

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF AMERICAN
ENERGY RESOURCES LLC,
FOR DE NOVO HEARING,
EDDY COUNTY, NEW MEXICO

AMERICAN PRELIMINARY STATEMENT

CASE NO. 25694
25695
25696

American Energy Resources LLC (“American”) submits its preliminary statement pursuant to the rules of the Oil Conservation Division (“Division”).

PRELIMINARY STATEMENT

1. Background

American brought an action to reopen Cases No. 25166, 25496, 25495 regarding the application and Order No. R-23961, R-23989, R-23977 of Alpha Energy Partners II, LLC (“Alpha”), on October 2, 2025, for compulsory pooling a spacing and proration unit in Eddy County, New Mexico. In Cases No. 25166, 25496, 25495, Alpha sought an order pooling all mineral interests in the Wolfcamp underlying Section 17 and 18, Township 22S, Range 27E, N.M.P.M., Eddy County, New Mexico (the “Subject lands”). The purpose of pooling the subject lands was to drill the Hollywood star 17-18 Fee #701H, Hollywood star 17-18 Fee #702H, Hollywood star 17-18 Fee #703H, Hollywood star 17-18 Fee #704H, Hollywood star 17-18 Fee #801H, Hollywood star 17-18 Fee #802H, Hollywood star 17-18 Fee #803H wells (collectively, the “HSU wells”),

Alpha sought an order pooling S/2 N/2 mineral interests in the Bonespring underlying Section 17 and 18, Township 22S, Range 27E, N.M.P.M., Eddy County, New Mexico (the "Subject lands"). The purpose of pooling the subject lands was to drill the Hollywood star 17-18 Fee #503H and Hollywood star 17-18 Fee #553H wells (collectively, the "HSU wells"),

Alpha sought an order pooling N/2 N/2 mineral interests in the Bonespring underlying Section 17 and 18, Township 22S, Range 27E, N.M.P.M., Eddy County, New Mexico (the "Subject lands"). The purpose of pooling the subject lands was to drill the Hollywood star 17-18 Fee #504H and Hollywood star 17-18 Fee #554H wells (collectively, the "HSU wells"),

The OCD entered Order No. R-23961, R-23989, R-23977 in Case No. 25166, 25496, 25495 Pooling the Subject Lands for the HSU wells.

On September 8, 2025, the OCD entered Order No. R-23961, R-23989, R-23977 which, among other things, found that:

"11., 8., 6., ... OCD was not acting in its judicial capacity and does not have jurisdiction to issue this Order, pursuant to the failure of NMSA 1978 Section 70-2-17.

"13., 10., 8., ... American has standing under the Commission's Rules to initiate an adjudicatory hearing to reopen a case based on an alleged failure to provide adequate notice.

"14.15., 11., 9., ... OCD was not acting in its judicial capacity to not allow American to present title of its interest in ownership from being recognized, presented at hearing on February 13, 2025, August 7, 2025, August 7, 2025.

"28., 21., 24., ... Under the terms in the order the order itself shall terminate automatically if the applicant fails to comply, ... 19.15.4.12 B and 19.15.4.12 C,

"31, 24., 27., ... The failure of Alpha to provide to American an itemized schedule of estimated well costs to drill, complete, and equip the well ("Estimated Well Costs").

"32., 25., 28., ... The failure of Alpha to provide notice to American of its actual well costs.

("See Exhibit O1, O2, O3") Alpha Orders

2. American presented its ownership in the HSU through its Saik Unit recorded title as exhibits along with its motion to strike on February 19, 2025, and along with exhibits with its request for de novo hearing in case no. 25166, 25496, 25495. American attempted to present its ownership in the HSU through its Saik Unit recorded title at hearing and was silenced by muting, through false claims presented by Alpha that denied American its right to participate at hearing on August 7, 2025, or further, in cases no. 25496 and 25495.

3. Alpha has not provided American an opportunity to participate.

Alpha application in Case No. 25166, 25496, 25495 should be dismissed as Alpha has not made good faith effort to secure the voluntary commitment of American interests in the HSU wells as required by New Mexico law.

