

THE SANTA FE REPORTER

A Weekly Journal



City Edition



SANTA FE'S LOCALLY OWNED NEWSPAPER

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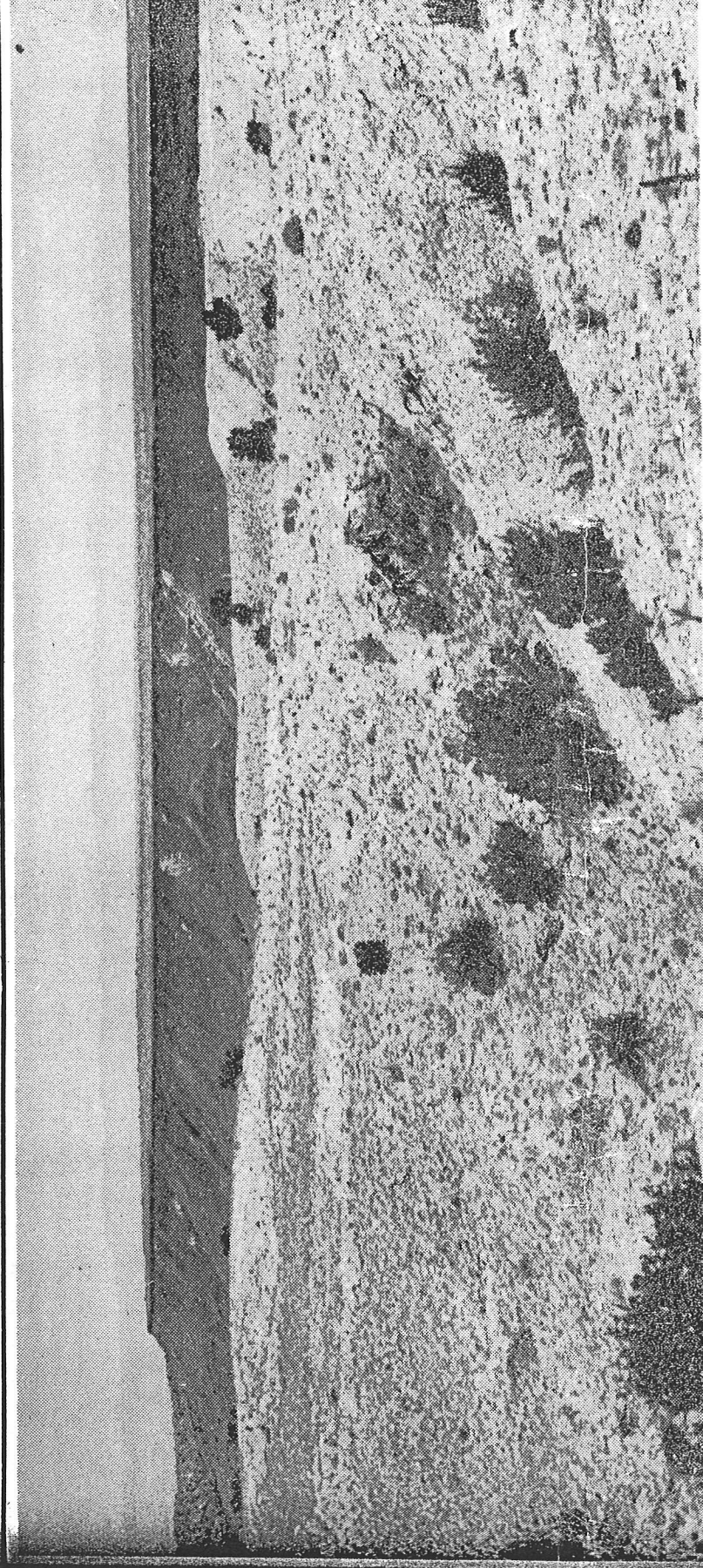


Photo by Tony O'Brien

The Promised Land

They call it "The Ranch": 11,600 acres of hogback and plateau on the lip of La Bajada mesa 15 miles south of Santa Fe that has become the magnet for a multimillion-dollar real estate speculation scheme.

It is a sprawling cattle ranch owned by former New Mexico governor John Simms, it now is being peddled as the largest piece of private land along the 60-mile border between Santa Fe and Albuquerque.

The people behind the deal, three New Mexico real estate brokers including Peter Naumburg of Santa Fe, so far have drawn more than 300 investors to the property and generated close to \$8 million in sales contracts for what barely cost \$1 million five years ago.

Most of the participants have invested between \$12,500 and \$30,000 at the bottom level of a complex pyramid scheme. Included among them are residents of New Mexico and more than half a dozen other states, from California to New York.

Members of The Ranch have been promoting it as the ideal setting for a new town—a 70,000-resident city, powered by solar energy and populated by people eager to avoid the traumas of urban existence in Albuquerque.

Santa Fe. That idyllic vision, however, is tainted by specters of a highway slicing through the land. An earlier plan to develop a new town at the site ended in collapse seven years ago. The long-awaited Santa Fe County General Plan poses outright opposition to high-density population in that area. Moreover, both the county and the State Sanitation Commission, after learning of The Ranch from Santa Fe Reporter, have launched investigations to determine whether the scheme is in violation of the law.

A failure of a new town to develop, or of an equally ambitious alternative to take its place, could result in significant losses for investors at the lower levels of the complex financing plan. But whether the land is developed or sits untouched, full payment of already-

signed purchase contracts by small investors will result in multimillion-dollar profits for the original promoters at The Ranch.

According to those promoters, their plan is a sound investment based on solid research, designed to make money not only for them but also for anyone involved when the new town is built.

