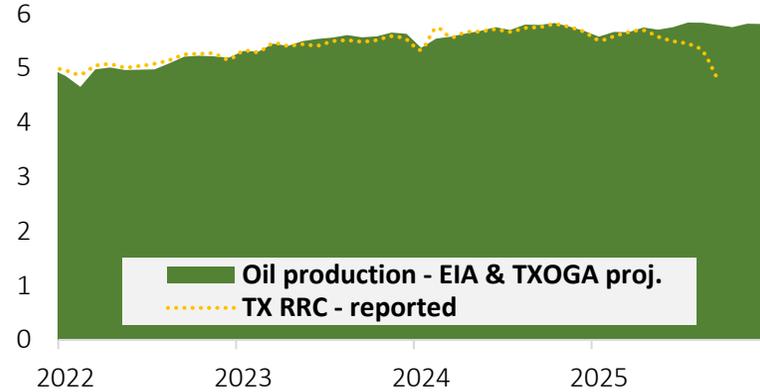
U.S. natural gas consumption rose to 116 bcf/d in January, per EIA estimates, reflecting seasonal normalization and continued strength in power and industrial demand.



# Texas oil and natural gas production remained strong through year-end 2025, driven by productivity gains rather than higher drilling activity

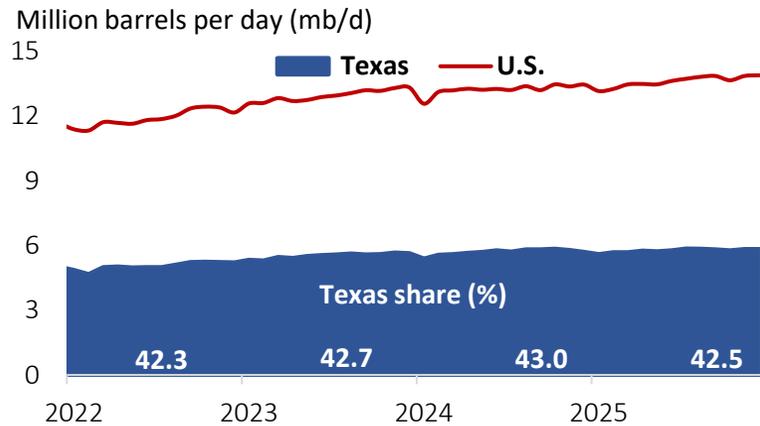


**Texas crude oil production, Jan. 2022 – Dec. 2025**



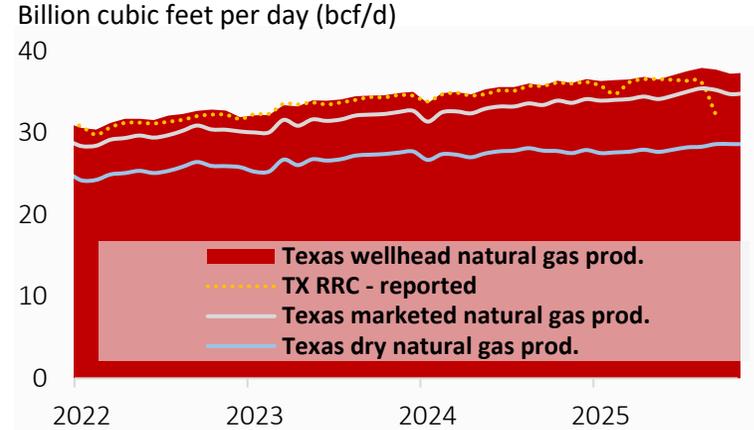
**Record annual crude oil production (5.75 mb/d).** Texas output held near record highs through late 2025, with EIA data showing 5.8 mb/d in October and TXOGA estimates indicating production remained near that level through December.