As the applicant in Case No. 25166, 25496, 25495 Alpha has the burden of proving that it has fulfilled each of the statutory and regulatory requirements necessary to allow compulsory pooling. These requirements stem from the foundational principles of correlative rights and connotationally protecting private property rights. Section 70-2-17 NMSA states that:

All orders effecting compulsory pooling shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil or gas, or both,

When seeking to pool two or more separately owned tracts, Operators have the "obligation" to attempt to obtain voluntary agreements pooling the lands.

See NMSA 1978 Section 70-2-18.

It is self-evident that the requirement of a "good faith effort to secure voluntary unitization" encompasses, at a minimum, providing each working interest with notice of the proposed wells and an opportunity to participate in the same without the imposition of a risk penalty. This voluntary participation allows the owner to

“recover or receive without necessary expense” their fair share of oil and gas, or both,

In this case, Alpha and Paloma have not made good faith attempts to obtain American voluntary agreement to the HSU wells. Despite the OCD’s ruling in Order No. R-23961, R-23989, R-23977

Alpha and Paloma have not provided American with well proposals, AFE’s or made any other offer regarding American voluntary agreement to the HSU wells. American still has not had the opportunity to consent to participate in the HSU wells.

4. Alpha response to American motion to strike and Alphas amended motion to compel the P&A of the Saik #001, submitted on March 3, 2025, were frivolous and erroneous. Alpha’s numerous claims were inconsistent and changed over time without burden of proof being presented, without standing and merit, that support such frivolous claims of the applicant Alpha and further are all malicious acts by the applicant Alpha to attempt to change the narrative of the matter to give the illusion that compulsory pooling requirements were satisfied.
5. Due to the extreme lengths the applicant Alpha and Paloma were willing to go to hinder its bad faith efforts, it would be considered too risky to allow the applicant Alpha and Paloma to operate and produce the HSU wells, while respecting New Mexico law requiring protecting correlative rights, and therefore disqualifies the applicant Alpha and Paloma from being operator of the wells.

As a result, American has been deprived of its statutory right to protect its correlative rights, rights to produce, rights to recover, or right to receive its just and fair share of oil and gas without unnecessary burdens and expenses especially those of the Applicant Alpha or its affiliate by agreement Paloma that violate Federal law and New Mexico laws.

Alpha and Paloma have not satisfied the statutory prerequisites to compulsory pooling and its application should be dismissed, denied, and terminated.

PARTIES

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American Energy Resources LC

Applicants pro se

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Other Interested Parties:

Name:

Applicants proposed evidence

All documented evidence filed in Cases no. 25166, 25496, 25495 and Cases no. 25694, 25695, 25696.

American is an effected party and contends the Division order is unlawful, unreasonable, arbitrary, erroneous, and capricious, because:

1)The hearing examiner order did not comply with the state statutes regulating the applicant Alpha required obligatory duty to send notice via certified mail to the operator of each existing well, contravening statutory requirements NMAC 19.15.15.12; 19.15.4.12 A(1)(a); 19.15.16.15 B(9)(b)(i); 19.15.16.15 B(9)(b)(ii); NMSA 70-2-17C-17E.

2) The Order given by the hearing examiner did not protect the prevention of waste and the correlative rights of American Saik Unit as required by State Law, NMAC, NMSA, and the Oil and Gas Act, and materially undermines American rights that are protected by State law, NMAC, NMSA, and the Oil and Gas Act.

3) The hearing examiner order basis conclusion of fact were based without substantial evidence and were only based on the false claim of the applicant Alpha who had financial gains in getting its application approved, and the decision made by the examiner is outside of his jurisdiction of the OCD and therefore is in violation of its own New Mexico laws.

4) The hearing examiner order basis conclusion of fact for applicant Alpha false claim were based in complete disregard for the Oil and Gas Act NMAC 70-1-5 requirement that a “demand for release must precede any action”.

5) The hearing examiner order basis of conclusion of fact for applicant Alpha numerous false frivolous claims against of American were based in complete disregard of evidentiary facts presented by American February 19, 2025, claiming its interests, and attempted to present August 7, 2025 by American of its chain of title in ownership in the unsevered Saik Unit, assigning all rights and interests in their entirety of the Saik unit, leases, minerals, depths, and well to American through recorded documents filed at the Eddy County Clerk’s Office.

6) The Division and hearing examiner order to allow applicant Alpha to pool, when applicant Alpha is in violation with numerous state laws is “contravening statutory requirements”, a violation of New Mexico laws, erroneous and arbitrary toward American.

