

## Drill, Maybe, Drill in the Coastal Plain: Court Reinstates Alaskan Leases for the Development of Oil and Gas

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April 3, 2025 Ellen Conley, Kraig Grahmann, Farhad Tahir, Grace Kaplow

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**PRACTICES** Energy, Power and Natural Resources, Oil and Gas

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On March 25, 2025, the United States District Court for the District of Alaska found that the Department of Interior (DOI) unlawfully cancelled seven federal oil and gas leases previously issued under the Tax Cuts and Jobs Act (the Tax Act) to the Alaska Industrial Development and Export Authority (AIDEA). AIDEA is a public corporation of the State of Alaska created by the Alaska Legislature to, in part, promote the health, security and general welfare of all the people of the state, increase job opportunities and otherwise encourage the economic growth of the state. The leases were for the development of oil and gas resources in the nonwilderness Coastal Plain of Alaska. As a result, AIDEA challenged the cancellation and the court vacated the DOI's cancellation of the leases.

In December 2017, as part of the Tax Act's directive to establish and administer a competitive oil and gas program for the leasing, development, production and transportation of oil and gas in and from the Coastal Plain (the Program), Congress directed the Secretary of the Interior, acting through the Bureau of Land Management (BLM), to conduct at least two oil and gas lease sales covering areas that have the highest potential for hydrocarbon discovery and to issue certain rights-of-way or easements associated therewith. To effectuate the Program, the BLM undertook an environmental impact analysis and issued a final environmental impact statement (FEIS) in September 2019. In August 2020, the DOI published a Record of Decision (ROD) establishing the Program. Under the BLM's first lease sale in January 2021, AIDEA executed lease agreements for seven tracts of land, which covered 365,775 acres, each for extendable 10-year terms.

Soon after the leases were issued to AIDEA, the DOI placed a temporary moratorium on the federal government's implementation of the Program, citing alleged legal deficiencies underlying the Program, including the inadequacy of the environmental review required by the National Environmental Policy Act. In June 2021, the Secretary of the Interior instructed DOI and BLM officials to conduct a supplemental environmental review and instituted a temporary halt on all activities related to the Program during such time. As a result, the DOI issued a Suspension of Operations and Production Letter to AIDEA, suspending the seven leases while the supplemental review was conducted.

In September 2023, the DOI issued a decision cancelling AIDEA's leases, explaining that the Secretary of the Interior, in exercising of her general management authority over public lands, had the inherent authority to cancel AIDEA's leases as "unlawful in the inception" because the DOI had identified legal defects in its 2019 FEIS and the 2020 ROD.

AIDEA filed a lawsuit challenging the cancellation of its leases and sought an order vacating the DOI's lease cancellation decision. AIDEA asserted, among other arguments that were not addressed by the court, that the DOI was required to obtain a court order to cancel AIDEA's leases, and the court agreed. The court found that the Tax Act instructs the Secretary of the Interior to administer the Program in a manner similar to the administration of lease sales under the Naval Petroleum Reserves Production Act of 1976 (NPRPA), including regulations. Among the NPRPA's

implementing regulations is a regulation that provides that “[p]roducing leases or leases known to contain valuable deposits of oil or gas may be canceled only by court order.” Because the leases AIDEA secured are “known to contain valuable depositions of oil and gas” and the NPRPA regulation applies so as to require judicial cancellation of AIDEA’s leases, the court determined that cancellation of AIDEA’s leases was not in accordance with law because the DOI failed to seek a court order. Therefore, the court vacated the DOI’s cancellation of such leases held by AIDEA.