

Perfection of Rights Under the Joint Operating Agreement

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The Documents

- The 1989 AAPL Model Form Joint Operating Agreement
- AAPL Form RS610

Which Party is a Creditor and Which is a Debtor?

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JOA Article III.B:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A." (Emphasis added.)

Each party to the JOA is both a creditor of every other party **and** a debtor to every other party.

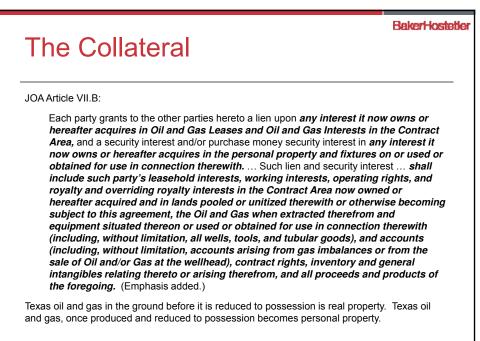
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Which Party is a Mortgagor\Debtor and Which is a Mortgagee\Secured Party

JOA Article VII.B .:

Each party grants to the other parties hereto a lien ... and a security interest and/or purchase money security interest ... to secure performance of all of its obligations under this agreement including but not limited to payment of expense, interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil and Gas Leases as required hereunder, and the proper performance of operations hereunder. ...(Emphasis added.)

Each party is also a mortgagor\debtor to every other party **and** a mortgagee\secured party of every other party.



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