Plans are made to publish here the new novel from one of the most mysterious authors

PN Editor Fred Newman examines, the phenomenon of Ronald Hubbard

In a newish sort of castle in Sussex a suite of rooms, with private bar, an electric organ, and an elegant writing desk complete with pens and an unopened pack of his favorite cigarettes, await one of the world's most prolific and richest authors.

Yet the rooms, cleaned regularly, remain unused; the chair behind the desk has not been sat upon for over fifteen years, though the man for whom all this is carefully — even lovingly maintained — has sold over 23 million copies of his 350 books and earns a royalty income of thousands of pounds each day.

It was here, amid the rolling hills of mid-Sussex, that Ron Hubbard, science-fiction author, and extraordinary analyst of the human condition, built the turreted medieval-style creation that was then the world headquarters of the Church of Scientology, of which he is founder and father-figure.

Now Hubbard is back writing science fiction. His *Battlefield Earth*, an 820-page *Star Wars* style saga, memorable for its evocation of the pulp-style SF of the forties of which he was a masterly exponent, has enjoyed considerable success in the U.S. where it was published by St. Martin's Press. It grossed 1.3 million dollars in its first five months and is now in its fourth printing.

Any day now those who represent his fiction publishing interests, an organization in Los Angeles called Author Services Inc., set up especially to handle the book, will announce the publisher here. And close on the heels of *Battlefield Earth*, which marked Hubbard's return to SF writing after a break of thirty years, is an enormous 10-volume work called *Mission Earth* which is scheduled for publication next year.

Yet despite, or perhaps because of, his wealth and his connection with the controversial Church of Scientology which claims around 300,000 students in the UK and 3 million world-wide, Hubbard himself has become a shadowy and insubstantial figure, a ghost writer extraordinary.

Hubbard quit Britain in 1967, at the height of the storm that surrounded the Church and its teachings, founded on Hubbard's best-selling book *Dianetics: The Modern Science of Mental Health*, first published in 1950.

But while the sales of *Dianetics* have continued to thrive — over 5 million copies sold to date — Hubbard himself has withdrawn from the world. He has not appeared in public for over fifteen years, his wife claims not to have seen him since 1980, and rumours flourished that Hubbard, born in 1911, is actually dead.

One man who embraced this view with particular enthuiasm was Hubbard's estranged son, Ronald DeWolf, who last November filed a petition in California asking a court to declare his father "dead or mentally incompetent," and turn over his father's assets to him.

DeWolf claimed that a group within the Church was attempting to take over his father's estate. However three months later came a sensational development; Denver, Colorado happens to be the place where *Battlefield Earth* begins and it was the obscure Denver-based *Rocky Mountain News* that Hubbard appeared to have chosen to break a long silence that stretched back to the date of his last interview, in the *Saturday Evening Post* in 1968.

Amid high drama, the paper was invited to submit written questions; and although Hubbard still declined to be interviewed in person, his attorneys prepared a special ink with which Hubbard wrote three accompanying letters — one to the *News* and two to the courts. The ink was vouchsafed by experts to be the same that had been sent three days previously to Hubbard, and more experts confirmed Hubbard's handwriting, and fingerprints on the letters. Since then DeWolf's petition has been dismissed by the courts.

But of Hubbard himself, or his whereabouts, there was and still is, no sight nor clue, and doubts over the "interview" still exist. Nevertheless behind the turrets of St. Hill Manor in Sussex, there is a pervading sense that Ron Hubbard, far from being dead, has never really been away.

Certainly it is not merely those lived-in like yet empty rooms that give the impression. Right by the reception area is a post-box that reaffirms Hubbard's dictum that anyone should be free to communicate with him. According to Robert Springall of the Public Affairs Department at St. Hill messages put in are sent to Los Angeles and in due course, a reply comes back, though not in Hubbard's personal hand.

Ron Hubbard: now pronounced 'legally alive'

Again among the notices, are exhortations and memos from the man they affectionately call "Ron". One, dated July 12th, and signed "Love, Ron" announced the setting up in Sydney, Australia, of the Church's newest centre—an Advanced Organization. "1983 will be an unprecedented year of expansion," wrote Hubbard.

