

# No Dice in Nevada: Decades of Federal Leasing Have Cost Taxpayers

**510,932 ACRES**

of federal land currently leased for oil and gas development, only 5.7% of which is producing



**MORE THAN 50%**

of federal land was leased noncompetitively, often for **less than \$1 per acre**

**261,151 ACRES** were leased **noncompetitively the day after auction** between FY2016 and 2025, costing taxpayers

**\$2.6 MILLION** in lost bid revenue

**\$6.6 MILLION**

in potential **reclamation liabilities** under old, outdated bonding requirements

**\$8 MILLION**

in **lost royalty revenue, 2015-2024**



Nevada is not a major federal oil and gas producer, but that has not stopped federal leasing of public lands in the state. Over the last decade, Nevada accounted for less than one-tenth of one percent of federal oil production nationwide and even less federal gas production, despite more than 500,000 acres remaining under lease for oil and gas development. But that is part of the point. Even with production this limited, hundreds of thousands of acres remain locked up in leases, while the relatively small amount of production that does occur is subject to the same below-market royalty terms that plague higher producing states.

If federal leases in Nevada had carried an 18.75 percent royalty rate instead of the 12.5 percent rate that governed most of the last decade, royalty collections would have been \$8 million higher from 2015 to 2024. Since roughly half of federal royalties are returned to producing states, \$4 million of those additional dollars would have flowed directly to Nevada.

At the same time, large amounts of public land remain leased for development that has not materialized. Less than 30,000 acres of public land currently leased for oil and gas development are producing, yet an additional 482,000 acres remain locked into leases and blocked from other uses. Nevada illustrates a persistent weakness in the federal leasing system: public lands can remain tied up for years in nonproductive leases, generating little production or revenue while preventing other uses of our public lands.

More than half of the 500,000-plus acres currently leased were sold noncompetitively, meaning operators acquired the leases for pennies an acre outside of competitive auction. Noncompetitively issued leases generate significantly less revenue and are less likely to ever enter production. To make matters worse, 260,000 acres were leased the day after competitive auction, meaning that companies were interested in leasing this land but intentionally chose to not participate at auction in order to save millions of dollars—money that should have gone to federal and state taxpayers.

These dynamics have real consequences for Nevadans. Nevada contains 48 million acres of public land—63 percent of the state—managed by the Bureau of Land Management.<sup>1</sup> When federal policy undervalues our public lands and resources, Nevada does not just lose abstract federal dollars; it loses revenue that goes directly to state priorities. And when hundreds of thousands of acres are locked into nonproducing leases, Nevadans miss out on recreation opportunities and other more economically valuable land uses.

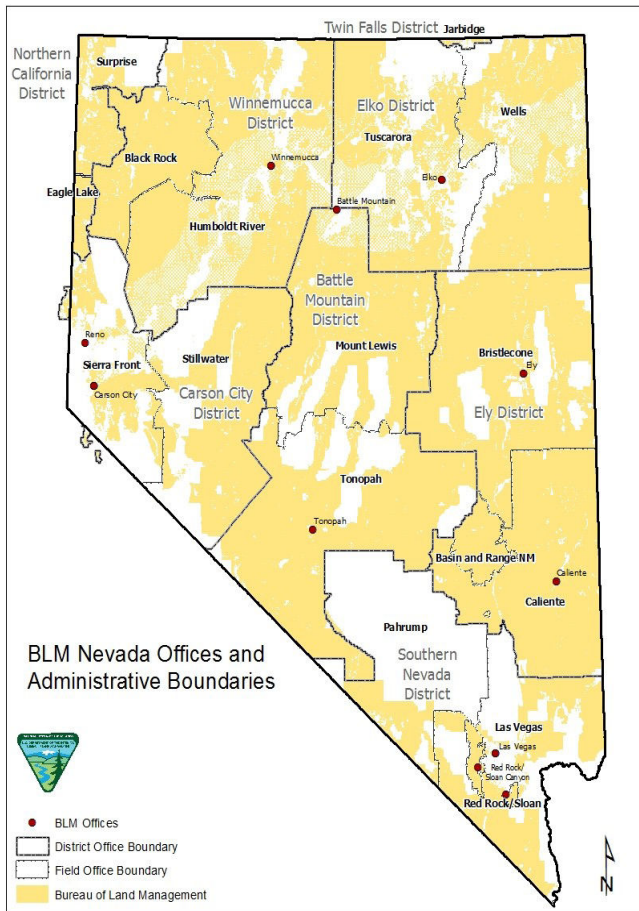
## Oil and Gas Production in Nevada

At the end of Fiscal Year (FY) 2025, 510,932 acres of federal land in Nevada were leased for oil and gas development across 307 active leases. Yet only 38 leases were producing, covering just 29,042 acres, about 5.7 percent of all leased acreage.