**U.S. and Texas crude oil production, Jan. 2022 – Dec. 2025**



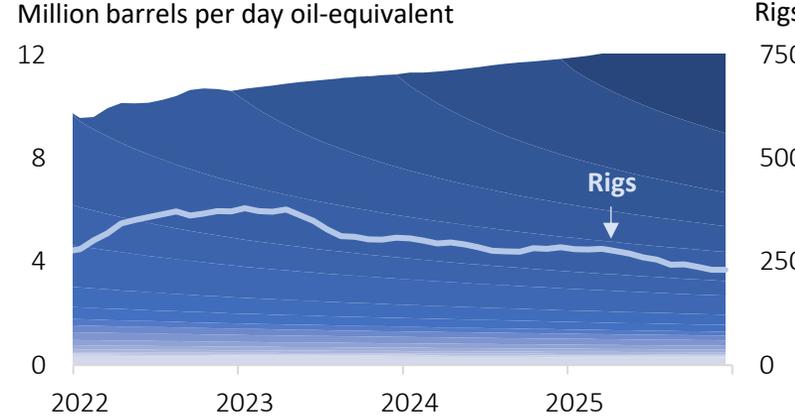
**Texas share of U.S. production.** Texas accounted for nearly 43% of total U.S. crude oil production in 2025.

**Texas natural gas production, Jan. 2022 – Dec. 2025**



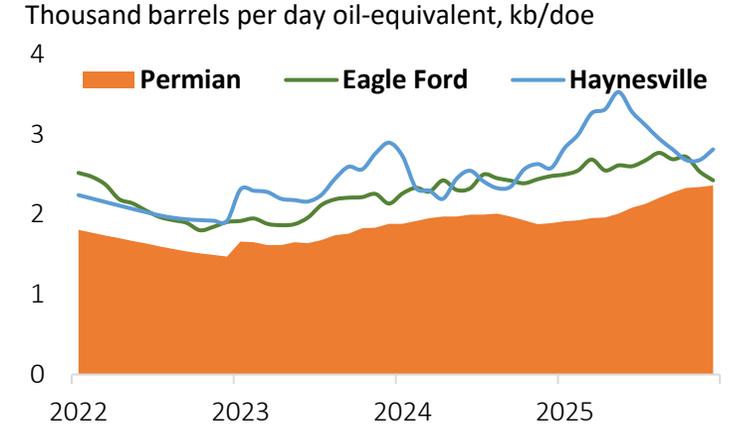
**Natural gas production remained near record levels through late 2025.** Texas produced 34.8 bcf/d of marketed natural gas in October (EIA), with output estimated to have risen to 34.9 bcf/d in December, underscoring continued resilience despite lower prices.

**Texas shale basin wellhead oil & natural gas production**



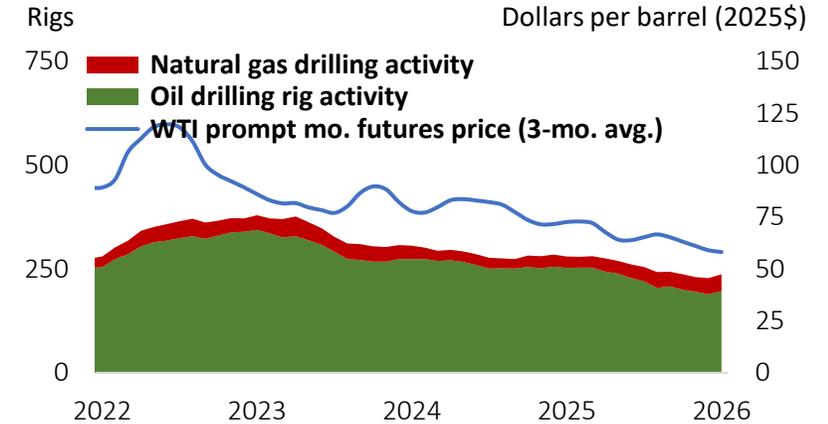
EIA estimates show continued production growth across major Texas shale basins in December 2025, including the Permian (+4.7% y/y), Haynesville (+8.5% y/y), and Eagle Ford (+3.5% y/y).

