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NEWS

GOLDMAN SACHS HANDS OVER COLOMBIAN COAL MINES TO MURRAY

Toby Luckhurst
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Kirkland & Ellis LLP in New York, Gómez-Pinzón Zuleta Abogados in Bogotá, Cuatrecasas, Gonçalves Pereira in Madrid and Harneys in the Cayman Islands have helped US mining company Murray Energy buy Goldman Sachs' Colombian mining operations, as the bank exits the coal production industry amid sliding commodities prices and labour disputes.

The mines have estimated reserves of 184 million tons of coal (Credit: heyjojo19)

Goldman Sachs hired Boies, Schiller & Flexner LLP in New York, Philippi, Prietocarrizosa & Uría (Colombia) in Bogotá, Uría Menéndez in Madrid and Maples and Calder in the Cayman Islands for the deal, which closed on 13 August. The transaction involved a purchase price and earn-out payments, depending on the performance of the mines.

The value of the deal was not disclosed, but media sources have reported it at US$10 million, representing a net loss of hundreds of millions of dollars for the bank.

Colombia Natural Resources includes two developed surface coal mines, La Francia and El Hatillo, as well as three undeveloped mines, an Atlantic coal port facility and an 8.4 per cent stake in Colombia's Atlantic railway route FENOCO and its trains and carriages. The mines have estimated reserves of 184 million tons of coal.

The sale marks Goldman Sachs' exit from the coal production industry. Goldman Sachs bought the La Francia mine from Canadian Coalcorp in 2010 for US$200 million. The bank purchased the other assets from Brazilian miner Vale for US$407 million in 2012. However, environmental and labour disputes contributed to Goldman Sachs' failure to turn a profit from the mines. In 2012 protesters blocked the road from the La Francia mine to the port of Santa Marta over concerns about pollution. The Colombian government ordered Goldman Sachs to relocate local residents living near the mines, which caused miners to go on strike in 2013, effectively shutting down production for nine months.

Goldman Sachs' problems were exacerbated by the plummeting price of coal, which has fallen by about 40 per cent since 2011. The bank has seen a US$2.5 billion decrease in its global commodities revenue since 2009. Furthermore, the US Federal Reserve recently placed restrictions on commercial banks producing and selling raw materials to prevent banks gaining an unfair advantage in the market due to possible price manipulation. China's economic slowdown, with a concomitant drop in Chinese demand for coal, has only compounded these issues.

Colombia Natural Resources is Murray Energy's first operation outside the US.

Counsel to Murray Energy Corporation
In-house counsel – Mauricio Cuesta

Kirkland & Ellis LLP
Partner Daniel Michaels in Washington, DC and partner Sergio Urias-Ochoa and associates Claire James, Erika López and Marcos Garcia Gonzalez in New York

Gómez-Pinzón Zuleta Abogados
Partner Lina Uribe Garcia and associates David Camacho González and Lina Correa Posada

Cuatrecasas, Gonçalves Pereira
Partners Javier Carvajal and José Echeverria and associates Marcos García and Lola Colomer in Madrid

Harneys
Partner Louise Groom and associate Carolynn Vivian in the Cayman Islands

Counsel to Goldman Sachs

Boies, Schiller & Flexner LLP
Partners Robert Leung, Stefan de Pozsgay and Ansgar Simon and associates Daniel Grossman, Marcos Pueyrredon, Joseph Eno and Katherine Gibson in New York

Philippi, Prietocarrizosa & Uría (Colombia)
Partner Martín Acero and associates Cristina Rueda, Meghan Waters and Andrea Cubillos in Bogotá

Uría Menéndez
Partners Guillermo Canalejo Lasarte and associates Roberto Medrano Martinez Acosta, Tomas Jose Acosta, and Jorge Castillo Golding in Madrid

Maples and Calder
Partner Suzanne Correy and associates Finn O'Hegarty and Michael Lockwood in the Cayman Islands