Operator

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

I will now turn the conference over to your host, Jamie Buckland. Thank you. You may begin.

Jamie Buckland

Thank you, operator, and thank you all for joining us today. This morning, we issued our second quarter earnings release on a slide presentation today – to accompany today's call. Both materials are available on the Investors Page of the kosmosenergy.com website. We anticipate filing our 10-Q for the quarter, with the SEC later today.

Joining me on the call today to go through the materials 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 financial measures in our discussion and 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'll turn the call over to Andy.

Andy Inglis

Thanks, Jamie and good morning, everyone. I'd like to start the call by reinforcing the key characteristics that define Kosmos's unique investment proposition. They are consistent with the themes we outlined at our Capital Markets Day in February.

First, Kosmos's business model is highly cash generative. In the second quarter, we delivered approximately $136 million of free cash flow and are on track to deliver over $200 million in 2019 at current prices. Our third year in a row of positive free cash flow. For contacts in 2019, this represents a free cash flow yield of around 10%, which is very competitive compared to other E&P companies and indeed other sectors.

Second our infrastructure led exploration or ILX program is working. The Gladden Deep well brought the first success in the second quarter. And through the rest of the year, we expect to drill four ILX wells in the GOM and EG targeting a total net resource around 125 million barrels oil equivalent.

Third, we continue to add value to our Mauritania Senegal asset base. Our recent appraisal drilling further expanded the resource at Tortue and we continue to make good progress with the sell-down of our position to around 10%. The scale and quality of the assets has led to significant industry interest and the process remains on track.

Fourth, creating transformational value through basin opening exploration remains a key part of our business. We have a deep diverse portfolio of oil and gas opportunities, which we will continue to mature high-grade and test. Later this year, we'll drill the Orca well in Mauritania, and expect to drill two basin-opening tests per year from 2020 onwards.

And finally, our conservative approach to managing the balance sheet has not changed. In April, we opportunistically refinanced our bonds that were due in 2021, pushing out the maturity until 2026. Balance sheet strength continues to be a strategic asset of Kosmos.

Turning to slide 3, I'd now like to discuss the second quarter. Kosmos had record production during the quarter, with our entitlement share averaging approximately 71,000 barrels of oil equivalent per day.

In Ghana, second quarter gross production averaged 97,000 barrels of oil per day at Jubilee and 59,000 at TEN resulting in the plant two cargos from Jubilee and one from TEN.

At Jubilee, the partnership is planning to accelerate the gas enhancement projects into the fourth quarter of this year. Implementation of these enhancements should increase gas handling capacity to above 180 million standard cubic feet per day, thereby allowing oil production to increase in the fourth quarter and into 2020.

At TEN, as the operator previously reported completion problems were experienced at the EN-14 well, due to mechanical issues resulting in the well not being completed. In addition, there is the potential for two other TEN wells to be deferred. These mechanical issues and the potential deferral of TEN drilling has reduced our full-year expectations for the field and we now expect to lift four cargoes from TEN, down from the previous expectation of five. As a result, we now expect production for 2019 at the corporate level to be the low end of our guidance range.

In the Gulf of Mexico, our assets continue to exceed expectations, beating the high-end of our guidance range for the second quarter in a row. The 26,400 barrels of oil equivalent per day net average daily production in the second quarter was a record for the GOM business unit, demonstrating the growth in the business since acquiring the EG last year.

The quarter-on-quarter increase was primarily driven by increased production at Odd Job where we were able to take advantage of spare capacity aboard Delta House and the Tornado field coming back online after its planned drydock in 1Q. Performance in Equatorial Guinea during the quarter was in line with expectations. Our Electrical Submersible Pump or ESP program is ongoing with two further ESP installations this quarter.

In addition, the stimulation program Okume has recently begun and the facilities upgrade program is currently under way to enhance the Okume facilities in support of the 2020 and 2021 ESP program. These are low cost rapid payback projects and the 2019 ESP program has delivered cash payback in excess of 120% of invested capital in just seven months.

