TAXPAYERS *for* COMMON SENSE

REPORT

Wyoming's Federal Oil and Gas Leasing, and What It Has Cost Taxpayers

6.7 MILLION
acres of **federal land** currently leased for oil and gas development

$4.2 BILLION
in **lost royalty revenue,** 2016–2025

$1.7 BILLION
in potential **reclamation liabilities** under old, outdated bonding requirements

Proposed federal financial assurance requirements are
4 TO 5 TIMES LESS
than requirements on state and private land in Wyoming

Wyoming is the nation's second-largest producer of oil and gas from federal lands. But because federal royalty rates were set below market for most of the last decade, taxpayers did not receive the full value generated from those publicly owned resources.

If federal leases in Wyoming had carried an 18.75 percent royalty rate instead of the 12.5 and 16.67 percent rates that governed most of the last decade, royalty collections would have been $4.2 billion higher. Since roughly half of federal royalties are returned to producing states, more than two billion dollars of that additional revenue would have flowed directly to Wyoming, funding that could otherwise support schools, hospitals, and other public infrastructure.

This is not a projection of future production. The oil was produced. The gas was sold. The only difference was how much of that value was returned to federal and Wyoming taxpayers instead of remaining with operators.

Over the last decade, from 2016 through 2025, Wyoming accounted for about 12 percent of federal oil production and 33 percent of federal natural gas production, second only to New Mexico. That production generates real economic value. Federal oil and gas revenue is shared with the state, helping fund public priorities. When federal royalty rates are set too low, the loss is not just borne by the federal government. Wyoming also loses revenue that would otherwise flow directly back to the state.

Crude oil pump jack with rural fields and clear blue sky at sunset in Wyoming by Robert Coy, Adobe Stock

Wyoming is a Major Producer of Federal Oil and Gas

At the end of Fiscal Year (FY) 2025, 6.7 million acres of federal land in Wyoming were leased for oil and gas development. Just over half of this land, 3.8 million acres, or 57 percent of leased acreage, was actively generating oil or gas.

From 2016 through 2025, Wyoming produced about 478 million barrels of federal oil and 11.8 trillion cubic feet of federal natural gas. Oil production on federal lands increased by 54 percent over the decade while gas production declined by 32 percent over the same period. Even with that decline, Wyoming remains one of the largest producers of natural gas on federal lands.

This production should have generated even greater revenues for federal and Wyoming taxpayers alike, since revenue from royalties and other leasing terms is shared with the state. However, outdated and below-market leasing terms not only limited revenue for taxpayers, but also allowed oil and gas operators to avoid fully covering the costs of reclaiming well sites after operations cease, potentially leaving taxpayers to cover cleanup costs.

The Federal Oil and Gas Leasing Program Fails American Taxpayers

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 this mineral estate and is charged with managing the development of those resources. Yet, despite the substantial value of taxpayer-owned resources extracted from federal lands every year, taxpayers continue to receive pennies on the dollar because of outdated and below-market leasing terms.

DOI initially grants leases to the highest bidder in a live auction, with the resulting revenue known as “bonus bid” revenue. The federal government then charges rent to leaseholders for holding the lease before production begins. Once leases begin producing oil and gas, leaseholders pay a fixed percentage of the production's value, known as a royalty.

In 2022, Congress enacted several long-overdue updates to federal oil and gas leasing rates for the first time since the 1980s. Under those updates, rental rates were raised to $3 per acre for the first two years, $5 per acre for years three through eight, and no less than $15 per acre for years nine and ten until August 2032. The minimum bid was also raised to $10 per acre. After August 2032, those rates become the statutory minimum. Congress also enacted other reforms, including raising the onshore royalty rate to a 16.67 percent minimum, eliminating noncompetitive leasing, and creating a new expression-of-interest fee for entities nominating federal land for competitive lease sales. Those provisions were rescinded in 2025.

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

BLM accepts two types of bond coverage: bonds for an operator's wells on an individual lease, with a minimum of $150,000, and bonds covering all wells owned by an operator within a state, with a minimum of $500,000. Higher bond values may be required if an operator has a history of violations, if BLM anticipates unusually high reclamation costs, or if other risk factors are present.

