A Muslim said, "If Muhammed is of Satan, how did he cast out demons because Jesus said in the gospels that Satan can't drive out Satan." How do I respond to this?

Mohammad was a false prophet (1 Jn 4:1-6). We know this because his message denies that Jesus Christ came in the flesh. Therefore, he is not of God (1 Jn 4:1-2, 4, 6). His claim was and is satanic (1 Jn 4:3,5).

False prophets deceive and can be deceived (Mt 24:5, 24, 2 Co 11:13–15, 2 Ti 3:13). They do not have power or authority to cast out demons (Mt 12:26–29, 1 Jn 4:1).

Your acquaintance should come to know the real Jesus (Jud 1:23a) to be saved (Isa 45:21,22; 59:16; Ac 4:12).