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W.'s First Enron Connection: Update on the Bush-Enron Oil Deal

by David Corn

Editor's note: Below is David Corn's article, posted on March 4, 2002, that first broke news of the Bush-Enron oil deal. An update follows.

Did George W. Bush once have a financial relationship with Enron? In 1986, according to a publicly available record, the two drilled for oil together—at a time when Bush was a not-too-successful oil man in Texas and his oil venture was in dire need of help. Bush's business association with Enron, it seems, has not previously been reported.

In 1986, Spectrum 7, a privately owned oil company chaired by Bush faced serious trouble. Two years earlier, Bush had merged his failing Bush Exploration Company (previously known as Arbusto—the Spanish word for shrub) with the profitable Spectrum 7, and he was named chief executive and director of the company. Bush was paid \$75,000 a year and handed 1.1 million shares, according to "First Son," Bill Minutaglio's biography of Bush. Under this deal, Bush ended up owning about 15 percent of Spectrum 7. By the end of 1985, Spectrum's fortunes had reversed. With oil prices falling, the company was losing money and on the verge of collapse. To save the firm, Bush began negotiations to sell Spectrum 7 to Harken Energy, a large Dallas-based energy firm owned mostly by billionaire George Soros, Saudi businessman Abdullah Taha Baksh and the Harvard Management Corporation.

The deal took months to work out. In September of 1986, Spectrum 7 and Harken announced they had reached an agreement. Spectrum 7 shareholders, under the plan, would receive Harken stock. Bush publicly said that Spectrum 7 would continue to operate in Midland, Texas, as a wholly-owned subsidiary of Harken and that he would become an active member of Harken's board of directors. As Minutaglio noted, the deal would give Bush about \$600,000 in Harken shares and \$50,000 to \$120,000 a year in consultant's fees. It also would provide \$2.25 million in Harken stock for a company with a net value close to \$1.8 million.

As the details of the Spectrum-Harken acquisition—which Bush badly needed—were being finalized, Enron Oil and Gas Company, a subsidiary of Enron Corporation, announced on October 16, 1986, that it had completed a well producing both oil and natural gas in Martin County, Texas. An Enron Oil and Gas press release reported the well was producing 24,000 cubic feet of natural gas and 411 barrels of oil per day in the Belspec Fusselman Field, 15 miles northeast of Midland. Enron held 52 percent interest in the well. According to the company's announcement, 10 percent belonged to Spectrum 7. At that point,

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Spectrum 7 was still Bush's company. Harken's completion of the Spectrum 7 acquisition was announced in early November.

To spell it out: George W. Bush and Enron Oil and Gas were in business together in 1986--when Ken Lay was head of Enron. (Lay was named Enron chairman in February of that year.) How did this deal come about? Was this the only project in which Bush and Enron were partners? A call placed to the White House produced no response. Karen Denne, an Enron spokeswoman, says "I can't tell you anything about" that project, explaining Enron "sold all its domestic exploration and production assets about two years ago to EOG Resources" and probably did not retain records regarding that well. As for the possibility Spectrum 7 invested in other Enron ventures, she notes, "You're referencing something that happened in 1986. I can check, but we're pretty short-staffed now." Elizabeth Ivers, a spokeswoman for EOG Resources (formerly Enron Oil and Gas), says, "If we did have any records on that well, it would be nothing that we would share with the public. We do not disclose the details or specifics of who we have well interests with."

After the Enron affair began generating front-page headlines, Bush attempted to distance himself from Enron and Lay. In early January, the President claimed he and Lay had not always been close pals. "He was a supporter of [Texas Governor] Ann Richards in my run [against her] in 1994," Bush asserted, noting he did not get "to know Ken" and work with him until after he won that election. But campaign records show Lay donated three times as much money to Bush in that race as he did to Richards. Moreover, contacts between Lay and the Bush family pre-dated that campaign. In 1992, Lay chaired the host committee for the 1992 Republican convention in Houston, where Bush's father won his second presidential nomination. And Lay was a sleepover guest at the White House of President George H.W. Bush.

