

# 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)

1

## 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.

2

## **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.

3

3

## **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.

4

4

## **AAPL Model Forms**

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

5

5

## **Other Model Forms**

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

6

6

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](https://utcle.org/elibrary)

Title search: The Joint Operating Agreement (JOA)

Also available as part of the eCourse

[2019 Fundamentals of Oil, Gas and Mineral Law eConference](#)

First appeared as part of the conference materials for the  
2019 Fundamentals of Oil, Gas and Mineral Law session

"The Joint Operating Agreement (JOA)"