

September 28, 2021

The Honorable Charles E. Schumer
Majority Leader, U.S. Senate
The Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
The Capitol
Washington, D.C. 20510

Dear Majority Leader Schumer and Speaker Pelosi

CC: Sen. Joe Manchin, Rep. Raul Grijalva

Dear Majority Leader Schumer and Speaker Pelosi:

The undersigned organizations urge you to ensure that language is included in the 10-year budget reconciliation package that will make long-overdue reforms to the federal oil and gas leasing program. Doing so will raise significant revenue for the American people by ensuring that taxpayers receive fair market-rate returns on publicly owned resources while reducing potential federal and state liability for cleanup costs.

We ask that you incorporate reconciliation language approved by the House Natural Resources Committee updating federal oil and gas bonding standards and minimum bids, rents, and royalty rates; ending non-competitive leasing; and ending the leasing of lands with low or no potential for oil and gas development.

As numerous recent analyses have shown, the costs of remediating oil and gas wells after their useful lives can cost more than \$100,000 per well, far beyond the \$10,000 bond an operator can currently secure on an individual federal lease. Low bond minimums disincentivize proper reclamation of wells and put taxpayers in oil-producing states at risk.

In California, taxpayers have had to [foot the bill](#) for \$27 million out of the \$47 million costs of cleaning up a man-made island off Ventura County, Calif. that was built for oil drilling in the 1950s by Atlantic Richfield Co. In Colorado, the 2019 bankruptcy of PetroShare, a small Colorado drilling firm, left about 50 wells for the state to clean up [at taxpayer expense](#).

The federal onshore program's fiscal policies are outdated, failing to account for increased production, falling behind inflation, and lagging behind state rates. All the major oil and gas producing states in the West require higher royalty rates than the federal government's onshore rate. The federal onshore royalty rate has not changed since 1920, while rental rates and minimum bids have not been updated since the 1980s.

Establishing a fair and modern federal royalty rate would provide benefits to taxpayers, as the federal government lost [more than \\$12 billion](#) in revenue from 2010-2019 due to below-market royalty rates for drilling on public lands and waters, according to Taxpayers for Common Sense.

The Project on Government Oversight has [testified](#) before Congress on this issue, citing a Government Accountability Office (GAO) [report](#) which found leases that had been awarded to oil and gas companies between 1996 and 2000 with a guarantee of no royalties on initial volumes of production resulted in approximately \$18 billion in foregone royalties through 2018.

Stagnant rates have also resulted in a non-competitive leasing scenario where oil and gas companies have been able to hoard public lands for next to nothing, preventing other productive uses. According to a GAO [report](#), 99 percent of recently issued non-competitive leases never produced oil or gas. Taxpayers are not earning royalties from the vast majority of these leases.

Congress should also act to end the practice of selling leases without a competitive bid. Reprioritizing the federal leasing program away from public lands with low potential for development will cut administrative costs and end speculative leasing. The GAO has found - across a decade and more than 20 reports - that the federal oil and gas program is “vulnerable to waste, fraud, abuse or mismanagement, or in need of transformation.”

Updating these components of the federal oil and gas leasing system would help advance responsible management of our shared public resources and will protect the interests of taxpayers and future generations.

We thank you and appreciate your attention to this issue.

Sincerely,

Public Citizen
Accountable U.S.
Oil Change U.S.
Oxfam America
Project on Government Oversight
Publish What You Pay – United States
Taxpayers for Common Sense