From FY2016 through FY2025, Nevada produced about 2.4 million barrels of federal oil and just 45 million cubic feet of federal gas. Oil production fell by roughly 32 percent over that period, while gas production remained negligible.

Nevada ranks far below the major producing states. Oil and gas production on federal lands in the state accounts for less than 0.1 percent of national federal production.

This limited production still should have generated a stronger return for federal and Nevada taxpayers alike, since revenues from royalties and other leasing terms are shared with the state. But outdated and below-market leasing terms not only limited revenue for taxpayers, they also allowed the federal government to continue leasing large areas of public land while producing only modest returns.



## The Federal Oil and Gas Leasing Program

Federal taxpayers own mineral resources across the United States, including a 700-million-acre onshore subsurface mineral estate. The Bureau of Land Management (BLM), within the Department of the Interior (DOI), oversees the subsurface mineral estate and is charged with managing the development of mineral resources. Yet, despite the massive value of taxpayer-owned resources extracted from federal lands by oil and gas developers every year, taxpayers continue to receive pennies on the dollar due to outdated and below-market leasing terms that reward the oil and gas industry and shortchange taxpayers.

Initially, DOI generally grants leases through a competitive auction process, with the resulting revenue known as “bonus bid” revenue. Following this, the federal government imposes rent on leaseholders for holding the land before production commences. Once leases begin to produce oil and gas, leaseholders are charged a fixed percentage of the production’s value, known as a royalty. Lands made available but not leased at competitive auction are then available to be leased noncompetitively, as soon as the next day, for a minimum administrative fee of \$75.

In 2022, Congress made several long overdue updates to oil and gas leasing rates for the next decade, the first time since the 1980s. Under these commonsense updates, until August 2032, rental rates are raised to \$3/acre for the first two years, \$5/acre for years three to eight, and then no less than \$15/acre for years nine and ten; and the minimum bid is raised to \$10/acre. After August 2032, these rates will become the statutory minimum. While Congress also enacted other updates—including raising the onshore royalty rate to a 16.67 percent minimum, eliminating the practice of noncompetitive leasing, and creating a new expression of interest fee for entities nominating federal land for competitive lease sales—these were rescinded in 2025.

After production ends, oil and gas producers operating on federal land are required to plug their wells and clean up the surrounding sites. To guarantee that the cleanup of these potentially hazardous and environmentally harmful sites is paid for, producers must post a bond before they start drilling. If a company abandons its wells on a federal lease or goes bankrupt, the bond is forfeited and will be used to cover the reclamation expenses.



Clayton Valley Sand Dunes and Shrubs, BLM Nevada Photo, Public Domain, Flickr

The BLM accepts two types of bond coverage: bonds for an operator’s wells on an individual lease (minimum \$150,000) and bonds for all wells owned by an operator in one state (minimum \$500,000). Higher bond values may be required if the operator has a history of violations, if BLM anticipates unusually high reclamation costs, or if there are other risk factors. These new requirements were implemented in June 2024 for new leases and are set to phase in for existing leases over the next several years.

DOI is responsible for overseeing our valuable, taxpayer-owned mineral resources and guaranteeing taxpayers a fair return. Yet for decades, taxpayers have been shortchanged. The federal onshore oil and gas leasing system must be brought into the 21st century. Recently reduced royalty rates, the return of noncompetitive leasing, and threats to revert to outdated bonding rates risk failing to both protect taxpayers and ensure a fair return from the sale of taxpayer-owned resources. Taxpayers have already lost billions of dollars as a result and, without permanent market-rate leasing terms and improved oversight, taxpayers could lose billions more and be saddled with growing long-term liabilities.