The Ranch is my vision of a whole new living



An Investigative Report

By Frank Clifford

For the past five years, a small group of land promoters has been working quietly and energetically to sell, parcel by parcel, a huge tract of land on the highway to Albuquerque 15 miles south of Santa Fe. Called The Ranch, the 11,600-acre tract, mapped in outline form above, has been sold in a pyramid scheme to investors who were told the site is perfect for a new city of 70,000 people. The promoters behind the scheme stand to make millions of dollars in profits—unless uranium mining, lack of water, or the law shuts them down.

Other Stories on Pages 3 and 5

environment," said Albuquerque realtor Ernest Cummins, the member of the trio who bought the acreage and engineered the project. "The Ranch has been identified as an excellent site for a community based on solar, wind, and other exotic energies," reads a segment of the promotional literature distributed to prospective investors.

Local officials, however, take a different view of the property. An environmental analysis contained in the proposed Santa Fe County General Plan indicates that The Ranch is located in an area of the county least suitable for large-scale development. Poor water supplies, ground water contamination, steep slopes and fragile soils combine to make the area particularly unaccommodating, according to the plan.

If the General Plan is adopted by the Santa Fe County Commission, it would in effect impose countywide zoning laws. No new construction that did not comply with the zoning regulations could be undertaken. And under the most stringent recommendations of the plan, settlement of The Ranch property would be limited to one house per 40 acres—a total of 290 houses.

Yet a preliminary master plan commissioned by Cummins calls for a total of 24,000 dwelling units on The Ranch's 11,600 acres.

There are still other reasons for apprehension about the prospect of an ideal community on the mesa. State Highway Department officials say a distinct possibility remains that a new section of I-25 between Waldo and Bernalillo will have to be built. If the current contingency design plan is followed, the road would be built right through the Ranch property.

When interviewed, Cummins conceded that the construction of such a road "would be very detrimental" to any major development plans.

Mineral rights could pose another problem. Some 25 people unaffiliated with The Ranch own subsurface mineral rights to much of the property. Those rights give them license to explore or mine anywhere on that property.

While the promoters of The Ranch have been soliciting investments in the land for more than four years, county and state officials responsible for overseeing land and investment transactions say they have had no knowledge of the enterprise.

[Continued on page 8]

From \$300 to \$1200 per Acre in One Day

One day, Sept. 9, 1975, a parcel of property at The Ranch quadrupled in value. The fourfold increase was the result of improvements made upon the land. Nor trace to pressures of the marketplace, to buyers clamoring to buy the property, whatever the price.

The incredible one-day rise in the land's cost was the product of a series of "paper transactions," managed by three real estate promoters who owned the land. And when their day's work was done, the property that had started out with a value of \$300 per acre had been elevated to a per-acre price tag of \$1,200.

parcel to Naumburg at \$1,080 per acre. Finally Naumburg sold it, at \$1,200 per acre, to another partnership, called Mesita Two, which he himself headed. Two of the other members of that nine-man partnership were Cummins and Peppler.

When the dust settled, the flurry of transactions had benefitted Cummins, Peppler and Naumburg in at least three ways:

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First, the precedent of selling land at The Ranch for \$1,200 per acre, the same price charged subsequent investors in the scheme, had been set.

Second, duly documented land sales had established a \$1,200-per-acre value that would have to be reckoned with should the State Highway Department condemn portions of the property for a new corridor for the Interstate 25 highway.

And third, according to Naumburg, the fast-shuffle transactions between him and Peppler enabled both of them, as general partners in their respective partnerships, to pay themselves commissions without paying sales taxes on the deals. Under the structure of the deals, their commissions were disguised as profits on land sales.

Looking back recently on the final aspect of the dealings of Sept. 9, 1975, Naumburg admitted that the interim exchanges between Mesita de Santa Fe, Peppler, and himself were "phony" transactions. Then he chuckled.

"We did it that way one time," Naumburg said. "Then my lawyer suggested it wasn't the best way to do things."



Photo by Tony O'Brien

It Is a Sales Spiel, and It Is Not True'

The Ranch, they tell you, offers just about the best opportunity for investing in raw land anywhere west of Texas and east of Albuquerque.

Promotional literature on The Ranch tells you that \$100 per acre you pay is "well below market." It says it is very difficult to find comparable land at any price.

It is a sales spiel, and it is not true.

In 1975 Peter Naumburg, a Santa Fe real estate broker and principal in The Ranch investment project, began participating in the sale of Ranch property to new investors.

Naumburg and his associates began selling the land at a price of \$200 per acre in parcels of 100 to 250 acres.

During the same period, Naumburg also was involved in selling to Ranch property, in particular by buying a large tract that originally had been part of the ranch owned by former governor John Simms but had been sold during the early 1970s by a Chicago firm.

The 356-acre parcel contained many of the best parcels offered to Ranch investors.

Very close to existing roads and offered access to gas, electricity and telephone lines. It was not merely comparable to The Ranch property. It had more potential for commercial development than did a great many of Ranch parcels being offered to investors.

While the investors were paying the so-called "premium" price per acre of \$1,200, Naumburg paid only a fraction as much—\$421 per acre for the parcel he bought.

Naumburg's purchase is not the only example of recent real estate transactions in which property near The Ranch has been sold for cheaper prices.

The State Highway Department records of private land transactions during the past three years show that undeveloped land near The Ranch has been selling for as little as \$280 to \$300 per acre in parcels of less than 100 acres. These prices were being paid during the same period when Ranch parcels of 100 to 250 acres of undeveloped land were commanding prices of \$1,200 and \$1,500 per acre.

But you don't hear about those prices from Ranch property promoters.

Instead, they hand you a map of the area surrounding The Ranch, with figures written in purporting to demonstrate how high prices are in the vicinity of the investment property. Those figures could lead you to believe that property anywhere in the vicinity is selling for prices that range from \$2,000 to \$40,000 per acre.