This strong production performance translated into approximately $136 million of free cash flow during the quarter. We remain on track to exceed our $200 million free cash flow forecast at current prices for the full year. And finally, we paid $0.045 dividend during the quarter and announced our third quarter dividend today payable in late September. At $0.18 for the year, this equates to a yield of around 3% at today's share price.

Turning to slide 4. As I mentioned in my opening remarks, our ILX program is off to a great start. And we expect first oil from Gladden Deep around six months from discovery. Our inventory of high-quality prospects in the GOM was broadened through our participation in the March lease sale. During the same quarter, Kosmos was awarded all nine leases where we were apparent high bidder. With these new awards, we now are approximately 80 blocks in total with over 30 prospects equivalent more than five years of future drilling activity.

In the second half, we have an active ILX drilling program in the GOM and plan to drill three of these prospects, which I'll talk about in a minute. In Equatorial Guinea, we're planning to drill our first well target in the G-13 prospect. We have now contracted the rig to drill this well which is expected to spud late in the third quarter.

In Mauritania and Senegal, phase one of the Greater Tortue Ahmeyim project remains on track following FID in December. Pre-FEED work on phases two and three is ongoing and recent drilling results have further expanded our significant resource base at Greater Tortue Ahmeyim. The sell-down process we announced in February is progressing well. As world class resource base has garnered significant industry interest we expect to announce a transaction by year end.

Turning to slide 5. This slide shows our infrastructure-led exploration program in action. Gladden Deep may be the smallest of our 2019 prospects, but it's still meaningful and demonstrates the speed to first production and cash flow contribution of our growing ILX portfolio. We expect to deliver incremental net production to Kosmos of approximately 1,100 barrels oil equivalent per day around six months from discovery. The economics of the well are very attractive.

At $60 Brent, and with a $10.50 per barrel F&D cost and $7.30 per barrel lifting cost, the well has a full cycle -- full cycle IRR of around 70% with payback expected in around 14 months from first oil. Opportunity like Gladden Deep are precisely why we enter the Gulf of Mexico and we look forward to more success as we ramp up activity in the second half.

Slide 6 shows this activity in more detail. We plan to spud Moneypenny and Resolution in October followed by Oldfield in November. In total these three wells will tax approximately 100 million barrels of net oil resource, greater than our current 80 million barrel oil equivalent 2P reserve base in the GOM. So success at any of these wells would be meaningful.

Interestingly in -- on oilfield specifically, we're in the process of finalizing cross assignment of our interest with Hess on the adjacent block with Kosmos taking a 40% interest in the two blocks and Hess 60%.

As a result of new seismic data that Hess has processed in the area, we now believe that there could be significant upside to the 30 million barrel oil equivalent, we initially talked about.

Oilfield is another example of Kosmos's strong license to operate within the Gulf of Mexico, often with much larger players like Hess and BP. With Oldfield, we plan to operate the prospect on behalf of Hess during exploration and the initial development phase.

One important point to note, each of these three prospects is located in their existing infrastructure which has available capacity. If successful the discoveries can be brought online quickly. The wells have an average F&D cost of around $12 per barrel and an average lifting cost of around $6 per barrel. And with oil prices of only $60 per barrel Brent generate average full cycle IRRs of around 50%.

There is a lot of oil yet to be found in the deepwater GOM, an abundance of underutilized infrastructure. As I've said in previous presentations, I don't believe there's ever been a better time to be active in the GOM.

We plan to take advantage of this attractive backdrop and a growing opportunity set by drilling 4 to 5 ILX wells a year, targeting 65 million to 100 million barrels oil equivalent of unrisked net resource each year.

Turning Slide 7 I'd like to discuss another ILX opportunity this time in the G-13 area in Equatorial Guinea. This is a unique opportunity around a legacy discovery. The G-13 field includes four previously drilled wells three of which were successful. The wells drilled today have improved up around 25 million barrels of oil equivalent with a 500 meter oil column.

