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## **Federal Leasing Outlook and Analysis: A Deeper Look at Q2 2026 Oil and Gas Leasing and Q3 Preview**



*Eastern Colorado | Bob Burch: Serious Noticing*

From April through June, the Bureau of Land Management (BLM) leased 389 parcels containing 355,456 acres of federal land for oil and gas development in Colorado, Nevada, New Mexico, North Dakota, Utah, South Dakota, Texas, and Wyoming.

Federal taxpayers own mineral resources across the United States, including a 700-million-acre onshore subsurface mineral estate. The federal government manages the development of publicly owned oil and gas by leasing land to private companies to extract resources and sell them for profit.

In total, 638,476 acres have been offered for lease this year across 14 states, a substantial increase from the average acreage offered over the previous five years. While expanded leasing contributed to higher bid revenue, nearly all of that increase came from a single lease sale in New Mexico. The broader trend remained unchanged. Lower royalty rates will reduce future returns to taxpayers but have not increased industry interest or bidding on their own.

## More than 355,000 Acres of Federal Land Leased in Q2 at Below Market Royalty Rates

In the second quarter of 2026, BLM offered 382,175 acres of federal land across the U.S. for oil and gas development, leasing 355,456 acres. BLM received \$4,134,905,160 in bid revenue. This record-breaking revenue was driven almost entirely by a single auction in New Mexico, which leased 33,374 acres at an average bid of roughly \$120,000/acre.<sup>1</sup>

<b>2026 Second Quarter Onshore Oil and Gas Lease Sale Results</b>					
<b>Sale Date</b>	<b>State</b>	<b>Acres Offered</b>	<b>Acres Leased</b>	<b>Avg. Bid per Acre</b>	<b>Total Sale Revenue</b>
6/24/2026	UT	54,114	54,114	\$267.42	\$14,757,564
6/23/2026	NV	10,211	10,211	\$10.00	\$145,443
6/16/2026	CO	155,736	134,173	\$256.35	\$35,264,153
6/9/2026	WY	119,595	114,439	\$297.45	\$34,706,638
5/2/2026	NM	33,374	33,374	\$120,075.79	\$4,007,767,755
5/2/2026	TX	156	156	\$1,114.57	\$177,115
4/28/2026	ND	8,189	8,189	\$5,407.30	\$44,371,512
4/28/2026	SD	800	800	\$10.00	\$16,750

Sale results varied widely by state. On the high end, New Mexico, a major producer for federal oil and gas, generated average bids of more than \$120,000/acre. On the low end, parcels in South Dakota and Nevada, both minor producers of federal oil and gas, received the legal minimum bid of just \$10/acre.

Leasing decisions are driven by market conditions and development potential, not federal royalty rates. The largest auction this quarter offered more than 156,000 acres and leased more than 134,000 acres of federal land in Colorado. The average bid was \$256/acre, roughly on par with last year's average of \$295/acre, but well below the \$2,500/acre average recorded during the state's one 2024 sale under the higher 16.67% royalty rate. The second largest sale offered nearly 120,000 acres in Wyoming and leased more than 114,000 acres, with an average bid of \$297/acre. This was comparable to the 2025 average but lower than the 2024 average bid of \$483/acre when the higher 16.67% royalty rate was in effect.

