

# Federal Oil & Gas Leasing and Permitting

## FACT SHEET

### Key Points

- Federal lands and waters are significant to U.S. energy production. Oil production from federal lands and waters provides approximately **24 percent** of total U.S. oil production.<sup>1</sup> Additionally, natural gas production from federal lands and waters is approximately **11 percent** of total U.S. natural gas production.<sup>2</sup>
- The laws governing federal leasing require companies to either produce oil and/or natural gas on leases or return the leases to the government (the so-called “use it or lose it” provision) generally within 10 years.<sup>3</sup>
- A “non-producing” lease does not mean it is inactive.
  - Developing a lease takes years and substantial effort to determine whether the underlying geology holds commercial quantities of oil and/or natural gas.
  - The lengthy process to develop leases is often prolonged by administrative, regulatory, and legal challenges.
- The Biden Administration violated Congressional statute by halting all federal oil and gas lease sales – onshore and offshore – and is thereby creating an inevitable decline in federal production over time.
- Nationwide, nearly 2-out-of-3 onshore federal lands leases in effect are producing oil and/or natural gas, the highest percentage in 20 years.<sup>4</sup> That number may be even higher in certain subsets of states.
- Onshore, there are currently nearly 100,000 producing wells on federal lands.<sup>5</sup> The approximately 9,000 approved applications for permits to drill (APDs) represent a relatively small fraction of federal production.
- The number of drilled but uncompleted wells (DUCs) on federal lands has fallen by over 40% in the last year, from 7,700 to 4,400.<sup>6</sup> DUCs are ready to produce once the circumstances align – weather, financial, supply chain issues, etc.

### Leases

- Normal federal leasing processes featuring regular lease sales contributed in part to the U.S. hitting an all-time high in crude production in 2019.<sup>7</sup>
- Leases are mid- to long-term opportunities, indicating **potential** production **years away**, which may or may not ultimately bear fruit.
- Developers often purchase leases based on limited geological knowledge with the hope that they will yield commercial quantities of oil and/or natural gas.
- Once a lease is issued, companies undertake rigorous, and expensive geological studies to determine whether to seek a permit to drill.
- Companies pay rent on leases until and unless they start producing, thus providing an additional incentive not to leave them undeveloped.
- For onshore leases, the assessment process can take **3-4 years**, and sometimes longer if developers encounter legal hurdles.
- For offshore leases, the average development time is **7-8 years** given the more difficult engineering and logistical challenges.

### Permits

- If a company determines that a particular parcel on a lease is likely to yield commercial quantities, it then submits an Application for Permit to Drill (APD).
- Production (even with an approved APD) may be delayed or may not occur at all depending on varying circumstances.

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<sup>1</sup> FY 2021 data from the [Energy Information Administration](#) and [Office of Natural Resources Revenue](#) (ONRR).

<sup>2</sup> FY 2021 data from the [Energy Information Administration](#) and [Office of Natural Resources Revenue](#) (ONRR).

<sup>3</sup> See the Minerals Leasing Act for onshore leasing and Offshore Continental Shelf Leasing Act (OCSLA) for offshore leasing.

<sup>4</sup> <https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics>.

<sup>5</sup> <https://www.blm.gov/programs-energy-and-minerals/oil-and-gas/about>.

<sup>6</sup> <https://www.eia.gov/petroleum/drilling/>.

<sup>7</sup> [https://www.nmoga.org/u\\_s\\_oil\\_production\\_all\\_time\\_high\\_12\\_8\\_million\\_barrels\\_per\\_day](https://www.nmoga.org/u_s_oil_production_all_time_high_12_8_million_barrels_per_day).

- Supply chain issues often cause delays in drilling.
  - Sand has been difficult to obtain in a timely manner recently.
  - The steel tubulars for the well itself and the casing have also been difficult to obtain.
- Operators may change from drilling plans (e.g., extending 1 mile laterals to 1-1/2 mile laterals or 2 mile laterals), requiring a new APD, thus delaying production from the original APD.
- Operators may also be asked to submit all APDs at once for a multi-well pad, even though not all wells will be drilled immediately.
- Budgets, corporate access to internal capital, or M&As may have prompted a change in corporate direction.
- Post-pandemic staffing is also a challenging in some regions of the country.
- Sites can be less productive than anticipated, even after thorough geological analysis.
- The economic analysis or corporate capital outlook may have changed.

## **Onshore**

- As of October 1, 2021 there were 35,871 active onshore leases on federal lands, with 23,803 producing.<sup>8</sup>
- As of December 2021, the industry has approximately 9,200 APDs awaiting production representing a very small percentage of the nearly 100,000 wells on federal lands<sup>9</sup> and down from 9,600 in September 2021.<sup>10</sup> Once an APD, is approved it is active for two (2) years and may be extended for another two (2) years at the discretion of the Bureau of Land Management.
- The minimum bid for a 10-year, onshore federal lands lease is around \$2 / acre. Once a lease is granted, yearly rental fees of \$1.50 /acre if the lease does not begin producing.<sup>11</sup>
- Since 2010, the BLM has issued 14,604 leases, an average of 1,217 / year.<sup>12</sup>
  - Pre – production revenue, which includes lease sales and rents, for onshore oil and natural gas resources averaged \$346 million per year between 2010 and 2021.<sup>13</sup>
  - Total government revenue which includes pre-production and royalty payments on production, totaled \$34.7 billion or an average of \$2.9 billion / year.<sup>14</sup>

## **Offshore**

- As of March 1, there were 2,060 active offshore leases, with 512 producing (25%).<sup>15</sup>
- Since 2000, 97% of the 11,600 approved permits to drill have been drilled.<sup>16</sup>
- The minimum bid for a 10-year, deepwater offshore lease is \$576,000 (\$100 / acre). Once a lease is granted, yearly rental fees of \$63,000 begin and rises to \$92,000 in later years if the lease does not begin producing.
- Since 2010, BOEM has issued 3,296 GOM leases, an average of ~ 300 / year.
  - These leases generated \$7,307 million in bonus bids (avg - \$2.217 million / lease) and \$182 million in 1<sup>st</sup> year rentals (avg - \$55,218/lease).
  - Total government revenue which includes pre-production and royalty payments on production, totaled \$65.2 billion or an average of \$5.4 billion / year).<sup>17</sup>

<sup>8</sup> <https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics>

<sup>9</sup> <https://www.blm.gov/sites/blm.gov/files/docs/2022-02/FY%202022%20APD%20Status%20Report%20December.pdf>.

<sup>10</sup> <https://www.blm.gov/sites/blm.gov/files/docs/2021-11/FY%202021%20APD%20Status%20Report%20September%20EOY%20Final.pdf>, For historical context, this is also down from the approximately 10,000 approved but not-in-use APDs at the end of FY 2019 highlighted in a 2021 GAO report, available at: <https://www.gao.gov/assets/gao-20-329.pdf>.

<sup>11</sup> <https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics>.

<sup>12</sup> <https://revenue.data.doi.gov/query-data?dataType=Revenue#>.

<sup>13</sup> <https://revenue.data.doi.gov/query-data?dataType=Revenue#>.

<sup>14</sup> <https://revenue.data.doi.gov/query-data?dataType=Revenue#>.

<sup>15</sup> <https://www.boem.gov/sites/default/files/documents/Lease%20stats%203-1-22.pdf>

<sup>16</sup> <https://www.data.bsee.gov/Leasing/OffshoreStatsbyWD/Default.aspx>.

<sup>17</sup> <https://www.boem.gov/sites/default/files/documents/about-boem/Table%20%20SwilerTable%2024FEB2021.pdf>.