

Church of Scientology buys into Oklahoma oil company

By Jack Taylor
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DENVER — The Church of Scientology, one of the nation's wealthiest and most controversial religious organizations, has moved into the oil business with the purchase of a significant interest in an Oklahoma City oil and gas exploration company, The Denver Post has learned.

The church also has provided \$3.3 million to finance drilling activities for the company, HG&G Inc.

The investment was made through a Florida-based, non-profit unit of the church, and is the religious group's first venture into active participation in the energy business.

The church, which has six affiliated outlets in the Denver area, has domestic headquarters in Los Angeles and Clearwater, Fla., plus one in Suffolk, England. It has claimed a worldwide membership of six million. A former church official recently estimated the value of the church's holdings at \$300 million.

But it has attracted national attention for other reasons.

Last week, Mary Sue Hubbard, the church's controller and wife of founder L. Ron Hubbard, reported to the Federal Correctional Institution in Lexington, Ky. to begin serving a four-year prison term. In 1979, she and eight other church leaders were convicted in federal court in Washington in connection with a massive criminal conspiracy to steal thousands of government files and to conduct burglaries, wiretapping and spying on more than 120 public agencies, including the FBI, the Internal Revenue Service and the Central Intelligence Agency.

HG&G, the Oklahoma oil company now 25 percent owned by the church, is a small exploration company formerly known as Highlands, Goodall & Greer Inc. The company encountered financial difficulties and shriveling conventional lending sources following the collapse of Penn Square Bank N.A. of Oklahoma City in July 1982.

The oil company was not a Penn

Square borrower, the company's president, Karl L. Goodall, said. But he said when the bank was closed by the Comptroller of the Currency because of energy loan losses, HG&G was unable to collect \$2.5 million from others directly hurt by the bank failure.

After failing to interest industry investors or conventional lending sources, HG&G sold an interest in the company to Church of Scientology Flag Service Organization Inc., a counseling and training arm of the church in Clearwater, Fla.

Although reports circulating in the oil industry in Oklahoma have placed the church's interest in HG&G at a controlling 51 percent, Goodall said the religious organization purchased only a 25 percent interest for an undisclosed price. It was tied to a promise to lend financial support for drilling activities, he said.

The other 75 percent of HG&G is equally owned by partners Goodall, L. Wendell Knox and Jerry K. Greer. Goodall said none of the owners is a member of the Church of Scientology.

Goodall said church officials have left operating the company to the oilmen, though the financing it has provided is underwriting a large percent of the company's current exploration.

"They have an ownership in the company and a vested interest in HG&G," Goodall said, "so we do work with them to a degree, but there's no set percentage."

A mortgage on file in Oklahoma shows the church loaned HG&G \$3.3 million last March through a 10-year note. The collateral amounted to 90 percent of the company's holdings at the time in oil and gas leases and 54 wells in Oklahoma, Kansas and Texas.

The loan replaced HG&G's more conventional financing, a September 1982 loan of \$3.7 million on a \$5 million line of credit from Liberty National Bank & Trust Co. of Oklahoma City.

Goodall said the church's financing is being used to operate or drill

approximately 25 new wells, primarily in Oklahoma. Others are in Texas and New Mexico, and a test well is planned for the Prudhoe Bay area of Alaska. Exploratory wells on the Gulf Coast also are possible.

The church's financial strength has been based primarily upon income from the writings of Hubbard, whose concepts about mental health in a 1948 book are the basis for the foundation of the religious group, and from followers who spend as much as \$100,000 each on exercises and counseling to eliminate so-called negative mental images.

Goodall said his company did not turn to such an unconventional lender because of specific problems encountered with HG&G's financial arrangements with the Oklahoma City bank, but because of general financial problems within the oil and gas industry.

"Like everybody else caught up in the Penn Square syndrome, we were obviously looking for new ways to finance our operations," Goodall said. "I think everybody in town felt the shock waves that went through with the Penn Square collapse. And obviously people in the oil business had a hard time borrowing money ..."

Goodall said HG&G "could have survived." But he said the company would have had to reduce its activity.

"We didn't want to do that. We wanted to grow," he said. "And we wanted to try to keep our talents, as best we could, involved in exploration. We just felt like this was a good avenue for us to pursue. And at that point we were actively searching for someone who would be interested in a portion of our company ..."

Goodall said his company first contacted a number of industry sources, private individuals and friends as potential investors. But he said some conventional investors did not have ready capital because of the decline in oil prices and that they had become skittish about energy loans because of the Penn Square failure.