## **Leasing More Acres of Federal Land Does Not Guarantee a Greater Public Return**

Nevada’s federal leasing footprint is large relative to its production. Over the last decade, 2016-2025, BLM offered 2.7 million acres of public land for oil and gas development at public auctions, the second most in the country behind Wyoming.<sup>2</sup> Yet only a fraction of that was leased, and even less entered production. At the end of FY2025, more than half a million acres remained under lease, but only 5.7 percent of that acreage was actually producing.

This problem has been persistent for decades. Despite offering hundreds of thousands of acres of public land every year for oil and gas development, BLM routinely leases only a small percentage of what has been made available, and usually at rock-bottom prices. Over the last decade, FY2016 through FY2025, BLM leased just 9.1% of the acreage offered at competitive auction at an average bid of \$4.72 per acre—less than 1% of the nationwide average of \$479 per acre.<sup>3</sup> Continuing to lease areas with low development potential ties up public lands while delivering little return to taxpayers and potentially foreclosing alternative land uses, including recreation and other resource development.

Recent lease sales illustrate how the problem continues to this day, despite recent reforms. In 2025, the Bureau of Land Management held two oil and gas lease auctions in Nevada. The first leased nearly 20,000 acres at an average bid of just over \$10 per acre, barely above the new legal minimum bid. The second sale received no bids at all.

Auction results in other states highlight the difference. In high-production states such as New Mexico, parcels in 2025 sold for an average of \$8,581 per acre, reflecting strong development potential. In Nevada, bids hovered near the minimum allowed by law.

These results underscore an important point: industry interest follows resource potential, not royalty rates. States with significant oil and gas resources attract strong bids regardless of federal leasing terms. States with limited production potential, such as Nevada, see little interest even when leasing terms favor industry.

## Noncompetitive Leasing Shortchanges Taxpayers

Not all leasing follows the competitive model. The noncompetitive leasing process, a loophole in federal policy, allows oil and gas companies to acquire leases that go unsold at competitive auctions for pennies per acre. Over the last decade, more public land in Nevada has been leased noncompetitively the day after auction than at auction.

Under the noncompetitive leasing process, parcels that receive no bids at auction are re-listed the very next day and awarded to the first applicant willing to pay an administrative fee—a minimum of \$75 regardless of acreage, set by BLM—and the first year's rent. No bonus bid is required. This process, repealed by Congress in 2022, was reinstated in 2025 and enables companies to bypass market competition entirely.

Noncompetitive leasing is widely abused by speculators. Between 2016 and 2025, oil and gas operators nominated 14 million acres of federal land in Nevada to be offered at oil and gas auctions, more than any other state in the lower 48. Yet industry regularly ignored competitive auctions, instead waiting for millions of acres to become available for noncompetitive leasing.



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In Nevada, 2.7 million acres were offered at competitive auction over the last decade, only 250,597 acres of which were leased. Unleased land—2.5 million acres during the period noncompetitive leasing was allowed—was then made available noncompetitively. Over this period, 261,151 acres were leased noncompetitively the very next day, with additional acres leased at later dates. Frequently, the amount leased noncompetitively the day after auction was greater than the amount leased at auction.<sup>4</sup> In one particularly egregious example, BLM received no competitive bids at auction, but then leased 27,100 acres noncompetitively the very next day.

The story is clear. Companies are purposefully sitting out of competitive auctions in order to swoop in the very next day after lease sales and acquire leases while paying no bonus bids. In one case, BLM leased more than 36,000 acres noncompetitively—more than was leased at auction the previous day—for an administrative fee of \$8,715, translating to just \$0.25 per acre.



“Pine Forest”  
by [BLM Nevada](#), CC by 2.0, Flickr

Noncompetitive leasing consistently failed to deliver a fair value for taxpayers. In Nevada, no leases issued noncompetitively since 2000 have ever entered production.<sup>5</sup> Nationwide, between FY2003 and FY2009, just 1.2% of noncompetitive leases entered production within ten years. Nonproducing leases block other uses of federal land that could yield far greater value for taxpayers, including recreation, conservation, and the development of other mineral or energy resources.

Noncompetitive leasing costs taxpayers millions through the lack of bonus bids and reduced royalty revenue from the lack of oil and gas production. If the 261,151 acres leased noncompetitively in Nevada had instead been sold for \$2 per acre, the minimum acceptable bid at the time, taxpayers would have received \$522,302. Had this land been leased competitively at the current minimum acceptable bid of \$10 per acre, taxpayers would have received an additional \$2.6 million in revenue.

