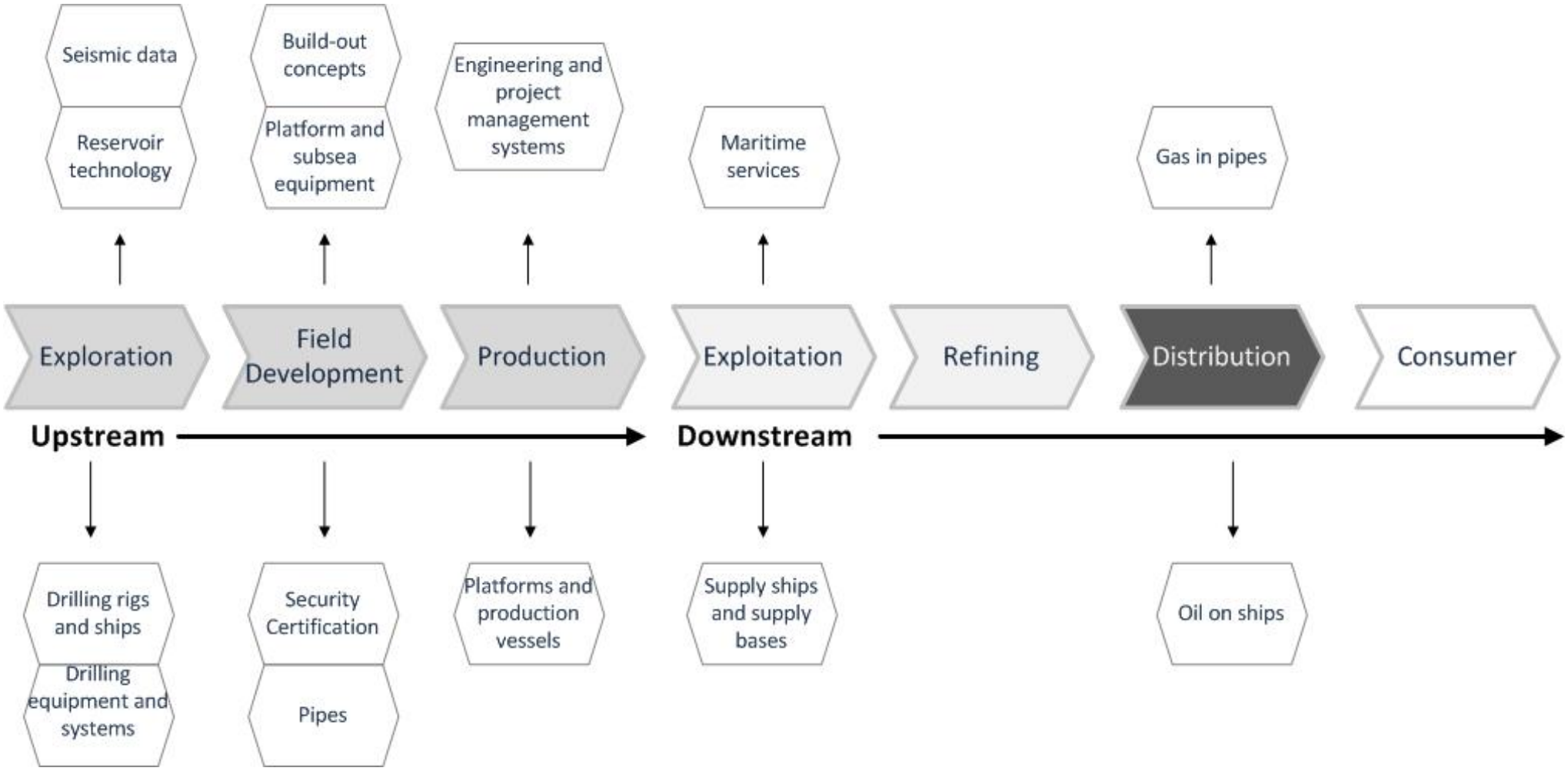
Lecture Tehran 2017

Joint Operating Agreement (JOA)


Seismic data
Reservoir technology
Build-out concepts
Platform and subsea equipment
Engineering and project management systems
Maritime services
Gas in pipes
Exploration
Field Development
Production
Exploitation
Refining
Distribution
Consumer
Upstream
Downstream
Drilling rigs and ships
Drilling equipment and systems
Security Certification
Pipes
Platforms and production vessels
Supply ships and supply bases
Oil on ships

