

He survived the takeover of his company and now he's become invaluable. **Husnara Begum** meets Petro-Canada's Sean Rush

Petro-Canada UK's legal counsel for northwest Europe, Sean Rush, was one of only two lawyers who survived the sale of Veba Oil & Gas's international exploration and production assets to Petro-Canada in 2002.

The legal director of Petro-Canada's international business unit Mike Wachtell, to whom Rush reports, also joined the company from Veba.

"It was very difficult because I was on holiday at the time and got an email from Mike saying that BP [which owned Veba Oil & Gas at the time of the sale] had bought us. I assumed, therefore, that there wasn't going to be a job for me. And although I became very demotivated I had to act professionally to make sure the company didn't go off the rails," says Rush.

"To come through and survive and then to create a new legal department was quite a positive experience in the end," he adds.

Petro-Can UK, the wholly-owned subsidiary of Petro-Canada, was established after the parent company acquired the international oil and gas exploration and production assets, or upstream assets, of Veba Oil & Gas in May 2002.

The \$2.1bn (£1.16bn) transfer of Veba's international upstream assets to Petro-Canada followed a series of separate deals relating to the unwinding of the Deminex joint venture and to E.ON's acquisition of Powergen in 2001.

Deminex was incorporated in 1969 as a joint venture by eight German oil companies, including Veba's parent company, Veba Oel. But by the 1980s the number of shareholders in Deminex had reduced to three, with Veba Oel having the majority stake. Consequently, in 1998, the remaining shareholders decided to dissolve the joint venture company and to divide its assets on a country-by-country basis. Veba Oel retained all the assets in Columbia, Indonesia, Syria, Trinidad and the UK and combined them with its exploration and production ventures in Denmark, Kazakhstan, Libya, the Netherlands and Venezuela. Then in December 1998, these combined businesses were renamed Veba Oil & Gas.

Three years later, Veba Oel's parent

Organisation: Petro-Canada UK Limited
Sector: Oil and gas
Employees: 158 plus 88 temporary staff/contractors spread between London and Aberdeen
Legal capability: Four
Legal counsel: Sean Rush
Reporting to: Mike Wachtell, legal director, international business unit
Main law firms: Allen & Overy, CMS Cameron McKenna, Freshfields Bruckhaus Deringer, Hammonds, Herbert Smith and Lovells

Oil rush

company E.ON acquired the Powergen businesses in the UK and US. But, to complete the deal, E.ON had to divest all its non-utility businesses. Consequently, in 2002, Veba Oel was sold to BP, which was advised by Linklaters. Meanwhile, the principal assets of its subsidiary Veba Oil & Gas were eventually sold to Petro-Canada. Getting through that complicated series of transactions is no mean feat for any lawyer.

"Petro-Canada was largely a domestic Canadian company that was looking to expand into the upstream international oil and gas market. And acquiring Veba Oil & Gas was a very good way of doing this," explains Rush.

In January 2003, after the Veba Oil & Gas acquisition was completed, Petro-Can UK doubled the size of its legal department. Former Allen & Overy lawyer Philip Mace, now the senior legal counsel responsible for North Africa and the Near East (NANE), was hired by the company. He was joined last July by fellow A&O lawyer John O'Sullivan who floats with Wachtell on North Africa and NANE matters.

Petro-Can UK nabbed Mace and O'Sullivan because they had already established relationships with the company when they worked as part of the team that advised on the Veba Oil & Gas deal. The legal department also has a secondee in the form of a junior lawyer from CMS Cameron McKenna.

"The interaction between team members is very informal. I frequently bounce ideas off Philip, who has specialised in mergers and acquisitions, while John will pick my brains on more operational aspects," explains Rush. "And since we're all quite senior we are largely independent and take instructions directly from country managers."

Most of the work done by Petro-Can UK in northwest Europe to date has been handled by Rush in-house. In the past 18 months or so he advised the company on the acquisition of Shell and Esso's interests in the Clapham development located in the North Sea. Rush was part of the team that appraised and developed the field.