## Royalty Rates and What They Mean for Nevada

For nearly a century, the federal onshore royalty rate was fixed at 12.5 percent. In 2022, Congress temporarily raised the rate to 16.67 percent for new leases, but that change was reversed in 2025, locking in a century-old rate once again.

Royalty revenue makes up the overwhelming share of federal oil and gas receipts nationwide. Between calendar years 2015 and 2024, federal lands in Nevada produced \$176 million worth of oil, production that generated about \$14.9 million in royalty revenue for federal and state taxpayers.

The federal government’s 12.5 percent royalty rate, first established in 1920, is far below the 16.7 percent to 25 percent often charged on state lands. If an 18.75 percent royalty rate had been applied instead, that total would have risen to roughly \$22.9 million. That means taxpayers lost about \$8.0 million in additional royalty revenue over the decade. Because roughly half of those revenues are shared with producing states, Nevada’s share of that lost revenue was approximately \$4 million.

An 18.75 percent rate is not unusual. Texas and New Mexico, two top oil and gas-producing states, charge royalties of up to 25 percent on state lands. Other states, including Colorado, North Dakota, Oklahoma, and Pennsylvania, commonly issue leases on state land with royalty rates at or above 18.75 percent. It also matches the rate charged on oil and gas production in federal offshore waters.

## Bonding and the Risk to State and Federal Taxpayers

Nevada also faces significant cleanup liabilities from orphaned and inactive wells. When oil and gas operators drill on federal land, they are required to post bonds meant to ensure that wells are plugged and sites are restored once production ends. In practice, federal bonding requirements have often been insufficient to cover the high costs of reclamation, which leaves taxpayers to shoulder the costs of cleanup.

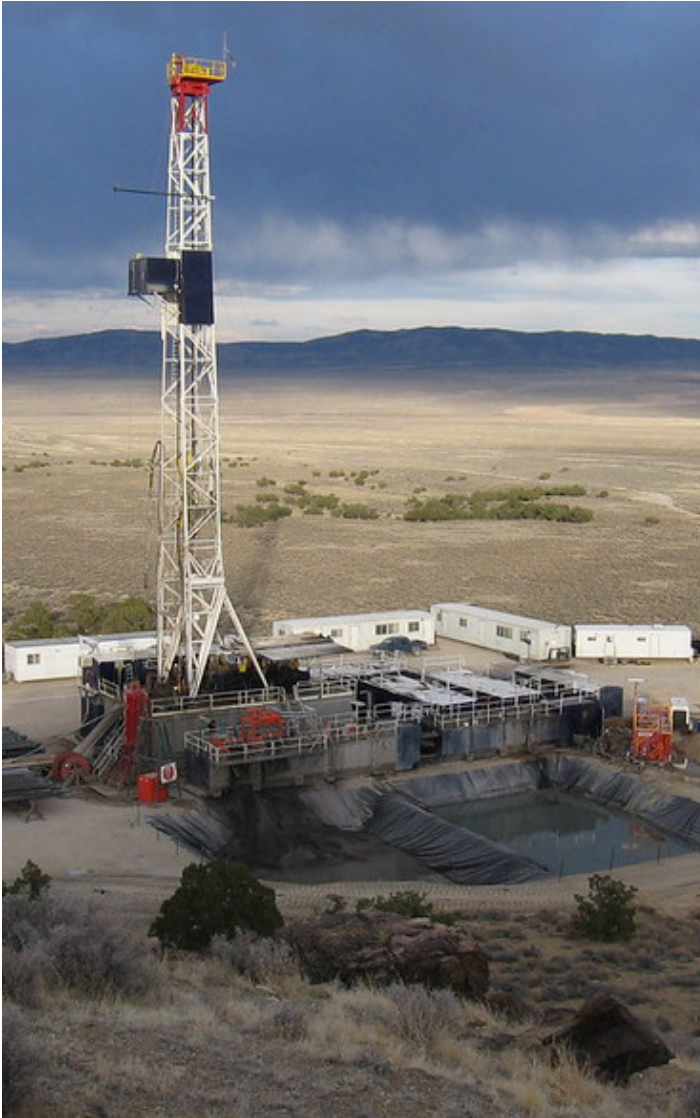
Prior to recent updates, federal bonding rules for onshore wells lagged far behind real-world reclamation costs. The Government Accountability Office reported that DOI held an average bond value of \$2,122 per well in 2018, covering just 3 percent of the estimated cost of plugging orphaned wells in Nevada.<sup>6</sup> In 2023, DOI reported there were 1,500 bonds covering approximately 110,000 existing wells nationwide.<sup>7</sup> Average coverage varied depending on the bond type, with a high of \$5,864 per well on statewide leases and a low of just \$671 per well on nationwide leases.<sup>8</sup> Combined, each existing well had an average bond coverage of \$3,873, covering just 5 percent of the estimated cost of plugging orphaned wells in Nevada. That gap matters because when companies default, dissolve, or enter bankruptcy, taxpayers pay.

