

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

APPLICATIONS OF MRC PERMIAN COMPANY  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

CASE NOS. 25247-25248,  
25250, & 25252-25254

RESPONSE TO MOTION TO STRIKE

American Energy Resources LLC ("American") hereby submits this response to MRC Permian Company ("MRC") motion to strike.

1. A party may only enter an appearance to an adjudicatory proceeding if they are entitled to notice. 19.15.4.10.A NMAC. Notice is provided to each owner of an interest in the mineral estate that an applicant seeks to pool. 19.15.4.12.A(1)(a) NMAC. That being said, American Energy is not entitled to notice in these cases.

American is entitled to notice under State law statute 19.15.4.12 A(1)(A) NMAC as for American is an interest holder and has APDs for its American #1,2,3, & 4 wells in MRC proposed pool.

2. First, MRC is not seeking to force pool American Energy.

MRC is attempting to force pool American interests and is in fact encroaching on American interests and APDs permitted Bonespring and Wolfcamp wells of the American #1,2,3, & 4 wells.

3. Second, it is MRC's understanding that American Energy claims a mineral interest in the W/2 W/2 of Section 27, Township 22 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. It appears this interest is subject to ongoing litigation regarding the ownership of the minerals and the trial court has apparently entered summary judgment that neither American Energy, nor its representative Mr. Jonathan Samaniego, owns an interest in the mineral estate within those lands. See Exhibit A – Summary Judgment.

This Court matter is ongoing and has been appealed to the Appeals of the Supreme Courts.

4. Furthermore, regardless of the outcome of the above-referenced litigation, the minerals in the W/2 W/2 of Section 27 are subject to an oil and gas lease in which MRC is the current lessee; thus, MRC does not need to pool the interest anyway. See Exhibit B – Oil & Gas Lease and Self Affirmed Statement (Landman Chris Carleton).

The MRC was the lease holder, the lease has since been terminated for violating its own terms in its own lease agreement between O.J. Dowling and Union Oil Company of California for not producing, not paying shut in payments, not paying rentals. See the (“Attachments”).

Landman Chris Carleton is an employee of MRC, therefore, his determination is compromised to benefit his employer, and furthermore, is a conflict of interest, and therefore is not admissible evidence.

#### Conclusion

1. American holds interests and has APDs permitted planned Bonespring and Wolfcamp wells in MRC proposed pool.
2. American under State law should have been notified by MRC of their proposed pool.
3. The Court matter has been appealed to the Supreme courts. For the Division to rule on an ongoing litigated hearing would be unjust and unethical to an effected party such as American and would further be a violation of its own State Law of protecting correlative rights and preventing waste.
4. The lease between O.J. Dowling and Union Oil Company of California has been terminated by the mineral holder Jonathan Samaniego, and as mineral holder has a right to manage its mineral holdings, and furthermore as the mineral owner is the only individual entitled to implement the termination clause in a lease for violating the terms in the agreement.

Under State Law 70-1-3 through 70-1-5, Notice must proceed termination.

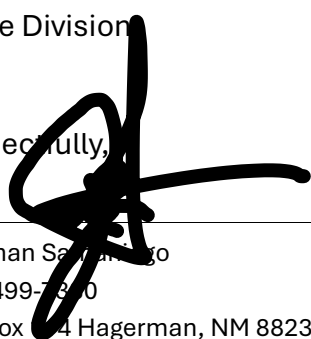
5. MRC failed to correct its failed actions. See (the “Attachments”)
6. MRC employee Chris Carleton determination is compromised for the benefit of his employer.
7. MRC failed to send a single valid Shut in payment. MRC presented a picture of a check stub in its prior attempt to pool American lease holds, a picture of a payment sent to American, showing an invalidly dated shut in payment check. See (the “Attachments”)

MRC acting in bad faith by presenting an invalidly dated check as its proof of shut in payment. Even if American had received the Shut In payment, the check would not have been deposit able for the fact that it was an expired check. MRC has acted in bad faith efforts and American is not bound to MRC or the terminated lease, when MRC defaulted on the lease agreement terms.

8. MRC failed to correct its failed actions and under the agreement terms the lease is terminated.
9. If MRC feels they have a claim against American interests; the Division does not have jurisdiction to make a rule on such a claim that could erroneously favor, overcompensate, and benefit MRC and would further be a violation of State Law and a violation Federal Law under right of Due Process.

WHEREFORE, American respectfully requests that MRC motion to strike be denied by the Division

Respectfully,



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CERTIFICATE OF SERVICE

I hereby certify that a true a correct copy of the foregoing was filed with the New Mexico Oil  
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