

Foreign investors who acquire ADRs are not required to register to Colombian authorities. Holders of ADRs will benefit from the registration to be obtained by the custodian for our common shares underlying the ADRs in Colombia, which permits the custodian to convert dividends and other distributions with respect to the common shares into foreign currency and remit the proceeds abroad. If investors in ADRs choose to surrender their ADRs and withdraw common shares, they must register their investment in the common shares as a foreign direct investment, provided that the investor wishes to maintain ownership of the shares on a permanent basis. If the investor wishes to maintain ownership of the shares only for speculative purpose, that is, as a portfolio investment, no further registration is required. Non-Colombian residents cannot directly hold portfolio investments in Colombia, but are able to do so through an “administrator,” such as a stock broker, trust company or an investment management company, duly authorized by Colombian Superintendency of Finance.

In obtaining its own foreign investment registration, an investor who surrenders its ADRs and withdraws common shares may incur expenses and/or suffer delays in the application process. Investors would only be allowed to transfer dividends abroad or transfer funds received as distributions relating to our common shares after their foreign investment registration procedure with the Colombian Central Bank has been completed. In addition, the depositary’s foreign investment registration may also be adversely affected by future legislative changes, but its rights to transfer dividends abroad or profits arising from distributions relating to our common shares must be maintained according to Colombian law and foreign investment treaties entered into by Colombia, except when the Colombian international reserves fall below an amount equivalent to three months worth of imports.

TAXATION

Colombian Tax Considerations

The following is a description of the Colombian tax considerations for investments in common shares in Colombia or for the purchase of American Depositary Shares, or ADSs, in a foreign securities market. This description is based on the applicable law in effect as of the date of this annual report. Prospective purchasers of common shares or ADSs should consult their own tax advisors for a detailed analysis of the tax consequences resulting from the acquisition, ownership and disposition of common shares or ADSs.

General Considerations

Income tax and complementary taxes are considered a single tax with two components: income and sporadic earnings. Taxes are accrued on a calendar basis.

Pursuant to the Colombian Tax Code, Colombian corporations and public entities are subject to Colombian taxes on income earned in Colombia and worldwide; while foreign entities are liable only for income earned in Colombia.

Tax Treatment of a Non-Resident of Colombia who Purchases an ADR in a Foreign Securities Market

Dividends

In general, dividends paid to foreign companies or other foreign entities, non-Colombian residents or successors of non-Colombian residents are subject to Colombian income tax.

To avoid double taxation, corporate and branch profits are taxed at the corporate or branch level. If the accounting earnings and profits of a Colombian corporation exceed the tax profits subject to income tax, the excess is subject to income tax at the shareholder level. If the shareholder is a non-resident, the applicable tax rate is 33%.

Therefore, provided all distributions, including the payment of dividends, are made by us to non-resident holders of ADRs through the Depositary, such payments will be exempted from income, withholding and remittance tax in Colombia. This exception would not apply in the case of distributions paid out of non-taxed earnings made by us which would be subject to income tax at the 33% rate.

Dividends paid to foreign investment capital funds are subject to a 33% withholding income tax.

Taxation on Capital Gains for the sale of ADRs

Under Colombian law, capital from the sale of ADRs is not subject to income tax in Colombia as they are considered foreign sourced income.

Similarly, capital gains earned by foreign capital investment funds arising from the purchase or sale of securities are not subject to income taxes in Colombia. The remittance of capital gains to the Depositary is not subject to income tax in Colombia.

Tax Treatment in Colombia of Non-Residents who Purchase Ecopetrol's shares in Colombia's securities market

Dividends

Dividends paid to foreign companies, other foreign entities, non-Colombian residents or successors of non-Colombian residents are subject to Colombian income tax.

To avoid double taxation, corporate and branch profits are taxed at the corporate or branch level. If the accounting earnings and profits of a Colombian corporation exceed the tax profits subject to income tax, the excess is subject to income tax at the shareholder level. If the shareholder is a non-Colombian resident, the applicable tax rate is 33%.

Therefore, all distributions, including the payment of dividends, made by us to shareholders not resident in Colombia, will be exempted from income, withholding and remittance taxes. This exception would not apply in the case of distributions paid out of non-taxed earnings made by us which would be subject to the 33% income tax rate.