But curiously, the only such expensive lots noted on the map happen to be located in well-established well-watered spots: the Downs at Santa Fe race track, Cochiti Lake, and the villages of La Cienega, Cerrillos and Madrid. No recent sale price for arid outback land, such as the property at The Ranch, is mentioned.

The Ranch sales spiel falls short of full disclosure in other areas as well.

It says that artesian and well water is present on the property. It does not say that official studies have concluded that there is virtually no surface water and that ground water in the general area is scarce and often highly contaminated.

The sales pitch tells you that the property offers convenient access to three maintained state and county roads. It does not tell you that a State Highway Department contingency plan calls for rerouting Interstate 25 directly through The Ranch property if current efforts to expand the existing 1-25 corridor from La Bajada to Bernalillo break down.

The present route passes through Santa Domingo Indian land south of La Bajada, and the department has been trying for years, so far without success, to reach a mutually acceptable agreement to acquire Indian land for the purpose of expanding the present I-25 right of way.

But since 1975, according to department officials, alternative routes for the interstate have been planned in case they are needed. All three of the alternative routes that have been mapped out pass through The Ranch.

Ernest Cummins of Albuquerque, the driving force behind The Ranch, conceded recently that the effect of the road going through the property would be very

detrimental to development plans.

On the subject of subsurface minerals, the sales pitch states that Ranch investors and Union Carbide Corp. control all mineral rights attached to the property. In addition, it states that Union Carbide, which has been exploring for uranium on the land, would have to share the fruits of any uranium "harvest" with investors.

In fact, Union Carbide owns no mineral rights on the property. It is currently leasing them from some 25 people, not affiliated with The Ranch, who with Cummins own all the mineral rights on the property. For purposes of promotion, the potential role of Union Carbide has been hailed: "If Union Carbide should decide to harvest minerals, the picture would change from only an outstanding land investment to something even more rewarding," prospective land buyers read in the sales spiel. What they are not told, however, is that Cummins has tried his best to force Union Carbide off The Ranch and unlike the other mineral owners, Cummins chose not to lease his rights to Union Carbide. And last month, he took Union Carbide to court in an effort to compel the company to get off the land. In his lawsuit, Cummins said Union Carbide's presence was doing "irreparable damage" to the land and that its exploratory work could endanger real estate development plans.

Cummins' suit was thrown out of court, and Union Carbide was permitted to stay on the land.

More important, mineral owners, whose rights take priority over surface owners, are virtually free, if and when valuable underground deposits are discovered, to do what they want in the way of drilling and mining on the property, providing they compensate surface owners for any damage done to surface property.

Their license to probe the land, combined with the growing interest in uranium exploration across La Bajada mesa, could prove to have an inhibiting effect on any plans for real estate development at The Ranch.

But in the hands of the promoters, the question of mineral rights at The Ranch, like so many other aspects of the development scheme, has remained far below the surface.

The Top of the Pyramid: Millions in Profits

terms, The Ranch is a plain, a windblown land with an unknown capacity for to generate millions of dollars for those to the apex.

Cummins, an Albuquerque realtor, stands on that He bought The Ranch in 1973 from the state governor, John F. Simms.

the terms of the sales contract, Cummins more than \$1 million for 11,298 acres of He began paying for the property through payments of \$100,000 at six percent interest.

The contract on file at the Santa Fe County does not indicate that Cummins was required down payment. Rather, the first was to be paid in April of 1974. (Peter Naumburg, a partner and an associate of Cummins, said that to make a down payment.)

terms of the contract with Simms, Cummins about \$100 per acre for the property. In 1974, when the first installment was due, that Cummins had raised \$140,000 through

the resale of 4,000 acres of the same land he was buying from Simms. By June of that year, through the sale of another 2,500 acres, he had raised an additional \$60,000 in cash, according to the records.

Cummins raised the money by negotiating sales contracts with three investor groups. In addition to their down payments, the three groups contracted to pay via annual installments a total of \$1,785,000, most of it bearing seven percent interest. (One group contracted to pay just six percent.)

Thus, in one year's time, Cummins had signed contracts calculated to give him double his money back. He paid slightly more than \$1 million and would get back slightly more than \$2 million. Moreover, he still owned more than 40 percent of the land he had bought.

At that point, The Ranch speculative venture had just begun.

In his three 1974 transactions Cummins had raised the price of the land from \$100 per acre to around \$300. During the next year the price would rise sharply.

In 1975 the three investor groups began selling off large portions of the land they were buying from Cummins. And in each of the investor structures, Cummins himself was still very much in the picture. He

was a controlling member of one of the groups and a participant in the other two.

Naumburg and a second Cummins associate, Lauren Peppler, also participated as controlling partners in two of the three original investor groups. They would control other groups to be formed later. And Cummins would re-emerge as the general partner of yet another group established in 1976.

By the end of 1976 the first three investor groups had sold 2,709 acres, about 40 percent of the land they had bought from Cummins.

But they had sold that 40 percent for more than \$3 million against the \$2 million they had paid. In addition, the 30 or so investors in those first groups also had agreed to pay almost \$400,000 in interest on the sales.

