

The legislature of an oil-rich state enacted a statute that created a complex regulatory scheme to manage drilling in the state's numerous oil fields. The statute created a commission that was authorized to approve oil-drilling permits after an extensive review process. The statute also established a system of judicial review of the commission's decisions by the state's courts.

The commission approved an in-state firm's application for a permit to drill in the eastern part of the state but denied an out-of-state company's application for a permit to drill in the same area. The company then filed two suits against the commission. One suit was filed in a federal court; the other was filed in a state court. In both suits, the company sought to enjoin enforcement of the commission's decision on the ground that the commission violated the company's federal constitutional rights by misapplying the state's regulations.

How is the federal court likely to proceed?

- A. Abstain from hearing the case, because the federal court should defer to the state's regulatory scheme.
- B. Dismiss the case, because the federal court lacks subject-matter jurisdiction.
- C. Hear the case on the merits, because it is unlikely that the federal litigation will interfere with the state's regulatory scheme.
- D. Hear the case on the merits, because the state court lacks jurisdiction over the company's First Amendment claim.

Explanation:

A federal court must generally hear the merits of a case over which it has [subject-matter jurisdiction](#). Subject-matter jurisdiction can be established through diversity or federal-question jurisdiction. Federal-question jurisdiction exists when the plaintiff's claim arises under a federal law, a treaty, or the U.S. Constitution (as seen here). Therefore, the federal court has subject-matter jurisdiction over this case **(Choice B)**.

However, a federal court with subject-matter jurisdiction may or must abstain from hearing a case in limited circumstances. One such circumstance arises under the ***Burford abstention doctrine***, which applies when **declaratory or injunctive relief** is sought in federal court. In this situation, the federal court has the *discretion* to abstain when such relief would **interfere** with a **complex state regulatory scheme** that:

- serves an **important state policy** (eg, regulation of natural resources) *and*
- provides for timely and adequate **judicial review by the state's courts**.

Here, the company asks the federal court to enjoin enforcement of the state commission's denial of the permit. The commission furthers the state's important interest in oil drilling by extensively reviewing permit applications, and its decisions are subject to judicial review by state courts. An injunction would likely interfere with this complex regulatory scheme since the federal court would have to determine whether the regulations were properly applied **(Choice C)**. Therefore, the federal court should defer to this scheme and abstain from hearing the case.

(Choice D) State courts are courts of "general jurisdiction," so they have the power to hear any type of case that is not under the [exclusive jurisdiction](#) of federal courts (including the First Amendment claim here).

Educational objective:

The *Burford* abstention doctrine allows a federal court with subject-matter jurisdiction to abstain when a declaratory judgment or an injunction by that court would interfere with a complex state regulatory scheme that (1) serves an important state policy and (2) provides timely and adequate judicial review by the state's courts.

References

- *Burford v. Sun Oil Co.*, 319 U.S. 315, 317–18 (1943) (establishing the *Burford* abstention doctrine).
- 32A Am. Jur. 2d Federal Courts § 1024 (2020) (explaining *Burford* abstention).

***Burford* abstention doctrine**

