Q4-2025 …THE STORY IS NATURAL GAS

Natural Gas

U.S. upstream energy is experiencing a steady gas boom with acceleration in 2026. Current gas well development has averaged over 120 rigs since July 25, 2025, following strong U.S. LNG vessel export growth of natural gas feedstock. U.S. administration executive order(s) eliminating climate agenda mandates and Paris Climate Accord participation are fueling U.S. natural gas expansion. Strong EU LNG demand is present. The EU seeks to eliminate all Russian pipeline gas imports by late 2027. The Russian-Ukraine conflict continues.

Robust construction of new natural gas-fired power plants for data center/AI electricity demand and strong seasonal heating needs from *La Niña* polar weather patterns are present. Record natural gas consumption and production are noted in 2025.

The new year offers promising economic growth for expanding clean fossil fuel usage. The Federal 2026 tax code allows first-year expensing of equipment purchases and other capital investment. Expensing replaces depreciation schedules. Tangible drilling cost depreciation/amortization will be no more. All energy drilling, plant equipment, facilities and more can be expensed in year one. Check with your tax planner for new 2026 tax rule implementations.

Reshoring U.S. manufacturing and industrialization brings additional energy requirements. Significant interstate and intrastate pipeline construction is underway. Most notable are West Texas projects connecting gas production to Henry-Hub markets including the Hugh Brinson Pipeline (Waha to DFW), DeLa Express and proposed Eiger Express. A separate energy report on midstream buildout will be published on *www.sipes.org* in early 2026.