The original investor groups had bought the land at about \$300 per acre from Cummins in 1974. Their sales price to the next level of investors during the next two years, however, was \$1,200 per acre. In The Ranch's pyramid financial structure, they were selling to a third level, which brought in about 120 new investors. But several of those third-level groups were headed once again by Naumburg, Peppler and Cummins. Thus, the

[Continued on page 9]

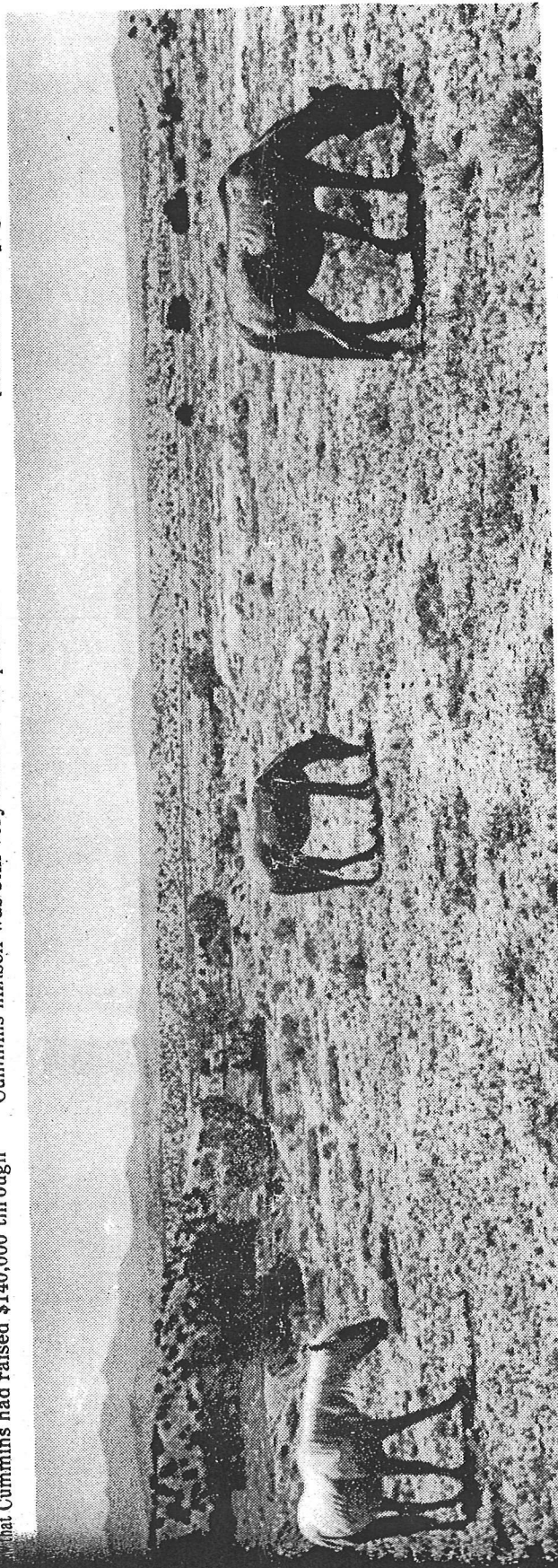


Photo by Tony O'Brien

he Laws — And How to Avoid Them

partnerships filed any kind of notice with the commissioner.

The point of the legal restrictions is to insure that the limited partnership is a small investment entity, both in terms of the number of participants and the financial liability of the general partner.

By not filing notice of their existence with the securities commissioner, the limited partnerships avoided the risk that they would be ruled ineligible for the exemption.

Without the exemption they would have been subject to the official investigation normally made into larger investment groups.

The purpose of that investigation, done by the securities commissioner, is to make sure that any large-scale investment scheme is "fair, just and equitable"—in other words, that investors stand a reasonable chance of benefiting financially from the project into which they are putting their money.

If the scheme involves investing in land, part of the commissioner's examination may be aimed at determining if the land has the potential in terms of future sales or development to reward the investor.

"In making a determination I would be inclined to ask many of the same questions that the subdivision law raises," securities commissioner Swarthout said. "For example, I would want to know if there was water. And I would want to know if the project was likely to fall afoul of any local regulations like the county plan."

Someone who violates the securities law also is liable to criminal prosecution. A conviction can lead to the imposition of \$5,000 fine and a three-year prison term.

"It is possible that he (the securities commissioner) could find some problem on paper as far as what we've done," Naumburg said. "But he'd find no problem as far as intent."

"People got involved in this deal because they knew us and trusted us with their money. We're going to take care of the investors. No one has gotten hurt. That's the important thing. And no one is going to get hurt."

An
**Investigative
Report**
By Frank Clifford

The subdivision law requires that anyone dividing a piece of property into five or more parcels for the purpose of sales in Santa Fe County must show how the property can be made suitable for development.

For example, the subdivider must be able to guarantee the availability of water for at least 40 years. "If someone is found guilty of violating the subdivision law, that person can be fined as much as \$1,000 for each piece of property illegally subdivided."

Records in the Santa Fe County courthouse show that The Ranch's original promoter, Ernest Cummins, has divided and sold about 20 parcels of Ranch property during the past five years.

Moreover, Cummins indicated in conversation he was not completely confident of the advice he apparently received that his transactions were not subject to the subdivision law.

"I think it's probably a debatable point. I think it's questionable."

The sale and resale of property at The Ranch has been carried out through transactions involving investment groups known as limited partnerships. More than 25 such partnerships, each consisting of 10 to 15 investors, have been established to buy and sell Ranch property.

Public records show, however, that only two of the partnerships filed notice with the securities commissioner in efforts to seek the exemption. In addition, the records do not reflect that the remaining

the laws govern the conduct of real estate sales in The Ranch.

The New Mexico Subdivision Act, designed to insure that land being divided and sold into several parcels contains adequate resources, such as water, to sustain community life.

and law is the New Mexico Securities Act. Its purpose is to ensure that an investment project is "fair, equitable" through an investigation of the project. The act also permits the state securities commissioner to exempt small, relatively unimportant ventures, including certain limited partnerships, from the act.

In the act, all investment ventures, including ones that qualify for the exemption, must notify the commissioner of their intention to do business in the state.

promoters of The Ranch acknowledged in recent years that they did not comply with the notification requirements of either law and, as a result, avoided opening their project to official scrutiny.