Hubbard's direct links with the Church he founded were severed in 1966, when he resigned in order to devote himself to research and writing but his fortunes and those of the Scientologists remain intertwined. The Church is a powerful marketing agency for the 100 or so books that Hubbard has written on Scientology. For those wanting to study its tenets — in essence a belief that people's problems can arise from painful memories or previous lives and that such memories or 'engrams' can be got rid of by Dianetic counselling — *Dianetics* is required reading.

At St. Hill, alone, there may be at any given time 300-400 students, who will have bought copies of *Dianetics* at £7.95 and most likely such other works as the *Scientology Dictionary* (£20.00). According to their own estimates a student training as an 'auditor' — after which he or she could train others — would need to spend around £50-£60 on books.

In addition regular mailings are undertaken by the ten Scientology centres in the UK, who between them will probably send out 60,000 shots in the next three months alone.

The target audience, apart from those who have already expressed direct interest in the Church by attending a centre, is the fitness end of the book market.

Thus the books are promoted in health magazines, and surprisingly perhaps, in rugby magazines. The appeal is clearly *mens in corpore sano*, and for the Church it represents a substantial source of income, though Springall explains that the revenue is kept in a separate 'book account'.

Hubbard retains the copyright of his works, of course; but all the non-fiction books are marketed by the Church worldwide, and marketed agressively.

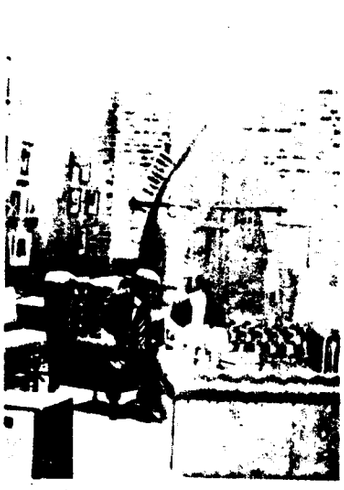
Next year *Dianetics* is set for its third relaunch since 1950, and the aim is to push sales to the six million mark. The last boost for the book was in 1982, and attempts were made to broaden the market and get copies into the general bookshop.

"We had a mixed success," says Springall. "But that doesn't mean to say we've given up on that. On the contrary I think we learned a lot, and we'll be putting the lessons into practice for next year."

Even without promotion, *Dianetics* and Hubbard's other treatises have proved remarkably durable. In the U.S. and U.K. markets alone last year *Dianetics* sold 140,000 copies-- more, Springall likes to point out, than many a mass-market title, and in the five years to 1977 books on *Dianetics* in general sold to the tune of 7.5 million dollars.

The empty castle that waits for the king of this Sussex Castle

The in tray is empty, the quill pen dry, and the electric organ silent in Ron Hubbard's study



In the 'Pavilion' at St. Hill, Sussex

The Church of Scientology's fortress-style HQ: but the drawbridge is coming down.

All this is big money, and while Hubbard collects his royalties, the Church of Scientology benefits, too. On sales to its students it takes a normal bookselling margin, and three independent publishing houses in the U.S., Mexico, and Denmark, have been set up to handle Hubbard's books.

In Copenhagen New Era Publications organizes the manufacture and supply of Hubbard books for the European market selling to the individual churches in the same way that a publisher sells to the trade. Precisely who owns New Era has proved difficult to establish, but almost certainly the Church has a controlling interest.

Indeed the impression is of a fairly sophisticated large-scale bookselling operation, carefully orchestrated on an international basis with plans and policies formulated in what is now Scientology's world headquarters in Los Angeles.

The Church itself says it is a non-profit making organization, though in the U.S. the Internal Revenue Service challenged its charitable status, and the revenue from Hubbard's non-fiction books which accrues to it is self-evidently ploughed back to pay costs and invest in growth.