7) The hearing examiner order to allow applicant Alpha to pool American Saik unit when applicant Alpha is in violation 19.15.5.9 and 19.15.25.8 are violations of New Mexico laws and a clear indication of the favoritism being given to Alpha, and by allowing an applicant

Alpha to compulsory pool while applicant Alpha has numerous violations is contravening statutory requirements and a violation of New Mexico law and the Oil and Gas Act and obligated duties to protect the public health and the environment 19.15.5.8 NMAC.

American is an effected party, and 7 elements exist in the hearing examiners order to be erroneous and arbitrary toward the protection of American correlative rights.

American by the burden of proof, has provided to the Division the chain of title of American ownership in the Saik Unit and lands in its motion to strike in case no 25166 dated February 19, 2025, that are all recorded at the Eddy County Clerk's Office.

American ownership through chain of title are all filed and recorded documents, recorded in good faith efforts by all Assignees that obtained and assigned ownership in the Saik #001.

American is an effected party, and the applicant Alpha claims are without standing or merit:

1) The Applicant Alpha claim in their pooling proceedings is that American Saik lease has expired and terminated.

American, under the Oil and Gas Act 70-1-5 ("Demand for release must precede action"),

Alpha claim of an expired and terminated lease is unjust and unethical without the burden of proof of release that precedes any action.

2) The Applicant Alpha complaint in their proceeding that American Saik well is a wellbore assignment.

American has presented chain of title of its ownership in the Saik unit, leases, interests, minerals, depths, rights, title, and well that have all never been severed from the estate and were all assigned to American in their entirety and presented by American as its it's burden of proof to provide an in depth chain of title of its ownership, along with its

application for de novo hearing and emergency stay of division order, on October 2, 2025, as follows:

Apache Corporation and MW Petroleum Corporation assigned all leases, unit, minerals, rights, depths, interests, title, and the well of the Saik #001 to Bristal Resources Corporation on December 19, 1996, in Book: 272 Page: 183, recorded at the Eddy County Clerk's office. ("SEE EXHIBIT A")

Bristal Resources Corporation, Bristal Resources 1994 Acquisition Limited Partnership, Bristal Resources Production Company assigned all leases, unit, minerals, interests, depths, rights, title, and the well of the Saik #001 to Staghorn Resources LLC on June 17, 1998, in Book: 321 Page: 1005, recorded at the Eddy County Clerk's office.

("SEE EXHIBIT B")

Staghorn Resources LLC assigned all leases, unit, minerals, depths, interests, rights, title, and the well of the Saik #001 to Texoma Petroleum Corporation on November 24, 1998, in Book: 338 Page: 995, recorded at the Eddy County Clerk's office.

("SEE EXHIBIT C")

Texoma Petroleum Corporation assigned all leases, unit, minerals, depths, interests, rights, title and the well of the Saik #001 to Wildcat Energy L.L.C. on May 3, 2000, in Book: 384 Page: 0179, recorded at the Eddy County Clerk's office. ("SEE EXHIBIT D")

Wildcat Energy L.L.C. assigned all leases, unit, minerals, interests, depths, rights, title, and the well of the Saik #001 to American Energy Resources LLC on November 26, 2018, in Book: 1117 Page: 1122, recorded at the Eddy County Clerk's office.

("SEE EXHIBIT E")

3) The Applicant Alpha complaint in their proceeding that American Saik well should be plugged and abandoned and under rule 19.15.5.9. and 19.15.25.8 and the Division must force American to abandon and plug the Saik well, is erroneous.

American, under Oil and Gas Act 70-2-14 Financial assurances and NMAC 19.15.5.9 A (1) adequate financials assurances, ("See Exhibits D1 and D2")

Therefore, American is in compliance with New Mexico law, American is a prudent operator.

Furthermore, American has lease ownership in the Saik Unit and lands and with American ownership in the Saik Unit and lands it operates the (API: 30-015- 20971) Saik #001.

By New Mexico State law and the protection of correlative rights, American Saik unit is protected regardless of applicant Alpha false claims. American is required notice and under existing units and wells in Spacing Units statutes and laws are required as follows:

1) Existing wells in spacing units, horizontal or otherwise, that are wholly or partially included in a new horizontal spacing unit remain dedicated to their existing spacing units.

19.15.16.15 B(9)(A)

American Operates a dedicated existing spacing unit with its operations in the Saik #001.