Cummins and Peter Naumburg, two of the original promoters in The Ranch, said their lawyers advised them that their project did not fall under the jurisdiction of either law.

to elaborate, the two men said they themselves do not understand the fine points of real estate and securities law and could not explain why The Ranch project falls within the scope of those laws.

can say is this: We wouldn't have the prominent promoters involved that we do have if there was anything about this deal," Naumburg said. "It's the cleanest deal I've ever seen."

prominent investors he was referring to include State Treasurer Kenneth Johnson, State Rep. Larry (D-albuquerque), two bank officials and two doctors and lawyers.

Nevertheless, two officials here, Santa Fe County Attorney Earl Potter and New Mexico Securities Commissioner A.M. Swarthout, said last week they have separate investigations to determine if either the subdivision law or the securities law has been violated by the project.

of the Pyramid

(Continued from page 5)

the pyramid could manipulate sales prices of groups which they themselves controlled. At the same time that Cummins, Peppler and were selling land at \$1,200 an acre, Naumburg the only piece of the original Simms tract that had not acquired. It was a 356-acre parcel with mortgage on two roads. Naumburg bought it from a firm for \$421 per acre.

According to the records, 16 groups had been bought and sell parcels of The Ranch. Cummins, Peppler were involved in eight of them. In the next 16 months Cummins began selling off a portion of the approximately 5,800 acres he previously sold. He sold the property in tracts of 250 acres to 17 new partnerships, many of which were organized or headed by employees of the firm. The firm was the Naumburg Realty of Albuquerque.

In 17 partnerships, he sold the land for \$1,200 per acre, for a total of just over \$2.6 million, including interest, which could amount to an additional \$300,000, according to the records.

Years after he bought the Simms Ranch for more than \$1 million, Cummins had personally sold 90 percent of it for more than \$4.5 million. In Naumburg and Peppler each had benefited \$1 million worth of sales negotiated by the first partnerships.

There is yet another way in which the venture could be cash for Cummins.

After he had signed the contracts with the first partnership groups in 1974, he used those contracts to get a \$750,000 loan which he received from Grande Valley Bank in Albuquerque.

President Richard Elkins signed the loan, and the records show that Elkins himself became an agent for the loan. The loan was made by Grande Valley Bank Limited Partnership, one of the many investment groups whose contracts were collateral.

In a recent interview that he was not one of the investors but that he bought the partnership sometime after it was formed. He did not say when he bought the partnership.

The records indicate that Cummins paid back the loan to Grande Valley Bank but on the same day he received \$500,000 from the First National Bank of Santa Fe. He used the \$500,000 to pay the \$750,000 loan to Grande Valley Bank.

The bank officer who signed the loan became an investor in one of the partnerships which property.

Banking law defines such loans, in which a bank is involved on both sides of a transaction, as "self-dealing." It can be done legally providing the bank officer who signs the loan makes a full disclosure of his interest in the bank's loan-approval committee.

In 1974, more than 300 people had invested in The Ranch. Most were bottom-level investors who were not presently on the selling end of the loan.

Naumburg says they are confident these investors will make money eventually.

They are working on a plan to sell The Ranch for \$3,000 per acre to a developer interested in a full-fledged community on the property. If that happens, say the two realtors, bottom-level investors who bought in at \$1,200 and \$1,250 an acre would have \$2,500 per acre.

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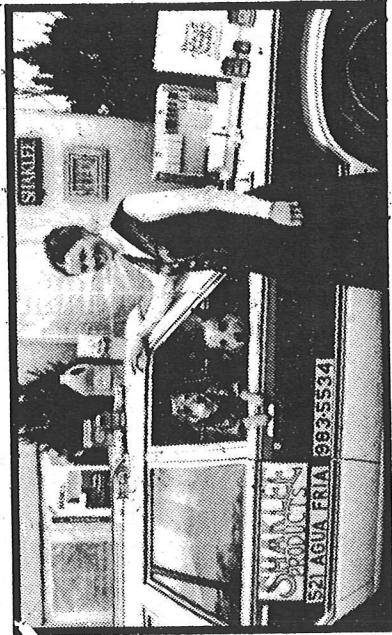
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Back at the Ranch

Editor:

When I moved to Santa Fe, one of my first business encounters was with Peter Naumburg. I had made an offer on a property Peter was handling, and while waiting for the answer as to whether it had been accepted I realized I had made a mistake. Having been in real estate my 20s, I knew that my offer was binding on me; nevertheless I went to Peter and asked him would he please release me. He did so without asking a single question. This was not a matter of friendship, because we had never met before and knew nothing about each other. I considered his action one of simple generosity and fairness.

Since then I have gotten to know Peter and have heard him speak in the privacy of his home with great conviction and compassion of the needs of the various organizations under the care of United Way, in which he has been active. His concern was genuine and affected me deeply. I mention this together with my memory of the day Peter drove my wife and me to the Waldo property, in order that your readers may consider another description of this man.

On that day Peter told me most of what supposedly been revealed as secret history to the Waldo property, that is, he indicated the purchase price he had paid. I don't recall the exact figures or his precise words, but I remember my knowledge that he had paid far less than what he was offering it to me for sale. In other words, he did not misrepresent the deal he was presenting me, insofar as I can tell from the newspaper accounts.

What he said to other potential investors, I of course have no way of knowing. I did not buy into the property, but I have never bought anything for investment, so the quality of the deal was not the issue for me. Cities, like people, develop prejudices, and Santa Fe has a prejudice against real estate developers and promoters. A prejudice includes a certain degree of blindness. I do not believe that the sale or development of real estate is inherently evil or that those associated with it are automatically tainted.

Hugh Prather
Tano Rd.
Santa Fe

Editor:

The significance, timeliness and importance of the investigative article "THE RANCH" by Frank Clifford in the May 18th edition of your paper is difficult to overestimate.

As a resident of Santa Fe for many years, and one who has been active in certain areas of city government and other organizations, I have seen great change. I am always in favor of change, if it is constructive and in the interest of everyone concerned. However, I believe I speak for a large number of citizens of Santa Fe when I say that I find no place or excuse for the change that resolves from personal greed and misrepresentation.