For example a further stage in the development of St. Hill Manor is now in progress, with a large auditorium complete with battlements to match the rest of the building, under construction. And the house and grounds itself are expensive to maintain.

But it would be wrong to assume that its massive book operation i seen simply as a way of making money; what it does primarly is to pr mote the ideas of Scientology, and sales are a constant affirmation the appeal of Hubbard's ideas to some people the world over.

Springall and his collegues are understandably sensitive about th adverse publicity Scientology has received in the past. From 196 until 1980 the Home Office barred Scientologists from abroad fro entering the UK, and Hubbard himself would have been unable t return to the country where he first set up his HQ in 1959 even had h wanted to.

Now Hubbard's return to SF writing may also have led to a rea praisal of public policy within the Church, and a major PR campaig to convince the world that Scientologists have nothing to hide and, a Springall put it "don't eat babies" is about to take off.

There are hints that Ron Hubbard, now 71, might any day r emerge into the world and even come to Britain for the forthcomi launch of *Battlefield Earth*. So perhaps the ready rooms of St. H will, at long last, serve their purpose and were the world's least visib writer to go so far as to undertake an author's tour, it would be a sens tion indeed.

The West Australian

ESTABLISHED 1833 PERTH FRIDAY SEPTEMBER 16, 1983 76 PAGES 30¢

3 ordered to pay Church damages

THREE breakaway members of the Church of Scientology have been ordered to pay the church damages for making false statements about it.

The church won a Supreme Court judgment against Edgar Mace of Birdwood Road, Melville, Bernard Wimbush, of Kilmurray Way, Balga, and Mrs. Marian Van Der Linde, of Pola Street, Dianella.

It was alleged in the statement of claim that the three spoke and published words and malicious falsehoods recklessly and with indifference as to whether they were true or false.

It was further alleged that the malicious acts were done in an attempt to induce people to leave the Church of Scientology and to join their group.

The three are all members of a group using the name "Centre for Personal Enhancement".

Mr. Justice Pidgeon ordered the three to pay damages — the amount has still to be fixed by the court — in respect to the injurious statements.

ROCKY MT. NEWS SEPTEMBER ? 1983

Scheme loses $1.5 million for investors

By SUE LINDSAY
Rocky Mountain News Staff Writer

Thirty-seven investors, including some who mortgaged their homes to get money, have lost $1.5 million in a Denver scheme that promised a whopping 60 percent in annual interest.

Among the big losers was L. Ron Hubbard, founder of the Church of Scientology, who lost almost half a million dollars.

The scheme has been investigated by the state securities division, and the FBI plans to investigate. The state has found evidence of criminal conduct and will present its findings Wednesday to the Denver district attorney's office, a state official said Monday.

William Martin attracted the investors for his Denver company, BRW Liquidations, which bought and resold building materials.

The company paid interest to some investors for about a year, and then went belly-up this spring. No one is exactly sure where the money went, investigators said,

By the time Martin collected the entire $1.5 million from investors, he owed $75,000 a month to them in interest alone.

Martin contends that his idea was sound and would have succeeded if the building market hadn't slumped at the same time a number of investors wanted to pull their money out of the company.

'I was trying to build an empire and the dream of a lifetime for myself and the people who supported me.... If it had worked — and it could have — everyone would have applauded.'

William Martin

"I was trying to build an empire and the dream of a lifetime for myself and the people who supported me," Martin said. "I made some business decisions that might be second-guessed now, but if it had worked — and it could have — everyone would have applauded those decisions."

Martin paid himself and his wife, Hazel, about $107,000, but there's no evidence that they squandered hundreds of thousands of dollars.

A few investors, such as Hubbard, could afford to lose the money. But many were middle-class people who used their savings and took second mortgages on their homes to invest in BRW.

See INVESTMENT, page 14

Continued from page 1

Twenty-two live in the Denver metropolitan area, while the other investors live throughout the country.

A Denver couple quit jobs, planning to live off the interest of their $50,000 investment.