DOI is responsible for overseeing valuable taxpayer-owned mineral resources and ensuring taxpayers receive 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 standards risk failing to protect taxpayers or ensure a fair return from the sale of publicly owned resources. Taxpayers have already lost billions of dollars as a result. Without permanent market-rate leasing terms and stronger oversight, taxpayers could lose billions more while facing growing long-term liabilities.

"Red Canyon Area of Critical Environmental Concern, Wyoming"
by Bureau of Land Management, CC BY 2.0

Taxpayers Lost Out on $4.2 Billion in Revenue from Oil and Gas Production in Wyoming

For nearly a century, the federal onshore royalty rate was fixed at 12.5 percent.[1] Nearly all leases were issued at that statutory minimum rate. In 2022, Congress temporarily raised the rate to 16.67 percent for new leases, but lowered it back to 12.5 percent in 2025, locking in a century-old rate for decades to come.

Royalty revenue makes up the overwhelming share of federal oil and gas receipts. The Office of Natural Resources Revenue (ONRR) collected $7.5 billion in royalties from oil and gas produced from federal lands in Wyoming and sold over the last decade, 2016-2025.[2] Because that revenue is split with producing states, every percentage point in the royalty rate affects how much funding reaches Cheyenne and local communities.

The federal government charges a 12.5 percent royalty rate, below the 16.67 percent Wyoming often charges on nonfederal lands. If an 18.75 percent royalty rate had been applied to the $65.5 billion worth of oil and gas produced from federal lands in Wyoming over the last decade, federal and state taxpayers would have received an additional $4.2 billion in revenue.[3]

An 18.75 percent royalty 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. Development has not only continued under those terms, but boomed. The record shows that competitive royalty rates do not halt or slow production. They determine how much of the value extracted from public land returns to the public.

Federal leasing over the last decade has made this plain. Production on federal lands continued, regardless of the royalty rate. Companies invested, drilled, and bid in competitive lease sales under both the higher 16.67 percent royalty rate and the lower 12.5 percent rate. In fact, average bids across the country were higher in 2023 and 2024 under the higher rate ($978.18 and $2,148.62 per acre, respectively) than they had been during the preceding decade ($379.32 per acre from 2013-2022). The pace of development did not change. The public's share of the profits did.

Increased productivity and overall production make the impact of royalty rates even clearer. Offering more land at discounted rates will not drive an increase in leasing or production. But lowering royalty rates will directly reduce how much taxpayers receive from that production.

Proposed Bond Minimums Risk Leaving Taxpayers Exposed to a $1.7 Billion Shortfall

Wyoming 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 intended to ensure wells are plugged and sites restored once production ends. In practice, historic federal bonding requirements have often been insufficient to cover the full costs of reclamation, leaving taxpayers exposed to cleanup costs.

Prior to recent reforms, federal bonding rules for onshore wells lagged far behind real-world reclamation costs. Reclaiming wells is expensive. BLM reported an average cost of $71,000[4] per well nationwide, although estimates can range from $20,000[5] to $200,000.[6] The minimum—and often accepted—bond was $10,000 for individual leases, $25,000 for statewide coverage, and $150,000 for nationwide coverage. 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 Wyoming.[7]

"Oil and Gas" by David Korzilius
Bureau of Land Management, CC BY 2.0

In 2023, DOI reported there were 1,500 bonds covering approximately 110,000 existing wells nationwide.[8] Average coverage varied depending on bond type, with a high of $5,864 per well on statewide bonds and a low of just $671 per well on nationwide bonds.[9] Across all bond types, existing wells had average bond coverage of $3,873 per well, covering just 5 percent of estimated reclamation costs.

Weak bonding requirements do not eliminate cleanup costs. They simply increase the chances those costs are eventually borne by taxpayers.

Fortunately for taxpayers, federal bonding requirements were updated in 2024 and average per-well bond coverage is expected to rise. But if those reforms are rolled back—as was proposed by the Bureau of Land Management earlier this year—and outdated standards return, taxpayers could once again be exposed to billions in future reclamation liabilities from currently producing wells.