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



EIA estimates that rig productivity continued to improve in the Permian (+25.1% y/y) and Haynesville (+9.1% y/y) but slipped 2.2% y/y in the Eagle Ford.

**Texas drilling activity and WTI crude oil futures prices**

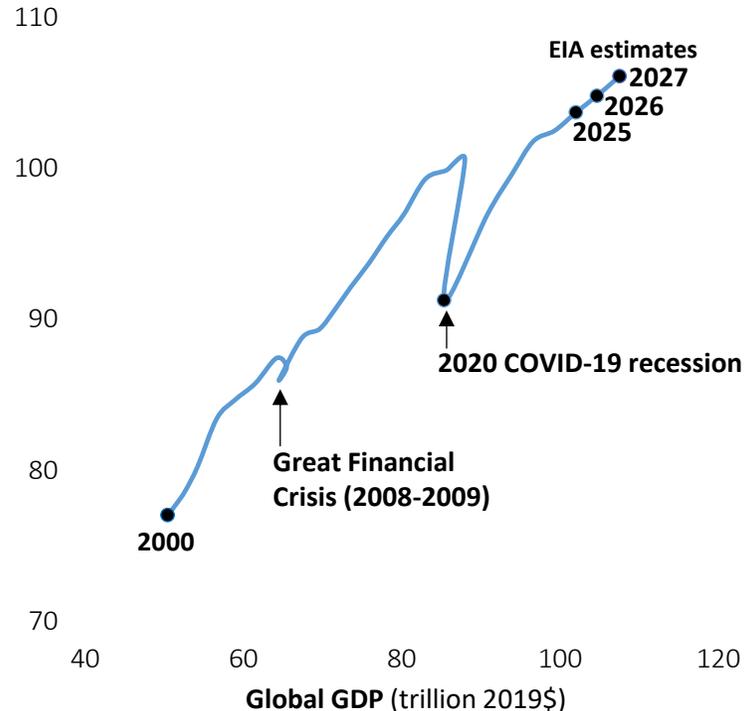


**Drilling activity continued to ease alongside lower prices.** As of January 30, Texas operated 184 oil-directed rigs (down 2 rigs w/w) and 41 gas-directed rigs (unchanged w/w), highlighting how productivity gains are sustaining production.

- **Global oil demand moderates but remains resilient.** EIA trimmed its demand outlook by 0.2 mb/d to 103.7 mb/d in 2025 and 0.4 mb/d to 104.8 mb/d in 2026, while extending projections to 106.1 mb/d in 2027--consistent with continued GDP-linked consumption growth.
- **Supply growth peaks in 2026 before easing, reducing, but not eliminating, oversupply.** Global supply growth was revised up 0.2 mb/d to +1.4 mb/d in 2026, led by non-OPEC producers, but is projected to slow to +0.5 mb/d in 2027, including a 0.3 mb/d decline in U.S. output.
- **EIA assumes surplus conditions persist despite slower supply growth.** Even with a narrower oversupply, EIA projects Brent prices to drift lower--averaging \$56/bbl in 2026 and \$54/bbl in 2027, versus roughly \$63/bbl currently--implying continued inventory builds and limited price support.
- **EIA's price path contrasts with market expectations.** WTI futures remain above \$58/bbl through the remainder of 2026 and across 2027, suggesting markets place greater weight on supply discipline, productivity gains, or demand resilience than reflected in EIA's outlook.
- **Implication: productivity assumptions matter.** The projected U.S. production decline runs counter to recent productivity trends, underscoring the importance of closely tracking realized well performance, efficiency gains, and cost dynamics as the outlook evolves.

