IT IS TIME FOR A FAIR RETURN FOR OUR OIL AND GAS RESOURCES

PROTECT AMERICAN TAXPAYERS:

OPPOSE H.R. 6009

March 19, 2024

Dear Member of Congress,

On behalf of Taxpayers for Common Sense Action, I am writing to express our concerns with efforts to repeal the Bureau of Land Management's proposed oil and gas leasing rule. The rule, which has yet to be finalized, includes important fiscal leasing reforms already passed by Congress and updates to bonding rates which have not been updated since the 1960s.

To protect taxpayers, we urge you to **oppose H.R. 6009** which seeks to withdraw the proposed oil and gas leasing rule and would prevent the Department of the Interior from addressing long-standing issues with the federal oil and gas leasing system, which have resulted in significant losses for taxpayers over the years.

For decades, the federal oil and gas leasing system has failed to ensure that taxpayers receive a fair return from the development of federally owned resources. This has been due to outdated leasing processes, below-market fees, and insufficient bonding requirements, which have not only deprived taxpayers of potential revenue but also left them with growing financial liabilities.

In 2022, Congress passed a suite of fiscal reforms to the federal onshore oil and gas leasing system. The proposed rule represents a critical step forward by addressing decades-old bonding requirements, focusing federal resources for oil and gas leasing in areas that will yield the greatest results for taxpayers, and codifying the reforms passed by Congress. These changes are essential to ensure that taxpayers are not left with costly liabilities from orphaned wells and to guarantee a fair return from the development of federally owned resources.

Oil and gas leasing reforms are crucial for increasing revenue for taxpayers and reducing liabilities from orphaned wells. The proposed rule would codify reforms to the century-old royalty rate, adjust rental rates for inflation, increase the outdated minimum bid, create a new expression of interest fee to limit speculation, and eliminate noncompetitive leasing.

The federal and state governments in the United States have historically applied different royalty rates for oil and gas production on their lands, leading to a significant disparity in the revenue collected from these natural resources. Federal lands have traditionally charged a royalty rate of 12.5 percent, a figure that has remained unchanged for over a century. In contrast, states with substantial oil and gas production often impose higher royalty rates, reflecting market conditions and efforts to secure a fair return for their resources. For instance, Texas charges a royalty rate of 20-25 percent, while New Mexico imposes rates between 18.75 percent and 20 percent. Other states like Colorado, Montana, North Dakota, Oklahoma, Utah, and Wyoming have set their royalty rates at levels ranging from 16.67 percent to 20 percent, significantly higher than the federal rate.

This discrepancy has led to the federal government and, by extension, American taxpayers, not receiving a fair return for oil and gas production on federal lands. The lower federal royalty rates, when compared to those of state lands, have resulted in billions of dollars in lost revenue over the years. For example, our research indicates the federal government would have collected up to $13.1 billion in revenue from oil and gas drilling on federal lands from FY2012 through FY2021 had the more appropriate rate of 18.75 percent been charged.[1] Moreover, there is little evidence to support the claim that increasing the federal onshore royalty rate would drive developers away or reduce overall revenues, especially in states that already charge a higher royalty rate on nearby state land. And as seen in states like Colorado and Texas, increases in state royalty rates did not significantly affect production on state lands.

The federal government and taxpayers have lost billions of dollars in potential revenue from outdated and below-market oil and gas leasing terms. Implementing the proposed rule will protect taxpayers from potentially $6.15 billion in reclamation costs from currently producible but under-bonded wells on federal land.[2] It is also important to note that taxpayers in states with both high and low levels of oil and gas production will benefit from these reforms.

The United States has firmly established itself as the world's largest producer of oil and gas, a position it has held since 2018. The U.S. has not only maintained this lead but also set a global record by producing an average of 12.9 million barrels of crude oil per day in 2023, with production peaking at over 13.3 million barrels per day in December 2023.[3] The U.S.'s position as a leading producer is supported by its vast reserves, advanced extraction technologies, and a well-established, highly profitable industry that has long been subsidized and is capable of adapting to regulatory changes. The updates proposed by the Bureau of Land Management will bolster revenue from federal lands without jeopardizing the country's unmatched production capacity.

The legislation to halt this rulemaking would undermine these necessary reforms and continue the federal government's failure to secure a fair return for taxpayers. It would also leave taxpayers vulnerable to the future liabilities associated with orphaned wells. Halting the implementation of "Fluid Mineral Leases and Leasing Process" is fiscally irresponsible.

We urge you to oppose H.R. 6009. We must modernize the federal oil and gas leasing system to ensure a fair return and protect American taxpayers from future financial liabilities.

Sincerely,

President

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[1] Taxpayers for Common Sense. "Royally Losing II." May 2022. https://www.taxpayer.net/wp-content/uploads/2022/05/TCS_Royally-Losing-II_May2022.pdf.

[2] Taxpayers for Common Sense. "Federal Oil & Gas Leasing Reform Will Benefit Taxpayers." March 2024. https://www.taxpayer.net/energy-natural-resources/federal-oil-gas-leasing-reform-will-benefit-taxpayers/

[3] U.S. Energy Information Administration. "United States produces more crude oil than any country, ever." March 2024. https://www.eia.gov/todayinenergy/detail.php?id=61545.