An Aurora woman, raising her two children on a bookkeeper's salary, gradually invested $3,000 in savings in BRW, knowing it was a risk but thinking it worth taking.

And a Fort Morgan man borrowed on several properties to set up $120,000 in trusts for his four children's college educations. Now, he says, he can't afford to hire the attorney he needs to fight for his money.

He said he became suspicious when he filed notice to remove some money from his account in accordance with his contract and was told BRW couldn't give him the money because the company was suffering "a temporary setback." He brought a truck to BRW's Denver warehouse to collect the inventory that supposedly secured his investment and was refused.

Hubbard staff member John Busby put $450,000 of L. Ron Hubbard's money — drawn from Hubbard's account in the Bank of Luxembourg — into BRW after Busby saw an ad Martin placed in the Los Angeles Times. He first invested $50,000 last June, then $100,000 in July and $300,000 in September.

"In Busby's defense, he made a small investment at first and when it appeared to be running well and paying off like a slot machine, additional money was put in," said Lymon Spurlock of Author Services Inc., which manages Hubbard's affairs. "But Busby's been fired and this is one of the major reasons." Hubbard's attorneys have filed suit against BRW and Martin in Denver federal court.

Martin told investors that their investments would be secured with inventory — building products such as doors, paneling and lumber — that he would buy at great discounts — 25 cents on the dollar — and then resell at a profit.

But state securities investigators say Martin never had ample inventories to secure the $1.5 million investments he took. Instead, they think he used investments by later investors to pay the interest for earlier investors and set up additional companies to create a market for BRW's

Florida News

Sunday, October 30, 1983 The Miami Herald Section D

Pinellas County Property Appraiser Ron Schultz looks at files on tax litigation involving Scientologists' property.

Florida News

Sunday, October 30, 1983 The Miami Herald Section D

Tide turning

Scientologists may be losing battle with Clearwater

By ANDERS GYLLENHAAL
Herald Staff Writer

CLEARWATER — A poker-faced doorman bows slightly at the entrance of the Fort Harrison and motions visitors to the lobby, where a crowd waits at the front desk and dozens of guests rush up and down the marble staircases beneath the crystal chandeliers.

A larger-than-life portrait of L. Ron Hubbard, the reclusive founder of Scientology, stares down upon his followers from high on the wall. Many of them wear the sea merchant uniform that is part of their code. Most criss-cross the lobby of the aging hotel in the quickened footsteps of someone with a mission.

It is Florida's most unusual place of worship. Or is it?

Between a controversial new city ordinance and an age-old tax case, the Church of Scientology's struggle for legitimacy — perhaps even survival — in this immaculate Gulf Coast city is failing.

Inside the 11-story monolith that dominates the city's downtown, the church formed around the counseling methods and self-betterment theories of Hubbard thrives at a pace that could make the nearby Methodists, Baptists and Presbyterians envious. But outside on the streets of Clearwater, residents have remained unconvinced that the group with its checkered past is a religion at all.

So when ordinance 3091-83 came up for a final vote earlier this month, only one city commissioner opposed the law that gives Clearwater strong investigatory powers over all charitable organizations — but that church members believe will be used against them

"It has happened for ages," said Rev. Hugh Wilhere, the former probation officer who does most of the talking for the church. "The Baptists got run out of Massachusetts. It's happened to the Catholics, the Mormons. In one place or another all through history, somebody's been going after someone else."

In modern-day Clearwater, even the church's milder critics admit they would like history to repeat itself once more. The lone dissenter on the ordinance vote conceded residents have made themselves clear when it comes to Scientologists.

"The people want you to do anything and everything," said Commissioner Jim Berfield, "to get them out of town. It's as simple as that."

But in fact, the feud between the city and church isn't simple at all; For years, both have offered almost a textbook case on how not to get along. Local politicians have accused the church of everything from devil-worship to profiteering. The church, in turn, claims the city has been discriminatory, bigoted and has passed unconstitutional laws.

