TAXPAYERS for COMMON SENSE

ANALYSIS

Federal Onshore Oil & Gas Leasing:

2025 Year in Review

In 2025, the federal government dramatically expanded onshore oil and gas leasing. Nearly half a million acres of public land were offered for development across 22 lease sales in 11 states. But the surge in leasing did not deliver better outcomes for taxpayers. Roughly 327,000 acres—two-thirds of the acreage offered—were leased, much of it at the recently lowered royalty rate of 12.5%.

Leasing more public land for oil and gas development did not translate into better returns for taxpayers. Leasing public lands at below-market royalty rates locks taxpayers into bad deals for decades to come.

→ More public land leased for oil and gas development, weaker returns.

BLM leased **327,000 acres** in 2025—**four times** as many as in 2024—but revenue per acre fell by roughly **50%**. Expanding leasing volume did not produce stronger financial results.

→ Lower royalty rates locked in long-term losses.

Roughly **244,000 acres** of public land were leased in 2025 at the reduced royalty rate of 12.5%, costing taxpayers an estimated **$489 million in foregone royalty revenue** from projected production. These royalty revenues would otherwise support state priorities like education and transportation infrastructure.

→ Industry interest followed production potential and energy prices, not royalty rates.

States with high oil and gas production, like New Mexico, remained competitive, while states with low production, like Nevada, continued to attract minimal bids regardless of royalty rates. Lower rates did not create new demand—they simply reduced what taxpayers receive when demand already exists.

2025 Federal Oil and Gas Lease Sale Results

The Bureau of Land Management (BLM), within the Department of the Interior (DOI), oversees development of taxpayer-owned oil and gas resources on federal lands. To facilitate development of these resources, BLM auctions leases to private entities. As steward of these public resources, BLM is responsible for ensuring taxpayers receive fair compensation when leases are issued.

As of September 2024, 22.2 million acres of federal land were under lease for oil and gas development. In addition to its economic impact, these leases produce valuable revenue for federal and state taxpayers. Over the past decade, the onshore oil and gas leasing program generated an annual average of $4.5 billion in revenue—far more than any other resource developed on public lands.[1] As a major driver of federal and state revenue, the program is ripe with opportunities to increase revenue, ensure taxpayers receive a fair return, and limit long-term liabilities.

In 2025, BLM conducted 22 onshore oil and gas lease sales across eleven states: Colorado, Louisiana, Michigan, Mississippi, Montana, North Dakota, New Mexico, Nevada, Oklahoma, Utah, and Wyoming.[2] The agency offered 473,000 acres and leased 327,000—roughly 69% of the acreage offered.

Of the nearly 500,000 acres of federal land offered, most was concentrated in a handful of western states. Eastern states (Louisiana, Michigan, Mississippi, and Oklahoma) saw only small, isolated sales. Wyoming led in acreage leased—accounting for nearly half of the national total—followed by Utah and Colorado.

Auction results varied widely by state, but overall bidding patterns were consistent with recent years. Winning bids ranged from as high as $8,581 per acre in high production states such as New Mexico, to the legal minimum of $10 per acre in Nevada, a state where there is little production or development potential. Across all sales, the average bid was $1,085 per acre, generating $354 million in bid bonus revenue.[3]

Pumpjacks Working In The Oil Fields | Jeff Whyte

Results of Oil and Gas Lease Sales on Public Lands in 2025						
State	Acres Offered	Acres Sold	% Sold	Bid Revenue	Avg. Bid Per Acre	Lost Royalty Revenue
Wyoming	240,162	146,483	61%	40,921,594	279	-52,326,544
Utah	107,296	86,146	80%	72,660,891	843	-264,901,148
Colorado	58,875	38,423	65%	11,341,556	295	-72,247,755
Nevada	30,002	19,954	67%	204,438	10	N/A
New Mexico	18,601	17,998	97%	154,434,550	8,581	-84,364,339
North Dakota	9,413	9,413	100%	26,743,096	2,841	-7,219,008
Montana	6,600	5,850	89%	32,580,458	5,569	-130,410
Louisiana	1,922	1,922	100%	14,637,296	7,618	-5,172,046
Oklahoma	322	322	100%	879,526	2,728	-2,091,215
Mississippi	88	88	100%	890	10	-165,182
Michigan	80	80	100%	800	10	-521,622
	473,362	**326,680**	**69%**	**$354,405,095**	**$1,085**	**-$489,139,269**

Note: In addition to bonus bids, leaseholders pay administrative fees ($3,100 per parcel) and first-year rent ($3 per acre). Total auction revenue in 2025 was $356.5 million.

