1. A contract is an agreement between two or more persons. It may consist of mutual promises, a promise for a promise, or an exchange of obligations that the law will enforce. The contractual performance becomes a legal duty imposed upon the parties.

2. Contracts are often referred to as free associations between parties wherein the parties covenant to define each person's rights and duties applicable to specific transactions. Contract law is, therefore, an area of interpretation and enforcement of promises and obligations.

3. Rules for interpreting contracts are based on the English common law and are codified under the Uniform Commercial Code (see the Texas Business and Commerce Code).

4. Although contracts are written for many different purposes, most contracts contain certain "boilerplate" clauses which give rise to legal presumptions in order to aid the validity and interpretation of the agreement.

Form: Anatomy of a contract

Contracts are typically organized as follows:

1. Title: Most contracts begin with a heading or title that identifies the type of agreement the parties have made. For instance, a contract may state "Employment Agreement Between A. and B." Consequently, the title has identified the type of contract that the parties are entering into.

2. Jurisdiction: The contract may recite the state and county where the agreement was drawn and entered into. This is typically found in the upper left hand corner of the agreement. The jurisdiction recitation helps the practitioner determine at a glance what state law governs the agreement.

3. Date of Execution and Identity of Parties: An agreement should state the date the contract was signed and the identity of the parties. A sales contract may typically refer to the designation of the parties, such as "buyer" and "seller." This eliminates the need to repeat each person's name in its entirety when referring to obligations applicable to one party or the other, and may also greatly shorten the length of the contract.

4. Purpose or Preamble and Recitation of Consideration: Contracts must have consideration in order to be valid. Many older contracts contain a "Witnesseth clause" that states the purpose of the contract. The clause also recites that each party has tendered to the other adequate consideration, so that a presumption will arise that the contract is supported by consideration and is therefore valid. A preamble clause may also contain a statement of fact that explains the circumstances that gave rise to the contractual agreement. This is designed to satisfy the mutuality of obligation requirement.
5. **Definition of Terms**: It is important to define the terms used in a contract in order to avoid ambiguity. Definitions are essential when technical or scientific terms are used, or if the words used may have more than one meaning. For instance, a lay person and a technical person may attribute two different meanings to the same word. Defining key terms also gives rise to a presumption that the parties have manifested mutual assent to the same terms of the agreement.

For instance, in a gas purchase contract the following terms are commonly defined:

   a. time;
   b. period per day;
   c. calendar month;
   d. fiscal year;
   e. buyer's facilities;
   f. seller's facilities;
   g. MCF;
   h. date of delivery;
   i. daily contract minimum;
   j. BTU;
   k. gas;
   l. casing head gas;
   m. gas well; and
   n. seller's leases;

6. **Term of Contract**: A contract should state the date that the agreement becomes effective. The agreement should also state how the contract may be terminated and define the applicable notice requirements.

7. **Obligations of Each Party**: Duties and obligations must be clearly specified or else disputes will surely arise.
8. **Compensation**: Typically, the parties' most obvious purpose for forming an agreement is to obtain a commercially profitable arrangement. Therefore, one of the most important parts of the contract will be that covering the amount and method of compensation. The compensation provision should specify the amount of money to be paid, the time the monies are due, the place where the payment should be made, and, in international agreements, the currency for payment.

9. **Remedies for Default**: Contracts must have a "what if" clause so that the agreement will have "teeth" to make it enforceable. If the default provisions are not severe, there may be little, if any, incentive to enforce the agreement. A default clause should specify and define the events that constitute a default; in other words, specific actions or non-actions which precipitate a default under the agreement. The clause should also specify the penalties and remedies on default, including what notice, if any, is required to notice the default and what actions, if any, may be allowed to cure the default.

**Typical remedies** stated under default clauses include but are not limited to:

a. money damages, such as compensatory damages or consequential damages;

b. liquidated damages;

c. injunctive relief; or

d. specific performance.

e. When stating that injunctive relief may be obtained, most contract drafters also insert a clause that states that application for injunctive relief does not limit or waive the non-breaching party's right to recover other damages for breach of the contract.

10. **General and Administrative Provisions**: Most contracts contain "boilerplate" clauses that give rise to presumptions supporting the validity of the agreement. General provisions also detail administrative management and miscellaneous clauses applicable to the operations and administration of the contract.

11. **Signatory clause**: Contracts will generally conclude with a signatory clause that states that the contract was signed, accepted and agreed upon as of a certain date. The parties may acknowledge that they have read and understood the agreement. A clause may also state that the agreement was entered into voluntarily and signed by the authorized parties. Vice Presidents traditionally sign contracts for corporations and their capacity should be stated in the signatory and notary clauses of the agreement. Typically, corporate resolutions or consents are required in order to show that the corporation has authorized a Vice President to enter into the agreement.
12. **Notary Clause**: The contract may also contain a notary clause by which the parties' signatures are notarized. Notarization entitles a contract to be recorded if recording is desired. It also gives rise to a presumption that the signatures are genuine and not fraudulently obtained.

13. **Exhibits**: A contract may contain exhibits or attachments that are incorporated by reference therein. Exhibits serve as explanatory guidelines. Typical examples include lengthy legal descriptions. It is much cleaner to have a lengthy legal description attached as an exhibit to the contract than to take up space in the body of the agreement. Many contracts frequently attach exhibits that state the parties are in compliance with various federal laws. These are frequently found in construction agreements. The compliance recitals refer to the following: Presidential Executive Orders; filed Affirmative Action Plans; statements that the parties do not engage in age, race, sex, or other discrimination; and statements that the parties have complied with local, state and federal laws or administrative agency guidelines that govern the subject matter of the agreement.