The ordinance is a 12-page document that gives the city the power to probe the church ledgers to halt what city officials claim has been a history of improper fund-raising by the church. The Scientologists say the charges are groundless. But a cloak of secrecy has enveloped the organization since it arrived in Clearwater in 1975 and bought the Fort Harrison under a disguised corporate name for $2.3 million cash.

A wing of the church called the Guardians managed to slip members into jobs at the police department and the Clearwater Sun and plotted to pressure local officials — even try to frame a mayor with hit-and-run charges — with the help of a network of amateur spies, according to members' confessions and court documents.

Today, the church says such zealous moves were foolish and have long since been halted. "We made some mistakes," said Rev. Wilhere. "Hopefully, we've learned something from all this."

To help make amends, the church set up a new public affairs office and began to build a case for why Clearwater needs the Scientologists. They counted up what they compute to be a $10-million annual contribution they make to the local economy. They painted and cleaned up their buildings and started paying calls on civic leaders.

They've also instructed their followers to be more pleasant. "Smile," reads one sign in a downtown Scientology building. "This is the friendliest place in the whole world."

The campaign has had only limited success. The owners of many of the newer stores in downtown Clearwater have found church members to be a boon to business. "They've never even been given a first chance," said Elaine Narcolis, 28, the manager of a downtown boutique.

But merchants who've been there since the early days are not so forgiving. Says Dixie Robinson, who runs a printing shop across the street from the Fort Harrison: "I've had people

Please turn to CLEARWATER / 8D

Florida News

Sunday, October 30, 1983 The Miami Herald Section D

Scientologists call city law unfair

CLEARWATER / *From 1D*

tell me they're afraid to come downtown any more. I honestly don't think that if I could make a million dollars off them I would want the money."

That is a claim most of Clearwater cannot make. Indeed, money seems to be at the heart of most of the disagreements.

The big problem has been taxes. As a church, the Scientologists claim to be tax-exempt. But the county, arguing that the Scientologists have not supplied enough documentation to support the claim, has routinely denied the exemption. For each annual denial, the church has sued.

Thus far, the circuit courts and an appellate court have agreed with the city that unless the church turns over the documents they are assumed to be a profit-making group. The ruling has thus far spared the courts from having to address the troublesome question of whether Scientology is in fact a religion. It has also presented the church with a whopping tax bill of $750,000 for back years.

As Ron Schultz, Pinellas County's property appraiser, puts it, "If it looks like a horse but they claim it's a camel, well, show me some humps."

Another dispute has arisen over redevelopment in the city's downtown, which critics say is being stalled by the Scientologists.

In the eight years since the church moved into town it has spent $9 million. Its staff and guests quickly outgrew the Fort Harrison and began buying other buildings. A bank building down the street is used for administrative offices, motels house families and other guests, while stores and office buildings have become classrooms, print shops and reading centers.

The total value is small compared to the taxable property of $2.5 billion in all of Clearwater and $16.2 billion in Pinellas County. But city officials say the church's presence amounts to an occupation of the downtown. The uniformed members strolling the streets, the church's internal bus system and its ownership of the building that was once the town's central meeting place have stunted the revival that city officials say would come without the church.

"Nobody knows what they're doing over there," said Shemzi Balla, 32, who owns the Park Terrace Restaurant a block away from the Fort Harrison. "Everybody's scared to come downtown. The city is dying because of them. I don't understand how this country can allow this to happen."

One reason such mystery surrounds the church is that few of its members spend much time out in the community and very few residents ever visit the Fort Harrison.

If they did, they would discover a scene much like a well-used college dormitory. The banquet rooms have been converted to classrooms where the church members practice their special brand of counseling based on the conviction that people can increase their mental powers and cure themselves of illnesses by clearing up troubles in their pasts.

The uniforms, complete with the rope lanyards down the side, are a holdover from the days when the Scientologists' retreat was aboard a ship. The strict regimen that includes a 12-hour workday, diets, exercise and a nominal pay of $30 a week are all voluntary, they stress.

