

Shearman and Chadbourne steer Ecopetrol bond issuance

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Shearman & Sterling LLP and Colombian firm Duran & Osorio - Abogados Asociados represented Colombia's state oil company Ecopetrol in a bond issuance worth US\$1.5 billion that closed yesterday.

Barclays Capital and JP Morgan acted as joint managers of the offering, taking legal advice from Chadbourne & Parke LLP in New York and Gómez-Pinzón Zuleta Abogados SA in Colombia.

Chadbourne's Carlos Albarracín says, "The transaction was extremely challenging and complex given Ecopetrol's unique legal status and the fact that it was the company's first international debt offering."

He explains, "While Ecopetrol is a state-owned company whose equity interests are represented by shares, it is not considered a stock corporation subject entirely to Colombian private law. As a result, the conduct of Ecopetrol's business is subject to regulation both as a state-owned entity and a private corporation, and the transaction had to be approved by the Colombian's Ministry of Finance."

Another challenge for Albarracín and his team was that Ecopetrol does not prepare its account using Colombia's generally accepted accounting principals, but using the accounting principles of the country's state-owned entities.

"International standards for these deals vary considerably from those imposed on local deals," adds Gomez-Pinzon associate Federico Chalela, adding that, "Recent changes to Ecopetrol's structure and other legal and regulatory developments in the oil and gas industry required a thorough analysis by the local as well as international teams."

Ecopetrol launched on the open market in 2007, selling about 10 per cent of its stock to members of the public through retail outlets.

The company made its debut on the New York stock exchange in September last year, though the current offering represents Ecopetrol's debut international debt issuance.

The bonds will mature in 10 years, at an interest rate of 7.625 per cent. The offering's trustee was Bank of New York Mellon, which took legal advice from Pryor Cashman LLP.

Ecopetrol made a number of acquisitions in the first half of this year, including the joint purchase of US-based Offshore International Group with Korea's state oil company, as well as deals to secure French owner E&P company Hocol, a share in the Oleoducto Central pipeline, and the buyout of Swiss commodities trader Glencore's from their joint venture Reficar.

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