According to BLM, there were 26,020 oil and gas wells producing on federal lands in Wyoming at the end of FY2025.[10] If outdated bonding requirements returned and DOI once again held average bond coverage of just $3,873 per well, the federal government would hold only about $101 million in financial assurances for wells that may cost roughly $1.8 billion to reclaim, leaving taxpayers exposed to approximately $1.7 billion in potential future liabilities.[11]

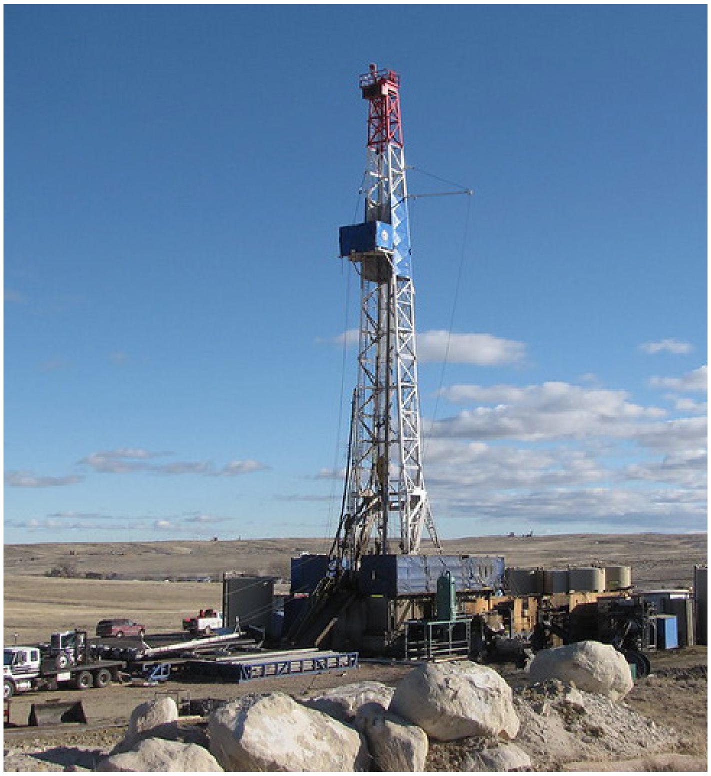
Insufficient bonding increases the likelihood that cleanup costs will fall on state and federal taxpayers. Communities that host drilling activity may ultimately face the long-term environmental and fiscal consequences when wells are left behind and the bills come due.

"#mypubliclandsroadtrip 2016: Get Outdoors Baby, North Platte River/Trappers Route" by Bureau of Land Management, CC BY 2.0

Proposed Federal Bonding Requirements Fall Short of Current, State-Level Protections

DOI has proposed to lower bond requirements to their decades-old minimums. These proposed requirements stand in sharp contrast to the financial assurance operators must provide on state and private land in Wyoming.

More than a decade ago, after the coalbed methane bust left the Powder River Basin littered with abandoned wells,[12] Wyoming overhauled its bonding regulations to better protect state taxpayers and local communities. The Wyoming Oil and Gas Conservation Commission (WOGCC) currently accepts individual well bonds of $10 per foot and statewide bonds of $100,000. This means that even the shallowest 2,000-foot-deep coalbed methane wells on nonfederal land—let alone modern horizontal oil wells, which have depths of 10,000 to 15,000 feet—would have five times more coverage than the $3,873 per well likely under DOI's new proposal. Statewide bonds would have four times more coverage than the minimum requirement proposed by DOI.



"Oil and Gas" by David Korzilius
Bureau of Land Management, CC BY 2.0

Additionally, oil and gas operators on nonfederal land in Wyoming may need to provide an additional $10 per foot for idle wells. Requiring single-well financial assurance for idle wells targets the highest-risk sites. Low-producing wells may soon fail to generate enough revenue to justify the costs of operation, leading to inactivity. Non-producing wells—by definition generating no revenue—are at even greater risk of being orphaned.[13] An analysis of 40 years of California data found that once a well is idle for 10 months, there's only a 50% chance it will ever produce again.[14] Idle well bonding has a significant impact on Wyoming's bond reserve. In January 2026, WOGCC reported holding total bonds in the amount of $298 million.[15] Idle well bonding made up about 76% of the total.