The obvious and flagrant avoidance of laws in this case by the promoters of the property known as The Ranch, as well as adjoining properties, must not be allowed to continue.

It is interesting to note that, by their own word, these promoters do not stand to lose anything, whatever the outcome of the "deal." I believe that other means in New Mexico, and other and better means in New Mexico are available, with whom and with which we can build and develop our state.

Emily Otis Barnes
P. O. Box 4908
Santa Fe, N.M. 87502

Editor:

The Santa Fe Karate School and I would like to express our sincere appreciation for the excellent article that Mr. Tim Fleming wrote about the Kaju Kenpo Open Classic

Karate Tournament April 15, 1978 in the sports section of your newspaper. We feel that the article was very accurate and done in very good taste.

J. Michael Moore
Tournament Director

Editor:

We at the Santa Fe Rape Crisis Center would like to endorse Sheriff Eddie Escudero for re-election. Sheriff Escudero and the police persons under his guidance at the Santa Fe County Sheriff's Office are doing an excellent job. Our contact with the office on sex-related crimes has been wholly good because his staff and he are dedicated, compassionate, and intelligent representatives of our legal system. All promote the most sensitive and careful treatment of the rape victim, and each cooperates to the fullest with other law enforcement agencies and victim advocates to insure that justice, in its most selfless sense, is served.

Shelbee Matis, Director
Santa Fe Rape Crisis Center

Editor:

Re Dr. Kramer's article on abortion (Open Door, Apr. 27), anaesthesia was, indeed, known in 1867 and had been for the past 21 years. The first operation under anaesthesia took place at Massachusetts General Hospital in 1846. It was a partial amputation of a tumorous tongue, an operation which, prior to anaesthesia, was usually followed promptly by the death of the patient from shock. The medication used was ether, whose use as an anesthetic was discovered by one William Morton, but the first anaesthetic, nitrous oxide, was discovered and used in 1845 by a Connecticut dentist, Horace Wells, who was the true discoverer of the pain-killing properties of inhaled gases and fluids. This discovery revolutionized the entire world of medicine.

Anaesthesia for childbirth was widely condemned by the clergy who based their opposition on Genesis 3, 16: "I will greatly multiply thy sorrow and thy conception: in sorrow thou shalt bring forth children." This nonsense ended in 1853 when Victoria of England gave birth to her fourth child under chloroform anaesthesia, and confinement *a la reine* became the vogue.

Julie D. Bradford
P.O. Box 1395
Santa Fe

Letters Welcome

The Santa Fe Reporter welcomes letters to the editor. Letters should be sent to The Santa Fe Reporter, P.O. Box 2306, Santa Fe, N.M. 87501, and must include the writer's name and address, which may be withheld on request.

THE SANTA FE REPORTER

A Home-Owned Newspaper
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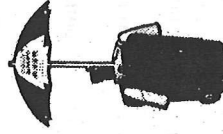
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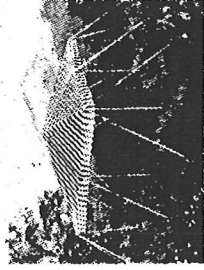
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Santa Fe, Espanola and Los Alamos

Investors Bought The Ranch Without Looking

By FRANK CLIFFORD

Investors in The Ranch, the mammoth project now under investigation by state officials, readily admitted they never looked at the property before investing in it.

"I didn't see it," said state Rep. Lenton Malry, an Democrat who would have passed by The Ranch if he commuted from his home via I-25 to his office in Santa Fe.

Malry became the focus of official scrutiny—by the Santa Fe County Commission, the attorney general's office and the state attorney—after a recent series of newspaper articles raised questions about the feasibility of the Ranch investment project.

The Ranch, about 11,600 acres, is located approximately 20 miles south of Santa Fe and is easily viewable from U.S. Highway I-25. The majority of the Ranch is owned by a partnership of investors according to available records, live within a few miles of The Ranch.

A number of investors, Malry said he decided to put the Ranch at the recommendation of a friend. In fact, the friend was Ernest Cummins, one of three men who owned The Ranch venture and who have stood for the most money from it.

Cummins is a neighbor of mine and he just sold the Ranch at a good investment," Malry said. "I don't know what his total pledged investment was around \$3 million, but the sum invested by most of the 300-plus investors participating in the project.

Force Col. Bucky Walters is another investor who said he put money into the

project without first looking at the land or investigating its potential.

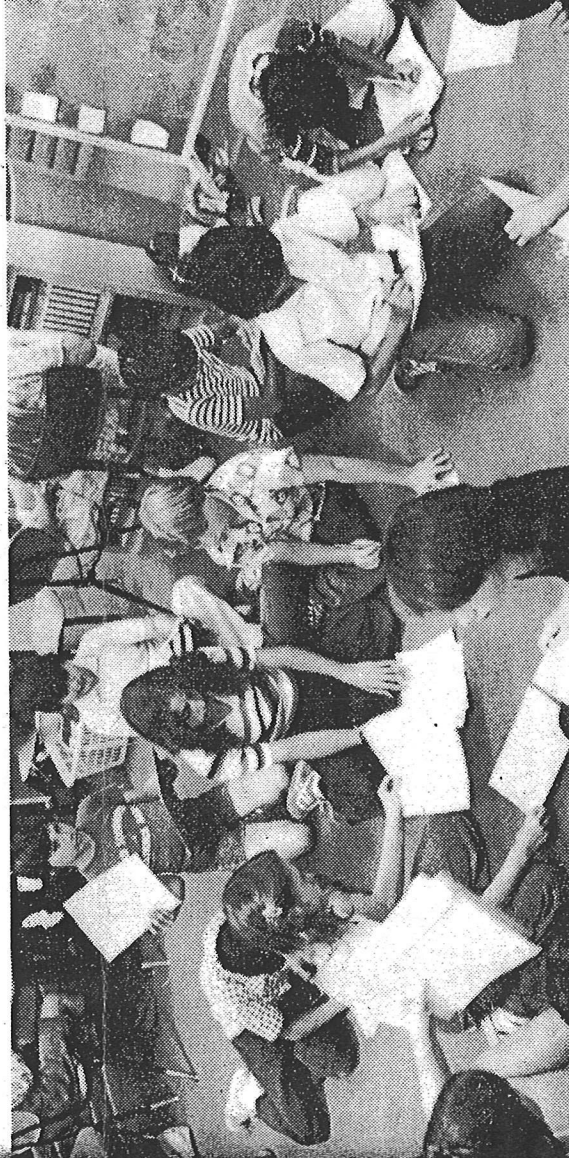
"A friend of mine said it was a good deal, so I thought I'd take a flyer," Walters said Monday. "I never went to see it. I didn't ask anyone in Santa Fe about it. I did ask a couple of realtors in Albuquerque, but they didn't know anything about it. . . I'm just one of those guys who agreed to put down \$100 a month and hoped to double my money one day. Maybe I was dumb."