Today, we have a calibrated well database and in 2018 we acquired a new seismic survey. The previous wells were drilled up in 1999 vintage seismic survey. A new survey has given us a much clearer image of the depositional system that delivered reservoir sand into the prospect area. This better resolution has enhanced our understanding of the trap model.

The new information is being key in identifying that the previous wells were drilled on what we now believe to be the edge of the main reservoir channel, providing considerable upside to the discovery.

This together with the stratigraphic element increases the resource potential to around 200 million barrels gross for the field. The first well will test around 50 million barrels gross and expected to spud in the third quarter.

Slide 8 shows the significant progress we continue to make in Mauritania and Senegal. With our partners, we're building a major LNG business across the basin with 50 Tcf to 100 Tcf of gas initially in place, we believe we have enough gas to underpin three separate 10 million ton per annum LNG hubs.

The innovative development scheme, we're using at Greater Tortue Ahmeyim can be replicated to the other two hubs: BirAllah and the Yakaar-Teranga using a design once build many approach.

Our exploration and appraisal activities this year are therefore focused on first expanding our resource base at Greater Tortue Ahmeyim which we've done with a successful GTA-1 appraisal well. Second, defining the development area, securing a second LNG at Yakaar in Senegal where an appraisal well is planned, but next month after the rig completing BOP and rise and maintenance.

And third underpinning the next LNG hub in Mauritania, BirAllah we -- which we hope to do with the Orca well, which we expect to spud in October. And as I said in my opening remarks, the sell-down process we announced in February is progressing well and we expected to announce a transaction by year end.

Turning to slide nine, I'd like to highlight the 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. In June, Blackstone sold their remaining position in Kosmos. Blackstone was one of two founding shareholders and post their exit and that of Warburg Pincus earlier this year, we now have almost a 100% free flows and any private equity shareholding overhang is all but gone. Today we have a more diverse broader set of public equity investors.

With that enhanced float, U.S. assets and the U.S. domicile, we believe Kosmos should soon be eligible for more meaningful index inclusion with the benefits that will bring to our shareholder base. We've included the guidance for the third quarter and full year in an appendix to the presentation and we encourage you to look at that when modeling the business for the rest of the year.

So turning to the final slide. In summary, 2Q was a record quarter for Kosmos, with production and EBITDAX both over 50% higher compared to the same quarter last year. This significant growth over the last 12 months has been done with only a modest increase in leverage, perhaps most importantly for our shareholders with minimal dilution.

With the company's strong cash generation, we expect leverage to move toward our target range of 1 times to 1.5 times. And we look forward to a very second -- a very busy second half that is full of exciting catalysts, many of which could be transformational for the company.

Thank you. And I now like to turn the call over to the operator to open the session for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question is from David Round with BMO Capital Markets. Please proceed with your question.

David Round

Good morning, Andy. Just a couple from me. The first one on Ghana. Are you able to add any further detail on drilling plans there? I mean particularly at TEN following the 14 well. And how do you currently see the schedule for the rest of the year and into 2020? And the second question, in the Gulf of Mexico. Obviously, quite a strong quarter and you've now added Gladden Deep, which looks like it's going to contribute this year. So how do we think about production in the second half? And what's your confidence around the full year guidance there?

Andy Inglis

Okay. Yes. Thanks, David. I think on Ghana, it'd be good to give you a sort of a full view of what we think the second half could look like. We're obviously disappointed that we couldn't complete the EN-14 well. And we support the operators' decision to take a time out that previously had been problems on the prior well EN-10, where that completion was delayed by a month.

So I think taking a time out on TEN is actually the right thing to do. And we need to come back with a plan for EN-14 with the right remediation. I think we also need to come back with an appropriate design for drilling and completing that we're confident can be delivered on time on budget. I think it's important to emphasize on TEN this is an operational issue nothing to do with the reservoir. The reserves are there, we just need to make sure we can get at them in a cost-effective way.