Taxation on Capital Gains for the sale of shares

Capital gains obtained in the sale of shares listed on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*), or BVC, and owned by the same beneficial owner, are not subject to income tax in Colombia, provided that the shares sold during the taxable year do not represent more than 10% of the outstanding shares of the listed company. However, a seller of shares must file an income tax return for each transaction involving a sale of shares within the month following the sale, even when such sale is not subject to any tax.

Tax treatment by Non-Residents who purchase Ecopetrol's shares in the BVC market and exchange them for ADRs

Dividends

Dividends paid to ADRs are not subject to income, withholding or remittance taxes. In the event that we distribute dividends from such taxes, the dividends are paid to the Depositary of ADRs. In any case, the Depositary of ADRs is only subject to income tax or complementary taxes and non-taxed earnings. The dividend payments would be taxed at the 33% rate.

U.S. Federal Income Tax Consequences

This summary describes the principal U.S. federal income tax consequences of the ownership and disposition of common shares or ADSs, but it does not purport to be a comprehensive description of all of the U.S. tax consequences that may be relevant to a decision to hold or dispose of common shares or ADSs. This summary applies only to purchasers of common shares or ADSs who will hold the common shares or ADSs as capital assets and does not apply to special classes of holders such as dealers in securities or currencies, holders whose functional currency is not the U.S. dollar, holders of ten percent or more of our shares (taking into account shares held directly or through depositary arrangements), tax-exempt organizations, financial institutions, holders liable for the alternative minimum tax, securities traders who elect to account for their investment in common shares or ADSs on a mark-to-market basis, partnerships or other pass-through entities, insurance companies, U.S. expatriates, and persons holding common shares or ADSs in a hedging transaction or as part of a straddle, conversion or other integrated transaction for U.S. federal income tax purposes. The statements regarding U.S. tax law set forth in this summary are based on U.S. law as in force on the date of this annual report, and changes to such law subsequent to the date of this annual report may affect the tax consequences described herein (possibly with retroactive effect). This summary is also based in part on the representations of the Depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

Each holder is encouraged to consult such holder's tax advisor concerning the overall tax consequences to it, including the consequences under laws other than U.S. federal income tax laws, of an investment in common shares or ADSs.

In this discussion, references to a "U.S. Holder" are to a beneficial holder of a common share or an ADS (i) that is a citizen or resident of the United States of America, (ii) that is a corporation, or any other entity taxable as a corporation, organized under the laws of the United States of America, any state thereof or the District of Columbia, or (iii) that is otherwise subject to U.S. federal income taxation on a net basis with respect to the common shares or ADS.

For purposes of the U.S. Internal Revenue Code of 1986, as amended, which we call the "Code," holders of ADSs will generally be treated as owners of the common shares represented by such ADSs.

This discussion does not address U.S. federal estate and gift tax or the alternative minimum tax consequences of holding common shares or ADSs. In addition, this discussion does not address the state, local and non-U.S. tax consequences of holding our common shares or ADSs.

Distributions on Common Shares or ADSs

A distribution to U.S. Holders made by us of cash or property with respect to common shares or ADSs generally will be treated as a dividend for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). A U.S. Holder of common shares or ADSs generally will be taxed on such dividend as ordinary income. Distributions in excess of our current or accumulated earnings and profits will be treated first as a tax-free return of capital reducing such U.S. Holder's adjusted tax basis in the common shares or ADSs. Any distribution in excess of such adjusted tax basis will be treated as capital gain and will be either long-term or short-term capital gain depending upon whether the U.S. Holder held the common shares or ADSs for more than one year. Distributions of additional common shares or ADSs to U.S. Holders that are part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax. We do not maintain calculations of our earnings and profits under U.S. federal income tax principles, and, therefore, U.S. Holders should expect that any distributions generally will be reported as dividends for U.S. federal income tax purposes. As used below, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes.

The amount of any distribution will include the amount of Colombian tax withheld on the amount distributed, and the amount of a distribution paid in Pesos will be measured by reference to the exchange rate for converting Pesos into U.S. dollars in effect on the date the distribution is received by the Depositary (or by a U.S. Holder in the case of a holder of common shares). If the Depositary (or U.S. Holder in the case of a holder of common shares) does not convert such Pesos into U.S. dollars on the date it receives them, it is possible that the U.S. Holder will recognize foreign currency loss or gain, which would be ordinary loss or gain, when the Pesos are converted into U.S. dollars. Dividends paid by us will not be eligible for the dividends received deduction allowed to corporations under the Code.