Lease sales in the first half of 2025 were held under different statutory conditions due to rate changes enacted in the One Big Beautiful Bill Act (OBBBA). The law reduced the onshore royalty rate from 16.67% to 12.5%, reinstated noncompetitive leasing, eliminated the Expression of Interest (EOI) fee, and made other changes to federal leasing terms.

Sales held after July 4 were issued at the lower royalty rate of 12.5%—a rate locked in for the life of the lease regardless of future statutory changes. TCS estimates that taxpayers could lose $489 million in foregone royalty revenue from future production on these leases, compared to what would have been generated under the previous rate of 16.67%.[4] If these changes remain, they will continue to greatly undervalue our federal resources, costing taxpayers potentially billions in lost revenue and locking taxpayers into bad deals for decades to come.

State-Specific Leasing Insight

Wyoming: Lion's Share of Leased Acreage but Bid Revenue Down

Wyoming ranks as the top federal gas producer and second for federal oil over the last decade.[5] The state also accounts for nearly one-third of all federal land currently leased for oil and gas development. In 2025, Wyoming led in new acreage leased—more than 146,000 acres, or nearly half of the national total—but generated only 12% of total bid revenue. This relatively low revenue for taxpayers, despite the high acreage of federal land leased, reflects weak competition. 43% of leased acres were sold at the legal minimum bid of $10 per acre. The average bid per acre in Wyoming was $280, a sharp decrease from the $483 average in 2024. Given the scale of federal leasing in Wyoming, lower bids and weaker terms carry outsized long-term consequences for taxpayer revenue.

Utah: High Potential Parcels Locked in at Low Rates, Lowering Future Royalty Revenue

Utah leased the second-most public land in 2025—more than 86,000 acres—its largest total since 2019. The average bid of $843 per acre was the state's highest since 2011. This is part of a recent trend spanning the last four sales in the state, each of which broke the record for highest per acre auction results.[6] However, production in the state remains low, accounting for just 2% of federal oil and 5% of federal gas over the last decade.[7] If interest in leasing public lands in Utah is on the rise, and production follows, locking in these leases at a below-market royalty rate will cost taxpayers in the long term.

Colorado: Leased Acres Up and Average Bid Down

Colorado leased more than 38,000 acres in 2025, the most since 2019, making it the third-highest state by acreage leased. Yet it posted the lowest percentage of acres leased in the country, with only 65% of offered acres receiving bids. The average bid of $295 per acre marked a steep decline from recent years, including $2,500 per acre in 2024 and more than $4,000 per acre in 2022. More than a third of the acres leased this year were issued for the legal minimum bid of $10 per acre. Expanding acreage offerings in Colorado did not translate into stronger competition or better outcomes for taxpayers.

Nevada: Minimal Industry Interest, Poor Returns

The first auction in March leased nearly 20,000 acres at an average bid of $10.25 per acre, barely above the legal minimum. The second auction received no bids. This outcome is consistent with recent trends: the state's sole lease sale in 2024 also received no bids. Oil and gas production on federal lands in Nevada has historically been minimal—less than 0.1% of national production[8]—and only 6% of leased federal land in the state is currently producing.[9] Continuing to lease areas with low development potential ties up public lands while delivering little return to taxpayers and foreclosing alternative land uses, such as recreation or other resource development.

Crude oil pump jack in Wyoming | Robert Coy

New Mexico: High Production Potential Attracts High Bids, but Low Royalty Rates Equals Lower Long-term Revenues

New Mexico is the top federal oil producer and second-largest gas producer over the last decade. The state has the second most federal acres currently leased for oil and gas development, behind Wyoming. In 2025, the state's four oil and gas lease sales were highly competitive, with 97% of acres offered receiving a bid. The average bid of $8,580 per acre was the highest in the country. As a top producing state, New Mexico lease sales have always received competitive bids[10]—even when the royalty rate was 16.67% instead of 12.5%. In fact, this year's average is less than half the state's average bid in 2024 and one third its average in 2023—the two years when the higher rate of 16.67% was charged.[11] New Mexico continues to demonstrate that competitive leasing occurs where resource potential justifies investment, not where terms are tilted to favor operators.