What actually means, I think, from our perspective is that the rig will work on Jubilee for the rest of the year. We're about I think to start-up a producer on Jubilee J-23. I think there's some maintenance -- planned maintenance on the rig. And then, I think, there's a series of recompletions that would take you through to the end of the year.

So the combination of that additional well capacity at Jubilee, together with the increase in the gas throughput on Jubilee to above 118 million standard cubic feet, should give us a sort of strong production on Jubilee and a good exit rate for Jubilee for the year end and into 2020.

And clearly from a Kosmos perspective, that's important. We have a larger share in Jubilee than we do in TEN, so it's important that we maintain a strong production base in Jubilee. So, I think that's sort of the Ghana story.

In GOM, yeah, we're very pleased, the business has outperformed our expectations -- outperformed our expectations obviously when we made the acquisition, it was a record quarter in production. And then through the year end, we've got two more wells starting up, Gladden Deep and Nearly Headless Nick, which means that we should exit the Gulf with a strong exit rate in 4Q.

So, I think the Gulf -- it's been a strong performance and has obviously contributed to mitigating some of the impact of TEN. And I'm genuinely feel pleased about the business we're building there from all dimensions. It's great team. We've managed to seize on I think in opportunity to get into some great prospects through the licensing round and through deals that we've done with some of the larger companies brought up the Kosmos brand to build.

And as I said in my remarks, we've got a five-year drilling inventory built out which is pretty neat given the acquisition is less than a year through. So, it's been a strong start from all dimensions in the Gulf.

David Round

Great, that's really helpful. Thanks Andy.

Andy Inglis

Great thanks.

Operator

Our next question is from James Carmichael with Macquarie Group. Please proceed with your question.

James Carmichael

Hi good morning Andy. Just one quickly on the Gulf of Mexico. Just interested in what scale of resource you think you need to discover at Resolution to ensure that is stand at any production help rather than sort of simply tying it back to the Gunnison spar.

And then also just in the event of that that Resolution well it doesn't work, would you still consider the Gatlinburg and Sioux Falls, et cetera as drill bore targets further in the future? Thanks.

Andy Inglis

Good questions James. I think it's important to look at the standalone versus a newbuild. So, a standalone newbuild versus Gunnison I think is something that could be pursued almost irrespective of the scale.

The Gunnison spar would be an opportunity for us to use existing infrastructure. I believe it would have the capacity even with sort of full success at a resolution and the surrounding prospects came in.

So, I don't think it's a scale thing. I think it's ultimately around what is the most economic decision -- full life economic decision in terms of utilizing Gunnison potentially debottlenecking it or is it about bringing in a newbuild? So, I think -- and the good news is we've got optionality there. We could go either route. And I think both are valid today.

And Resolution we have at around 150 million barrels. And then the surrounding prospectivity we could have up to sort of 0.5 billion barrels gross. So, this is a significant opportunity for us. And if Resolution were not a success, I think it's about individual prospects. It will not be about the area itself.

Obviously, the Gulf of Mexico will probably be around trap and therefore Sioux Falls et cetera, are the ongoing prospects, obviously, is still valid. So, we like the area. We like the scale and we like the ability with success to be able to tie -- to move forward with development quickly. And that to me is the thing that distinguishes the economics in the Gulf of Mexico. It's the time to production ultimately which is driving the high IRRs. And we would want to retain that optionality with success on Resolution.

James Carmichael

Very helpful. Thanks a lot.

Andy Inglis

Great. Thanks James.

Operator

Our next question is from Richard Tullis with Capital One. Please proceed.

Richard Tullis

Hey thanks. Good morning Andy. Congrats on a nice quarter. Looking at the of the LNG Tortue sell-down process. Are bids still expected late summer at this point?

Andy Inglis

Yes, Richard, it's been actually -- it's been a busy couple of months, I'd say on Mauritania and Senegal on the sell-down process. We announced that obviously in May set of the dayroom and the level of interest in the industry has been significant, which is a plus and a minus. It means, a lots of people going through the data room, lots of management presentations to work and that's the process that we've been working on.