The Fort Harrison's nearly 300 rooms have been converted into living quarters, its restaurants into dining halls and its lounges into juice bars, since alcohol consumption is discouraged in the church. In every one of those rooms is posted another picture of Hubbard, smiling from under his captain's cap or frowning at his typewriter.

Prices for the course can be high. In fact, because members can contribute whatever they want above a set amount, some have paid tens of thousands of dollars for the lessons. That has helped to persuade some critics that the church is growing rich at the expense of its patrons and that the organization uses mind-control techniques.

The notions bring laughs to the churchgoers.

"All they have to do is meet a Scientologist," said Steve Stevens, 63, a furniture store operator from New Zealand who is taking courses in Clearwater. "Is this guy a zombie whose mind is controlled? Or just an average person who is functioning well in life?"

"It's kind of funny," said Chuck Devoe, 40, the vice president of a computer company in Los Angeles, who is also taking courses here. "With this, I feel more in control of my life than I've ever been."

Those claims, however, are in striking contrast to the picture of the church that emerged from the week and a half of hearings last year that led up to the passage of the charitable solicitation ordinance. Disenchanted former church members, national critics, even Hubbard's estranged son who recently lost a court battle to have his father declared deceased described the organization as a militarisitc group that siphons wealth away from its members and is run by cruel, vindictive leaders.

So by a vote of 4-1, the city commission passed the proposal on Oct. 6 that requires all charitable agencies to file a list of their fund-raising activities with the city and allows the city attorney to investigate agencies if 10 or more of their members request it.

The church is already planning its court challenge, but whatever the outcome of the case, the Scientologists vow that no law will chase them out of Clearwater. "There isn't anything illegal going on here and we don't condone breaking the law," said Ron Norton, executive director of the church in the city. "This is America and I'm an American and I have all the rights of an American."

What the furor over the ordinance has done is draw the battle lines once again between the church and the city leaders. They seldom even speak these days, except when the time comes to give depositions for the next court case.

"They're just not interested in being part of the community," concluded Clearwater Mayor Kathy Kelly. "It has to be a two-way street."

Those are almost the same words that Rev. Wilhere chooses when he talks about it. "It works both ways," he said. "If people don't welcome you in, are you going to go?"

JUDY BAYER / Miami Herald

Rev. Hugh Wilhere on top of the Fort Harrison Hotel overlooking downtown Clearwater.

JUDY BAYER / Miami Herald

Jenny Wakley and her partner go through a Scientology drilling exercise.

The True Australian Story

In our effort to continue to publish the truth, we are correcting the misleading and altered statements published in the "KSW News".

The "KSW News" showed this newspaper clipping from Western Australia:

The West Australian

ESTABLISHED 1833

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THREE breakaway members of the Church of Scientology have been ordered to pay the church damages for making false statements about it.

The church won a Supreme Court judgement against Edgar Mace of Birdwood Road, Melville, Bernard Wimbush, of Kilmurray Way, Balga, and Mrs Marian Van Der Linde, of Pola Street, Dianella.

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It was further alleged that the malicious acts were done in an attempt to induce people to leave the Church of Scientology and to join their group.

The three are all members of a group using the name "Centre for Personal Enhancement".

Mr Justice Pidgeon ordered the three to pay damages — the amount has still to be fixed by the court—in respect of the injurious statements.

The magazine failed to publish the following days article on the case:

Church ruling faces challenge

LAWYERS representing three former members of the Church of Scientology are seeking to have a Supreme Court judgment against them set aside.

The Church of Scientology obtained the judgment by default because of an oversight by Stone James Stephen Jaques, the law firm representing the three.

Mr. Terry O'Conner, a senior partner in the firm, said yesterday that a miscalculation had been made as to when an appearance should be filed.

He is representing Edgar Mace, of Melville, Bernard Wimbush, of Balga, and Mrs. Marion Van Der Linde, of Dianella.

Earlier this week, Mr Justice Pidgeon ordered the three to pay damages to the church—the amount has yet to be fixed—in respect of alleged false statements.

It is alleged that the three induced people to leave the Church of Scientology.

