

Ryan Deane in Mealey's International Arbitration Report: No JOAking Around ? Participants' Obligations to Meet Operator Expenditure

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It is rare to find reported cases on the interpretation of a joint operating agreement (“JOA”) in the oil and gas exploration sector. The majority of disputes involving JOAs are resolved between the parties, with the balance of disputes being fought behind the curtain of arbitration, out of public view. The result is that parties are not readily able to determine, by reference to published decisions, exactly how industry standard wording in JOAs is interpreted in a formal dispute resolution setting.

The recent case in the English Court of Appeal, *Spirit Energy Resources Limited and others v. Marathon Oil U.K. LLC* [2019] EWCA 11 is therefore welcome. It provides an insight into how disputes over certain fundamental rights and obligations of parties to a JOA are likely to be determined under English law.

The decision concerns the ability of an operator under a North Sea JOA to call on the non-operating participants to fund a pension deficit in circumstances where the exact amount of the deficit had not been foreseen or approved by the operating committee. It will, however, have an application beyond liability for pension deficits as it considers the operation of many clauses commonly found in JOAs.

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