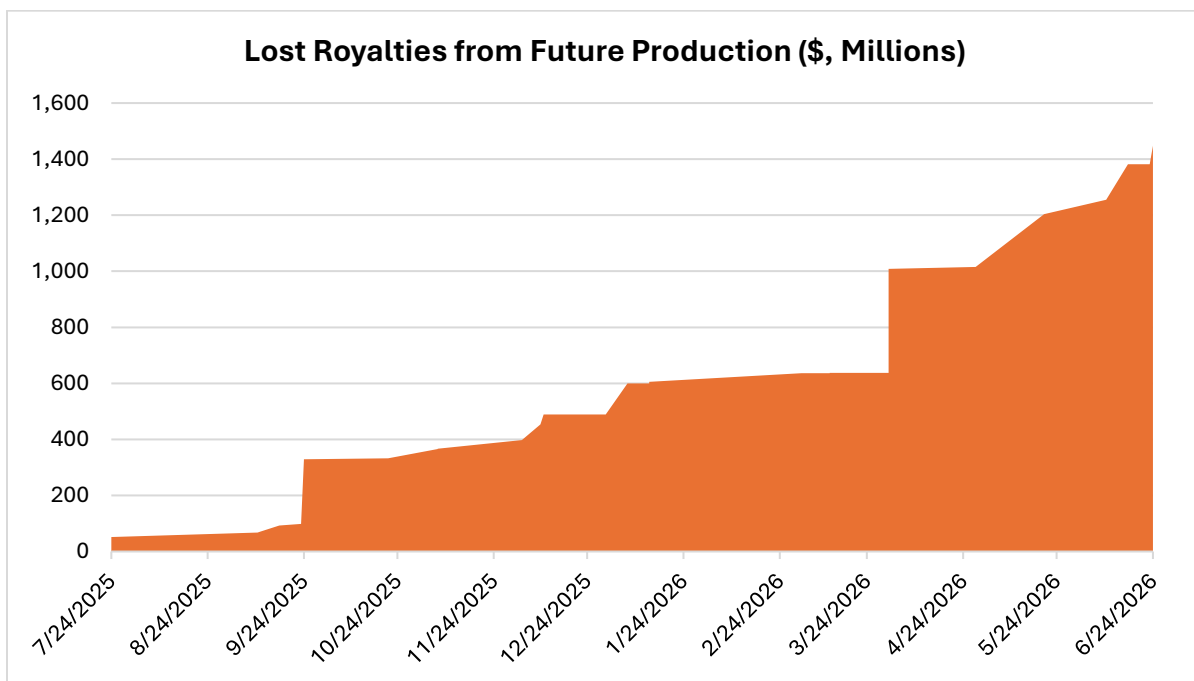
<sup>1</sup> The May 2nd auction offered and leased 33,374 acres in New Mexico and 156 acres in Texas. This statement refers only to the land offered and leased in New Mexico.

## \$440 Million in Lost Royalty Revenue from Q2 Leases

Leasing terms determine how much revenue taxpayers receive from the federal onshore leasing program. Leases issued under outdated, below-market royalty rates permanently reduce the share of future production returned to taxpayers.

BLM is required by law to ensure taxpayers receive a fair return from the development of taxpayer-owned resources. To acquire a lease, companies pay a bonus bid at competitive auctions, an administrative fee, and first year’s rent. Companies pay rent to hold nonproducing leases and a royalty on the value of any oil and gas developed and sold. Royalties make up the majority of revenue from oil and natural gas leases on federal onshore lands, making them one of the federal government’s most important sources of energy revenue.

The FY2025 budget reconciliation bill made several modifications to the federal onshore oil and gas leasing program, including lowering the onshore royalty rate from 16.67% to 12.5%. TCS estimates taxpayers are projected to lose approximately \$1.4 billion in royalty revenue from leases issued since July 2025, compared to what they would have received under a 16.67% royalty rate. More than one quarter of those projected losses, approximately \$440 million, stem from leases issued during the second quarter alone.



## New Mexico Spotlight: High-Value Parcels Generate Record Bids but Lower Royalties Still Cost Taxpayers

The Q2 federal oil and gas lease sale in New Mexico generated record-high revenue, demonstrating strong industry interest in an area with a long track record of high production and competitive bidding. Unfortunately for taxpayers, the 33,374 acres leased in New Mexico will be subject to a 12.5% royalty rate—far lower than what is charged on adjacent state and private lands—and will cost taxpayers millions in future royalty revenue.

