

THE JOINT OPERATING AGREEMENT (JOA)

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Operating Agreement

- Defines the rights and obligations of co-tenants or separate owners of leases and unleased mineral interests in a contract area.
- Effectively “pools” the interests.
- 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.
 - Taxed as individual owners.
- Operator is an independent contractor.
- Parties are not fiduciaries.
- Parties are jointly and severally liable only to the extent of their ownership.

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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 economic issues.

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AAPL Model Forms

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

Other Model Forms

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

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