

Letters to the Santa Fe Opera from Mora and Santa Fe County Residents Regarding the Opera Oil and Gas Lease

Letter #1:

September 27, 2009
Edited October 2, 2009
Edited October 5, 2009

Letter re Mineral Property Lease by the SFO © Linda Spier
October 2, 2009

As a lifelong resident of Santa Fe, New Mexico, who remembers the beginnings of the Opera, I find it unbelievable and unacceptable that the Santa Fe Opera leased mineral property within the highly sensitive, pristine and fragile ecosystem of the cultural- and water-rich Las Vegas Basin.

News is traveling that Mr. MacKay did not put his signature on the line without the urging and backing of the mostly out-of-state Board.

General Director MacKay states: "We had no recourse other than to sell or lease these rights in order to maximize their benefit to the Opera and to meet the organization's fiduciary obligations." Mr. MacKay needs to do his homework and the Board needs a reality check.

It is a fact that mineral rights owners can negotiate for higher royalties. All four leases pertaining to this mineral property are exactly the same, with the most base royalty interest agreed to: 1/8th of a percent. Three leases are signed on the same day: April 15, 2009. The missing link is whether or not the College of Santa Fe signed a lease also and, if so, who signed it on behalf of the College and who is the beneficiary of it?

There are no surface protection agreements: This can only be understood as a callous disregard for the Citizens of New Mexico by each and every person who signed these leases.

The Opera's lease flies in the face, not only of the People of Mora and San Miguel, but also in the face of the People of Santa Fe County who gave two years of their lives working with Santa Fe County elected officials and staff to help put into place safeguards for the Galisteo Basin that resulted in the strongest local oil and gas zoning ordinance in the United States. The Santa Fe Opera is a direct beneficiary of our efforts to protect Northern New Mexico and the protection of the \$5.1 Billion New Mexico tourist industry/year (as of 2008), \$1.1 Billion generated by Santa Fe County alone.

Does the Board not consider that should most of Northern New Mexico become a natural gas/helium/coalbed methane/CO₂ production region, with smog-pink air, poisoned water and fragmented vistas, will the opera lovers still want to even come to Santa Fe...paved, packaged, and polluted? Does the Board know that the leased area is just some 20 miles to the east of Santa Fe, as a redtail hawk might fly, on the other side of the Sangre de

Cristo Mountains?

Owning mineral property, *especially in Mora and San Miguel*, should have been a red flag for the Board. If the Opera owned rights, for instance, in the long-established gas fields of Artesia, NM, as one Santa Fe resident said, "I doubt that many would be upset." To lease this mineral property in one of the last remaining most beautiful area of Northern New Mexico, without any thought of the horrendous agricultural, cultural, and environmental impacts, verges on being a crime against Northern New Mexicans. At best an act of ignorance; at worst, deliberate negligence and arrogance.

The Santa Fe Opera, as a renowned New Mexico educational and arts institution, has richly added to the uniqueness of Santa Fe and been a cornerstone of the ongoing health and vibrancy of the arts in New Mexico. For many years, the Opera has frequently used the wonderful folk art of Ed Sandoval of Taos to decorate Opera posters. Mr. Sandoval imparts the feeling of all that is special about New Mexico in his joyful colorful images. What is beloved in the art of Mr. Sandoval is a *living presence* in the river valleys and grass land plains of Mora and San Miguel. Why did the Opera not refuse to accept such an inappropriate donation that was not even specifically donated by Rosemarie Shellaberger herself?

We, the residents of Santa Fe, believe that it is unethical for the Santa Fe Opera to own and lease mineral property to extractive industry that will damage New Mexicans, their land and water. The right thing to do is for the Opera to break this lease and place the mineral property into a sub-surface conservation easement that could possibly have long-term tax credit benefits for the Opera, fulfill their fiduciary AND ethical responsibility as well as win the public's admiration for their stance of protecting Northern New Mexico.

Either Mr. MacKay will serve merely as a puppet of this Board that no longer represents New Mexico, or he will be a leader in the arts community of New Mexico and join us in demanding on behalf of everyone that the last pristine, water-rich regions of Northern New Mexico, that include the Las Vegas and Chama Basins, be protected for future generations.