2) A horizontal well that will have a completed interval partially in an existing well's spacing unit, and in the same pool or formation, may be drilled only with the approval of, or, in the absence of approval, after notice too, all operators and working interest owners of record or known to the applicant in the existing and new well's spacing units. 19.15.16.15 B(9)(b)(i)

American produces from the Wolfcamp formation in its operations in the Saik #001.

3) Any subsequent well, horizontal or otherwise, with a completed interval located wholly within an existing well's horizontal spacing unit, and in the same pool or formation, if not designated as an infill horizontal well, may be drilled only with the approval of, or, in the absence of approval, after notice to, 19.15.16.15 B(9)(b)(ii)

American is a prudent operator, and Applicant Alpha proposed wells may not be drilled for American does not give approval.

4) The applicant shall give notice to each owner of an interest in the mineral estate of any portion of the lands proposed to be pooled 19.15.4.12 A(1)(a) NMAC, regardless of any notice and publication of any adjudicatory hearing published by the Division in the State of New Mexico, in no way satisfies the obligated duties of the compulsory pooling applicants' duty to give notice 19.15.4.12 A(1)(a), and regardless of the Division satisfying its duty to publication of an adjudicatory hearing in no way satisfies the compulsory pooling applicants obligated duties to New Mexico State law notice requirements.

American was not given the opportunity to receive notice, nor was American allowed its due right to receive notice. Applicant Alpha efforts were rather used toward its numerous attempts to change the narrative of the matter and attempt to discredit American ownership through false claims without standing or merit in an attempt to further satisfy the applicants Alpha and Paloma failed efforts toward obligated duty to notify under rule 19.15.4.12 A(1)(a) NMAC and 19.15.4.12 A(1)(a).

American is an effected party, and 4 additional elements exist to be erroneous and arbitrary toward the protection of American correlative rights.

American is an Operator and Interest Owner in the Applicant Alpha proposed pools. Applicant Alpha and Paloma made no good faith efforts to give notice to American.

CONCLUSION

Therefore, The Oil and Gas Act is very clear under rule 70-1-3 through 70-1-5, and for Applicant Alpha or anyone to attempt to change the narrative of the law without a valid forfeiture claim, a notice that precedes any action, and is not the valid owner of the leased premises is in fact acting malicious, overreaching, abuse or process, and abuse of the Oil and Gas Act, and is guilty to perjury under Rule 70-2-10.

American acted as a prudent operator and its leases were protected through Laches.

Applicant Alpha employed landman John Coffman signed self-affirmed statements and submitted on February 24, 2025, and July 31, 2025, and July 31, 2025, made under penalty and perjury under the laws of the State of New Mexico law, that violated New Mexico law. (“See Exhibit Q1, Q2, Q3”) Self Affirmed Statement of John Coffman

“19. 13., 13., ... Applicant Alpha and its employed landman both willfully failed at good faith effort to appropriately review records, recognize, and reveal the existing viable overlapping unit owned by American Saik Unit.

“21., 14., 14., ... Applicant Alpha and its employed landman both failed, both have not made good faith efforts to negotiate with interest owner, such as American. All interest owners in a proposed unit are required to notice as required by New Mexico law.

“22., 15., 15., ... Applicant Alpha failed to make contact with American an interest owner being pooled, regarding its Alpha proposed wells. Alpha did not allow American due rights to an opportunity as an interest owner to fail or refuse to voluntarily commit its interest in the wells as required by New Mexico law.

“23., 11., 11., ... Applicant Alpha failed to send American AFE’s for their proposed wells as required by New Mexico law.

“28. ... Applicant Alpha was under direct supervision of John Coffman.

“29., 20., 20., ... Applicant Alpha application being granted was not in the best interests of conservation, did not prevent waste, did not protect correlative rights, and did not protect from the drilling of unnecessary wells.

John Coffman willful neglect and attempts to discredit American interests under numerous false claims should at minimum discredit landman John Coffman work in its entirety as unreliable, more so discredit John Coffman character as compromised and invalidates him from participated in any future OCD matters, and furthermore, there is no excuse for John Coffman willful misuse of his signed affidavit that mislead the OCD to violate New Mexico law.

19.15.5.8 Enforcement of statutes and rules

The Division is charged with the duty and obligation to of enforcing the New Mexico laws, rules, and statutes.

