

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

IN THE MATTER AND CONSIDERATION OF:

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

OCD CASE NO. 25166
OCC CASE NO. 25694
ORDER NO. 23961

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

OCD CASE NO. 25495
OCC CASE NO. 25696
ORDER NO. 23977

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

OCD CASE NO. 25496
OCC CASE NO. 25695
ORDER NO. 23989

REPLY TO ALPHA REPLY TO AMERICAN ENERGY RESOURCES, LLC'S RESPONSE TO
ALPHA'S MOTION REQUESTING THE COMMISSION TO DETERMINE THAT AER'S
REPRESENTATIONS OF PURPORTED SHUT-IN PAYMENTS
WERE KNOWINGLY MADE IN BAD FAITH

American Energy Resources LLC, ("American"), through its representative, submits to the Oil Conservation Commission ("Commission" or "OCC") this Reply ("Reply") to Alpha Energy Partners II, LLC's ("AEP") Response to American response to Alpha Motion Requesting the Commission to Determine that AER's Representation of Purported Shut-In Payments Were Knowingly Made in Bad Faith ("Motion Re: Bad Faith"). In support of its Reply, American states the following:

A. Introduction:

American as a prudent operator has invested immense time, energy, and resources to develop the State's natural resources in a manner that ensures waste is prevented and correlative rights are protected have encountered expensive roadblocks created by Alpha.

Alpha has engaged in a pattern of acquiring non-producing wells such as their four abandoned wells and antiquated, long-outdated leases expired by their own terms, failed efforts to provide adequate financial assurances to the Oil Conservation Division (“Division” or “OCD”) based on years of not providing adequate financial assurances to operate and drill that fail to measure up to the standards of New Mexico law—thus appearing to fabricate its representation where no just claim exists—and using those false representations to the Division and Commission to thwart responsible development plans of American approved by the Division through its change of operator. Whenever these bad-faith practices are challenged before the Commission, Alpha asserts that the Commission is overpowerful to (“Tailor-Make an evaluate”), as stated by Alpha counsel own submittals, because the Commission allegedly jurisdiction to adjudicate title regardless of overlapping title dispute. Alpha thus insists that the Commission adjudicate its far-reaching authority to disregard conduct that is not distinguishable from, and independent of, overlapping title dispute adjudication.

2. The New Mexico’s Oil and Gas Payment Act, NMSA 1978 §§ 70-10-1, et. seq., (“OG Payment Act”), which specifies obligations of lessees and assignees, including that 70-10-4 NMSA (A), Any delay in determining any person legally entitled to an interest in the proceeds from production shall not effect payments to all other person entitled to payments. In instances where payments cannot be made within the time period provided in Section 70-10-3 NMSA 1978, the payer shall create a suspense account on his books for such interest or may interplead the suspended funds into court. (First Baptist Church of Roswell v. Yates Petroleum Corp, 2012.)

American acted forthwith in mailing its checks sent to last place of address of lessor and its Publication in the Carlsbad Current Argus newspaper looking for heirs, assigns, successors is sufficient good faith efforts under the Oil and Gas Act.

- A. American Checks Issued to Lessor last known address and Publication in the Carlsbad Current Argus newspaper demonstrate acts of a prudent operator good faith due diligence to locate owners of interest.
- B. Under the terms of the leases states no change or division in ownership shall be binding on lessee, see Bell lease #7 and Wheeler lease #8.

4. Under the terms of the leases states that default in payment by one shall not effect the rights of another, and as such terms American as the new prudent operator acting forthwith in protecting its leases, American obtained through its C-145 dated January 7, 2025, and by mailing checks dated February 28, 2025, and Publication in the Carlsbad Current Argus newspaper dates March, 11, 18, and 25, 2025, all just acts were within the 90 days clause, as a prudent operator.

5. The evidence shows that American acting as a prudent operator protecting its leases. Instead, Alpha continues to drag the OCD and OCC through its elaborate scheme to

manipulate law and compulsory pooling proceeding with intent to deceive regardless of ethics and standards.

7. American obtained the Saik well through change of operate C-145 in 2025, therefore American acted forthwith in mailing its checks sent to last place of address of lessor and its Publication in the Carlsbad Current Argus newspaper looking for heirs, assigns, successors is sufficient good faith efforts under the Oil and Gas Act.

A. American Checks Issued to Lessor last known address and Publication in the Carlsbad Current Argus newspaper demonstrate acts of a prudent operator good faith due diligence to locate owners of interest.

B. Under the terms of the leases states no change or division in ownership shall be binding on lessee, see Bell lease #7 and Wheeler lease #8.

American presentation of these shut-in payments and Publication in the Carlsbad Current Argus newspaper to the Commission demonstrates a complete good faith effort as a prudent operator, thereby evidencing good faith.

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American presentation of these shut-in payments and Publication in the Carlsbad Current Argus newspaper to the Commission demonstrates a complete good faith effort as a prudent operator, thereby evidencing good faith.