Linda Spier
Santa Fe County

(see Oil and Gas Lease exhibit on the following page)

OIL AND GAS LEASE
(PAID-UP)

Revised by
SAMSON (David Sternick)
Two West 2nd St.
Tulsa, Ok. 74103-3100

STATE OF NEW MEXICO §
COUNTIES OF MORA AND SAN MIGUEL §

THIS LEASE AGREEMENT is made as of the 15th day of April, 2009, between **The Santa Fe Opera**, a New Mexico Corporation herein represented by Charles MacKay, its duly authorized General Director, as Lessor, whose address is P. O. Box 2408 Santa Fe, NM 87504 (whether one or more) individually and as holder of any executive leasing rights pertinent to the leased premises, and **J Bar Cane, Inc.**, a New Mexico corporation, whose address is P. O. Box 16 Stanley, NM 87056, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. **Description.** In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises (use Exhibit "A" for long description):

See Exhibit "A" Attached hereto and made a part hereof

in the Counties of Mora and San Miguel, State of New Mexico, containing **26,747.70** gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and nonhydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide, gaseous sulfur compounds, coalbed methane and other commercial gases, as well as normal hydrocarbon gases. In addition to the above-described land, this lease and the term "leased premises" also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described land, and in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any bonus payment, extension bonus payment (if applicable), delay rental payment (if applicable), or shut-in royalty payments based on acreage hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less. During the term of this lease, Lessee shall have the exclusive right to explore, develop, produce and market oil and gas, and all hydrocarbons and nonhydrocarbons produced in association therewith, from the leased premises by any method inclusive of, without limitation, geophysical or seismic operations. For the same consideration stated above, Lessor further grants, sells, conveys and warrants to Lessee a subsurface right-of-way and easement in, through and under the leased premises for the purpose of drilling oil and/or gas wells to, and producing through said wells oil, gas or other minerals from, lands other than the leased premises, together with the right of ingress and egress to said wells.

2. **Term of Lease.** This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of Ten (10) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled or unitized therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty Payment.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) for oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be one-eighth of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be one-eighth of the proceeds realized by Lessee from the sale thereof, provided that Lessee shall have the continuing

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Letter #2:

I'm writing to you from the Wind River Ranch Foundation, which is located on the Wind River Ranch property about 5 miles to the north of Lake Isabel. This is a foundation dedicated to conservation and education in northern New Mexico. As your neighbors, the news that Santa Fe Opera has leased exploration rights around Lake Isabel was shocking and distressing. You stated that you signed the lease to benefit the opera. What about the cost to your neighbors? Is it fair for you to benefit and simply externalize the costs to us. With the history of actions between Santa Fe and Mora County dating back to the land grants, there are clear class implications in your recent actions. Did you explore other options before leasing this land for exploration? There must be other opportunities that are safer and still profitable to the opera. In another article, you stated that the Opera has a long tradition of environmental commitment. If that is so, why did you not lease the exploration rights with the same zoning restrictions that were recently enacted in Santa Fe County?

Water is a valuable resource in this area. What will you do to insure that hazardous byproducts of your exploration or drilling will not slip through the folded and fractured groundwater recharge zone? I certainly don't want to find heavy metals in my well, as I'm sure you wouldn't either. What about fumes and air pollution? As a conservation biologist, I have seen other drilling sites and the toll that the accompanying roads and power-lines take on wildlife. Because around 70% of the wildlife in the Southwestern United States depend on riparian areas and prairie ponds, Lake Isabel is a valuable place for nature. The influx of vehicle traffic also brings noxious weeds.

Your drilling poses a threat to the mission of the Wind River Ranch Foundation. In my opinion, you acted in an irresponsible manner toward the people and wildlife of San Miguel and Mora County. It is not too late to renegotiate your lease in a manner that would provide as much protection here as you would expect from exploration near to where you live.

Brian Miller
Mora County
Wind River Ranch Foundation
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{See next page}

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Charles MacKay, General Director
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3 October 2009

Dear Mr. MacKay,

I have supported the Santa Fe Opera for decades. It is the jewel in the crown of New Mexico's cultural institutions. I could not be more dismayed to read about the lease of mineral extraction rights by the Santa Fe Opera to J Bar Crane, Inc. It is a disgrace for the opera to sell these rights exposing the New Mexico's beautiful landscape and environment to the degradation of the oil & gas & extraction industries. It is further disgraceful that these particular leases will impact New Mexicans who are least able to defend themselves. Mora & San Miguel, as you well know, are two of the poorest counties in our state. I hold out hope that this mistake can be rectified in some fashion. The Opera will face strong opposition from supporters like me who would have, if they had known about this, been glad to support the apprentice program to the extent that the lease produces income for your important apprenticeship program. This is grave mistake on the part of the board of directors that will, I believe, significantly erode support for the Santa Fe Opera.

Respectfully yours,

Susan Bell