Operator

Greetings, and welcome to the Kosmos Energy First Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Jamie Buckland, Vice President, Investor Relations. Thank you. You may begin.

Jamie Buckland

Thank you, operator, and thank you all for joining us today. This morning, we issued our first quarter earnings release and the slide presentation to accompany today's call. Both materials are available on the Investors page of the kosmosenergy.com website. Our 10-Q will be filed with the SEC today. The slide presentation reviews the progress we have made against the strategy we set out at our Capital Markets Day in February with a particular focus on the Gulf of Mexico, the latest addition to the Kosmos portfolio. Joining me on the call today and to go through that material are Andy Inglis, Chairman and Chief Executive Officer; and Tom Chambers, Chief Financial Officer.

Before we get started, I'd like to mention that this conference call includes certain forward-looking statements based on our current expectations. The risks associated with forward-looking statements have been outlined in the earnings release and in our SEC filings. We may also refer to certain non-GAAP measures in our discussion. Management believes such measures are important in looking at the Company's historical and future performance, and these are commonly referred to industry metrics. These measures are provided in addition to and should be read in conjunction with the information contained in our financial statements prepared in accordance with GAAP and included in our SEC filings.

At this time, I will turn the call over to Andy.

Andrew Inglis

Thanks, Jamie and good morning, everyone. Beginning with Slide 2. Before I talk about the highlights for the quarter, I'd like to take a moment to remind you of the key messages we delivered at our Capital Markets Day in February.

First, our business model generates significant cash. With strong margins across our portfolio and a disciplined capital program, we expect to generate approximately $1 billion of free cash flow over the next three years at $60 per barrel Brent. This excludes any proceeds from our planned sell down in Mauritania and Senegal, which will provide significant upside. Over the same period, we expect to grow production at a CAGR of 8% to 10%. Second, we have a deep inventory of infrastructure-led exploration or ILX opportunities that we expect to drive near-term growth. Our 2019 four-well ILX program in the Gulf of Mexico has begun, and later this year we expect to drill our first ILX prospects in Equatorial Guinea.

Third, we have a world-scale gas resource in Mauritania and Senegal with 50 to 100 Tcf gross of gas in place in the basin. Our basin open discovery at Tortue reached final investment decision in December, which created a value inflection point. At the Capital Markets Day, we announced our intention to sell down our interest in the basin from around 30% to 10%, and we've been very pleased with the level of industry interest. Fourth, creating asymmetric value through basin opening exploration remains at the heart of our business model. We have a deep diverse portfolio of opportunities, which will continue to mature high grade and test. In 2019, we're drilling one-well Orca and expect to drill two basin opening tests per year from 2020 onwards.

Overall, our 2019 exploration program includes six wells targeting net prospective resources of approximately 500 million barrels oil equivalent, an amount roughly equal to our year-end 2018-2P reserves. And finally, our approach to prudent balance sheet management has not changed. Our balance sheet strength gives us the financial flexibility to properly manage the business to create shareholder value and to invest in high return projects irrespective of short and medium-term commodity price cycles.

Turning to Slide 3. I'll now provide an update on the progress we've made against that agenda. In the first quarter, we delivered around 59,500 barrels of oil equivalent per day of production which is above the midpoints of 58,000 to 60,000 guidance we gave in February, and we remain on-track to achieve our guidance for the full year, which Tom will talk about later in the presentation. In Ghana, Jubilee is currently producing around 100,000 barrels of oil per day. The gas reliability issues I mentioned at our Capital Markets Day have been addressed by the operator with a reliability of the system enhanced with the spare high-pressure compressor now available.

However, oil production rates remain constrained by gas handling. We continue to present opportunities to the operator to increase the gas handling capacity and we are hopeful that we'll implement these enhancements, thereby enabling Jubilee oil throughput to reach the nameplate FPSO capacity of 120,000 barrels of oil per day. At TEN, production increased when the EN-10 well was brought online and the field is currently producing around 70,000 barrels of oil per day. We expect to reach the facility capacity of 80,000 barrels of oil per day when a further producer is brought on-stream around the middle of the year.

