

NEWS: ENERGY

# Oil and gas companies leave nearly half of leases on Colorado public lands unsold at federal auctions

Watchdogs say it's a failure of new federal system, while the oil industry points to new public revenue



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Wild horses graze in the high desert of the Piceance-East Douglas Herd Management Area, June 21, 2023, near Meeker. This area in the Piceance Basin is controlled by the Bureau of Land Management and often used for oil and gas drilling operations. (Hugh Carey, The Colorado Sun)

**W**hat if they put oil and gas leases on Colorado public lands up for sale and no one came to buy?

And what if they put the unwanted leases back on sale a month later, and still the response was a big “No, thanks.”

In the first such federal lease sale since conservatives passed major land use reforms in the Big Beautiful Bill tax and spending act in 2025, the Bureau of Land Management on Dec. 9 put nearly 51,000 acres of potential oil and gas drilling land up for bid in Colorado. Oil and gas companies declined to bid on 40% of the parcels.

As required by the new act, BLM put up the unwanted acreage again Jan. 8 as a mandatory “replacement sale.” Again, none of those acres received competitive bids from the industry.

The lack of interest shows there is no energy “emergency” that would compel federal authorities to overturn years of hard land-preservation work across the country, environmental groups and a taxpayer watchdog said.

“Holding this replacement sale less than a month after the failed original sale is desperate and absurd, as it does nothing to increase oil and gas production and demands more rounds of empty paperwork from the BLM,” Wilderness Workshop policy director Juli Slivka said Wednesday in an interview. “Colorado’s residents, visitors and economies rely on these lands for much higher values and uses.”

Local and national oil and gas trade groups had varied reactions to the latest auction results.

The Colorado Oil and Gas Association said the relative lack of interest is not a referendum on state potential for more exploration, but instead is “a direct signal that our regulatory and permitting environment has become too uncertain and too slow to support long-term investment.”

“Operators are being asked to commit billions of dollars in a system where rules change frequently, timelines for approvals are open-ended, and basic expectations can shift in the middle of a project, making it increasingly difficult to justify bidding even at \$10 an acre,” COGA chief Lynn Granger said in an emailed statement.

Since the Congressional act in July, “lease sale revenues in Colorado are 10 times what they were in four years of the Biden administration,” said Melissa Simpson, president of the Western Energy Alliance trade group. “The results show the reconciliation bill is a success. That’s good news for Colorado communities that receive half the lease sale revenues back.”

Colorado’s BLM office has sold leases for more than 38,000 acres since the reconciliation act passed, the alliance said, for public revenue of \$11.6 million. That compares with 410 acres for \$1.5 million during the two quarterly sales allowed during the Biden administration, the alliance said. Alliance officials said they did not have comparable historical information on what percentages of auctions went without bids during the Biden or first Trump administrations.

Still, Colorado auctions where no one wants nearly half the acreage are part of a “nonsensical” new system, said the nonprofit watchdog Taxpayers for Common Sense.

The oil and gas trade argues the new system put in place by Congress’s BBBA in 2025 actually makes much more sense. Under the Biden administration, those experts say, BLM would nominate undesirable lease acreage it knew would not draw bids. The BBBA mandated BLM include in auctions a set percentage of the acreage nominated by oil and gas companies.

The critics also panned the next part of the new oil and gas lease process, which puts leftover parcels from competitive sales up for noncompetitive leases at a minimal fee of \$75. The watchdog groups say the process allows oil and gas companies to nominate acreage they want to explore, decline bidding, and then pick up the same property for bargains later on. It’s much harder for the public to tell who takes those properties in the noncompetitive sales, they said.

BLM Colorado spokesman Steven Hall disputed that criticism of the new process.

“BLM has an extensive public process to determine what areas are available for oil and gas lease and under what terms and conditions,” Hall said Wednesday. “Oil and gas leases are subject to another level of environmental review and comment at the lease sale stage. That public input and environmental review still apply to parcels that are sold noncompetitively.”

The taxpayers group noted the reconciliation act also returned future royalty rates on petroleum products taken from the leased public lands to 12.5%, where the rate had been for more than a century. The Biden administration **had raised the rate on federal onshore**

**lands extraction** from 12.5% to 16.67%. Lease and royalty money is divided between the federal government and the state.

**They project a loss of \$57 million in potential royalty revenue from the Colorado acres** under the new system over the life of the leases. Nationally, the group projects a \$454 million lifetime loss of royalties on the acreage leased since July.

“Once again, taxpayers are being shortchanged as companies lock in decades of drilling under terms that don’t reflect the **true value of America’s oil and gas resources,**” Taxpayers for Common Sense said.

Lack of bidding interest shows that easing terms for the industry is only a minor factor in the oil economy, watchdog groups say. Leasing and drilling activity has far more to do with the current price of oil, which is down in relative terms **because of a worldwide surplus.**

“As with any auction, the results will vary,” Simpson, of the energy alliance, said. “Rather than attacking industry and the administration, activists ought to cheer BLM’s extra efforts on behalf of taxpayers.”