

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF

AMERICAN ENERGY RESOURCES, LLC,

DE NOVO APPEAL OF ORDER NO. R-23405

IN CASE NO. 24517

CASE NO. 25237

AMERICAN PRELIMINARY STATEMENT

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

STATEMENT OF THE CASE

1. Background.

American brought an action to reopen Case No. 24517 regarding the Application of Silverback Operating II, LLC (“Silverback”) for Compulsory Pooling a Spacing and Proration Unit in Eddy County, New Mexico.

In Case No. 24517, American sought an order pooling all mineral interests in the Penasco Draw, SA-YESO underlying Sections 2 and 11, Township 19S, Range 25E, N.M.P.M., Eddy County, New Mexico (the “Subject lands”). The purpose of pooling the subject lands was to drill the Roche #101H well, Roche #102H well, Roche #103H well (collectively, the Roche Wells”).

The OCD entered Order No. R-23405 in Case No. 24517 pooling the Subject Lands for the Roche Wells .

On September 19, 2024, the OCD entered Order No. R-23405, which, among other things, found that:

“14. ... 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.

“24. The failure of Silverback to provide to American an itemized schedule of estimated well costs to drill, complete, and equip the well (“Estimated Well Costs”).

“26. The failure of Silverback to provide notice to American of its actual well costs,

2. Silverback has not provided American an opportunity to participate.

Silverback Application in Case No. 24517 should be denied, dismissed, rejected, terminated, and canceled as Silverback has not made a good faith effort to secure the voluntary commitment of American interests in the Roche Wells as required by New Mexico law.

As the Applicant in Case No. 24517, Silverback 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 or gas, or both.

In this case, Silverback has not made good faith attempts to obtain American voluntary agreement to the Roche Wells. Despite the OCD’s ruling in order No. 23405, Silverback has not provided American with well proposals, AFE’s, or made any other offer regarding American voluntary agreement to the Roche Wells. American still has not had the opportunity to consent to participate in the Roche Wells.

3) Silverbacks claim that American Interests were quiet titled.

The quiet title does not comport with Due Process as Supreme court ruling has determined in case T.H. McElvain Oil & Gas Ltd. P’ship v. Benson-Montin-Greer Drilling Corp.

4) Silverback presented their list of effected parties in their proposed pooling application. Silverback presented their list of parties that were granted interests in the quiet title. The list of Silverbacks pooled parties notified by letter are as follows:

Meridain 102 LP

Michael Harrison Moore

Ryan Moore SSMTT GST Exempt Trust

Ryan Moore SSMTT GST Exempt Trust

The above Silverback notification list is invalid, none of which are valid owners of the Champlin lease

4) The quiet title Silverback presented of the Plaintiffs awarded interest as follows:

Orion-Smith Oil Properties LTD

Argo Energy Partners LTD

Dusty Sanderson and Dana Sanderson

Floyd W. Prather

DES Acquisitions LLC

None of the above owners were listed on the quiet title court document presented by Silverback and further confirming the nature of the creature attempts to change the narrative of the facts for profits.

5) American has provided title on where the quiet title Plaintiffs list interests are as of today:

Argo Energy Partners LTD, who assigned its interests to Canyon Capital Holdings LLC on April 16,

2024 and eActive on January 1, 2024, in Book: 1181 Page: 923

Orion-Smith Oil Properties, who assigned its interests to Canyon Capital Holdings LLC on April 18,

2024 and eActive on January 1, 2024, in Book: 1181 Page: 927

Dana & Dusty Sanderson, who assigned its interests to Canyon Capital Holdings LLC on April 23,

2024 and eActive on January 1, 2024, in Book: 1181 Page: 951

DES Acquisitions, still holds interest ownership.

Floyd W. Prather, who assigned its interests to Iron Horse Royalties LLC on April 23, 2024, in Book: 118 Page: 951.

None of which were listed on the Silverback compulsory pooling application, and a violation of State law among numerous other laws.

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 Silverback that violate New Mexico laws.

Silverback has not satisfied the statutory prerequisites to compulsory pooling and its Application should be denied.

PARTIES

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Other Interested parties:

Name:

Applicants proposed evidence

All documented evidence filed in case no 24517.

APPLICANTS POSITION ON RELIEF SOUTH

American request that OCD deny Silverback application in Case No. 24517 as Silverback has not complied with the statutory requirements for compulsory pooling. Furthermore, Silverback Operating II, LLC, application comes with unclean hands and made no good faith efforts and no good faith attempts to notify American of their proposed wells, and to not deny, dismiss, terminate, and cancel Silverback application for their bad faith efforts and misrepresentation of court documents would be overcompensating Silverback for their bad actions, gross negligent that could cause further harm, while causing great harm to correlative rights and great waste which is a further violation of New Mexico law.

Respectfully Submitted,



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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 Oil Conservation Division and was served on counsel of record via Electronic mail on June 23, 2025:

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