9. By contrast, Alpha has failed to identify American interests and failed to identify the Wheeler mineral estate new owners Red River Energy Partners II LLC. American identified Red River Energy Partners II LLC as the mineral and royalty owners entitled to payment for Alpha landman John Coffman was unable to run a accurate title search.

For Alpha counsel to portray that Alpha title and words are reliable is frivolous and compromised at best, seeing all the evidence presented by American of Alpha repetitive false representation with intent to deceive.

C. Alpha False and Bad Faith Representation of American payments and publication
 Forfeits Alpha numerous Requests and request to deny American Emergency Stay of the
 Division's Pooling Orders

10. Based on Alphas false representations of American payments, publication, leases, and New Mexico laws, Alpha seeks to deny an Emergency Stay with unclean hands and fails the Tenneco test. Under Tenneco v. New Mexico Water Quality Control Comm'n, 1986 NMCA-033, ¶ 10, Alpha must show likelihood of success on the merits, lack of harm to interested parties, and no harm to the public interest. Alpha has instead demonstrated disregard for statutory obligations and correlative rights. Denying an Emergency Stay to a prudent operator acting in good faith would contravene the public interest.

11. Furthermore, great harm will result from allowing the Hollywood Star Unit to overlap the American Saik Unit with our approval from American. The Division routinely approves overlapping units to protect correlative rights and prevent waste if there is an absent operator, and since that is not the case Alpha would need approval from American. All owners in the Hollywood Star Unit and the Saik Unit encompassed by the Subject Lands would benefit from Alpha's approved development plan. If AER can overcome regulatory deficiencies and demonstrate to the OCD/OCC that the Saik Well should be developed, it may do so pursuant to the Division's approval and rules.

19.15.16 NMAC

(9) Existing and subsequent wells in horizontal spacing units.

(b) Subsequent wells in existing spacing units. Subject to the terms of any applicable operating agreement, or to 19.15.13 NMAC or any applicable compulsory pooling order as to any compulsory pooled interests:

(i) 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 to, all operators and working interest owners of record or known to the applicant in the existing and new well's spacing units;

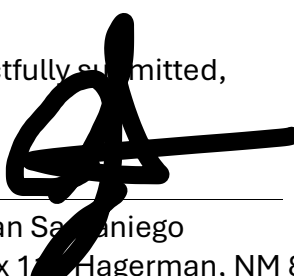
(ii) any subsequent well, horizontal or otherwise, with a completed interval located wholly within an existing well's horizontal spacing unit, and in the same pool or formation, if not designated as an infill horizontal well, may be drilled only with the approval of, or, in the absence of approval, after notice to, all operators and working interest owners of record or known to the applicant in the existing and new well's spacing units

Conclusion:

The Commission should possess the legal tools to protect responsible and prudent operators, such as American and its legitimate development plans, from bad faith practices and imprudent operators such as Alpha. American has made an effort to provide the Commission for its consideration and basis for discerning what is and is not within its jurisdiction to adjudicate; the Commission cannot adjudicate actual title or attempt to "Tailor-make" an evaluation to an overlapping title dispute, but American submits that there are elements of good faith due diligence with respect to ownership, as described herein, distinguishable from the evaluation of title itself, that the Commission has the authority to adjudicate. Thus, American respectfully requests the Commission to find that

Alpha has acted in bad faith and made false representation and to deny its request to deny American Emergency Stay of the Division's Pooling Orders.

Respectfully submitted,



Jonathan S. Saniego
P.O. Box 170 Hagerman, NM 88232
(575)499-7330
Energy.jrs@gmail.com
Representative for American Energy Resources LLC

CERTIFICATE OF SERVICE I hereby certify that a true and correct copy of the foregoing was filed with the New Mexico New Mexico Oil Conservation Commission and was served on counsel of record via electronic mail on December 16, 2025:

Freya Tschantz, Law Clerk
Freya.Tschantz@emnrd.nm.gov
OCD.Hearings@emnrd.nm.gov
EMNRD-Oil Conservation on Division Clerk

Andrew D. Schill
William E. Zimsky
214 McKenzie Street
Santa Fe, New Mexico 87501
Telephone: 970.385.4401
Facsimile: 970.385.4901
darin@abadieschill.com
andrew@abadieschill.com
bill@abadieschill.com Attorneys for Alpha Energy Partners II, LLC, and AEP II Operating, LLC

Michael H. Feldewert Adam G. Rankin
Paula M. Vance
mfeldewert@hollandhard.com
arankin@hollandhart.com
pmvance@hollandhart.com
Attorneys for Permian Resources Operating, LLC;
And Sarvis Permian Land Fund I, LLC,
U.S. Energy Development Corporation,
and Sarvis Rockmont Permian Land Fund, LLC

Kaitlyn A. Luck
P.O. Box 483
Taos, NM 87571 luck.kaitlyn@gmail.com (361) 648-1973
Attorney for Chief Capital (O&G) II LLC,
Covenant Hercules LLC,
Christian Capstone LLC,
and Crusader Royalties LLC

Warren Anderson
Lilli Anderson
1310 Forest Avenue
Pasadena, CA 91103
WarZulu91@gmail.com
Pro Se