June 28, 2025

SUPPORT EFFORTS TO MAINTAIN FAIR MARKET ROYALTY RATES AND CURTAIL SPECULATIVE OIL AND GAS LEASING TO BENEFIT ALL AMERICANS

Dear Senator,

As you begin consideration of the House-passed reconciliation bill—the One Big Beautiful Bill Act (OBBBA)—we urge you to maintain recent, commonsense reforms to the federal onshore oil and gas leasing program. Specifically, we urge you to uphold the current **16.67 percent royalty rate, the end of noncompetitive leasing, and the minimal expression of interest fee (EOIs)**. These updates are already delivering measurable benefits to American taxpayers, state governments, and communities near oil and gas operations. Preserving them is essential to ensuring a fair return, properly valuing public resources, and promoting responsible energy development.

The 2022 update to the federal royalty rate—from the century-old 12.5 percent set in 1920 to 16.67 percent in line with what states and private lands charge—and the elimination of noncompetitive leasing are projected to generate **$12.7 billion** in revenue for federal and state treasuries by 2042.[1] These changes have also strengthened competition. In 2024, lease sales averaged a record $2,149 per acre, proving that stronger leasing terms can protect taxpayers without discouraging industry interest.[2]

These reforms have longstanding bipartisan support and are benefiting all Americans—generating revenue for public services across the country and restoring accountability to a system that had long favored oil and gas interests. Reducing the royalty rate would forfeit billions in potential revenue. The 12.5 percent rate, originally set in 1920, is over 100 years old and woefully out of step with modern energy markets. The current 16.67 percent rate now aligns more closely with rates in leading energy states like Texas (20–25%) and New Mexico (18.75–25%). Had it been in place from FY2013 to FY2022, it would have brought in an additional $10.3 billion.[3]

Reinstating noncompetitive leasing would again allow speculators to tie up public lands—often important for hunting, recreation, and conservation—without ever producing oil or gas. **Fewer than 2 percent of noncompetitive leases issued under the old system entered production** within a decade. These leases waste agency resources and prevent other uses—while producing minimal revenue.[4]

Similarly, eliminating the modest fee for filing an expression of interest would reopen the floodgates to speculative filings that clog the leasing system. Before the fee was established, companies routinely nominated thousands of acres with no intention of bidding. A reasonable EOI fee ensures that companies have skin in the game and that leasing decisions reflect genuine market demand, not paper speculation.

The fiscal stakes are high, but so are the local impacts. Royalty revenues fund schools, hospitals, and infrastructure in communities near drilling activity. Weakening leasing terms doesn't just shortchange the federal government—it hurts the very communities that bear the costs of energy development. Fair, market-based leasing supports both fiscal responsibility and sound land stewardship.

We urge you to support amendments to the OBBBA that **protect American taxpayers and local communities** with fair market leasing practices and reject provisions that would reinstate wasteful giveaways. Americans deserve better than a return to outdated policies that enrich industry at public expense.

Sincerely,
Taxpayers for Common Sense Action
Conservatives for Responsible Stewardship
Evangelical Environmental Network

Bureau of Land Management, "Fluid Minerals Leasing Final Regulatory Impact Analysis 1004-AE80 4.9.24," April 2024, Page 78. https://www.regulations.gov/document/BLM-2023-0005-130198

[2] Taxpayers for Common Sense (TCS), "Federal Onshore Oil & Gas Leasing: 2024 Year in Review," February 2025. https://www.taxpayer.net/energy-natural-resources/federal-onshore-oil-gas-leasing-2024-year-in-review/

[3] TCS, "Modernized Oil & Gas Leasing: Fair Market Rates Earn Taxpayers Valuable Revenue," April 2025. https://www.taxpayer.net/energy-natural-resources/modernized-oil-gas-leasing-analysis-fair-market-rates-earn-taxpayers-valuable-revenue/

[4] U.S. Government Accountability Office (GAO), "Oil and Gas: Onshore Competitive and Noncompetitive Lease Revenues," November 2020, Page 16. https://www.gao.gov/assets/gao-21-138.pdf