ISSUE BRIEF

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# Noncompetitive Leasing Undermines Fair Returns for American Taxpayers

The federal onshore oil and gas leasing system is legally required to ensure that taxpayers are fairly compensated when private companies develop America's publicly owned natural resources. Competitive leasing—where companies bid against each other for access to federal mineral rights—is central to achieving this goal. Yet for years, a loophole allowed companies to bypass competition altogether by acquiring leases noncompetitively, often for little or no compensation. Congress closed that loophole in 2022. Now, the FY2025 budget reconciliation bill threatens to bring it back.

From 2001 to 2020, the BLM issued noncompetitive leases covering over **11 million acres.**

According to the GAO, only **1 percent** of leases issued noncompetitively entered production within a decade.

Noncompetitively leased land generated **5X less** revenue than competitively leased land (per acre).

***Noncompetitive leasing is particularly harmful in states with low federal production, for example:***


Of all leases issued noncompetitively in **Montana** since 2000, **only 4,** covering less than 1,500 acres, entered production as of 2022.


Of all leases issued noncompetitively in **Nevada** since 2000, **0 leases** entered production as of 2022.

# How the Federal Onshore Oil and Gas Leasing Program Works —and Where it Goes Wrong

The United States holds vast onshore mineral estates owned by American taxpayers. The Bureau of Land Management (BLM), under the Department of the Interior (DOI), manages the development of these publicly owned oil and gas resources within the federal onshore mineral estate. To facilitate development, the BLM auctions leases to private companies through a competitive bidding process designed to ensure taxpayers receive fair market value.

In this process, companies anonymously nominate parcels for leasing—known as "Expressions of Interest." The BLM then assesses the potential environmental impacts and publishes a Notice of Sale listing the final parcels and the date and location of the upcoming auction. On the day of the lease sale, each parcel is offered to the highest bidder at or above the minimum acceptable bid. Winning bidders must pay their bonus bid immediately, along with the first year's rent and an administrative fee. Revenue from the leases—including rents and royalties from future production—is split between the federal government and the states where development occurs. In many cases, competitive auctions yield millions of dollars in taxpayer revenue.

But not all leasing has followed this competitive model. For decades, a loophole in federal policy allowed oil and gas companies to acquire leases noncompetitively. Parcels that received no bids at auction were re-listed the very next day and awarded to the first applicant willing to pay an administrative fee of at least $75 and the first year's rent—no bonus bid required. This process, repealed by Congress in 2022, enabled companies to bypass market competition entirely.

Noncompetitive leasing was widely abused by speculators and consistently failed to deliver fair value for taxpayers. From 2001 to 2020, the BLM issued more than 6,400 noncompetitive leases covering over 11 million acres.[1] These noncompetitive acres account for 28% of all leased federal land. However, few noncompetitive leases ever entered production, generating negligible revenue and preventing other uses of federal land.

Despite its track record of waste and inefficiency, the FY2025 budget reconciliation bill would reinstate this failed practice.

Photo by Gerhard Crous

1 Taxpayers for Common Sense (TCS), "Noncompetitive Oil & Gas Leasing on Federal Lands," May 2021, https://www.taxpayer.net/energy-natural-resources/noncompetitive-oil-and-gas-leasing-on-federal-lands/

## Noncompetitive Leasing: A Bad Deal for Taxpayers

- **Minimal Production:** Noncompetitive leases are less likely than competitive leases to ever enter production. Only 1% of noncompetitive leases issued between FY2003 and FY2009 entered production within ten years.[2] Those that did accounted for just 1% of total royalties from leases issued during that period. This is particularly notable in states with low levels of federal onshore production, like Montana, where only 4 noncompetitive leases issued since 2000 have entered production as of 2022.[3] In Nevada, not a single noncompetitive lease issued since 2000 has entered production.[4]

- **Low Revenue:** The lack of bonus bids in the noncompetitive leasing process, alongside decreased royalty revenues from lack of oil and gas production, has cost taxpayers billions of dollars in potential revenue. According to a Government Accountability Office (GAO) analysis of 100,300 competitive and noncompetitive onshore leases, competitive leases generated five times as much revenue as noncompetitive leases—$259.87 per acre compared to $52.80 per acre—between fiscal years 2003 and 2019.[5]

- **Speculative Lock-Up:** Noncompetitive leasing led to millions of acres, especially in states like Nevada and Montana, being tied up in nonproducing leases. In Nevada, 94% of federal land leased for oil and gas development was idle at the end of FY2024.[6] Nonproducing leases block other uses of federal land that could have far greater value for taxpayers, including recreation, conservation, and the development of other mineral or energy resources.

- **Administrative Burden:** Reprocessing failed parcels for noncompetitive leasing consumes agency time and resources. The BLM wastes taxpayer dollars when it is forced to evaluate nominations that never lead to leases; the agency reports spending between $17,000 and $178,000 per auction evaluating nominated land.[7] In one particularly egregious example, 28 million acres of land in Nevada—almost half of the size of the entire state—were nominated for an oil and gas lease sale in 2014, though very few of those acres were leased.[8]

## Case in Point: A British Land Grab in Montana

The risks of noncompetitive leasing aren't hypothetical—they've already cost taxpayers tens of millions.

