TAXPAYERS *for* COMMON SENSE

ANALYSIS

June 2025

Oil & Gas Speculation in Nevada Costs Taxpayers

Reinstating Noncompetitive Leasing and Reducing Royalties is Fiscally Reckless

Before Recent Updates Taxpayers Lost on Below-Market Royalties and Noncompetitive Leasing

6.2 million acres of federal land have been leased noncompetitively in Nevada since 2000

Of the 2,467 leases issued noncompetitively since 2000, **none** have ever produced oil or gas

In the decade before recent updates, outdated royalty rates cost taxpayers **$6.3 million** in lost revenue from federal oil and gas production in Nevada

The federal onshore oil and gas leasing system is legally required to ensure taxpayers are fairly compensated when private companies develop publicly owned natural resources in Nevada. Competitive leasing—where companies bid against each other for access to federal mineral rights—and fair royalty rates once production begins are central to achieving this goal.

But for years, a loophole allowed companies to bypass competition entirely by acquiring leases on federal lands in Nevada noncompetitively, often for little or no compensation. Royalty rates had lagged since 1920, further compromising fair returns for taxpayers on oil and gas production. Thankfully, Congress closed the noncompetitive leasing loophole in 2022 and updated the century-old royalty rate to 16.67%—bringing it in line with high oil- and gas-producing states like Texas and New Mexico. Now, the FY2025 budget reconciliation bill threatens to bring it back the loophole and slash the updated royalty rate.

Noncompetitive Leasing Hurts Nevadans

Prior to 2022, noncompetitive leasing—paired with low bids and no expression-of-interest fee—allowed speculators to snap up leases on federal lands with little cost and no intent to develop them. These entities often profited by reselling lease rights to production companies. In some cases, oil and gas companies obtained parcels solely to inflate their undeveloped acreage holdings, boosting their perceived development potential without actually drilling.

Noncompetitive leases are far less likely to enter production than competitive leases. Nationwide, only 1% of noncompetitive leases issued between FY2003 and FY2009 entered production within ten years.[1] Those that did accounted for just 1% of the royalties from all leases issued during that period. In total, noncompetitive leases generate significantly less revenue for taxpayers; a Government Accountability Office (GAO) analysis of 100,300 leases found that noncompetitive leases generated five times less revenue than noncompetitive ones—$52.80 per acre versus $259.87 per acre—between FY2003 and FY2019.[2]

For decades, vast acres of land were leased noncompetitively in Nevada—entities leasing the lands did not even have to pay the $2 per acre minimum bid to hold public land for a primary term of 10 years. The state accounts for 61% of all acres leased noncompetitively since 2000.[3] And of the 2,467 leases—encompassing 6.2 million acres—issued noncompetitively in Nevada since 2000, not a single one has ever entered production.[4] These nonproducing leases tie up public lands for decades and block other potential uses that could generate greater value for taxpayers, including recreation, conservation, and the development of alternative energy or mineral resources.

Reduced Royalties Will Undercut Revenue for Local Communities, States and Federal Taxpayers

Proposals to lower the onshore royalty rate from the current rate of 16.7% to the older, outdated rate of 12.5% would also keep valuable revenue from federal taxpayers and local communities. While production in Nevada is low, taxpayers would have earned an

---

[1] U.S. Government Accountability Office (GAO), "Oil and Gas: Onshore Competitive and Noncompetitive Lease Revenues," November 2020. https://www.gao.gov/assets/gao-21-138.pdf
[2] Ibid.
[3] Bureau of Land Management (BLM), Land & Mineral Legacy Rehost 2000 System (LR2000).
[4] Ibid.

additional $6.3 million in royalty revenue had the royalty rate been updated a decade earlier—and Nevadans stand to lose a similar amount if the update is reversed.[5]

Nationwide, the difference between the old 12.5% rate and the current 16.67% rate adds up fast. Over the last decade, taxpayers would have received an additional $1.5 billion *every year* if the fairer, updated rate had applied to all production.[6] That's money split between the federal government and states—money we'll lose again if the lower rate is reinstated.

Lack of Industry Interest Leaves Nevada Vulnerable

Oil and gas companies have shown little interest in drilling on federal lands in Nevada. Of the 22,141 leases issued in the state since 1953, only 72—just 0.3%—have ever entered production.[7] As of FY2024, only 5.7% of currently leased acreage was producing—well below the 56% national average, though the highest in Nevada in a decade.[8] Despite this poor track record, BLM continued issuing leases: nearly 961,000 acres between FY2015 and FY2024.[9]

Competitive lease auctions in the state rarely generate meaningful revenue for federal or state taxpayers. Between FY2015 and FY2024, only 8% of the acreage offered at competitive auction in Nevada was leased—well below the national average of 23%.[10] The average winning bid was just $4 per acre, compared to a national average of $328 per acre.[11] These consistently low participation and bid rates reflect a clear lack of industry interest.

That lack of industry interest leaves Nevada especially vulnerable to speculative leasing. Under the noncompetitive leasing process, parcels that receive no bids at auction are made available the next day for a flat fee of at least $75. If noncompetitive leasing is reinstated, millions of acres of federal land in Nevada could once again be scooped up for pennies by speculators with no intent to drill.

---

[5] Taxpayers for Common Sense (TCS), "Gaming the System II," July 2023. https://www.taxpayer.net/energy-natural-resources/gaming-the-system-ii/
[6] TCS, "Fair Royalty Rates Raise Revenue for American Taxpayers and Don't Discourage Oil and Gas Production," June 2025. https://www.taxpayer.net/energy-natural-resources/fair-royalty-rates-raise-revenue-for-american-taxpayers/
[7] BLM, Land & Mineral Legacy Rehost 2000 System (LR2000).
[8] BLM, "Oil and Gas Statistics." https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics
[9] Ibid.
[10] TCS calculation using federal competitive oil and gas lease sale results.
[11] Ibid.

The risks are amplified by other provisions in the FY2025 budget reconciliation bill that would require the BLM to offer larger tracts of land and mandate "replacement" sales when fewer than 25% of acres offered receive bids. Since 2009, only 16% of competitive lease sales in Nevada have met that threshold—meaning nearly every auction in the state could trigger a costly and wasteful do-over. [12]

Proposed Changes to Onshore Leasing Will Cost Taxpayers

In 2022, Congress enacted long-overdue updates to the federal leasing program: modernizing royalty and rental rates, raising minimum bids, and eliminating noncompetitive leasing. Undoing them would turn back the clock.

Reinstating noncompetitive leasing reopens a loophole that lets companies sidestep market forces, speculate on public lands, and shift the financial risks to taxpayers. Letting companies scoop up leases for a $75 filing fee after declining to bid at auction isn't a strategy for responsible energy development—it's a handout for the oil and gas industry.

Gutting the royalty rate back to the 1920s is just fiscally reckless and leaves valuable revenue on the table. It would hand oil and gas companies a subsidy as taxpayer expense—one that communities across the country can't afford. Cutting the rate means cutting the return on resources we all own.

Congress should reject these rollbacks that cost taxpayers and our communities that depend on oil and gas development to fund important priorities—and instead uphold the changes that finally brought the federal leasing system in line with fiscal common sense.

An oil pump sitting next to a body of water | Gerhard Crous via Unsplash

[12] Ibid.