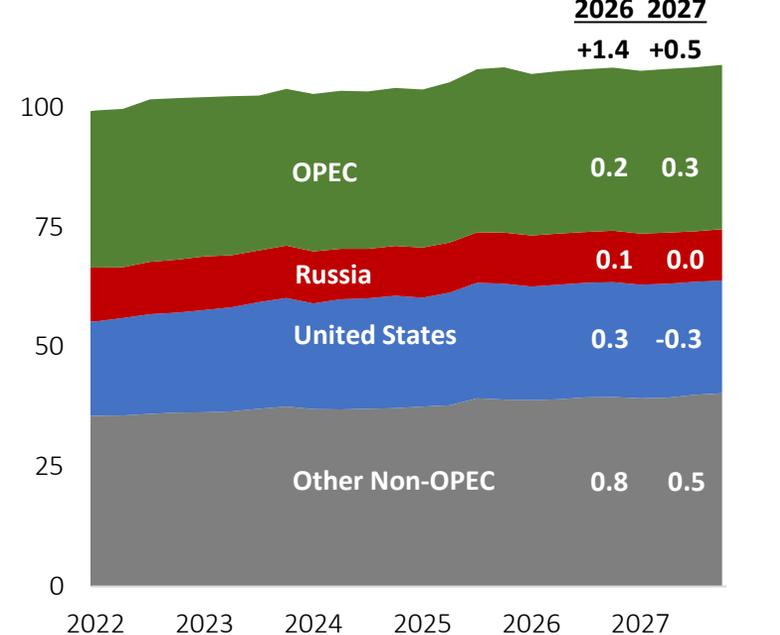
## Global oil demand vs. GDP

Global oil demand (million barrels per day, mb/d)



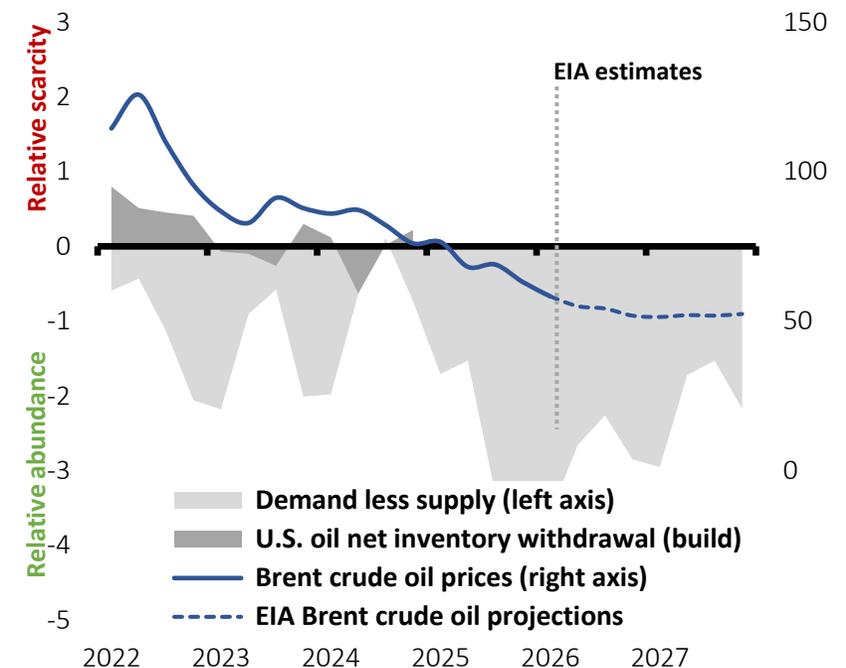
## Oil production by country/region

Oil production by country/region  
 Million barrels per day, mb/d



## Global demand/supply & Brent prices

Global demand/supply & Brent prices  
 Million barrels per day (mb/d)



## TXOGA Economic Insights

TXOGA's economic insights serve as a vital reference for our members as well as those who are interested in understanding data which tell the story of what's happening with the economy as well as oil and gas markets at the Texas, U.S. and global levels.

**Dr. R. Dean Foreman**

*Chief Economist, Texas Oil & Gas Association*

@ dforeman@txoga.org

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