TAXPAYERS for COMMON SENSE

TCS Comments to Office of Management and Budget, Department of the Interior, and Bureau of Land Management on the Forthcoming Oil and Gas Leasing Proposed Rule (RIN: 1004-AF05)

Thank you for the opportunity to present our views on the proposed "Oil and Gas Leasing Rule." Taxpayers for Common Sense is a nonpartisan budget watchdog founded in 1995. Our work covers the entire federal budget from Agriculture and Energy and Natural Resources, to National Security and Transportation and Infrastructure. We advocate on behalf of the nation's taxpayers to rachet down wasteful and egregious spending and programs and ensure taxpayers receive a fair return for energy and minerals resources developed on federal lands. We also work to protect taxpayers from shouldering liabilities from irresponsible and reckless development.

The federal onshore oil and gas leasing program plays a significant role in domestic energy production, but its effectiveness hinges on responsible management practices. Smart leasing policies are essential for fiscal accountability and proper stewardship of our nation's valuable public lands.

Over the years, TCS has completed volumes of research and produced materials highlighting the financial losses incurred by taxpayers due to outdated and below market leasing terms. Our work quantifies how federal and state taxpayers alike have lost billions of dollars in potential revenue and been left with mounting liabilities under the leasing system.

In advance of the release of the proposed rule, today we're presenting our high-level concerns with the onshore oil and gas leasing system, given that the proposed rule, as described in the Unified Agenda will rescind Bureau of Land Management's (BLM) final rule "Fluid Mineral Leases and Leasing Process" and revise regulations related to oil and gas leasing and bonding requirements.

As BLM considers modifications to the leasing program in this proposed rule and related rulemakings, we urge the agency to consider the following recommendations based on TCS' decades of research and analysis:

1. **BLM should use its current authority to pursue a higher royalty rate of 18.75%, which is more in line with states and private interests.**

The current statutory minimum royalty rate of 12.5% undervalues our oil and gas resources, leaving revenue on the table.

Oil and gas companies' production decisions are driven primarily by development potential and market conditions. Production occurs where oil and gas reserves are located—whether on state, private, or federal land—often regardless of the royalty rate. This was supported by a 2022 sale that, for the first time ever, required an 18.75% royalty rate. The sale spanned 7 states and attracted strong industry interest, generating higher average bids in most states. And lease sales in 2023, 2024, and 2025 conducted under the higher 16.67% statutory rate further confirm this, as they generated competitive sale results and increased returns per acre for both federal and state taxpayers.

An 18.75% royalty rate would be more in line with the current market rates charged by high oil- and gas-producing states. Texas charges 20-25%. New Mexico charges 18.75-25%. Other states—including Colorado, North Dakota, Oklahoma, Pennsylvania, Utah, and Wyoming—commonly issue leases with rates ranging from 16.67-20%, all of which exceed the current, outdated federal rate of 12.5%.

TCS research has clearly identified how federal leasing would have generated even greater revenues for taxpayers had royalties been updated over the last decade. Across all federal lands, TCS estimates that, had the 16.67% rate been applied from 2015 to 2024, taxpayers would have received an additional $15 billion. In states with high oil and gas production, like New Mexico and Wyoming, TCS found that taxpayers lost out on $8 billion and $3.6 billion, respectively, under the federal 12.5% royalty from FY2013-2022.

Since July 2025, when the royalty rate was lowered back to 12.5%, TCS calculates that taxpayers have lost $600 million in projected royalty revenue from future production on recently issued leases. However, Department of the Interior (DOI) and BLM have the authority to pursue a higher rate of 18.75%, as they did in 2022. BLM should use their statutory authority to build and protect systems and processes that allow flexible and competitive royalty rates to ensure that, going forward, federal oil and gas lease sales bring in more revenues and give taxpayers a fair return on valuable taxpayer-owned energy resources.

2. **BLM should create clearer guidelines for royalty compliance reviews and estimate the annual royalty gap.**

The management of federal oil and gas resources continues to be on the Government Accountability Office's High-Risk List. GAO notes that DOI faces challenges with compliance data systems, including failed modernization of an IT system central to verifying oil and gas production volumes. GAO also notes that DOI's Office of Natural Resources Revenue (ONRR) stopped estimating an annual royalty gap, the difference between the royalties ONRR receives and what oil and gas producers should be paying. Without comprehensive data and compliance systems to ensure that oil and gas producers are paying what they owe, American taxpayers will continue to be shortchanged.

