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OIL & GAS - ALASKA

Donkel v. State

Supreme Court of Alaska - August 28, 2026 - P.3d - 2026 WL 2543409

Holder of interests in oil leases filed complaint against the Alaska Department of Natural Resources (DNR), challenging the Commissioner of Natural Resources' decision affirming the Alaska Division of Oil and Gas' denial of lessee's application to expand oil exploration and development unit to include six leases, and Division's determination that five leases automatically terminated due to lessee's failure to make rental payments required by DNR regulation.

The Superior Court affirmed Commissioner's decision to terminate five leases, but remanded issue of termination of sixth lease to Commissioner for additional proceedings. Thereafter, the Superior Court determined that termination of leases had rendered holder's challenge to denial of expansion request moot, and granted DNR's motion for attorney fees. Holder appealed.

The Supreme Court held that:

- DNR's regulation that required lessees to pay annual rental for lease that was expired was reasonably related to legitimate government purpose, thus, regulation did not violate substantive due process;
- DNR's regulation that required lessees to pay annual rental for lease that was expired did not violate procedural due process;
- DNR regulation that stated that rent was "due in accordance with the rental provisions of the lease," did not facially conflict with regulation that required rent payment for leases;
- Legislature delegated the DNR authority to adopt regulation that required lessees to pay annual rental for expired leases;
- Division did not exceed scope of its authority on remand;
- Division's decision to deny lessee's application to expand oil exploration and development unit was not taking, as would support claim for inverse condemnation without formal condemnation proceeding; and
- Holder did not lack sufficient economic incentive to bring his claim, as would bar award of attorney fees against holder.