In the Gulf of Mexico, the routine dry dock work on the Helix Producer was successfully completed on-time, increasing production from the GOM once the vessel was bought back online. Production levels were further increased when the Tornado-3 well was brought online adding around 9,000 barrels of oil equivalent per day gross. In Equatorial Guinea, our ASP program is on-track adding around 2,500 barrels of oil per day gross to offset decline. We expect to complete two more ASP conversions around the middle of the year.

Shifting to cash generation; we remain on-track to deliver significant amount of free cash flow in 2019. At $60 per barrel Brent, we expect to generate approximately $200 million of free cash flow before dividends, increasing to around $350 million at $70 per barrel Brent. First quarter CapEx was $110 million, and we remain on-track to spend within our full year 2019 CapEx guidance range of $425 million to $475 million. At current prices, the year-end forecast net leverage will be around 1.4 times, within our target range without any contribution from the Mauritania-Senegal sell down. Our strong free cash flow generation supports shareholder returns, and in the first quarter the Company paid it's first quarterly dividend of approximately $0.045 which equates to $0.18 per share for the full year.

Turning to Slide 4; staying on highlights for the quarter, we recently started our infrastructure-led exploration program with Gladden Deep. The well was spud [ph] in March targeting a deeper horizon below the existing Gladden discovery with the well results expected later this month. Gladden Deep is the first of four wells in the Gulf of Mexico this year which together target around 100 million barrels net to Kosmos. In late March, we participate in Lease Sale 252 where the apparent high bidder on 9 of the 10 blocks upon which we bid, more on that later.

In Equatorial Guinea, we're continuing to mature our G-13 prospect targeting 25 million to 200 million barrels oil equivalent potential. We've secured a rig option for drilling and expect to spud the well late in the third quarter. In Mauritania and Senegal, momentum continues from the FID of Tortue in December. Tortue Phase 1 is on-track, all contracts are now awarded, construction work has commenced on the FPSO and Keppel has received final approval from Golar to commence construction of the Gimi FLNG vessel. Furthermore, BP recently awarded the pre-FEED work on Tortue Phases II and III to KBR, demonstrating progress in those subsequent phases which should reach FID next year.

Regarding our previously announced plans to sell down our interest in Mauritania and Senegal to around 10% from our current 30%, we received considerable industry interest from around 15 large highly credible companies; so you see the significant strategic value in gas assets and the size and quality of the resource. The process has been formally launched, the data rooms open, and we would expect formal bids by the end of the summer.

Basin-Opening Exploration remains central to our strategy at Kosmos. We plan to drill the Orca well offshore Mauritania in 3Q, which if successful would prove up another 10 million ton per annum LNG hub in Southern Mauritania. During the quarter, we entered Congo Brazzaville signing a PSC on the Marine XXI block, and we deepened our position in Equatorial Guinea by acquiring the remainder Ophir's interest in the EG-24 block.

Lastly, as I've said before, our approach to manage the balance sheet has not changed in the first quarter, we pushed our debt maturities and increased our borrowing costs -- and decreased our borrowing costs by refinancing the notes that were due in 2021 with a new lower coupon notes due 2026.

Moving on to Slide 5; the Gulf of Mexico is the most recent addition to the Kosmos portfolio. So I'd like to provide some more color on that business unit, where there has been significant amount of activity so far in 2019. We entered the basin in September, and our expectations at the time of the transaction have been exceeded. The Gulf of Mexico is one of the world's most prolific oil and gas basins; and despite it's maturity, new technology and new ideas continue to yield new discoveries and more resource under development. There is a lot of oil yet to be discovered in the basin and the high density of underutilized infrastructure makes GOMs economics attractive. This is the right basin to broaden Kosmos's deepwater portfolio, and now is the right time; the competitive landscape has never been better and service costs are attractive. With few companies focused on the basin and fewer possessing the capabilities to explore that, Kosmos is well positioned to become a leading independent in the Gulf of Mexico.