North Dakota*:* Consistent Industry Interest, Fluctuating Average Bids

North Dakota has been the third-largest producer of federal oil and fifth-largest producer of federal gas over the last decade.[12] In 2025, the state held four lease sales—the same number as New Mexico—but offered roughly half the acreage. All parcels received bids, although, like most states, results greatly varied, from an average per acre bid of $734 in the April sale to $11,386 in the January sale. The year-total average winning bid of $2,841 per acre was a decline from the state's 2024 average of $3,960 per acre but above 2023 levels. Even in a mature basin with demonstrated industry interest, bidding strength appears sensitive to parcel-specific production potential.

Montana: Return of Noncompetitive Leasing Could Undermine Strong Competitive Sales

Federal leasing in Montana accounts for little of total federal oil and gas production.[13] The three lease sales in the state in 2025 offered the smallest acreage of any western state—6,600 acres, 89% of which was leased. The average bid of $5,569 per acre and last year's $1,174 per acre average are up from historic leasing in state, when much of Montana's public lands were leased at the legal minimum or noncompetitively.[14] The re-introduction of noncompetitive leasing, once common in the state, risks decreasing taxpayer returns, as operators once again have the ability to acquire parcels for cheap outside of auction.

Understanding the 2025 Lease Sale Results

Understanding the results of federal lease sales is important for understanding how our public lands are being used. Lease sales in 2025 generated less revenue per acre than sales held in 2024. In 2024, 17 sales leased 76,516 acres and generated $164 million in bonus bids, averaging over $2,000 per acre. In 2025, nearly four times as many acres were leased, but total bid revenue only doubled. Sales in both years, however, are still above historical averages. Over the previous decade, 2015 to 2024, lease sales generated an average of just $451 per acre in bids.

Evaluating leasing patterns across years is not an apples-to-apples comparison. Leasing decisions are driven by development potential and market forces—factors that are highly dependent on the specific parcels of land offered in each sale and on shifting economic conditions. While averages can help demonstrate long-term trends, sale-to-sale results will always vary. For example, New Mexico consistently holds competitive lease sales, receiving some of the highest bids per acre in the country. At the same time, the per-sale average bid widely varies, ranging from a low of $72 to a high of $51,600 per acre across the 23 sales held in the state in last decade. While understanding how leasing results change from year to year can provide some insight into the effects of federal policies, these need to be taken with a grain of salt.

Half of the lease sales held in 2025 were initiated under the previous administration. These sales offered a combined 95,000 acres and leased 71,000 acres, accounting for 22% of what was sold in 2025. The sales initiated under the previous administration also saw an higher average bid of $1,825 per acre compared to the $875 per acre average bid of sales initiated under the current administration. These results demonstrate how offering strategic parcels of land with high industry interest generates high bid revenue, as opposed to allowing operators to nominate parcels they have no intention to bid on and flooding the market. However, as noted above, auction results are highly dependent on the specific parcels offered and it is difficult to draw conclusions from such a small number of sales.

Just under half of 2025 lease sales were also held under different leasing terms—most notably the onshore royalty rate. Undoubtedly, oil and gas companies would prefer leases with a lower royalty rate—that's less money they must share with taxpayers and more to keep for themselves. But companies bid based on long-term production economics, not short-term statutory changes to royalty rates.[15]

Royalty Rates Determine Taxpayer Revenue, Not Industry Interest

Preliminary data on leasing decisions over the last 3 years demonstrates that royalty rates are not a deciding factor in lease sale results. Bidding patterns and industry interest did not deviate significantly after the two royalty rate changes in 2023 and 2025.[16] A higher royalty rate does not make high-potential parcels less competitive, nor does a lower rate make low-potential parcels attract higher bids.