At the time they were interviewed, neither Malry nor Walters had seen Santa Fe Reporter articles concerning The Ranch.

The newspaper articles, published last month, revealed that:

- The Ranch project, involving some \$8 million worth of real estate sales through a vast network of investor partnerships, was carried out over the past five years without the knowledge of state and county officials responsible for approving subdivision of land and the sale of securities.
- The promotional material used in attracting investors to The Ranch omitted any discussion of possible risks involving the availability of water, the construction of new roads and the pre-existing rights of mineral owners on the property.
- The final draft of the county's general plan characterizes the area where The Ranch is located as one of the least suitable for future development.

The articles also disclosed that even if The Ranch is not developed, the handful of people who initiated the project stand to make millions of dollars on the basis of investments solicited over the past few years.



A class at Chaparral: 'We thought that's the way open schools looked'

Parents Figure Out What to Do

Two weeks ago Jerry Ortiz y Pino, like most of Chaparral Elementary School students, everything was just fine over there.

He had noticed that the huge room where his 416 and 416 other children were taught in the classroom system seemed rather crowded, he said, but he thought that's the way all the open schools

reports of overcrowding and poor ventilation in the May 25 edition of The Santa Fe Reporter. Ortiz y Pino said, "most of us would have said there was a problem. I think everybody was counting on the administration to take care of things."

Suddenly last week, as part of the aftermath of the school board election, Ortiz y Pino found himself selected as a spokesman for a group of anxious and confused parents determined to confront the angry administrators and board members at the scheduled June 7 meeting of the school board. Ortiz y Pino would be carrying a petition signed by parents demanding immediate improvement of the Chaparral school's ventilation system and a reduction of more than 100 in enrollment.

The startling turnout from the day in mid-May when the Chaparral teacher had said of the parents, "I don't know who they are, but they're not a single one, has said, 'What can we

do to get the school board to take care of this problem?'"

Preparations for the June 7 showdown, Ortiz y Pino said, he found he needed to have at his disposal a wealth of data which usually takes experts to compile—data like the number of housing units in the neighborhood, the number of housing units in the area near Chaparral, and the number of children in the district.

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Most of 10 investors interviewed recently said they had put their money in The Ranch with the expectation that demand for the land would allow them to resell at a profit within two to five years from the time they invested.

"The sales pitch was that The Ranch was the sort of property that would be appealing to a large-scale developer," said investor Randy Sabre of Albuquerque.

Sabre said he invested—through a limited partnership—in a parcel of the Ranch property that he believed would have commercial development potential if it turned out that the entire Ranch site was not purchased for a single massive development.

Sabre said his parcel of land was located south of La Bajada Hill adjacent to I-25. "So even if the dream of a big development should fizzle I think I'm pretty well situated to recoup my investment," he said.

Sabre said he invested in the property during the past year. He was asked if he was aware of planning by the State Highway Department that could lead to a rerouting of I-25 in such a manner that the road no longer would abut his property. (The planning has come about because of the inability, so far, of the department to negotiate with the Santo Domingo Pueblo for more land needed to widen I-25 south of La Bajada and The Ranch. For the past several years the state has been trying to work out a price with the Indians for the property necessary to broaden the highway right of way through Indian land. If an acceptable price cannot be negotiated, highway officials say that I-25 probably will have to be rerouted east of its present course. For the past three years officials say they have been doing contingency planning, including mapping out

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Inspectors Find Chaparral Lacks Room and Air

By HOPE ALDRICH

State building inspectors, called in by parents to inspect alleged overcrowding and poor ventilation at Chaparral Elementary School, have determined that the school this year enrolled 72 more students than is legal under the state building codes, and that ventilation there was "very poor."

In a report delivered Tuesday to the Construction Industries Commission of the state Department of Commerce and Industries, the inspector, Harvey King, stated that occupancy of the main school building should not exceed 345. The occupancy this spring has been 417.

The department can close a building if occupancy regulations are not complied with, a state official said. King reported also that several of the huge roof fans intended to cool the building did not turn on when he flicked the switches during his inspection June 2, and the temperature had reached 75 degrees, too hot for classrooms, he said.

Teachers at the school have said they asked the school administration for repairs many times over the last five years but that the administration did not respond.

But last Tuesday, a day before the June 7 school board meeting at which Chaparral parents have said they will present a petition of complaints, Santa Fe school superintendent James Miller said he would request funds from the school board to hire an engineer to inspect the ventilation system.

Miller said funds for improvements to the faulty system, if recommended, could be drawn from the school district's operating budget or its minor-projects building fund. He added that he wanted the work done before school reopened.