The Enron-George W. Bush connection goes back further than the President has suggested. But does that mean the relationship between the younger Bush and Lay stretches to the mid-1980s? The deal could have happened without contact between Lay and Bush. But most company heads would be interested to know that the son of the sitting vice-president had invested in one of their enterprises. If Lay had been aware of the partnership, that would not prove the two were pals or that Bush and Spectrum 7 had received undue consideration from Enron. But given Enron's penchant to use political ties to win and protect business opportunities, it is tough not to wonder if this Bush-Enron venture involved special arrangements. This is certainly one more Enron partnership that deserves scrutiny--especially since George W. Bush has yet to acknowledge it. The Spectrum-Enron deal is either an odd historical coincidence or an indication there's more to learn about the Bush-Enron association.

NOW FOR AN UPDATE ON THE BUSH-ENRON OIL DEAL:

On March 6, two days after this story was first posted, "The New York Times" ran on the front page of its business section a story headlined, "Bush Joined Unit of Enron In '86 Venture To Seek Oil." The article, written by Jim Yardley, essentially reported the facts noted above. Halfway into the piece, it noted, "A columnist in The Nation, the liberal political journal,...wrote about the deal this week in its online edition."

While the Bush White House did not respond to a request from "The Nation" for information, White House spokesman Dan Bartlett told the "Times" the President "has no recollection of this specific deal." Bartlett maintained that in 1986 Spectrum 7 was involved in more than 175 wells. Ted Collins Jr., who was president of Enron Oil and Gas at the time, told the newspaper that Bush did not

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 have "a special relationship" with the company. Collins also asserted that Lay back then "wouldn't have known who Spectrum 7 was and that George W. Bush had anything to do with a company called Spectrum 7."

Since the story was originally posted, I have found records suggesting that Bush's Spectrum 7 had a second partnership with Enron. In May of 1985, a subsidiary of InterNorth, an Omaha-based energy company, announced the completion of a well in Martin County, Texas. According to "PR Newswire," the company said that Spectrum 7 owned an 18.75 percent interest in the well. (The rest was held by the InterNorth subsidiary.) The well, like the one mentioned above, was located at the Belspec Fusselman Field. That same month, InterNorth merged with Houston Natural Gas (HNG)—which gave birth to Enron. HNG/InterNorth changed its name to Enron in 1986, and the InterNorth subsidiary that had invested in the well with Spectrum 7 became part of Enron Oil and Gas. If Spectrum 7 and Enron Oil and Gas had retained their interests in the well, that would mean that Bush's oil company was in partnership with Enron before the deal reported above. Since Bush, according to his spokesperson, does not have a memory for such details and EOG Resources says it will not release any information about wells it has owned, it will be tough to confirm that the InterNorth-Spectrum 7 venture became an Enron-Spectrum 7 enterprise.



On another, more important, Enron-Bush point: Way back in 1994, I reported that Rodolfo Terragno, a former Argentine cabinet minister, had claimed that when he headed the Public Works and Services Department in 1988, George W. Bush, whom Terragno did not know, called him and pressured Terragno to award a pipeline contract worth hundreds of millions of dollars to Enron. (See <http://www.thenation.com/doc.mhtml?i=20020204&s=corn>.) Terragno, who said he resisted this and subsequent importuning, could not provide proof that the call had occurred. (How can you prove you were phoned by the son of the Vice-President?) Bush's aides denied Terragno's account. But it's worth taking a second look at those denials.

At the time I was pursuing the Terragno story, Bush was running for Texas governor, and I asked the campaign whether Bush had spoken to Terragno about the pipeline project and whether he had any business relationship with Enron. Bush aide Karen Hughes faxed me a terse statement: "The answer to your questions are no and none. Your questions are apparently addressed to the wrong person." An Enron spokesperson said, "Enron has not had any business dealings with George W. Bush, and we don't have any knowledge that he was involved in a pipeline project in Argentina."

The recent news about the 1986 Enron-Bush venture in the Belspec Fusselman Field undermines (to be polite about it) those 1994 statements from Bush and Enron denying any business relationship between the scion and the company. The existence of this oil partnership in 1986 (or one in 1985) has no bearing on the veracity of Terragno's tale. But it shows the credibility of the Bush gang and that of Enron deserve questioning when either one is talking about the other.

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