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Taxpayers Lost Millions from Broken Oil & Gas Policies in Colorado

Staggering Taxpayers Loses in Colorado under Outdated Federal Leasing System Emphasize Need for Reform

(Washington, DC) – Federal and Colorado taxpayers have lost $838 million in revenue over the last decade due to outdated rules governing oil and gas drilling, according to a new report. The report's author, Taxpayers for Common Sense, a national nonpartisan budget watchdog, asserts that below-market fees and generous leasing terms have favored the industry, costing taxpayers millions of dollars and leaving them to shoulder mounting cleanup liabilities.

"Taxpayers entrust the federal government to manage federal land in Colorado and throughout the nation in a manner that maximizes its value, ensures a fair return on resources, and safeguards against long-term fiscal and environmental liabilities. A decade of oil and gas leasing in Colorado reveals the federal government's failure to uphold these principles," states the report, "Losing on Leasing II: Oil and Gas Development on Federal Lands Costs Colorado."

The report details how taxpayers received $1.6 billion in royalties from oil, gas, and natural gas sales in Colorado between FY2013-2022. The royalty rate applied over this period – 12.5% – was significantly less than that charged on adjacent state land in Colorado (16.67% until August 2017, 20% afterward). Had a royalty of 18.75% been imposed, federal and Colorado taxpayers would have seen an additional $811 million in revenue. Furthermore, an annual inflation adjustment in rental fees would have garnered taxpayers an extra $25 million in revenue.

The current federal bonding policies, designed to ensure well cleanup after production ends, have exacerbated a growing orphaned well crisis in Colorado. Taxpayers for Common Sense's estimates indicate that currently producing wells on federal land in Colorado entail $387 million in potential taxpayer reclamation liabilities, $371 million more than what operators have paid in bonds.

Autumn Hanna, Vice President of Taxpayers for Common Sense, emphasizes the report's critical findings: "The report highlights the substantial fiscal losses borne by taxpayers due to inconsistent and outdated leasing regulations in the oil and gas industry on federal lands in Colorado. The differences in royalty rates, insufficient inflation adjustments for rental rates, inadequate federal bonding requirements, and the lack of a proper royalty on lost gas collectively contribute to significant financial shortfalls."

The Department of the Interior's Bureau of Land Management recently proposed a rule that would update these policies. The proposal includes fiscal reforms to the onshore oil and gas leasing system, along with other changes affecting leasing, development, and production. The report's release coincides with an informational meeting in Denver, Colorado, on the proposed rule.

Many of the reforms included in the proposed rule have been long championed by Colorado policymakers. In recent years, Senators Michael Bennet (D-CO) and John Hickenlooper (D-CO) have both introduced legislation aimed at modernizing and upgrading the federal leasing program. Sen. Bennet's proposal to increase federal bonding rates is included in the Bureau of

Land Management's proposed rule. Sen. Hickenlooper's proposal to eliminate noncompetitive leasing was implemented as part of the FY2022 budget reconciliation bill and would also be codified in the proposed rule. These efforts aim to enhance taxpayer returns, protect taxpayers from shouldering the oil and gas industry's liabilities, and further reduce speculative leasing.

Hanna concludes: "There is an immediate and pressing need to finalize changes to the existing leasing system. The extensive losses underscore the urgent need for action to not only protect taxpayers' fiscal interests but also to foster responsible resource management and adherence to environmental stewardship. This alignment is likely to have minimal impact on production while delivering substantial benefits to taxpayers who have been burdened by outdated regulations for far too long. The time to act is now. It's just common sense."

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