Fortunately for taxpayers, federal bonding requirements were updated in 2024, and the average per-well bond coverage is expected to rise. But if updates are rolled back to the same inadequate standards as before, taxpayers could once again be exposed to significant future reclamation liabilities from currently producing wells. According to BLM, there were 98 oil and gas wells producing on federal lands in Nevada at the end of FY2025.<sup>9</sup> If the same weak bonding requirements were once again imposed—leaving DOI to hold an average bond value of \$3,873 per well like it did in 2023—the federal government would have roughly \$380,000 in financial assurances for currently producing wells that may cost nearly \$7 million to reclaim, leaving taxpayers with approximately \$6.6 million in potential future liabilities.<sup>10</sup>

For Nevadans, weak federal leasing terms create a double exposure. First, below market royalty rates reduce the revenue flowing to the state from production. Second, insufficient bonding increases the likelihood that cleanup costs will land on state and federal taxpayers. Communities that host drilling activities will face the long-term environmental and fiscal consequences when wells are left behind and the bills come due.



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[Pancake Summit 21-1 002](#)  
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## What Federal Decisions Mean for Nevada

Nevada demonstrates that the problems with the federal oil and gas leasing system are not limited to the nation's biggest producing states. Even where production is relatively modest, federal policy choices still determine whether taxpayers receive a fair return. And leasing federal lands that are unlikely to ever produce oil and gas blocks other productive uses while benefiting speculators and oil and gas companies looking to claim more 'untapped acres' on their ledgers.

When Congress reduces royalty rates, restores outdated leasing terms, allows noncompetitive leasing, or weakens bonding reforms, those decisions shape how much value the public receives from leased lands and how much risk taxpayers may ultimately bear.

Nevada's federal oil and gas program is small by national standards. But that makes the central question even sharper: if so much public land is being leased, why are taxpayers getting so little in return?

Curbing speculation, updating royalty rates, maintaining stronger bonding requirements, and tightening oversight should be common sense measures in our federal leasing system. These policies would simply ensure that when public resources are developed, the public is paid fairly and protected from the costs when operators walk away.



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## Endnotes

- 1 Bureau of Land Management (BLM), “BLM Nevada History,” accessed June 2026. <https://www.blm.gov/about/history/history-by-region/nevada>
- 2 Excluding Alaska
- 3 Ibid
- 4 In more than half of all cases in Nevada, 2015-2024.
- 5 TCS analysis of BLM data available through the LR2000 and MLRS.
- 6 Government Accountability Office, “Oil and Gas: Bureau of Land Management Should Address Risks from Insufficient Bonds to Reclaim Wells,” September 18, 2019. <https://www.gao.gov/products/gao-19-615>
- 7 BLM, “Fluid Mineral Leases and Leasing Process,” July 24, 2023. <https://www.federalregister.gov/documents/2023/07/24/2023-14287/fluid-mineral-leases-and-leasing-process>
- 8 TCS calculation divides the average bond amount per bond type by the average number of wells per bond type, as reported in the BLM proposed “Fluid Mineral Leases and Leasing Process” rule.
- 9 BLM, Oil and Gas Statistics, Fiscal Year 2025 Statistics. <https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics>
- 10 TCS calculation multiplies the number of producing wells in the state by the estimated cost of reclamation, less the average bond value per well held by DOI in 2023.