TAXPAYERS for COMMON SENSE

FACT SHEET

November 2023 Update

Oil & Gas Lease Sales on Federal Lands

Through the first 11 months of 2023, the Department of the Interior's Bureau of Land Management (BLM) has held 10 oil and gas lease sales across 8 states, with an additional 6 lease sales scheduled before the end of the year. So far in 2023, 249,757 acres of federal land have been offered for oil and gas development, of which 134,119 acres have been leased. These lease sales have been held under a leasing system that the Department of the Interior (DOI) has acknowledged is insufficient at protecting taxpayers and providing a fair return for oil and gas produced on federal lands. Though some fiscal reforms to oil and gas leasing were enacted in 2022, key areas of the federal leasing system still need to be addressed before taxpayers are locked into future losses. Through the end of the year, 44,858 additional acres are expected to be available at auction.

In July, the DOI released a proposed rule that would, in addition to codifying legislative reforms made last year, raise bonding requirements for the first time in over 60 years and disincentivize speculative leasing by directing leasing away from land with little oil and gas development potential. Moving forward with these sales before reforms are made final will continue to shortchange taxpayers and force us to pay for the liabilities the oil and gas industry leaves behind.

Oil and Gas Lease Sales Announced to Date (as of 11/15):

State	Date Announced	Scheduled Sale	Parcels Offered	Acres Offered
Kansas	10/7/2022	May 25, 2023	26	6,844.42
New Mexico	10/7/2022	May 25, 2023	19	3,279.49
North Dakota	1/6/2023	June 27, 2023	14	5,671.72
Wyoming	10/7/2022	June 28-29, 2023	116	127,014.62
Louisiana	12/20/2022	June 29, 2023	3	88.81
Michigan	12/20/2022	June 29, 2023	1	40
Nevada	11/21/2022	July 25, 2023	4	4,720
Wyoming	12/20/2022	September 6, 2023	81	67,182.78
North Dakota	3/31/2023	September 12, 2023	19	8,061.61
Utah	11/21/2022	September 26, 2023	14	26,853.94
Wyoming	3/17/2023	November 28, 2023	37	35,353.86
New Mexico	2/17/2023	November 30, 2023	6	433.59
Oklahoma	2/17/2023	November 30, 2023	3	120
Nevada	5/15/2023	December 5, 2023	5	4,538.34*
North Dakota	6/23/2023	December 5, 2023	12	3,650.81

Utah	12/20/2022	December 12, 2023	1	761.36
Total			**361**	**294,615.35**

*Includes Expressions of Interests (EOIs) being considered by BLM. Proposed numbers of parcels and numbers of acreage subject to change until final sale notice is issued.

Background

The Bureau of Land Management (BLM) under the Department of the Interior (DOI) is responsible for leasing oil and gas for development throughout the federal onshore mineral estate. Under the Mineral Leasing Act of 1920, the Secretary of the Interior is required to hold leases sales at least quarterly in every state where unleased lands are available. The leases go to the highest bidder who offers at least a "national minimum acceptable bid" per acre. The highest bidder who is awarded a lease is also required to pay rent until oil and gas production starts, at which point the lessee will start paying a royalty.

For decades, these rates were outdated and cost taxpayers billions of dollars every year. The minimum bid –which was set at $2/acre– and rent –which was $1.50/ acre for the first 5 years of the lease and $2/ acre for the latter 5 years of the lease– had not been adjusted for inflation since the 1980s. Similarly, the royalty rate of 12.5% was more than a century old and failed to keep pace with what states and federal waters charge for oil and gas development.

The Inflation Reduction Act of 2022 (IRA) reformed several areas of the oil and gas leasing system, including increasing the minimum bid to $10/acre; rent to $3/acre for the first 2 years, $5/acre for year 3-8, and then no less than $15/acre for year 9-10; and the onshore royalty rate to 16.67%. The IRA also eliminated noncompetitive leasing, which allowed oil and gas companies to acquire oil and gas leases the day after auction without paying the minimum bid, and instituted an expression of interest fee. While these reforms were an important step towards ensuring taxpayer receive a fair return, decades-old minimum bonding requirements, inadequate policies governing the royalty-free release of methane, and other issued remain in place.

Several upcoming rulemakings seek to address these weaknesses. The BLM and Environmental Protection Agency (EPA) have both proposed rules that would update policies governing the release of natural gas on federal and nonfederal leases. The BLM also recently released a proposed rule that would codify reforms made by the IRA and implement new changes to the onshore federal leasing program, including updating bonding requirements.

The process for plugging old wells is out of date and leaves taxpayers footing the bill for corporations. Currently, companies are required to post a bond for the land they lease which is intended to cover the cost of any potential cleanup required after a company leaves. The average cost of cleaning these wells ranges from $20,000 to $145,000 per well. However, the average bond is currently only $2,122 per well. With hundreds of wells scattered throughout federal lands, that is millions of dollars in cleanup costs paid for by taxpayers.

Under the proposed rule, the minimum lease bond amount would be increased from $10,000 to $150,000, the minimum statewide bond would be increased from $25,000 to $500,000, and nationwide and unit bonds would be eliminated.

The proposed rule would also steer oil and gas development away from important and sensitive wildlife habitat or cultural sites, and instead toward lands with existing oil and gas infrastructure or high production potential and increase BLM’s processing fees. These reforms would increase returns to taxpayers, disincentivize speculative leasing, and hold the oil and gas industry more accountable.

To better protect taxpayers and ensure a fair return from our valuable public resources, the Administration must reform oil and gas bonding, codify an 18.75% minimum royalty rate for onshore oil and gas development after the ten-year IRA window, and implement protections that will limit oil and gas speculation on federal lands that have little potential for oil and gas drilling.