

Fundamentals of Joint Operating Agreements

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Why Joint Operations?

☛ Interests in land can be split:

1. By parcels
2. By percentage interest

☛ Who is in charge?

Why?

- ⊗ A particular target for development might extend over thousands of acres.
- ⊗ Centralized and uniform operations can reduce costs and waste (spending too much or leaving oil in the ground).

Questions in Search of an Answer

- ⊗ Who is in charge?
- ⊗ How are costs and expenses handled?
- ⊗ What is the relationship of the Operator to the non-operators?
- ⊗ Standards of conduct?
- ⊗ What are the rights and responsibilities of the parties?

Development of a Form Joint Operating Agreement

- ⦿ Everyone had their own version. This led to confusion.
- ⦿ Finally, industry participants got together and created a form.

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Variations Over the Years

- ⦿ Initial form, called “Form 610,” created in 1956.
- ⦿ Adopted by the AAPL shortly after.
- ⦿ Official modifications to the form occurred in 1977, 1982 and 1989.
- ⦿ More recent modifications, in large part to address horizontal drilling, occurred in 2013 (1989-HZ Form) and 2015 (new form released in late 2016).

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