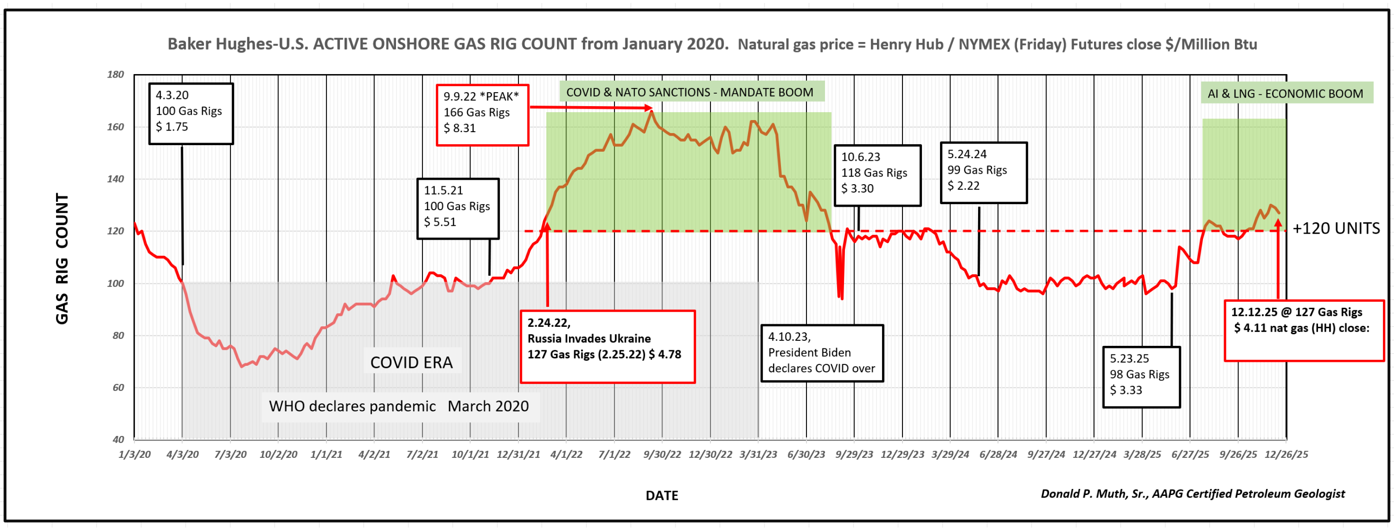

Figure 1. Gas Rig Count. Rig count over 120 notes drilling boom

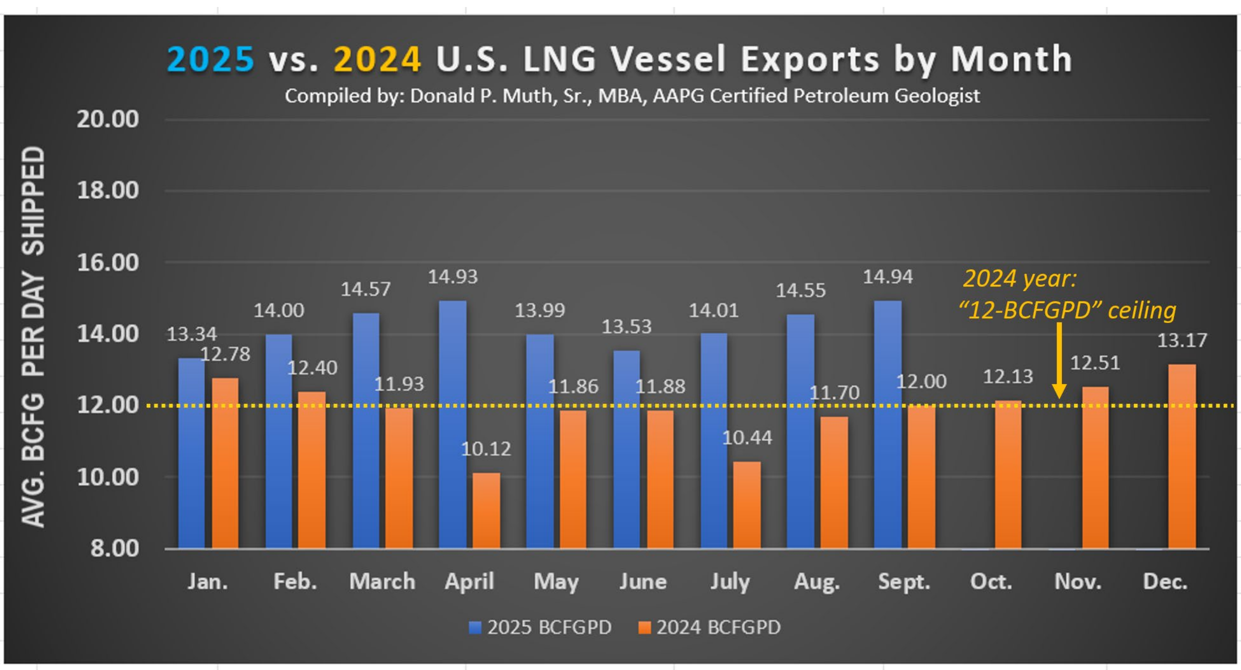

Figure 2. U.S. LNG Exports are no longer restrained by climate agenda objectives.

December 2025 Natural Gas Pricing

Friday's (12.12.25) natural gas (HH) price close of $4.11/Million Btu from the previous Friday price of $5.29 (12.5.25) was the result of traders buying/withdrawing the first significant storage gas volume of the 2025-2026 heating season. Supply shortages remain. Market demand was met by storage withdraw. Another strong storage withdraw likely will be noted on Thursday's (12.18.25) data release from https://lnkd.in/gkPH9w_J.

The futures contract $1.18 price decline was the result of 177 BCF of gas withdraw over the previous week. Each 37.48 BCF of withdrawn gas reduced NYMEX prices by $.25/Million Btu, by linear metric. However, pricing and withdraw may follow an exponential relationship. Traders were actively selling future contract delivery to meet last week's strong gas demand, a market pricing event called "backwardation".

Traders had favorable margins and likely withdrew too much. This week's price movement (12.15.25) will provide insights. Continued natural gas (HH) price reduction during regional freeze is indicative of large storage withdraw. The U.S. strong winter freeze continues into mid-week (12.16) before temporary warming. Storage withdraw will contain natural gas prices for only so long before prices climb back above +$4.00.

