

Texas Court Addresses the Use of Contract Operators

A recent Texas ruling illustrates the problems that can arise when parties to a joint operating agreement elect to have a non-owner serve as the operator, points out **Austin Brister** in the McGinnis Lochridge **Oil and Gas Law Digest**.

The court was called on to determine whether an elected unit operator is permitted to delegate operatorship duties to a contract operator, and whether that contract operator can be liable to nonoperators for breach of any duties imposed on the operator under that unit operating agreement.

PBJV was designated as unit operator, but then PBJV entered into a contract with Apache to perform a number of duties.

The court concluded that Apache was merely delegated duties, based on its observations that PBJV never actually named or designated Apache as the “Unit Operator,” but instead entered into a “Contract Services Agreement” and power of attorney with Apache under which PBJV contractually delegated certain operator duties to Apache.

Read the article.