As an example, New Mexico has always been one of the most competitive states, consistently leasing all parcels made available at auction for high bonus bids, due to the state's high production and abundant oil potential. Its sale results continue to outperform other states through recent rate changes, even reaching a record high during the years the higher rate of 16.67% was charged. Nevada, on the other hand, has never attracted much interest from the oil and gas industry due to the state's low production. Sales with no bidders are common in the state, occurring both when the 16.67% and 12.5% rates were offered. Bonus bids also remained stagnant—the only two sales that attracted bidders under the 16.67% rate had an average bid of around $10 per acre, the same as the average bid in the previous decade under the 12.5% rate, 2013-2022.

Lower royalty rates do not significantly increase the percentage of acres leased in a sale nor the average bid per acre, but they will decrease future royalty revenue. As discussed above, oil and gas companies will lease where there is high development potential regardless of the royalty rate. When the federal government offers these leases at discounted terms, it doesn't encourage bidders—it locks taxpayers into bad deals for decades, potentially foregoing millions of royalty revenue off a single lease. The 244,000 acres leased for development with the lower royalty rate of 12.5% could produce $11.7 billion worth of oil and gas over their lifetime, costing taxpayers $489 million in foregone royalties compared to what would be generated under a 16.67% royalty.

Reforms to Federal Oil and Gas Leasing Can Generate Revenue and Protect Taxpayers

As the administration expands lease sales, taxpayers face increasing financial risk. Congress rolled back recent improvements to the federal leasing system—cutting the royalty rate from 16.67% back to its 1920s level of 12.5% and reinstating noncompetitive leasing, allowing companies to bypass competitive auctions altogether. The administration has also proposed repealing recently modernized bonding requirements designed to protect taxpayers from cleanup costs associated with orphaned wells. Each new lease issued under these terms locks in lower returns and higher risk.

The 2025 data show that competitive leasing occurs where resource potential supports it. Rolling back federal policies designed to ensure taxpayers a fair return does not create new demand. It simply guarantees lower public returns when demand exists and continued weak outcomes where it does not. Federal oil and gas resources belong to the American people, and leasing terms should reflect their long-term value—not give them away for less than they are worth.

Oil Wells in North Dakota | Dakota Water Science Center

[1] Office of Natural Resources Revenue (ONRR), accessed January 5, 2025. https://revenuedata.onrr.gov/
[2] A single lease sale may offer parcels of land in multiple states (e.g. New Mexico Field Office on November 6 offered parcels in both New Mexico and Oklahoma).
[3] Includes bid revenue, first year rentals, and administrative fees.
[4] Taxpayers for Common Sense (TCS), "By the Numbers: Federal Onshore Oil and Gas Leasing Revenue Loss," https://www.taxpayer.net/by-the-numbers-federal-onshore-oil-and-gas-leasing-revenue-loss/
[5] ONRR, accessed January 5, 2025. https://revenuedata.onrr.gov/
[6] The past 4 Utah lease sales have set record high average bids per acre. The December 2025 lease sale saw an average $941 per acre. The previous record high was $477 per acre in September 2025, also under the 12.5% royalty rate. Before that, the high was $370 per acre in June 2025 and before that $118 per acre in December 2023, both of which were under a 16.67% royalty rate.
[7] ONRR, accessed January 5, 2025. https://revenuedata.onrr.gov/
[8] Ibid.
[9] Bureau of Land Management, "Fiscal Year 2024 Statistics," https://www.blm.gov/programs/energy-and-minerals/oil-and-gas/oil-and-gas-statistics
[10] New Mexico had the highest average bid in the country in 6 of the last 10 years (2016-2025)
[11] $27,200 and $21,500 per acre in 2023 and 2024, respectively.
[12] ONRR, accessed January 5, 2025. https://revenuedata.onrr.gov/
[13] Ibid.
[14] Between 2000 and 2023, 3.2 million acres of public land were leased noncompetitively for oil and gas development in Montana, 46% of the total acreage leased in the state. In one case, the Highlands Montana Corporation acquired 67,000 acres noncompetitively the day after they were listed at auction. Source: TCS, "Federal Oil and Gas Leasing Costs Montana Millions," February 15, 2024. https://www.taxpayer.net/energy-natural-resources/mounting-losses-ii/
[15] Government Accountability Office, "Raising Federal Rates Could Decrease Production on Federal Lands but Increase Federal Revenue," June 2017. https://www.gao.gov/assets/gao-17-540.pdf
[16] High 2024 leasing results do suggest that strategic leasing of high potential parcels can lead to significantly higher and more competitive bids.