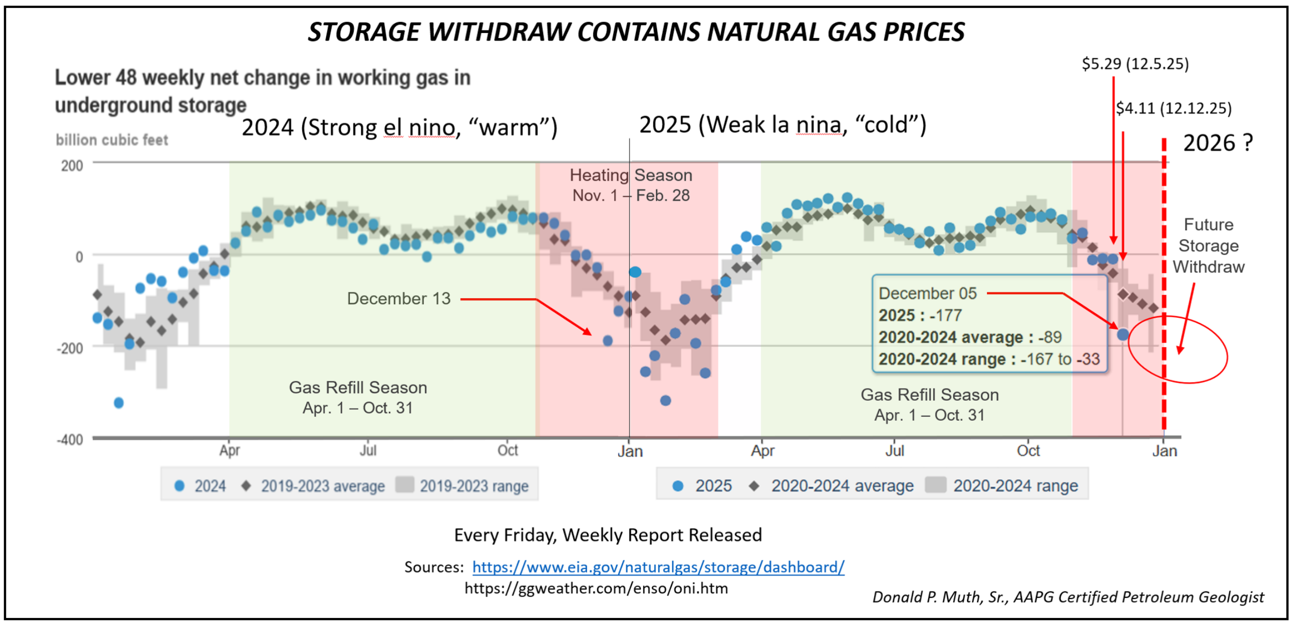

Figure 3. Natural gas pricing. Backwardation trading present with tight supply. Watch storage withdraw.

Crude Oil-WTI

World economic growth/transportation demand is weak. U.S. upstream oil development in Q4-2025 was depressed as per Figure 4. A review of 2025 WTI-crude oil prices (Figure 5) note almost a 27% decline in WTI-prices using a January 2025 price of $78.82 and December's trade price of $57. The U.S. dollar has been strong against other currencies through 2025 making dollar-priced oil more expensive. Falling U.S. Fed interest rates will slowly weaken the dollar. Additional U.S. interest rate reduction is required to increase oil demand. Reminder, an inverse relationship between oil prices and the U.S. dollar strength index is present. Crude oil and commodities are priced in U.S. dollars. A strong dollar discourages oil demand/purchases.

The active rig count chart is dominated by oil development. Falling oil prices decrease capital spending and drilling. WTI prices below $65.00/Bbl are unattractive. Crude oil prices below $59.00 are generally uneconomical for horizontal drilling. However, shallow, multi-well conventional drilling requiring less pipe, smaller stimulation costs and having excellent recovery rates remain attractive to independents. 2026 offers favorable tax-incentives for oil natural gas drilling ventures never seen before with the elimination of tangible depreciation costs.