This move seemed in contradiction to statements made by assistant superintendent for elementary schools Walter Wier on May 11. At that meeting, called by the teachers at Chaparral, Wier said no improvements could be expected next fall in either the overcrowding or the ventilation system, teachers said.

After that meeting, teachers called The Santa Fe Reporter, and in its May 25 edition, the newspaper detailed overcrowding and overheating problems, which teachers claimed were so severe they interfered with the children's education.

The recent building inspection report states "the ventilation in the building was very poor. . . The doors have to be opened to get ventilation, and this is a bad situation for the students being exposed to the outside elements . . ."

"The occupant load of the building was checked and we

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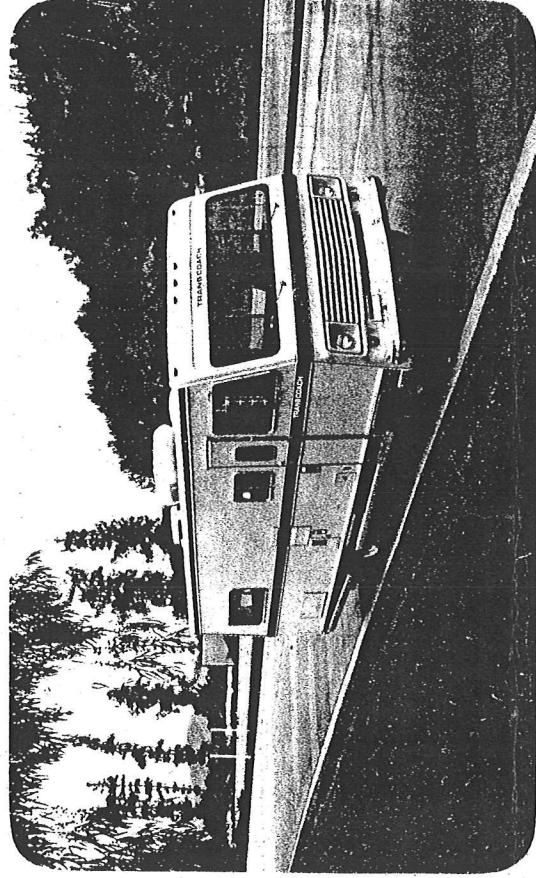
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[Continued from page 2]

many that would be perverted in this hour of death of many singers, the hillbilly type singer rock and roll singers. It will be catastrophe catastrophe (sic)."

The revival audience grows excited as Padgett speaks of his fulfilled predictions. He describes America in which traditional religious values standard have eroded, and the crowd is with clapping hands and hissing "yes."

Padgett's text tonight is the "Biblical Revelation" and, wrapping the tension tight preaches fire and brimstone, death and destruction. Outside the wind has risen, and it whacks makes loose traps snap as thunder growls in an eerie counterpoint to his preachings.

"Repent" is the key word. The tempo increases. Padgett's voice rises until he is shouting microphone and the overloaded sound system fuzzy distorted words. "The harvest time is coming screams, and then releases his audience forehead and begins again in a soft voice.

Time and again he does this, gradually heightens the rhythm of his preaching to a loud incessant "God give a little TRUTH, ah, unto these PEOPLE... Jesus is the LIFE, ah, Jesus is the WORD, with the odd inflections of an auctioneer.

Padgett's face is red, he is perspiring freely has taken off his jacket. "Whoooo," he hollers he says, and twitches, shivers as if he has felt an electric shock, his feet beating, stamping the an odd tattoo that raises puffs of dust.

"We don't want death," he chants. "We want life is the woodword, h... God's dealing with you to get saved!" Padgett's head is tilted back, his eyes closed, and gradually members of the audience toward the stage and the worn carpets, while kneel, their raised arms waving slowly like plants in water.

The people return finally to their seats and calls for "people with needs." Three women small children, come forward. The preacher whispers wishes, places his hand on the forehead of each, and with his otherworldly shiver, prays with strange words: "Selah the micah," he says. "Selah the micah."

But this laying-on of hands is anticlimactic and lively narrative and choreography of the service are no obvious miracles, and the revival meeting down to the collection of offerings.

"God said someone would give \$100 tonight, says brightly. But apparently no one does.

"Some say everyone with a tent is out for money I ain't," says Padgett, relaxed now and grinning. "Shake hands, be friendly and we'll see you tonight," he says, and the organ launches into a tune as the audience files out of the big top. For the world, it is happy music.

Investors Bought

[Continued from page 3]

alternative routes for I-25.) All of those routes would bypass Sabre's proposed Sabre said Monday he knew nothing of the company plans. "This is the first I've heard about it," he said. "Someone had told me anything about this a year or might not have invested."

Three of the 10 investors recently interviewed although they were hearing for the first time about the possible risks associated with The Ranch remained confident that their investments would fruit.

Mel LaVail, a retired Air Force officer who said he "heavily invested" in The Ranch, said this week he has not been acting as an employee or agent of the principals in The Ranch. "I have been in some deals with them," he said without naming names.

LaVail said he grew confident enough of his own investment and to "get most of my friends and family involved." On the subject of water, he said he had there had been enough accidental finds during drilling operations to indicate that there are water supplies beneath the ground.

While La Vail has been instrumental in generating a substantial number of investments in The Ranch, he has not been acting as an employee or agent of the principals in The Ranch. "I have been in some deals with them," he said without naming names.

LaVail spent a lot of time walking around the valley standing at the edge of that cliff and looking out over the valley. It's one of the most enchanting spectacles I've seen. I'd like to build there myself one day. But I do that or not, I think my investment up there is one," LaVail said.

"Maybe I won't make all the money I hoped to make in my investment. But when push comes to shove, I think you'll find I've lost my hat, ass and spurs on the way."