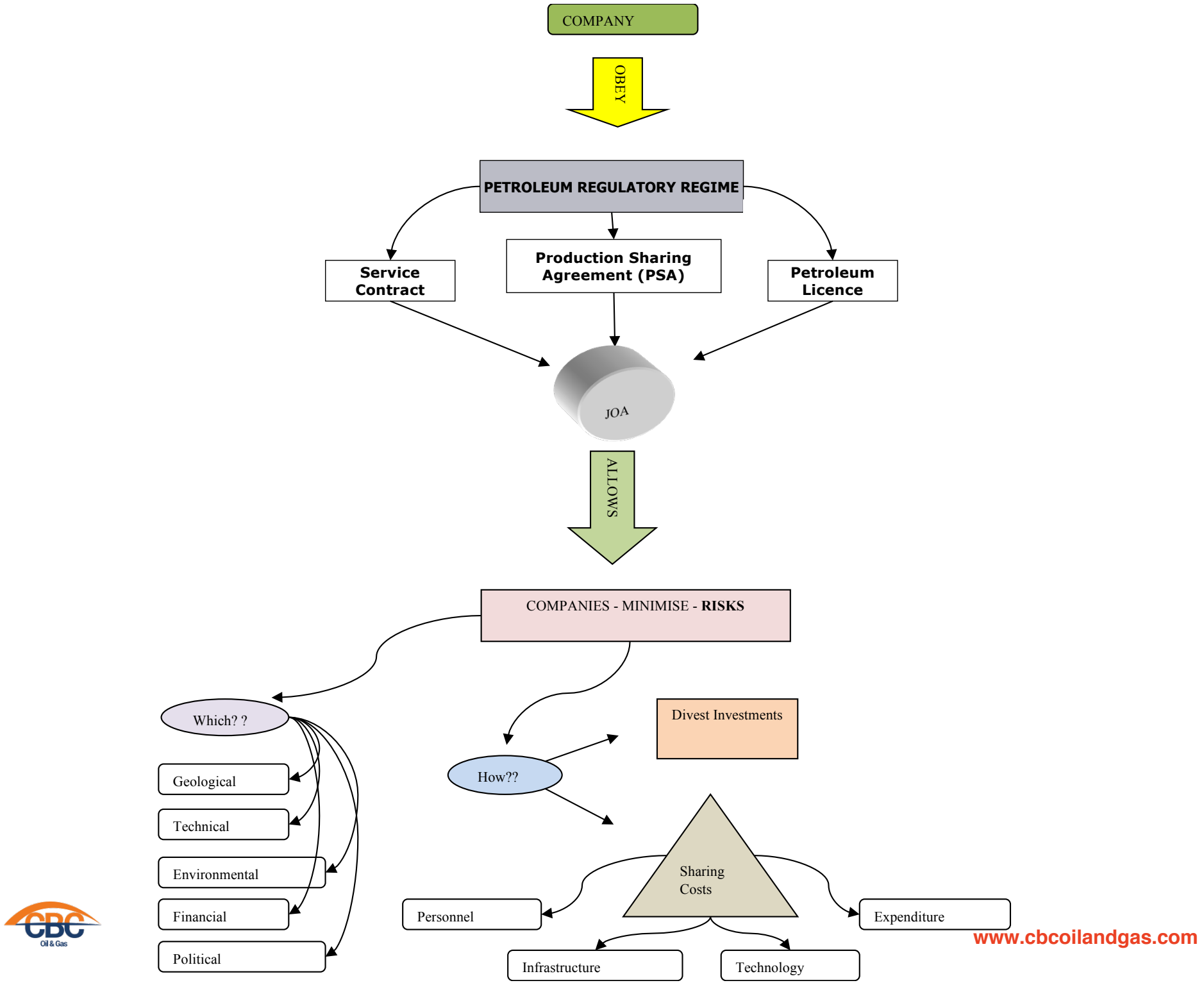
Section I: Background

- Oil & Gas operations commonly involves:

- large amount of investments
- highly experienced personnel
- complex infrastructure to develop any commercial discovery
- several risks (e.g. geological, political, financial, environmental, etc)

Commercial objectives of OG companies

- Allocate and spread risks, including political risk
- Pool resources (capital, skills, technology)
- Share burdens (costs) and benefits (profits)
- Avoid joint and several liability and fiduciary duties of partnership by defining relationship contractually
  - But Parties are generally jointly and severally liable under HG Contract.
- Manage joint operations



www.cbcoilandgas.com

Common Solution to Spread Risks and Costs?

Joint Operating Agreement (JOA)

- **Incorporated JOA**

- Follow company laws
- Fixed structure
- Higher Costs involved
- Company liability
- Company taxation

- **Unincorporated JOA**

- Follow contract law
- Flexible structure
- Lower/minimal cost
- Proportional Liability
- Individual tax

Main JOAs Standard Forms

-AAPL/US
-RMMLF/US
-CAPL/CAN
-OGUK/UK
-AMPLA/AUS
-NPD/NOR
-AIPN/INT
-BMP/GREN

Why Use a Model Form?

- Minimize transactions costs—the costs of doing the deal
- Focus on negotiating important issues
- Model form reflects industry custom and practice
- More certainty of meaning (though as yet few tribunal interpretations)
- Apparent fairness

Objectives of the AIPN JOA Model Form

- One form—multiple options (select or reject); multiple alternatives (select one); multiple optional alternatives (reject all or select one)
- Flexible for use internationally
  - AIPN drafted for PSC
  - Checklist to modify for Concession
- Provide mechanism to assure joint performance of minimum work obligations
- Preserve freedom of choice regarding participation in work that is not mandatory
- May be used worldwide unless HG requires a different form, but not intended to usurp US, UK, and Canadian forms

JOA Philosophy

- Agreement for a long-term relationship 20-30 + years.
- Everybody should do what they have promised to do
- Nobody should have to do what they do not want to do and have not promised to do
- Nobody who does what they have promised to do or want to do should be harmed by people who do not participate