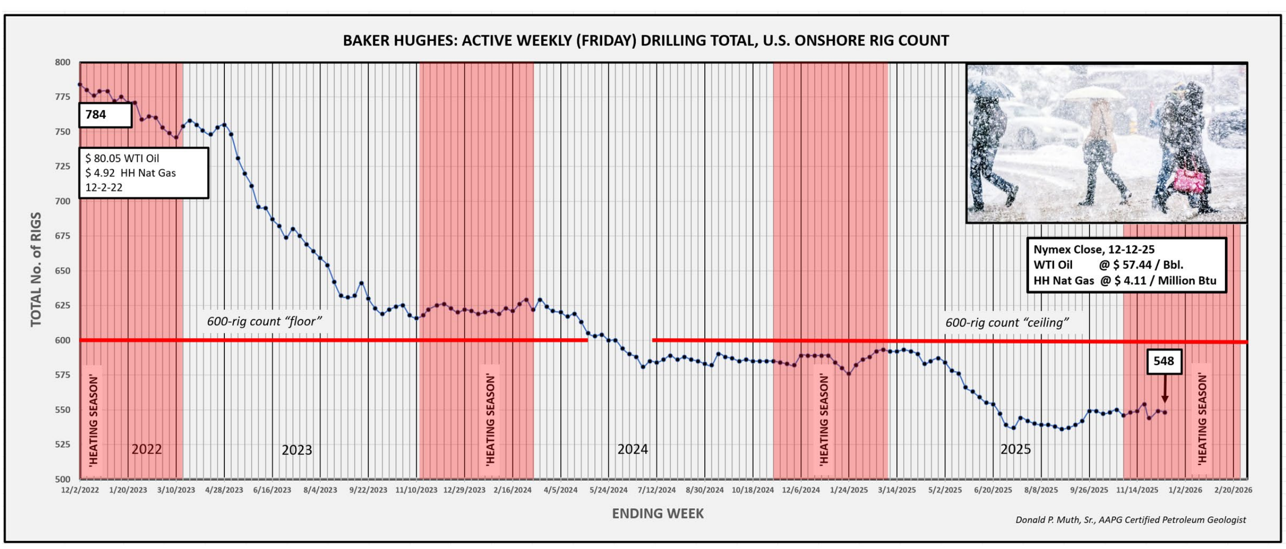

Figure 4. Total U.S. Onshore Rig Count

Figure 5. 2025 WTI-crude oil price history as of 12.15.25

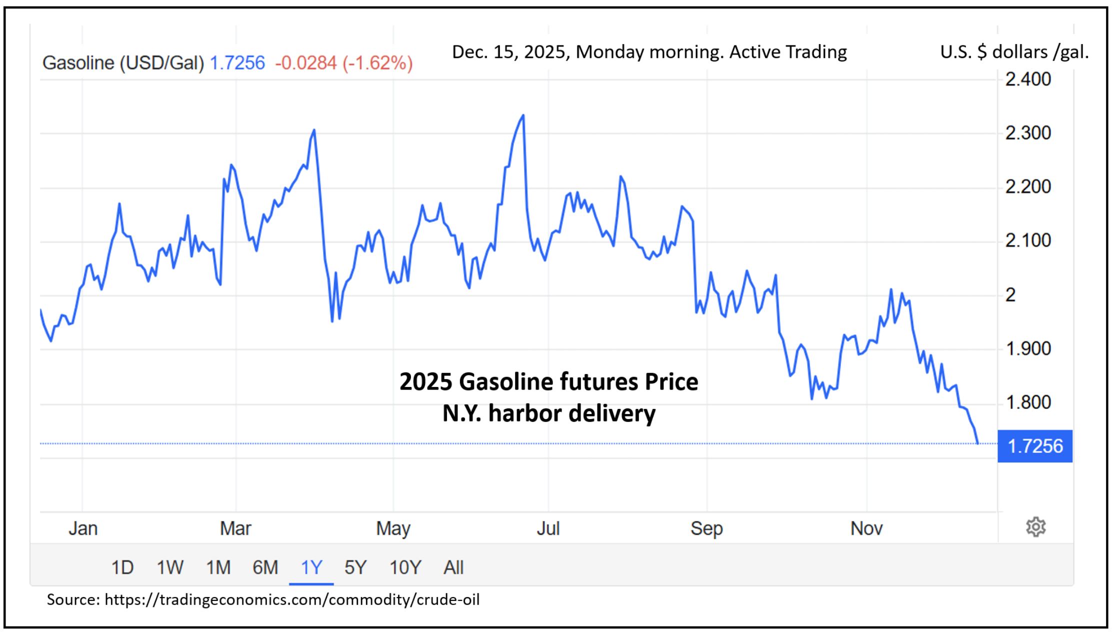

Figure 6. 2025 gasoline price history as of 12.15.25. Low crude oil prices are reflected in more affordable gasoline transportation prices. Transportation and production costs are decreasing with lower gasoline prices.

Conclusion

The new year is weeks away. The Quarterly SIPES Energy report has weekly updates published at *www.sipes.org.* Advertising and sponsorship on the Energy Report/website are requested. SIPES membership is encouraged to visit: *https://www.sipes.org*

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