Sole risk provisions in joint operating agreements for unconventional oil and gas development

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Over the past several years, new technologies have been facilitating the commercial development of vast quantities of petroleum and natural gas resources. These resources were previously known to exist, but could not be harnessed for commercial use using conventional techniques. Because they are generated using atypical methods, these resources are known as unconventional.

Since it is common for two or more oil and gas companies to jointly acquire, explore and develop petroleum and natural gas rights, it’s important for these businesses to be cognizant of the types of contractual arrangements and partnership structures at their disposal.

This article, which originally appeared in Alberta Law Review, discusses the contractual arrangements that are used when there are co-owners of an unconventional resource and some wish to undertake an exploration or development operation and others do not. Such operations are also referred to as “sole risk operations” or “independent operations.” This article also considers independent operations in the context of unconventional oil and gas resources, as well as offering in-depth analysis on the following matters:

- conventional and unconventional resources
- analysis of sole risk provisions
- tailoring sole risk provisions for unconventional resources

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