Turning to Slide 6; I'd like to focus on the recent Gulf of Mexico lease sale. The semi-annual lease sales are a low-cost option to organically generate prospects which will keep our exploration inventory full of opportunities for many years to come. Kosmos was an active participant in the last lease sale in March 2019 capturing a significant amount of resource at low cost. In Lease Sale 252, we were the parent high bidder on 9 of the 10 blocks we bid on, securing multiple prospects that support five potential new hubs. Combined, these prospects held an estimated 420 million barrels of oil equivalent gross or 290 million barrels of oil equivalent net of unrisked resource.

The chart on the bottom of the slide shows the significant increase in bidding activity since we acquired DGE, providing the team with the commitment and funding to bid on attractive pipeline of prospects.

Slide 7 shows the significant progress we've made in the last six months since we entered the Gulf of Mexico. Kosmos and DGE have very similar entrepreneurial cultures, so we were able to quickly and successfully integrated the team; adding a strong ILX capability that enhances our business. Shortly after we closed the transaction, we made a discovery at Nearly Headless Nick of subsequent and expanded our seismic dataset. We're already driving strong production growth through bringing new development wells online, we are also deepening our prospect hopper through developing partnerships and participating in the lease sales. The growth opportunity basin is significant and we plan to drill four to five wells per year targeting 65 million to 100 million barrels of oil equivalent of unrest net resource per year.

With the recent lease sale success, we have over five years of future drilling inventory, which will require approximately $60 million to $100 million of net exploration CapEx per year.

Slide 8 shows the depth of our Gulf of Mexico prospect inventory in more detail. We're targeting to build resource initially around three new hubs; the Resolution hub which I described at the Capital Markets Day, the resolution well is planned for 4Q this year. A Central Mississippi Canyon hub commencing with the oil field test, also planned in 4Q this year and supported by strong list of prospects in the immediate area. And finally, Vida, Zora hub underpinned by prospect assets in the last lease sale with the first test planned in 2020.

I'd now like to turn the call over to Tom to discuss the balance sheet, our shareholder base and guidance. Tom?

Thomas Chambers

Thanks, Andy. Good morning, everyone. Turning to Slide 9, Kosmos financial strength underpins our ability to execute the plans Andy just discussed, and this financial strength is in enduring asset of Kosmos. Being good stewards of our balance sheet means keeping healthy liquidity in reserve and properly managing our debt so that through significant commodity price fluctuation, our team can focus on executing our strategy.

In 2018, we successfully refinanced both our reserve base lending facility and our revolving credit facility, both of which were oversubscribed and resulted in lower margins and fees. In April of this year, we issued $650 million of high yield notes at par with a coupon of 7% and 8%. We utilized the proceeds to pay-off for 7% and 7.8% high yield notes that were due to mature in 2021 and paid down a portion of our revolving credit facility, decreasing our cost of capital and moving the bond maturity to 2026; this ensures we have no near-term debt maturities until 2022.

Slide 10 illustrates a substantial change in our shareholder base over the last two years, a shift that mirrors the rapid evolution of our business over the same period. During this changing of the guard, our shareholder base has transitioned from being heavily weighted towards private equity investors to a more diverse broader set of public equity investors with a significant increase in float. With that enhanced float, U.S. assets and U.S. domicile; we now believe Kosmos should soon be eligible for more meaningful index inclusion with the benefits that that will bring to our shareholder base.

Looking at Slide 11; as Andy said, our first quarter production averaged above the midpoint of our guidance range. As expected, we lifted two cargos in Ghana, 1.5 cargos in Equatorial Guinea, and Gulf of Mexico production averaged approximately 18,200 barrels of oil equivalent per day with the scheduled drydock of the Helix Producer impacting Tornado production, but still above guidance range. Likewise, our first quarter financial results were in line with our first quarter guidance.

