TAXPAYERS for COMMON SENSE

Analysis

Federal Onshore Oil & Gas Leasing:

2023 Year in Review

The Bureau of Land Management (BLM), under the Department of the Interior (DOI), is responsible for the management of taxpayer-owned oil and gas resources in the federal onshore mineral estate. To develop these resources, BLM auctions leases to private entities.

As the steward of taxpayer-owned mineral rights, the BLM has the responsibility to ensure taxpayers receive fair compensation when leasing public lands for development. Recent reforms have helped to update century old leasing practices, but taxpayers still lose on low bonding rates and below-market-rate royalty rates compared to rates charged in federal waters and rates many states impose, resulting in less revenue.

In 2023, BLM held thirteen onshore oil and gas lease sales across nine states – Kansas, Louisiana, Michigan, Nevada, New Mexico, North Dakota, Oklahoma, Utah, and Wyoming. Across all sales, BLM offered a combined 293,575 acres of federal land for oil and gas development. BLM leased a total of 161,380 acres, just over half of the acreage offered.

2023 Federal Oil and Gas Lease Sales by Date

State	Date of Sale	Acres Offered	Acres Sold
Kansas	May 25, 2023	6,844	5,317
New Mexico	May 25, 2023	3,279	3,279
North Dakota	June 27, 2023	5,672	5,672
Wyoming	June 28-29, 2023	127,015	69,149
Louisiana	June 29, 2023	89	89
Michigan	June 29, 2023	40	40
Nevada	July 25, 2023	4,720	-
Wyoming	September 6, 2023	67,183	35,701
North Dakota	September 12, 2023	8,062	8,062
Utah	September 26, 2023	26,854	6,810
Wyoming	November 28, 2023	35,354	21,495
New Mexico	November 30, 2023	434	434
Oklahoma	November 30, 2023	120	120
Nevada	December 5, 2023	3,498	800
North Dakota	December 5, 2023	3,651	3,651
Utah	December 12, 2023	761	761
Total		**293,575**	**161,380**

Note: Totals may not sum exactly due to rounding.

Lease results varied depending on the location of the sale. In New Mexico and North Dakota, where there is significant oil production on federal lands, every parcel offered in each individual sale received a bid. In Nevada, where there's little oil and gas development and little potential for future production, one sale offering nearly 5,000 acres received zero bids. The associated bid revenue also varied widely between states. The average bid in Nevada, $10/acre, was more than a thousand times less than the average bid in New Mexico, $27,232/acre.

2023 Federal Oil and Gas Lease Sales by State

State	Number of Sales	Acres	Acres Sold	% Acres Sold	Avg. Bid per Acre
Kansas	1	6,844	5,317	78%	$13.32
Louisiana	1	89	89	100%	$2,503.54
Michigan	1	40	40	100%	$14.00
Nevada	2	8,218	800	10%	$10.00
New Mexico	2	3,713	3,713	100%	$27,231.57
North Dakota	3	17,384	17,384	100%	$1,446.44
Oklahoma	1	120	120	100%	$1,200.33
Utah	2	27,615	7,571	27%	$20.87
Wyoming	3	229,551	126,345	55%	$245.24
Total		**293,575**	**161,380**	**55%**	**$978/acre**

Note: Totals may not sum exactly due to rounding

In 2023, 13 lease sales were held in nine states. Results of the oil and gas lease sales varied by state. Highlights below:

Wyoming - Wyoming has the most federal acres leased for oil and gas development in the country and is one of the largest producers of federal oil and gas. While Wyoming had the most land leased for oil and gas development this year, the sales raised little revenue due to low bids. The 126,000 acres leased in Wyoming in 2023 account for more than 75% of all acreage leased in the United States, but only 20% of total bid revenue. The average bid per acre across all sales in Wyoming was $245/acre. This is far lower than the average across the country this year, which would have been $3,621/acre excluding Wyoming.

North Dakota - North Dakota was the third largest producer of federal oil and fifth largest producer of federal gas over the last decade. In 2023, North Dakota had the second most federal land leased for oil and gas development, more than 17,000 acres. All three lease auctions received bids on every available acre and had a high average bid of approximately $1,446/acre.

New Mexico - New Mexico was the largest producer of federal oil and second largest producer of federal gas over the last decade. Oil and gas lease sales in New Mexico in 2023 were competitive; every acre offered received a bid. This year, New Mexico saw its highest bid per acre on a single parcel ($134,001/acre) and its highest average bid per acre across all sales ($27,232/acre) in more than 15 years.

Utah – In Utah, oil and gas lease sales received little industry interest. Nearly 28,000 acres were made available for oil and gas development, but only 7,500 acres received bids. The acres eventually leased received low bids, resulting in minimal revenue for state and federal taxpayers. 90% of the acres leased were sold at the minimum bid of $10/acre. This lack of industry interest is reflective of past trends in the state. Over the last decade, FY2013-2022, 54% of acres leased in the state were sold for less than $10/acre. Leases obtained for the minimum bid are less likely to enter production, therefore providing little financial return to taxpayers, and limiting the opportunity for other uses of the land.

Nevada - Nevada received the least industry interest across its two auctions, with the first sale receiving no bids and the second receiving bids on less than a quarter of the available acreage. Oil and gas production on federal land in Nevada has historically been low – since 1953 only 72 federal leases have entered production. Currently, only 4.7 percent of federal land leased for oil and gas development in Nevada is producing. When federal land is leased in areas with little oil and gas potential, taxpayers lose valuable royalty revenue and the valuable land is unavailable for other purposes.

Leasing Outlook for 2024

There are currently 12 lease sales announced for 2024. Taxpayers for Common Sense will continue oversight of agency lease sales and call for meaningful reforms to the onshore leasing program.

As public lands owners and stakeholders, taxpayers deserve a fair return for resource development and protection from long term liabilities created by oil and gas leasing.