Local leaders in Wyoming know the high costs of reclaiming wells and have acted to better ensure those costs are not passed on to taxpayers. Wells on federal land, which may be less than a mile from those on non-federal land, are not less expensive to reclaim. Yet the DOI has proposed to dramatically lower financial assurance requirements, putting taxpayers at greater risk.

Federal Leasing Decisions in Wyoming Directly Impact State and Federal Taxpayers

Taxpayers entrust the federal government with the management of federal lands and the valuable resources contained within them. Yet current policies fail to provide a fair return to taxpayers from oil and gas development on federal lands in Wyoming. Adding insult to injury, current policies leave taxpayers to shoulder long-term liabilities from orphaned wells.

For Wyoming, the stakes are immediate and measurable. BLM manages 18.4 million acres of public land and 42.9 million acres of federal mineral estate in the state.[16] Revenue from federal oil and gas production helps fund schools, infrastructure, and other public priorities. When that revenue falls short, the impact is felt in state and local budgets. And when cleanup costs are not fully covered by industry, the financial burden can shift directly onto taxpayers and communities.

Wyoming's record shows why federal leasing policy must account for both production and taxpayer return. Congress and DOI should maintain market-rate royalties, preserve bonding requirements tied to likely reclamation costs, use competitive auctions to test the value of federal leases, and provide the public with clearer information about whether leased acreage ultimately produces. These safeguards would not prevent responsible development. They would help ensure that when publicly owned resources are developed, taxpayers receive a fair return and are protected from the cost of cleaning up afterward.

Endnotes

1 Nearly all leases were issued at the statutory minimum royalty rate of 12.5%.
2 Office of Natural Resources Revenue, "Calendar year federal sales data, 2013-2025", accessed August 2026, https://revenuedata.onrr.gov/downloads/federal-sales/.
3 Taxpayers for Common Sense (TCS) calculation applies an 18.75% royalty rate to the reported sales value, less allowances, as reported by ONRR.
4 Bureau of Land Management (BLM), "Fluid Mineral Leases and Leasing Process," Federal Register, July 25, 2023, https://www.federalregister.gov/documents/2023/07/24/2023-14287/fluid-mineral-leases-and-leasing-process#p-82.
5 Government Accountability Office (GAO), "Oil and Gas: Bureau of Land Management Should Address Risks from Insufficient Bonds to Reclaim Wells," September 2019, https://www.gao.gov/products/gao-19-615.
6 BLM, "Fluid Mineral Leases and Leasing Process," Federal Register, July 25, 2023, https://www.federalregister.gov/documents/2023/07/24/2023-14287/fluid-mineral-leases-and-leasing-process#p-82.
7 GAO, "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.
8 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.
9 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.
10 BLM, Oil and Gas Statistics, Fiscal Year 2025 Statistics, https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics.
11 TCS calculation multiplies the number of producing wells in the state (26,020) by the estimated cost of reclamation ($71,000) less the average bond value per well held by DOI in 2023 ($3,873.39).
12 Dustin Bleizeffer, "Coal-bed Methane: Boom, bust and hard lessons," WyoFile, April 14, 2025, https://wyofile.com/coal-bed-methane-boom-bust-and-hard-lesson/.
13 Colorado Energy & Carbon Management Commission, "142 low-producing oil and gas wells to be plugged," accessed October 27, 2025, https://ecmc.colorado.gov/press-release/142-low-producing-oil-and-gas-wells-to-be-plugged.
14 Mark Olalde and Ryan Menezes "The toxic legacy of old oil wells: California's multibillion-dollar problem," Los Angeles Times, February 6, 2020, https://www.latimes.com/projects/california-oil-well-drilling-idle-cleanup/.
15 "Wyoming Oil and Gas Conservation Commission Supervisor Report to Commission – Tom Kropatsch," March 2026, https://drive.google.com/file/d/1CHHrP4wvKfqXIgXflHotZQmlPS6IiIiQ/view.
16 BLM, "What we Manage in Wyoming," accessed August 2026, https://www.blm.gov/about/what-we-manage/wyoming.