PRESS RELEASE

Bush: GLO online lease sales produce big returns for Permanent School Fund

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AUSTIN — AUSTIN - Commissioner George P. Bush today announced that the Texas General Land Office’s (GLO) fifth online sale of oil and gas leases earned public education just shy of $42 million. This auction featured 8,880.54 acres earning an average of $4,721.44 per acre. Sales are held semiannually and available tracts may be nominated by contacting the GLO. During lease sales, private oil companies competitively bid against each other for the right to explore for oil and gas on state-owned land.

"Once again the GLO’s online lease sale has resulted in big returns for Texas school children,” Commissioner Bush said. “One of my primary initiatives as commissioner is to use new innovations in technology to improve efficiency and productivity. The previous paper-based auction was antiquated and had limited outreach to potential bidders. Today, using EnergyNet to host the lease sales online, we have modernized this process, expanded our target market pool and opened competition to the global marketplace. Greater access means greater opportunity and better returns for Texas’ schoolchildren."

Over the past three years, the lease sales have increased in returns for the Permanent School Fund (PSF). In January 2015, days after Commissioner Bush was sworn in to office, the last traditional lease sale was held, bringing in a little more than $2.3 million for 10,119 acres. Seven months later, the first online lease sale was held in August 2015, with 11,820 acres of PSF land bringing in more than $20 million - about $1,500 per acre more than the previous traditional lease sale. The online lease sale in January 2016 brought in nearly $11 million for 4,393 acres, which is just under $2,500 per acre. The July 2016 auction showed the greatest returns netting more than $98 million for 13,339 acres, an average of $7,365 per acre. The January 2017 lease sale featured 14,036 acres and earned $84 million overall, averaging $5,881.38 per acre.

Annually, both the average combined price per acre and the annual lease sale value have increased despite a tepid oil and gas market. The funds earned through the lease sale are added to the Permanent School Fund and reinvested for the benefit of growing the fund.

The value of the lease auction is influenced by the attractiveness of the tracts being offered, and interested parties can recommend tracts to be offered prior to the auction being set. As of the most recent online lease sale, nearly all PSF-owned tracts have been leased. The benefit of successful leasing of PSF tracts is then compounded by the collection of royalties on drilling activity.
Prior to Commissioner Bush's implementation of online lease sales, anyone wishing to develop oil and gas reserves on PSF land had to physically submit a sealed bid in an envelope - a process that had changed little since the 1950s. The traditional process limited the scope of interest in bidding participation. As awareness of the new innovative practice has grown, non-traditional bidders have joined in the lease sale process. This expanded pool, plus recent signs of commodity stabilization, have resulted in exceptional online lease sale results.

In both the traditional and new online formats, the company offering the highest up-front payment is awarded the lease. Online bids were accepted on Energynet.com beginning about 30 days prior to the sale date.


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