70-2-28 If ANY PERSON violate, threatens to violate, any statutes with respect to the conservation of oil and gas of both, or any provision, or any rule, regulation or order made, the division through the Attorney General will bring suit against such person or operator for penalties, if any are applicable, and to retain such a person from continuing such violation or from carrying out the threat of violation.

Under the Oil and Gas Act the Division has jurisdiction over matters related to conservation of oil and gas, but the basis of its powers is founded on the duty to prevent waste and to protect correlative rights.

Hearing examiner Gregory Chakilian to allow the applicant Alpha to pool American correlative rights, Saik unit, Interests through applicant Alpha's numerous false claims is arbitrary and erroneous for the fact that the pooling party applicant Alpha has not satisfied burden of proof for their claims and has an intent and motive to make financial gains in their willful attempt to creatively change the narrative of the matter to benefit applicant Alpha's pooling application getting approved.

Hearing examiner Gregory Chakilian to allow the applicant Alpha to pool American correlative rights, while applicant Alpha is in fact out of compliance with NMAC 19.15.5.9 A (1-4) and A (a) and NMAC 19.15.25.8. is arbitrary and proof of favoritism toward one party, Alpha.

Applicant Alpha is in violation and does not have adequate financial assurances and is in violation with NMAC 19.15.5.9, NMAC, 19.15.25.8, Oil and Gas Act 70-2-14.

("See Exhibits J and K")

Applicant Alpha is an imprudent operator and has not made good faith efforts to provide adequate financial assurances for its numerous wells in violations and is not allowed to operate for being in severe violation with New Mexico law.

Applicant Alpha is the wellbore owner the Kodiak #002, Colonia A Com #001, Tracy B Com #001, Merland A Com #001 with wellbore assignments that are recorded at the Eddy County Clerk's Office and as follows, ("See Exhibit A, B, C") Alpha wellbore assignments

Applicant Alpha further attempts to navigate around the notification statutes process with numerous false claims as their justification for their failed obligated duty to in fact notify all effected parties and found it upon themselves to creatively change the narrative of the matter as to their justification to encroachment, trespass, invasion, theft, and hostile takeover of American Saik Unit, lease, rights, title, and interests. Applicant Alpha application 25166, 25496, 25495 comes with unclean hands and is unjust, unethical, and a clear violation of NMAC, NMAS, Oil and Gas Act, and serious disregard to the pooling proceedings and obligated duties entrusted to operators to proper notification to affected parties. An Emergency Stay must be granted to Protect American Saik Unit and American Correlative rights and prevent waste. As American has met the Tenneco four prongs.

Tenneco Oil Co. v. New Mexico Water Quality Control Com'n, 1986-NMCA-033, ¶ 10, 736 P.2d 986, 988

American has provided more than sufficient evidence with standing and merit for the granting an Emergency Stay and for the Termination of applicant Alpha pooling application Case no. 25166, 25496, 25495 and Order No. R-23961, R-23989, R-23977 in its entirety, for the violation of the order rules;

#28., 21., 24. ... This order shall Terminate Automatically if the applicant fails to comply with ... 19.15.4.12 B and 19.15.4.12 C NMAC. (See Exhibits O1, O2, O3) Orders

The hearing examiner Gregory Chakilian erroneous arbitrary acts will have a great irreversible future harm to an effected party such as American correlative rights, Interests, Leases, Saik #001 Unit, and will create great waste of its Saik #001 Unit and its well.

Hearing examiner Gregory Chakilian was not acting in a judicial capacity when he approved Alpha proposed pooling application, American correlative rights were not

protected creating waste, the Hearing Examiner Gregory Chakilina arbitrary decision was therefore not entitled.

The severity of the matter in which Alpha and Paloma have both conducted their operations and maneuvered around the judicial proceedings seriously disqualifies Alpha and Paloma from handling any money and proceeds from the HSU wells and must forfeit all money and proceeds to escrow for distribution as required under New Mexico law.

Alpha request 1/8 royalty distribution in the HSU wells is outdated and to allow for an UpToDate 25% royalty, as the State of New Mexico has done in Senate Bill 23 which became law June 20, 2025, that allows for new oil and gas leases a top royalty rate of 25%, which would be considered fair and just compensation, and is further evidence of Alpha and Paloma bad faith acts to further undermine owners to sign top leases, portrayed as new leases, offering unjust and outdated royalty rates for new leases, and is considered outdated by new lease standards under New Mexico law royalty rates, that further violates the protection of correlative rights under New Mexico State law .