"This was a particularly challenging development due to the tying back of the Clapham facilities to the Guilemot West sub-sea facilities, which had to be treated as third party facilities, even though Petro-Can UK owned 90 per cent of it. There was then the comingling and transportation for crude oil for processing on the Triton floating production storage and offloading vessel," explains Rush.

The negotiations with the owners of Triton proved to be protracted with respect to tariff levels and the indemnity regimes, but first oil was achieved in late November 2003 – 12 months after the project was first started.

"Our whole philosophy in the North Sea is not big developments; it's small pools. And it's vital to the economics to be able to develop these in a short timeframe," says Rush.

"If we fall behind by just one month we might suddenly be in the middle of winter when nothing can be done due to weather conditions. It is therefore necessary to get all the related agreements in place simultaneously with the developments themselves," he adds.

In tandem with the Clapham development, Petro-Can UK also acquired Shell's 10 per cent interest in the Guilemot West and northwest producing field in the North Sea. It also claimed the Shell share of nearby

fallow discoveries in exchange for an undisclosed amount of cash and further equity for Shell in the Shell-operated Goldeneye development. In a simultaneous agreement, Petro-Can UK agreed to acquire Shell and Esso's entire interest in the wider Guilemot area, including the Pict field, which is scheduled for development later this year.

In the Netherlands Petro-Can UK divested its interest in the Waalwijk field to Essent Energie. The company also acquired BP's interest in the P11b Block, which is also scheduled for development later this year as the 'De Ruyter' project.

Meanwhile, Petro-Can UK agreed with Nam, the Shell/Esso Dutch joint venture, to receive a 50 per cent interest in the F6 block in exchange for drilling a new well, and discussions are advanced with Wintershall for an exchange of several licences between the respective companies.

Although Petro-Can UK does not farm out much work to external lawyers the company's legal team have developed a good network of firms which include A&O, CMS Cameron McKenna, Freshfields Bruckhaus Deringer, Hammonds, Herbert Smith and Lovells.

Cameron's relationship with Petro-Can UK dates back to the Veba Oil & Gas acquisition when the firm acted for the target. "Cameron has good industry knowledge and would therefore provide excellent project advice. But, as demonstrated by the Veba deal, it is also a serious M&A player," says Rush.

Similarly, A&O is well known to Petro-Can UK, having acted for Petro-Canada on the Veba Oil & Gas deal and, of course, the company hired two of its former lawyers.

Finally, Herbert Smith's relationship also dates back to the same deal, as it advised on the post-acquisition redundancies.

Rush's relationship with Freshfields dates back to when he was an in-house counsel at Agip (UK) Limited. Since then, he has always held the firm in high regard, both for litigation and M&A work, and has maintained contacts with its head of energy Jon Rees.

Rush has also developed a relationship with Hammonds' dispute resolution team. However, he says that companies in the oil and gas sector do not litigate very often. "This is mainly because it's a small world and the reality is that companies need to be able to maintain a working relationship going forward. Consequently, most disputes are settled before having to instruct external lawyers," argues Rush.

Wachtell is an ex-Lovells lawyer and has a longstanding relationship with the firm. Lovells energy partner Michael Stanger is currently assisting Petro-Can UK on a liquid natural gas project in Trinidad.

Although Petro-Can UK has relationships with several City firms, Rush says that if the company needs advice on less complex issues he would quite happily go to a provincial practice. For instance, he is considering instructing a provincial firm to advise on the company on its relocation.

"We believe that we don't need a magic circle or even a City law firm to do what is effectively a standard form leasing agreement," argues Rush.

Looking to the future, Rush says that Petro-Canada is certainly looking for growth and acquisitions. "We believe that in Canada Petro-Canada is as big as it can get, so the only way forward is to become more international," he concludes. ■