IT IS TIME FOR A FAIR RETURN FOR OUR OIL AND GAS RESOURCES

PROTECT AMERICAN TAXPAYERS: OPPOSE H.J.Res.154

June 14, 2024

Dear Member of Congress,

On behalf of Taxpayers for Common Sense Action, I am writing to express our concerns regarding efforts to rescind the Bureau of Land Management's (BLM) recent oil and gas leasing rule, "Fluid Mineral Leases and Leasing Process." This rule includes crucial fiscal leasing reforms passed by Congress and increases bonding rates that have not been updated since the 1960s.

To protect taxpayer dollars, we urge you to **oppose H.J.Res.154** which seeks to rescind the final oil and gas leasing rule. This would prevent the Department of the Interior from addressing long-standing issues with the federal oil and gas leasing system — issues that have resulted in significant losses for taxpayers over the years.

For decades, the federal oil and gas leasing system has failed to ensure that taxpayers receive a fair return from the development of federally owned resources. Outdated leasing processes, below-market fees, and insufficient bonding requirements have not only deprived taxpayers of potential revenue, they have left us with growing financial liabilities.

In 2022, Congress passed a suite of fiscal reforms to the federal onshore oil and gas leasing system. The BLM's recent rule represents a critical step forward by addressing decades-old bonding requirements, focusing federal resources for oil and gas leasing in areas that will yield the greatest results for taxpayers, and codifying the reforms passed by Congress. These changes are essential to ensure that taxpayers are not left with costly liabilities from orphaned wells and are guaranteed a fair return from the development of federally owned resources.

Oil and gas leasing reforms are crucial for reducing liabilities from orphaned wells. Implementing the final rule will protect taxpayers from potentially $6.15 billion in reclamation costs from currently producible but under-bonded wells on federal land.[1] For far too long, taxpayers have been saddled with cleanup liabilities when oil and gas operators abandon their wells after production ends. Making sure that oil and gas companies set aside enough money to cover cleanup costs before production starts will protect taxpayers from future fiscal liabilities and communities from potential public health and environmental impacts.

The final rule also ensures that BLM regulations are consistent with the statute by codifying reforms enacted by Congress, which update the century-old royalty rate, adjust rental rates for inflation, increase the outdated minimum bid, create a new expression of interest fee to limit speculation, and eliminate noncompetitive leasing.

The federal government has historically applied lower royalty rates for oil and gas production on our nation's public lands, leading to a significant disparity in the revenue collected from these natural resources. Federal lands have traditionally charged a royalty rate of 12.5 percent, a figure that had previously remained unchanged for over a century. In contrast, states with substantial oil and gas production often impose higher royalty rates, reflecting market conditions and efforts to secure a fair return for their resources. For instance,

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[1] Taxpayers for Common Sense. "Federal Oil & Gas Leasing Reform Will Benefit Taxpayers." March 2024. https://www.taxpayer.net/energy-natural-resources/federal-oil-gas-leasing-reform-will-benefit-taxpayers/

Texas charges a royalty rate of 20-25 percent, while New Mexico imposes rates of 18.75-20 percent. Other states like Colorado, Montana, North Dakota, Oklahoma, Pennsylvania, Utah, and Wyoming regularly issue leases with royalty rates ranging from 16.67 percent to 20 percent, significantly higher than the old federal rate.

This discrepancy has led to the federal government and, by extension, American taxpayers, not receiving a fair return for oil and gas production on federal lands. The lower federal royalty rates, when compared to those of state lands, have resulted in billions of dollars in lost revenue over the years. For example, our research indicates the federal government would have collected up to $10.3 billion in additional revenue from oil and gas drilling on federal lands from FY2013 through FY2022 had the current rate of 16.7 percent been charged.[2]

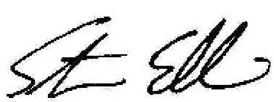
Moreover, in states that already charge a higher royalty rate, oil and gas development has remained high and leasing competitive. As seen in states like Colorado and Texas, increases in state royalty rates had no negative impact on production on state lands. Without these reforms, the federal government and taxpayers will continue to lose billions of dollars in potential revenue from outdated and below-market oil and gas leasing terms.

The United States has firmly established itself as the world's largest producer of oil and gas, a position it has held since 2018. The U.S. has not only maintained this lead but also set a global record by producing an average of 12.9 million barrels of crude oil per day in 2023, with production peaking at over 13.3 million barrels per day in December 2023.[3] 2023 similarly marked a record for U.S. natural gas production at 125 billion cubic feet per day, with another monthly production record in December.[4] The U.S.'s position as a leading producer is supported by its vast reserves, advanced extraction technologies, and a well-established, highly profitable industry that has long been subsidized and is capable of adapting to needed policy reforms. The recent updates enacted by the Bureau of Land Management will bolster revenue from federal lands without jeopardizing the country's unmatched production capacity.

The resolution to rescind this rulemaking would undermine these necessary reforms and continue the federal government's failure to secure a fair return for taxpayers. It would also leave taxpayers vulnerable to the future liabilities associated with orphaned wells. Rescinding "Fluid Mineral Leases and Leasing Process" is fiscally irresponsible.

We urge you to **oppose S.J.Res 78**. Recent reforms have modernized the federal leasing system and secured a fair return for taxpayers. Let's not turn back the clock.

Sincerely,



President

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[2] Taxpayers for Common Sense. "Federal Oil & Gas Leasing Reform Will Benefit Taxpayers." March 2024. https://www.taxpayer.net/energy-natural-resources/federal-oil-gas-leasing-reform-will-benefit-taxpayers/

[3] U.S. Energy Information Administration. "United States produces more crude oil than any country, ever." March 2024. https://www.eia.gov/todayinenergy/detail.php?id=61545.

[4] Robert Rapier. "U.S. Oil and Gas Production Are Ahead of Last Year's Record Pace." *Forbes.* April 2024. https://www.forbes.com/sites/rrapier/2024/04/26/us-oil-and-gas-production-are-ahead-of-last-years-record-pace/?sh=3397bca160ac