

# **THE JOINT OPERATING AGREEMENT (JOA)**

*John S. Lowe*  
George W. Hutchison Chair in Energy Law and  
Professor of Law  
Southern Methodist University  
3315 Daniel, Dallas, TX 75275-0116  
Tel: 214-768-2595  
e mail: [jlowe@smu.edu](mailto:jlowe@smu.edu)

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## **Operating Agreement**

- Defines the rights and obligations of co-tenants or separate owners of property in a contract area.
- Effectively “pools” the interests of the owners.
- Helps avoid disputes over the rights and obligations of the parties.
- Establishes optimal relationship for tax and liability.

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## **Operating Agreement Liability and Tax Structure**

- Parties are cotenants, not partners or shareholders.
- Operator is independent contractor.
- Parties are not fiduciaries.
- Parties jointly and severally liable only to the extent of their ownership.
- Taxed as individual owners.

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## **Operating Agreements Usually Start with a Model Form**

- Minimizes transactions costs—the costs of doing the deal.
- Apparent fairness.
- Model forms reflect industry custom and practice.
- Bring certainty of meaning over time.
- Parties can focus on important issues.

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## **AAPL Model Forms**

- 1956
- 1977
- 1982
- 1989, 1989 HZ
- 2015

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## **Other Model Forms**

- AIPN 2012
- CAPL 2015
- AMPLA 2011
- AAPL 2002 Offshore
- AAPL 2007 Deepwater
- UKOOA 2009

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