CapEx during the first quarter was approximately $110 million. The first quarter was impacted by a large working capital adjustment; the result of timing differences between fourth quarter accruals and first quarter cash payments, including the cash payment of prior year tax in Equatorial Guinea. We still expect to generate approximately $200 million of free cash flow at $60 Brent before dividends, and at $70 Brent we would expect to generate approximately $350 million of free cash flow before dividends this year. As such, the free cash flow generation is heavily weighted towards the second half of 2019.

During the second quarter, there is a short planned shutdown at TEN and Delta House as well, and new wells coming online, and we expect production to ramp up from first quarter levels. In the second quarter, we expect to lift three cargoes in Ghana and one in Equatorial Guinea, while the Gulf of Mexico production is expected to average between 23,000 and 25,000 barrels of oil equivalent per day. With no further shutdowns planned, production during 2019 is expected to ramp continually each quarter and our full year 2019 production guidance remains unchanged at 69,000 to 73,000 barrels of oil equivalent per day. The cargo on Gulf of Mexico specific guidance is shown for the full year 2019 in the footnote at the bottom of the slide.

And operator, that currently concludes our prepared remarks, and we'd like to open up the call for questions.

Question-and-Answer Session

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Thank you. Our first question comes from the line of David Round with BMO Capital Markets. Please proceed with your question.

David Round

Hi, I've just got a couple of questions actually. If I could start with the obvious one that was a pretty relevant transaction announced last night with Dayton and Oxy [ph], just wondered what your thoughts were there in terms of read through that for Ghana? And the second one on Gulf of Mexico actually, you're obviously doing a lot of work with BP and as mentioned with Chevron in the statement as well, but are there other opportunities to partner with some of the active super majors in the region?

Andrew Inglis

Thanks, David. Yes, well, obviously we're digesting the news of the contingent offer from Total for Oxy's [ph] potential assets in Ghana, Mozambique and Algeria. I think, for me, if you take the headline number of 8.8, I think the world's probably got a view of Algeria being worth around $2 billion. So, $6.8 billion against the Ghana assets and the Mozambique assets and I think what it -- for me the obvious point is that, you know, the world is attaching real value to quality cash flowing assets in Ghana, and a large gas resource in Africa. We are -- clearly, in our portfolio have very similar assets and from a gas perspective, we have a project in Mozambique which has reached FID and is moving forward. So I think to me, it simply demonstrates the strategic value that the industry places on some key parts of the Kosmos portfolio.

In terms of the second question on the Gulf of Mexico, I think that you picked on an important point that part of our business model is our ability to work as an exploration partner with the majors. We're demonstrating now with BP, with Shell, and as you say with Chevron. And we bring, I think, real exploration expertise. So I think we see opportunity in the lease sales as we've demonstrated but we also see opportunity to work with the majors on their portfolios. And I think the fundamental point that underpins that is, the competitive landscape in the Gulf of Mexico is really good, there are very few players today. And I think we bring something new to the picture in the Gulf of Mexico, and we've demonstrated that in the last six months with the pace at which we've built the prospect inventory.

So, as I said in my prepared remarks, the transaction has really exceeded our expectations, we felt that going in. But the -- but our ability to move really and build the portfolio on all fronts has really exceeded our expectations.

David Round

Great, makes sense. Thanks, Andy.

Operator

Our next question comes from the line of Neil Mehta with Goldman Sachs. Please proceed with your question.

Emily Chang

Hi, it's Emily Chang on behalf of Neil here. First question I have for you guys is, when we think about the high cash flow potential at $70 Brent environment, and the potential cash flow injection from the Mauritania-Senegal sell down; can you guys talk a little bit about the capital allocation strategy, maybe potential for high dividend payments or any acceleration to capital spend that we could expect to see, whether that's exploratory or development spend?