Subject to certain exceptions for short-term and hedged positions, the dividends received by an individual prior to January 1, 2013 with respect to the ADSs will be subject to taxation at a maximum rate of 15.0% if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company ("PFIC"). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2011 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for the 2012 taxable year. Based on existing guidance, it is not clear whether dividends received with respect to the common shares will be treated as qualified dividends. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or common shares and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to treat dividends as qualified for tax reporting purposes. Because such procedures have not yet been issued, it is not clear whether we will be able to comply with them. Holders of ADSs and common shares should consult their own tax advisers regarding the availability of the reduced dividend tax rate in the light of the considerations discussed above and their own particular circumstances.

A U.S. Holder will be entitled, subject to a number of complex limitations and conditions, to claim a U.S. foreign tax credit in respect of any Colombian income taxes withheld on dividends received on common shares or ADSs. U.S. Holders who do not elect to claim a credit for any foreign income taxes paid during the taxable year may instead claim a deduction in respect of such Colombian income taxes provided the U.S. Holder elects to deduct (rather than credit) all foreign income taxes for that year. Dividends received with respect to the common shares or ADSs will be treated as foreign source income, subject to various classifications and other limitations. For the purposes of the U.S. foreign tax credit limitations, the dividends paid with respect to our common shares or ADSs should generally constitute "passive category income". The rules relating to computing foreign tax credits or deducting foreign income taxes are extremely complex, and U.S. Holders are urged to consult their own independent tax advisors regarding the availability of foreign tax credits with respect to any Colombian income taxes withheld.

Sale, Exchange or Other Taxable Dispositions of Common Shares or ADSs

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange or other taxable disposition of common shares or ADSs in an amount equal to the difference between the amount realized on the sale, exchange or other taxable disposition of the common shares or ADSs and the U.S. Holder's adjusted tax basis in the common shares or ADSs. Any gain or loss will be long-term capital gain or loss if the common shares or ADSs have been held for more than one year. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

If you are a U.S. Holder of common shares or ADSs, the initial tax basis of your common shares or ADSs will be the U.S. dollar value of the Peso-denominated purchase price determined on the date of purchase. If the common shares or ADSs are treated as traded on an "established securities market," a cash basis U.S. Holder, or, if it elects, an accrual basis U.S. Holder, will determine the dollar value of the cost of such common shares or ADSs by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. If you convert U.S. dollars to Pesos and immediately use that currency to purchase common shares or ADSs, such conversion generally will not result in taxable gain or loss to you.

With respect to the sale or exchange of common shares or ADSs, the amount realized generally will be the U.S. dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of disposition in the case of an accrual basis U.S. Holder. If the common shares or ADSs are treated as traded on an "established securities market," a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

If a Colombian income tax is withheld or otherwise imposed on the sale, exchange or other taxable disposition of common shares or ADSs, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale or other disposition before deduction of the Colombian income tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of common shares or ADSs generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Consequently, in the case of a disposition of a common share or ADS that is subject to Colombian income tax imposed on the gain, the U.S. Holder may not be able to benefit from the foreign tax credit for the Colombian income tax (because the income or loss on the disposition would be U.S. sourced), unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Colombian income tax if it does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued during the taxable year.

Deposits and withdrawals of common shares in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Backup Withholding and Information Reporting

In general, dividends on common shares or ADSs, and payments of the proceeds of a sale, exchange or other taxable disposition of common shares or ADSs, paid within the United States, by a U.S. payor through certain U.S.-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding at a current rate of 28% unless the holder (i) establishes that it is a corporation or other exempt recipient or (ii) with respect to backup withholding, provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. The amount of any backup withholding tax from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. A U.S. Holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed its U.S. federal income tax liability by timely filing a refund claim with the IRS.

U.S. Tax Considerations for Non-U.S. Holders

A holder or beneficial owner of common shares or ADSs that is not a U.S. Holder for U.S. federal income tax purposes (a "non-U.S. Holder") generally will not be subject to U.S. federal income or withholding tax on dividends received on common shares or ADSs.

A non-U.S. Holder of common shares or ADSs will not be subject to U.S. federal income or withholding tax on gain realized on the sale of common shares or ADSs, unless, in the case of gain realized by an individual non-U.S. Holder, the non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Although non-U.S. Holders generally are exempt from backup withholding, a non-U.S. Holder may be required to comply with certification and identification procedures in order to establish its exemption from information reporting and backup withholding.