Applicants proposed evidence

All documented evidence filed in cases no. 25166, 25496, 25495 and cases no. 25694, 25695, 25696.

APPLICANTS POSITION ON RELIEF SOUGHT

American reserves the right to present rebuttal testimony and exhibits in response to the exhibits and testimony presented by Alpha at the hearing in this matter, including the right to call rebuttal witnesses not identified in this prehearing statement.

American request that an emergency stay is appropriate, deny 200% penalty for the HSU wells were already drilled before the order, Alpha request 1/8 royalty distribution in the HSU wells is outdated, as the State of New Mexico Senate Bill 23 allowing for a top royalty rate of 25%, all proceeds from the HSU wells to be placed in escrow for distribution to valid owners, if the case of Alpha is not dismissed entirely of its application in Case No. 25166,

25496, 25495 and Order No. R-23961, R-23989, R-23977 as Alpha and Paloma have not complied with the statutory requirements for compulsory pooling of New Mexico law.

Furthermore, Alpha Energy Partners II, LLC application and Paloma comes with unclean hands and made no good faith efforts, and no good faith attempts to notify American of their proposed HSU wells that infringed and trespassed on American Saik Unit and well, and to not dismiss in its entirety Alpha application in Case No. 25166, 25496, 25495 and Order no. R-23961, R-23989, R-23977 for their bad faith efforts and willful misrepresentation of records of interests owners would be overcompensating Alpha and Paloma for their bad actions, bad faith efforts, and willful gross negligent that could cause future harm, while causing great harm to correlative rights and great waste which is a further violations of Federal law and New Mexico law.

Respectfully Submitted,



Jonathan Sanoniego

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Representative for American Energy Resources, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true correct copy of the foregoing was filed with the Commission Clerk and was served on counsel of record via electronic mail on November 9, 2025:

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(Exhibit Q2)

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF ALPHA ENERGY
PARTNERS II, LLC, FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO**

Case No. 25496

SELF-AFFIRMED STATEMENT OF JOHN COFFMAN

I, John Coffman, state and affirm the following:

1. I am over the age of eighteen years and have the capacity to execute this Statement, which is based on my personal knowledge.
2. I am employed as a Landman with Alpha Energy Partners II, LLC (“Alpha”), affiliate successor in interest to Alpha Energy Partners, LLC, and I am familiar with the subject application and the lands involved.
3. I graduated from Texas Tech University with a bachelor’s degree in business (Energy Commerce) in 2018. I have worked at Alpha for approximately 2 years, and I have been working in New Mexico for 8 years. My credentials as a petroleum landman have been accepted by the New Mexico Oil Conservation Division (“Division”) and made a matter of record.
4. This Statement is submitted in connection with the filing by Alpha of the above-referenced spacing and compulsory pooling applications pursuant to 19.15.4.12.A(1).
5. Alpha in conjunction with Paloma Permian AssetCo (“Paloma”), OGRID No. 332449, as the designated operator, seeks an order pooling all uncommitted mineral interest in the Bone Spring formation (Esperanza; Bone Spring, Pool Code: [97755]) underlying a standard



316.92-acre, more or less, horizontal spacing unit comprised of the S/2 N/2 of Sections 17 and 18 in Township 22 South, Range 27 East, Eddy County, New Mexico.

6. Under Case No. 25496, Alpha proposes and dedicates to the HSU two (2) initial wells: the **Hollywood Star 17-18 Fee 503H Well** and the **Hollywood Star 17-18 Fee 553H Well**, to be drilled to a sufficient depth to test the Bone Spring.

- Alpha proposes the **Hollywood Star 17-18 Fee 503H Well**, an oil well, to be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 16 to a bottom hole location in Lot 2 (SW/4 NW/4) of Section 18; approximate TVD of 7,140'; approximate TMD of 17,800'; FTP in Section 17: 1,980' FSL, 100' FEL; LTP in Section 18: 1,980' FNL, 100' FWL.
- Alpha proposes the **Hollywood Star 17-18 Fee 553H Well**, an oil well, to be horizontally drilled from a surface location in the NW/4 SW/4 (Unit L) of Section 16 to a bottom hole location in Lot 2 (SW/4 NW/4) of Section 18; approximate TVD of 7,860; approximate TMD of 18,550'; FTP in Section 17: 1,980' FSL, 100' FEL; LTP in Section 18: 1,980' FNL, 100' FWL.