AndrewInglis

Yes, thanks Emily. As we discussed at the Capital Markets Day, I think the first use of the cash flow will be to get the balance sheet into the target range of 1 to 1.5. Our prices were to sustain at the $70 per barrel range, so I said we get to the top end of that range, additional proceeds in Mauritania would allow us to get to the lower end of that range, potentially beyond it. I think the second source of cap -- the use for capital would then be; do we have high quality organic opportunities in the portfolio that could demand capital. And I think, the Gulf of Mexico has got some important wells to drill over the next one to two years, and I think if we were successful -- more successful, I see them we're planning -- we're planning a 50% success rate on those wells which is sort of slightly worse than we've done on average. But if we had success there -- these are high-quality rate-of-return projects, 40% to 50% rate-of-return; and I think that would be the obvious place for us to go back to shareholders and say that we wanted to increase our capital spend.

So I think those are the areas we're going to focus on initially, and we've got some work to do to get ourselves down to the bottom end of that debt range which gives us the flexibility then to appropriately respond to the external environment and respond to the opportunities that we generate organically.

Emily Chang

Great, that's helpful. And just a quick follow-up, just on Jubilee, can we -- can you guys discuss the gas handling capacity improvements that have been made during the past quarter and how we should expect to see production of that asset tracking throughout the yield?

AndrewInglis

Yes, sure. I think, again, as I said in my remarks is doing around -- it was around 100,000 barrels of oil per day. There are a couple more wells to be added that will come on sort of late in 2Q and then in 3Q; they'll help sort of sustain that oil rate. The real challenge is around the gas capacity. Now, the operator has done work in the first quarter to improve the reliability of the gas system; so we now have an additional high pressure compressor available. But at the moment, the gas handling is constrained at around 150 million standard cubic feet per day. I think if you go back to the operators, Capital Markets Day in December, the plan was 160 million cubic feet per day, and they had an objective, I think, to get -- to be better than that to get 170 million cubic feet per day. So, that's the work that we're doing now with the operators, it's hard to get from 150 million to 170 million cubic feet per day, and that will unlock additional oil capacity in the facility.

Emily Chang

Great. Thank you.

Operator

Our next question comes from the line of Bob Brackett with Bernstein Research. Please proceed with your question.

Bob Brackett

I had a question around the Mauritania-Senegal sell down. You mentioned 15 large credible companies. Can you refresh from Capital Markets Day the idea of; A) potentially finding a different type of partner than a technology partner like BP. And could you talk about, B), making that transaction tax efficient? Has any of that changed in terms of your thinking?

Andrew Inglis

No, Bob, it hasn't. I think when we are at the Capital Markets Day, we sort of talked about sort of four groups of potential buyers of the asset. I think there the -- there is a pool of interested companies that are NOCs, they see the ability in our particularly -- in an non-operated position with a very strong operator for them to participate in the future of the development of this gas resource. The second obvious pool is IOCs. And there are a number of IOCs involved. The third bucket is around gas buyers, aging gas buyers, we'd see access to get -- see access to the upstream resource and the trading potential around that asset. And then, the fourth bucket is sort of large, large independent. So we've got a real mix of our potential policies that have come through.

And as I said in my remarks, the data result -- data room is open, the process has kicked off, the management presentations have started, and we're genuinely encouraged by the depth of the industry response.

Bob Brackett

A follow-up on ILX and the notion of future hubs. To be clear, when you talk about future hubs, this would still be ILX, i.e. they would be near or tied back to existing producing assets; is that the right way to think about it?

Andrew Inglis

Yes, that is the right way to think about it Bob, yes. And, it's you know, there was a significant amount of unsold infrastructure and as I said, again in the capital markets I think I used the statistic that over 50% of the infrastructure is -- 70% infrastructure is less than 50% full. So is there significant opportunity there and clearly we're targeting opportunities that sit around those hubs and multiple opportunities tie-backs, so you create the competitive advantage.

Bob Brackett

Great, thank you.

Operator

Our next question comes from the line of Richard Tullis with Capital One Securities. Please proceed with your question.

Richard Tullis

Just a couple of quick questions. So we've recently heard about a couple of M&A transactions in the Gulf of Mexico. Do you see meaningful remaining deals available, say, over the next year or so?