3. **BLM should seek policies that better protect taxpayers in the noncompetitive leasing process.**

Noncompetitive leases are less likely than competitive leases to ever enter production, generate five times less revenue, consume agency time and resources, and lead to millions of acres, especially in states like Nevada and Montana, tied up in nonproducing leases.

Our reports have underscored how noncompetitive leasing has harmed taxpayers. From 2001 to 2020, BLM issued more than 6,400 noncompetitive leases covering over 11 million acres. 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. In an analysis by the GAO, only 1% of noncompetitive leases issued between FY2003 and FY2009 entered production within the primary term of ten years. The GAO also found that noncompetitive leases generated 5 times less revenue per acre than competitively leased land.

Leasing federal land with a low chance of development also costs taxpayers by locking federal land into nonproducing leases that generate little revenue and prevent other productive uses. In Nevada, our work highlights how 94.3% of acres leased for oil and gas development at the end of fiscal year 2024 sat idle. In Montana, our research uncovered that nearly half of all federal land leased for oil and gas development since 2000 was leased noncompetitively and only 0.1% of which ever entered production.

TCS is opposed to noncompetitive leasing. As BLM moves forward in codifying the reintroduction of noncompetitive leasing, as passed by Congress in July 2025, we urge the agency to ensure responsible, measured, and transparent implementation that protects taxpayers from speculative land grabs and low returns. This entails making information about the noncompetitive leasing process publicly available, as it is currently not readily available or accessible. This is particularly concerning, given the new mandate for BLM to hold replacement sales under certain circumstances. This replacement sale process seemingly conflicts with the noncompetitive leasing process. We urge BLM to be clear about these procedures so the public can understand how their resources are being used and to provide more detailed information on completed noncompetitive lease sale transactions.

4. **BLM should maintain recent updates to bonding requirements and further strengthen requirements through regular evaluations and inflation updates.**

Strong bonding requirements are essential for protecting communities from the health and safety risks of orphan wells and protecting taxpayers' wallets. When minimum bond amounts fall short of actual reclamation costs, federal taxpayers can be left with billions in cleanup costs.

Our work has identified how inadequate bonding coverage for oil and gas wells on federal land across the country left taxpayers at risk of shouldering massive reclamation costs. Prior to 2024, old bonding minimums had not been adjusted for inflation since they were first set in the 1950s and 1960snor had they been adjusted to reflect the increasing cost of well reclamation, as technological developments have led to increasingly deeper wells.

The result was a growing gap between held bonds and actual cleanup costs, leaving taxpayers footing the bill for potentially millions in reclamation costs. At of the end of FY2022, the Bureau of Land Management reported there were 89,350 producible and service well bores on federal land. The Department of the Interior estimated that reclamation cost approximately $71,000 per well, yet the Government Accountability Office reported in 2019 that DOI held an average bond value of only $2,122 per well. Assuming the DOI's average bond value was the same as in 2019, wells on federal land at the end of FY2022 held bonds totaling $189.6 million. Using the DOI's own estimate for average reclamation costs, the bonds fell far short, leaving taxpayers with potentially $6.15 billion in future reclamation costs.

Fortunately, recently modernized bonding rates have helped ensure taxpayers aren't forced to shoulder the costs of reclamation. The new minimum bonding requirements better reflect real cleanup costs without being overly burdensome to industry. In this proposed rule, BLM should maintain current bonding minimums and ensure they can be adjusted to reflect inflation and other changes in real reclamation costs.

5. **BLM should increase transparency by ensuring regularly updated information about oil and gas leasing on public lands is publicly available.**

Historical lease sale information remains dispersed across separate BLM pages, and standardization and aggregation of data are still lacking. Often, the sole authoritative source of information about onshore leases appears in the Public Land Statistics and Oil and Gas Statistics. These are annual releases with data that is, at best, six months old. This is particularly troubling when discussing noncompetitive lease sales, as those transactions are often not announced in BLM press releases or available on EnergyNet.

Increased transparency is essential to ensuring taxpayers understand how their resources are being used.

In conclusion, TCS believes that updating the federal onshore oil and gas leasing system is essential to ensure taxpayers receive a fair return from the development of federally owned mineral resources and to protect taxpayers from the long-term liabilities associated with federal leasing. BLM must ensure taxpayers receive a fair return and protect an important revenue stream for federal and state taxpayers.

Thank you for your time and the opportunity to discuss these concerns today.