7. **Alpha Exhibit A-1** contains the proposed C-102 for each of the two (2) wells.

8. **Alpha Exhibit A-2** contains the general location plat and a plat outlining the unit being pooled, which show the location of the proposed wells within the unit. The well locations are orthodox, and they meet the Division's offset requirements.

9. **Alpha Exhibit A- 2** contains the parties being pooled, the nature of their interests, and their last known addresses. **Exhibit A-2** includes information regarding the working interest owners, the overriding royalty interest owners, and the record title owners to be pooled. The "ULMI" designation denotes owners who are unleased. Alpha requests these parties be pooled and the statutory 1/8 royalty be allocated.

10. **Alpha Exhibit A-2** also contains a list of names and addresses for the uncommitted interest owners I provided to the law firm of Abadie & Schill P.C. In compiling these addresses, I conducted a diligent search of the public records in Eddy County, New Mexico, where the well is located, and of phone directories and did computer searches to locate the contact information for parties entitled to notification. Notice letters to the owners were timely sent. Out of 501 owners sent notice letters, 91 letters were listed as to be returned. All others were listed as delivered, mailed, or forwarded. Alpha published notice in the Carlsbad Current-Argus, a newspaper of general circulation in Eddy County, New Mexico, to account for any unlocatable parties and cover any contingencies regarding notice.

11. **Alpha Exhibit A-3** is a sample proposal letter and the AFEs for the proposed wells. The estimated cost of the well set forth in the AFEs is fair, reasonable, and comparable to the costs of other wells of similar depths and lengths drilled in this area of New Mexico.

12. There are no depth severances in the Bone Spring formation in this acreage.

13. A good faith review of records did not reveal any viable overlapping units.

14. **Alpha Exhibit A-4** provides a chronology and history of contacts with the owners. Alpha has made a good faith effort to negotiate with the interest owners, but has been unable to obtain, voluntary agreement from all interest owners to participate in the drilling of the well or in the commitment of their interests to the well for its development within the proposed horizontal spacing unit.

15. The interest owners being pooled have been contacted regarding the proposed well but have failed or refused to voluntarily commit their interest in the well. However, Alpha has been in ongoing discussions with some of the interest owners to voluntarily enter into a Joint Operating Agreement. If a mutually agreeable Joint Operating Agreement is reached between

Alpha and another interest owner or owners, Alpha requests that the voluntary agreement become operative and supersede the Division's order for said parties, except to the extent the Division deems it necessary to maintain spacing criteria for the purpose of conservation, the prevention of waste, and protection of correlative rights.

16. Also pursuant to the Application, Alpha requests overhead and administrative rates of \$10,000/month for drilling each well and \$1,000/month for producing each well. These rates are fair and comparable to the rates charged by other operators for wells of this type in this area of southeastern New Mexico. Alpha requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

17. Alpha requests the maximum cost, plus 200% risk charge be assessed against non-consenting working interest owners.

18. Alpha requests that Paloma Permian AssetCo ("Paloma"), OGRID No. 332449, be the designated operator of the unit and well.

19. The Exhibits to this Statement were prepared by me or compiled from Alpha's company business records under my direct supervision.

20. The granting of this Application is in the best interests of conservation, the prevention of waste, and the protection of correlative rights, and will avoid the drilling of unnecessary wells.

21. The foregoing is correct and complete to the best of my knowledge and belief.

[Signature page follows]

Signature page of Self-Affirmed Statement of John Coffman:

I understand that this Self-Affirmed Statement will be used as written testimony before the Division in Case No. 25496 and affirm that my testimony herein is true and correct, to the best of my knowledge and belief, and made under penalty of perjury under the laws of the State of New Mexico.



John Coffman



Date Signed

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

QUESTIONS

Action 524629

QUESTIONS

Operator: American Energy Resources LLC P.O. BOX 114 Hagerman, NM 88232	OGRID: 372991
	Action Number: 524629
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

QUESTIONS

Testimony	
Please assist us by provide the following information about your testimony.	
Number of witnesses	Not answered.
Testimony time (in minutes)	Not answered.