Andrew Inglis

Yes. Look, I think there will be further consolidation, there will be further opportunities. But from our perspective, I think we've done what we intended to do, which was the DGE transaction was about a company, not a set of assets. We built a great capability with the addition of DGE, and we're very pleased at the rate at which we've actually deepened that prospect inventory. So, I think our bias today is around doing this organically, growing organically rather than inorganically, given the depth of our opportunity set. So, clearly we will continue to screen all the activity that's out there. But I think one of the messages we want to get across today is the Depth of Portfolio we've built quality and in portfolio, and the ability to significantly grow our Gulf of Mexico business from executing our strategy.

So I'm really pleased at what we've achieved in the first six months, and that obviously biases our view to future inorganic activity.

Richard Tullis

Thank you, that's helpful. And you have several Gulf of Mexico wells planned over the next couple of quarters, what are you seeing on the cost trend side compared to, say, second half of 2018?

Andrew Inglis

Jamie [ph] will lead change. We've got -- we're just actually taking the rigs on as we speak for the operated wells that we'll drill in 3Q and 4Q, but we're seeing some very competitive rates. So we're not seeing any increase in the supply costs.

Operator

[Operator Instructions] Our next question comes from the line of Charles Meade with Johnson Rice. Please proceed with your question.

Charles Meade

Good morning, Andy and Tom, and to the rest of the team there. Thank you. Andy, is -- on the Mauritania-Senegal sell down, is there a scenario you can reasonably you thin imagine whereby you go through this whole process and decide to actually completely sell out or exit the position? And if so, what would that have to look like price wise or whatever other relevant features?

Andrew Inglis

Yes. I think, Charles, it's more strategy than it is around the commercial basis. I think, we see an important role actually in continuing to be a partner in Mauritania-Senegal. We were there at the beginning as we're in unlocking the basin. And as you start to think about the whole process of moving a deal like this forward, it's an important message to both governments that we're here to stay and that we will continue to add value to the partnership through our relationships both with the operator BP and with both governments. So, I think we feel very comfortable around the 10% holding, temps and holding. Our objective is that it is a sort self-financing option, where we can grow a significant position, 10% of $30 million ton per annum potential it's no small thing for a company of Kosmos's size.

So, I remain very positive about Mauritania and Senegal. We have the big gas resource there. There is still further exploration drilling, I think, around the potential for a while. So we see this as something that we will add value to buy remaining part of the partnership and that is good for the country and it's good for the partnership. I think we will create more value for the partner coming in as a result.

Charles Meade

And then if I could ask a question about your new position offshore Republic of Congo. Can you give us a sense for what data currently exists or whether it's an old 3D or 2D and where you're going to what that first step in your process is going to be and perhaps what we should kind of timeline we should think about?

Andrew Inglis

So and we've entered the base and as you say with the one PSC on Marine 21. We will shoot new seismic, so that will be the first step of the process. There is a reasonable database in the -- from existing 2D but we will shoot a new 3D. And the play is very much in the sort of genre of what Kosmos is done. We have a new concept and which we're excited about, and we see potential for an area that has been under explored by the industry. So it is the typical way we go, which is to go in at a low-entry costs with the seismic option. And will -- it's of [indiscernible]. The link is then do an important build out in Guinea opportunities outboard of the ILX range of cyber in a queue may the link is then to say it's may the baby code of now Congo be. So this is a disease portfolio that can support two quality wells per year and Congo will be part of that.

Charles Meade

Thanks for the detail.

Andrew Inglis

Great. Thanks, John.

Operator

Our next question comes from the line of Pavel Molchanov with Raymond James. Please proceed with your question.

Pavel Molchanov

Thanks for taking the question. Can I just ask at a high level, you guys are operating today in three countries, producing in three countries, you're drilling in another one; you have two more, Sao Tome and Suriname for 2020, and then Congo and then maybe up beyond that; so I think that's eight countries or so total. Is that enough? In other words like, is that -- are you kind of at a level where you've diversified the geographic footprint about as much as a company of your size would realistically want to handle?