In December 2017, the Bureau of Land Management's Miles City Field Office in Montana auctioned 204 parcels of federal land.[9] Only 55 received bids. The next day, a little-known company—Highlands Montana Corporation, a U.S. subsidiary of a British firm—filed noncompetitive offers for 132 of the unsold parcels, acquiring leasing rights to more than 67,000 acres. That one-day spree was only the beginning. Over the course of


Photo by Colton Sturgeon

[2] 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
[3] TCS, "Gaming the System II: Oil & Gas Leasing in Nevada is Trouble for Taxpayers," July 2023, https://www.taxpayer.net/energy-natural-resources/gaming-the-system-ii/.
[4] TCS, "Mounting Losses II: Federal Oil and Gas Leasing Costs Montana Millions," February 2024, https://www.taxpayer.net/energy-natural-resources/mounting-losses-ii/.
[5] GAO, "Oil and Gas: Onshore Competitive and Noncompetitive Lease Revenues," November 2020, Page 11. https://www.gao.gov/assets/gao-21-138.pdf
[6] Bureau of Land Management (BLM), "Fiscal Year 2024 Statistics," Oil and Gas Statistics. Accessed June 2025. https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics
[7] GAO, "Oil and Gas Leasing: BLM Should Update and Review Its Fees," November 2021, Page 32. https://www.gao.gov/assets/720/717469.pdf
[8] GAO, "Oil and Gas Leasing: BLM Should Update and Review Its Fees," November 2021, Page 29. https://www.gao.gov/assets/720/717469.pdf
[9] TCS, "Taxpayers Lose in Noncompetitive Montana Lease Sale," November 2018. https://www.taxpayer.net/wp-content/uploads/2018/11/11-2-18-Case-Study-Final.pdf

FY2018, Highlands Montana acquired 227 leases totaling more than 113,000 acres—all through the noncompetitive process. The company, which had no history of leasing federal lands, paid a mere $75 filing fee and first year's rent per lease. No competition. No bonus bids.

Taxpayers paid the price. Had those leases sold for the legal minimum bid of $2 per acre, they would have generated an additional $245,700 in upfront revenue, more than twice as much as taxpayers actually earned. Had they sold at Montana's average bid price that year—$32 per acre—they would have generated an additional $3.6 million in upfront revenue, 20 times what taxpayers actually earned.

Highlands Montana never bid competitively and showed no real interest in oil and gas development. Its parent company, Highlands Natural Resources PLC, later promoted the leases for helium exploration—suggesting the acquisitions were speculative from the start.

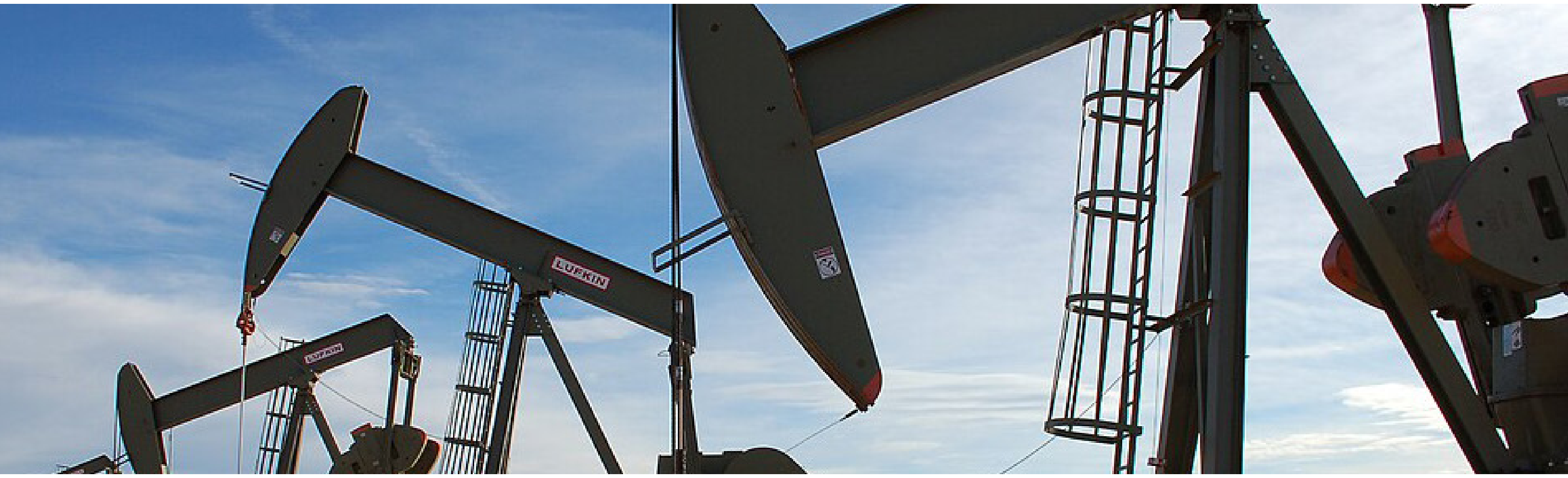


Photo by Bureau of Land Management Montana and Dakotas

## Ensure Taxpayers a Fair Return - Keep the Noncompetitive Leasing Loophole Closed

In 2022, Congress enacted long-overdue reforms to the federal leasing program: raising minimum bids, updating rental rates, and eliminating noncompetitive leasing. These changes are projected to generate $12.7 billion in additional revenue between 2023 and 2042.[10]

Undoing them would turn back the clock. 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. Worse, it would signal to industry that federal lands are once again going for fire-sale prices.

The federal onshore leasing program should be competitive, transparent, and grounded in the principle of fair return. Reinstating noncompetitive leasing reopens a loophole that lets companies sidestep market forces, speculate on public lands, and shift the financial risks to taxpayers. Congress got it right in 2022 by closing this loophole. The FY2025 reconciliation bill gets it wrong by bringing it back.

10 BLM, "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