

JOA Basics and Pitfalls: General Structure and Litigation Hotspots

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Joint Operating Agreement

- **Joint Operating Agreements** (“JOAs”) used when a group of O&G working interest owners in one locality decide on mutual operations.
- Defines rights and obligations of co-tenants or divided interest owners of properties in a contract area.
- Effectively “pools” the interests of the working-interest owners.
- Helps avoid disputes between the JOA parties.



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What Happens Without a JOA?

- Joint and several liability among partners
- A thicket of common actions—*e.g.* accounting
- Oral agreements that may or may not be valid
- Fact questions about mining partnership
- So, when do we see JOAs spring up?
 - Generally, when 2 or more parties are involved in operations over the same wells
- *Paper expands on JOA history & regional diffs.*



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Joint Operations Without a JOA

State v. Harrington

407 S.W.2d 467 (1966)

- Oral agreement to drill a well among co-tenants
 - Texas Supreme Court found a mining partnership existed between defendants where they orally agreed to own a proportionate share of a well.
 - “All of the elements of a mining partnership—**joint ownership**, **joint operations**, **sharing of profits**, **community of interest** and **mutual agency** representing the mining partnership in management and operation—were proved without dispute...”



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Operating Agreement Structure

1. WHAT IS COVERED?
 - A. LAND
 - B. SUBSTANCES
 - C. INTERESTS
2. TITLES AND TITLE LOSS
 - A. INDIVIDUAL LOSS
 - B. JOINT LOSS
3. OPERATOR DESIGNATION, POWERS & DUTIES, REMOVAL
4. INITIAL DRILLING
5. SUBSEQUENT OPERATIONS
 - A. NON-CONSENT OPERATIONS
 - B. EMERGENCY OPERATIONS
6. TAKE-IN-KIND PROVISIONS
7. OPERATOR'S LIENS
8. OTHER PROVISIONS



Forms, Blanks & Additional Provisions

Currently, 5 **AAPL** domestic onshore form JOAs. Promulgated by the American Association of Petroleum Landmen ("**AAPL**")—1956, 1977, 1982, 1989, and 2015.

Other Forms:

- AAPL Offshore Forms 710 and 810 (deepwater)
- RMMLF Form 2 (for Fed exploratory units)
- API Fieldwide Unit Form



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First appeared as part of the conference materials for the
2022 Fundamentals of Oil, Gas and Mineral Law session

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