Andrew Inglis

Good question, Pavel. I think, you know -- as you look at the production base today and it was a slide that we had at the Capital Markets Day, we've grown the production from this 2016 at just over 20,000 barrels a day up to a target this year of 69,000 to 73,000; so significant growth, but actually we diversified it from simply one country, Ghana to the Gulf of Mexico, Equatorial Guinea and Ghana. So from a production perspective, I think we've built the necessary diversification and now we've got multiple fields as well. And if you look at the diversification from the Gulf of Mexico, the portfolio there, Equatorial Guinea, the same; so we've gone from literally two fields in Ghana to having that right distribution. And that enables us you know despite the challenges in Ghana to keep our production guidance for the year actually. So, I feel good about that.

We've got a world class development in Mauritania and Senegal, which as we discussed, is going to be a near-term source of value-add through the sell-down process but it's a long-term growth opportunity and that has scale and it has focus. So it is -- you can't do many of these big projects and having a company like BP lead is a way for us to sort of remain focused in what we do. And then, you've rightly talked about the depth of the Basin-Opening Exploration where we have multiple opportunities. I think we've got the right depth of that portfolio now. And the bit that I'm most excited about, which is the ILX portfolio, has got real depths now. We're talking about a prospect inventory of five years drilling four to five wells per year, targeting 65 million to 100 million barrels of resource, which is -- the 2P currently in Gulf of Mexico is 82 million, I think

So, it gives you a sense of -- I think, we've got real diversification now but it's thematic. We're clear about where the production growth is going to come from, we're clear about where the long-term growth is going to come -- from gas, and we're clear about how we can deliver a continuing near-term production growth from the ILX while retaining the asymmetric upside from the base and opening opportunities. So, yes, hope we've got the balance, right? I believe we're pretty well-balanced today, and the important point is now to deliver. That's a great portfolio, we just need to programmatically deliver the cash, and that means managing the capital.

Pavel Molchanov

And in that context, and now that you're in eight countries and I suppose in the past you've even had a footprint in others; of all the places you're in at the moment, which from a fiscal term perspective, is the most advantaged?

Andrew Inglis

It depends on the price, it depends on nature of the capital going in. Look, I'm not going to pick a favorite child because they're all equivalent. But actually, there is an important point, Pavel, is that we -- part of our screening criteria is that we go into sort of frontier areas where we know we can pick up large acreage positions because we're going in at early entry, we can get good fiscal terms, and they all compete. We regard them all as top quartile when we look across the deepwater portfolio.

Pavel Molchanov

Fair enough. Appreciate it.

Andrew Inglis

Great. Thanks, Pavel.

Operator

Our next question comes from the line of Al Stanton with RBC. Please proceed with your question.

Al Stanton

Good afternoon. It's just a very quick question, actually. You're talking about a balanced portfolio and also you seem to be talking down the potential for further deals in the Gulf of Mexico. On Slide 8, you used the title target working interest; so I was wondering what sort of portfolio rationalization or additions that type will suggest for your key hubs?

Andrew Inglis

I think, look -- this is very different, Al. What I talked about was around the corporate deals of Gulf of Mexico. So, clearly with any exploration prospect, it depends. As you know, on the Gulf of Mexico, a prospect can be split over several licenses; so you don't always get 100% of it. So, some of the prospects will have natural partnerships that come from it. Others, we may want to bring in a partner because it may give us access to a piece of infrastructure. So, as you're well aware, pre-drill, there is always optimization of the working interest which will be around the acreage position and the way that the core prospect hits several blocks, the ability to get access to a piece of infrastructure or there may be a swap where we want to get into a prospect and this is a way of creating a win-win.

So that's the intent of the titling there is to say that we're targeting material positions, but we will obviously -- the working interest in any one prospect will vary just because of the way that commerce is done in the Gulf of Mexico.

Operator

Thank you. We have no further questions at this time. I would now like to turn the floor back over to management for closing comments.

Andrew Inglis

Thanks everyone for joining us today, and we'll have the IR team will be in their offices if you need any further clarifications. Appreciate it.