Mr. O'Conner said that the allegations were strenuously denied and, if the judgment was set aside, the action would be defended.

It also ignored the final ruling on that case. We have reprinted it here for you to read:

IN THE SUPREME COURT)
OF WESTERN AUSTRALIA)
BETWEEN:

No. 2312 of 1983

Church of Scientology Inc.

Plaintiff

and

Edgar Francis Mace

First Defendent

and

Bernard Wimbush

Second Defendent

and

Lenora Mariam Van Der Linde

Third Defendent

BEFORE THE MASTER IN CHAMBERS
THE 27TH DAY OF SEPTEMBER 1983

UPON the application of the defendants by summons dated the 20th day of September 1983 and upon hearing the solicitors for the plantiff and for the defendants and by consent IT IS ORDERED THAT:

1. The judgment entered herein the 13th day of September 1983 be and is hereby set aside.
2. The defendants have until 4:00 p.m. this day within which to enter an appearance.
3. The time limited for the defendants to file and serve a defense be extended until 14 days after the plantiff has filed and served further and better particulars of its statement of claim.
4. The costs of the application and any costs thrown away be the plantiff's in any event.

BY THE COURT
Bruce Dixon
DEPUTY REGISTRAR

THIS ORDER is extracted by Messrs. Stone James Stephen Jaques, Solicitors for the Defendants, whose address for service is Law Chambers, Cathedral Square, Perth. Tel: 325-0431
Ref TOC.101043859
rrTd25

The real fact is the judge put the case off and ordered the Church of Scientology to pay the costs.

CHANGE of VIEWPOINT 1983 NOV 24

The Denver Post Sunday, Nov. 27, 1983

Scientology Church Enters Oil Business

By JACK TAYLOR
Denver Post Staff Writer

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 $3.5 million to finance drilling activities for the firm, HG&G Inc.

The investment was made through a Florida-based, non-profit service organization 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.

'Like everybody else caught up in the Penn Square syndrome, we were obviously looking for new ways to finance our operations.'

— Karl L. Goodall, HG&G president

A week ago Monday, 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 connection with a 1979 conviction.

That year, 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 150 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 firm formerly known as Highlands, Goodall & Greer Inc. The firm 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 firm'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 firm 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 compa-

Picked See Oil on 16-H

Scientologists in Oil Business

OIL From 1-H

ny'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 ammounted 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 firm 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.

Goodall said his company was introduced to Church of Scientology officials through mutual oil business acquaintances in Tulsa, Okla., whom he would not identify. The church's first investment in an HG&G drilling program came in 1982, he said.

Goodall said HG&G decided to approach church officials. Former company president Greer telephoned the church's headquarters in Florida and asked if the church would be interested in owning part of an oil company and loanin funds to underwrite drilling activ ties, Goodall said.

Goodall refused to identify th church officials with whom HG&(negotiated the sale of part of th company and the related loan, o which official was named t HG&G's board.

Records in Florida show th Church of Scientology Flag Servic Organization Inc. was organizec with Brian Patrick as president ir May 1981 at the church's Clear water headquarters. A spokesmar at the church's headquarters said however, that Patrick no longer heads the service organization and that its "commanding officer" now is Ron Norton.

Although Florida records list the organization as non-profit, a spokesman for the IRS in Washington said it has not been granted tax-exempt status.

Norton, reached in Clearwater, professed to know very little about the investment in HG&G. Goodall said the acquisition of an interest in HG&G and the financing of its drilling program constitute the church's first such investments in the direct operations of an energy company.

In response to a series of specific questions Friday, Heber Jentzsch, president of the Church of Scientology International, issued a 252-word prepared statement through a public relations official at his headquarters in Los Angeles, in which he avoided dealing with any specifics.

The statement said the investment is considered a hedge against inflation and an expression of confidence in the future of the energy industry and the nation. It also said the church plans additional expansion and investments next year.

Church of Scientology buys into Oklahoma oil company

By Jack Taylor
Knight-Ridder News Service

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 ammounted 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 ... "

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