New Mexico is a major producer of federal oil and gas, and federal lease sales in the state frequently receive some of the highest bids in the country. This sale especially reflected that trend because most of the acreage offered, 30,846 acres, was in Eddy and Lea Counties, the largest federal oil and gas producing counties in the entire country. Together, those two counties accounted for 78% of all federal oil production and 49% of all federal natural gas production in FY2025.

The extraordinary results of this lease sale should not be viewed as evidence that lower federal royalty rates increase industry interest or federal revenue. This sale succeeded because it was located at the core of the Delaware Basin within the Permian basin, some of the most valuable federal oil and gas acreage in the country. Companies were competing for access to exceptionally productive formations with a long history of profitable development, not for a temporary discount on future royalties.

These conditions are unique. Most federal lease sales occur in areas with far lower development potential and routinely receive few bids or only the minimum bid. In fact, other second quarter sales in Colorado, Wyoming, Utah, Nevada, and South Dakota generated average bids ranging from just \$10 to roughly \$300/acre. Development potential, not royalty rates, drives leasing demand.

BLM estimates that the 33,374 acres leased in New Mexico could produce 56 million barrels of oil and 190 billion cubic feet of natural gas over their lifetime, worth a combined \$4.5 billion. Using this projection, TCS estimates taxpayers are projected to lose \$189 million in potential royalty revenue that would have been collected under a higher 16.67% royalty rate.

But this is likely an underestimate. Our analysis uses the White House budget office's 2026 price projections for crude oil and natural gas of \$67.00/barrel (bbl) and \$3.99/thousand cubic feet (mcf). Future oil and natural gas prices are inherently uncertain. If we instead

apply the most recent monthly spot prices from June 2026 of \$102.13/bbl<sup>2</sup> and \$3.05/mcf<sup>3</sup>, the projected value of production rises to \$6.3 billion and taxpayer losses increase to \$263 million. And because many of these leases don't begin producing immediately, no one knows what oil prices will be when production actually begins and how big taxpayer losses will actually be.

New Mexico's exceptional production history made these leases highly attractive regardless of whether the royalty rate was 12.5% or 16.67%. Companies submitted record-breaking bidding on access to one of the most productive oil fields in North America during a time of favorable oil prices outlook, not responding to a reduced royalty rate. The lower royalty rate only permanently reduced the share of future production returned to taxpayers.

### **Nevada Spotlight: Low Royalty Rates Don't Make Parcels More Competitive**

Nevada is not a major federal oil and gas producer, but that has not stopped thousands of acres from being offered at auction and leased at rock bottom prices. The Q2 federal oil and gas lease sale in Nevada offered four parcels of public land, each covering roughly 2,500 acres, for oil and gas development. All four parcels were leased for the legal minimum bid of just \$10/acre. The results were unsurprising. The first quarter 2026 sale leased 20,000 acres at the legal minimum bid, and the fourth quarter 2025 sale attracted no bids on the 7,000 acres offered. Continuing to lease areas with little development potential ties up public lands while delivering little return to taxpayers.

### **Third Quarter Outlook**

The Administration has already announced six lease sales for the third quarter, offering 476,049 acres of public land in Colorado, Montana, Nevada, New Mexico, North Dakota, Oklahoma, Texas, Utah, and Wyoming.<sup>4</sup> The proposed Wyoming sale alone would offer 357,337 acres of federal land for oil and gas development, the state's largest offering since the first quarter of 2019. Whether these additional offerings generate meaningful taxpayer value will depend on the quality of the acreage offered, not simply the volume of land leased or the continuation of below market royalty rates.

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<sup>2</sup> U.S. Energy Information Administration (EIA), "Cushing, OK WTI Spot Price FOB," accessed June 30, 2026.

<https://www.eia.gov/dnav/pet/hist/RWTCD.htm>

<sup>3</sup> \$2.94/mmbtu x 1.037 mmbtu/mcf = \$3.04878/mcf. Source: EIA, "Henry Hub Natural Gas Spot Price," accessed June 30, 2026. <https://www.eia.gov/dnav/ng/hist/rngwhhdD.htm>

<sup>4</sup> Acreage offered subject to change