March 4, 2025

Dear Member of Congress,

As Congress advances the FY2025 budget and reconciliation process, the proposals under consideration—ranging from $4.5 trillion in tax cuts to $2 trillion in mandatory spending reductions—underscore the urgent need to identify opportunities to protect taxpayer dollars while generating additional revenue. Federal onshore oil and gas leasing reforms offer a critical opportunity for achieving both objectives.

The federal onshore oil and gas leasing program plays a significant role in domestic energy production, but its effectiveness hinges on responsible management practices. Recent lease sales have demonstrated the importance of maintaining and strengthening reforms that protect taxpayers' interest.

Last month, the Bureau of Land Management leased 1,317 acres of federal land in New Mexico at an average bid of $15,673 per acre—more than four times the average bid for sales in the state between 2010 and 2020, before outdated fiscal rates were updated. Similarly, a lease sale in January 2025 saw strong results: all 1,324 acres offered at auction were leased at an average bid more than eight times greater than the 2010-2020 average in North Dakota and more than 100 times the 2010-2020 average in Montana.

These trends demonstrate that fiscal accountability and domestic energy production can go hand in hand. Our analysis, ***2024 Year in Review: Federal Onshore Oil & Gas Leasing***, highlights key takeaways from 2024 lease auctions. For example:

- **New Mexico** showcased the benefits of competitive leasing in high-producing areas, with an average bid of roughly $21,490 per acre in 2024 lease sales. Similarly, **North Dakota** achieved an average bid of $3,960 per acre—nearly three times its 2010–2020 average—demonstrating how targeted leasing can maximize returns.

- **Nevada,** meanwhile, offered over 2,000 acres for leasing with no industry interest, highlighting the inefficiencies and risks of speculative leasing that locks up public lands without generating meaningful revenue. Similarly, **Wyoming**, which accounted for nearly one-third of all federal acreage leased in 2024, saw 30% of acres sold at the legal minimum bid of $10 per acre.

Modernized leasing terms—including the elimination of noncompetitive leasing, increased royalty rates, higher minimum bids, and a new expression of interest fee—have begun addressing these disparities. By focusing leasing efforts on areas with a high likelihood of entering production and requiring sufficient bonding to cover cleanup costs, we further protect taxpayers from financial liabilities while promoting long-term energy development. However, these important updates must remain in place to ensure taxpayers are not shortchanged by outdated practices.

It is also worth noting that U.S. oil production reached a record high of 12.9 million barrels per day (b/d) in 2023 and is projected to continue to set new records through 2026. With millions of acres already leased but not yet producing, our energy security remains strong. Safeguarding recent reforms ensures taxpayers continue receiving a fair return on public resources without jeopardizing domestic energy production. Rolling back these policies would undervalue public assets and expose taxpayers to unnecessary liabilities.

As Congress considers reconciliation or other legislative measures, we urge you to prioritize reforms that balance energy development with fiscal responsibility. The Department of the Interior manages over 500 million acres of public lands; strategic oversight of these lands and their resources is vital to protecting taxpayer dollars while supporting domestic energy production.

Updated leasing policies are essential to ensuring fiscal accountability and protecting taxpayer dollars by appropriately valuing America's natural resources. As our analyses show, there is a strong fiscal case for maintaining important reforms to the onshore oil and gas leasing program. Modernized royalty rates, adequate bonding requirements, and updated policies that direct leasing to areas that make sense will support our energy security, raise important revenue for taxpayers, and protect us from future costs.

We welcome the opportunity to discuss our findings further or provide additional data that may assist your efforts in shaping policies that safeguard taxpayer interests. Thank you for considering this report as a resource in your deliberations.

Sincerely,

Steve Ellis
President
Taxpayers for Common Sense