So we've had interests from IOCs, NOCs trading houses. It's been interesting to me to see the diversity of the strategic interest in the assets. And I think that to me is the real driver. The importance of gas, actually gas as a transition fuel, people's portfolio is not being balanced. How did they get access to it? And those have been the conversations that we've been in.

So we're working our way through that process. We're on track to get it all done. And therefore, we sort of remain on track to have -- we hope a transaction that we can announce by the end of the year. A lot of work being done and a lot of work to be done. But the level of interest that we've had in the process has really been strong. And therefore, we're hopeful that the -- by year end, we will have a transaction that we can announce.

Richard Tullis

That's helpful. And when you look at a potential transaction, what sort of structure could it take? Would you be looking for mostly cash in a deal, or what would the parameters look like?

Andy Inglis

Yes, look I think it's early days to talk about that. And I think you sort of -- I think hopefully you'll respect my position we should say. Look this is a competitive process. Different people will have different views and then therefore, we'll put different value on different aspects of it. So I think it's too early to say exactly how we're going to structure the deal. But I think that you are right to push the fact that we believe with the discovered resource that there is in place a project that is moving forward Phase 1, Phase 2 and 3 in Tortue, a strong cash element is an important part of the bid. And I think that's clear. That's an important part of the transaction for us.

Equally while there are some pieces that are not fully described today. I think there is significant upside to the resource base in Mauritania for instance. So how do we encapture -- capture that? And there are mechanisms in which we can do that. So I think you're right to look at it as being a combination, but I think the things move when we FID it in December. Yes, we have a real project moving forward real value, real cash flows underpinned by resource with an appraisal well on Greater Tortue Ahmeyim that underpin that resource. So I think the cash element of that is an important part of the transaction.

Richard Tullis

That's also helpful. I do appreciate the sensitivity there. And just lastly, how much of downtime you have factored into the Gulf of Mexico third quarter guidance range?

Andy Inglis

We have sufficient. We -- just to give you an indication the -- let's say as a Barry, the impact of Barry on a full year basis was 400 barrels of oil per day. Yes. And so we have built in that plus an incident and plus another event of a similar size. So I think we're well covered in terms of the impact from hurricanes.

Richard Tullis

All right, Andy. Well that's all for me. Thanks so much.

Andy Inglis

Great. Thanks.

Operator

Our next question is from Neil Mehta with Goldman Sachs. Please proceed.

Neil Mehta

Hey, thank you very much. I guess the first question is you're getting to a period even at a lower oil price environment where we see a substantial amount of free cash flow generation of the model. And maybe spend some time talking about allocation of that free cash flow and how much you want to return to shareholders versus reinvest in the business?

Andy Inglis

Yes. Thanks, Neil. And I think we're being clear on this. I think at the Capital Markets Day and -- I think we're clear on following through on that plan. I think the first half is good for you to recognize the strong free cash flow from the company, which I think is distinctive. And it's something that we're absolutely focused on. That's what Tom and I are primarily focused on is ensuring that we deliver on that. And it's good to see 2Q comes through strongly.

We're paying a dividend. We've announced the $0.18 per year. And we've announced that it would grow in line with the growth in the business. So I think we've been clear about the return of the cash to shareholders through the dividend. And I think the next track then for the cash delivery will be to bring the leverage down into our target range. We're setting as we showed on the view graph around on a backward looking basis around too. Our objective at year end is to get to the one times to 1.5 – sorry – by year end to get to 1.7 times to 1.8 times on a journey to get to one times to 1.5 times.

So I think -- and the balance sheet strength has been a distinctive part of Kosmos' strategy. It's allowed us to be opportunistic when opportunities have made themselves available. And I think looking forward Neil, I think there will be opportunities from the organic success that we have. We've talked about the drill out in the Gulf of Mexico.

Success across all three of those prospects is significant in terms of the opportunities that will present the business. And clearly we have been opportunistic around inorganic opportunities. But I think to us the first thing is confidently underpin the dividend and confidently bring the debt down into the target range of one to 1.5. And on current prices excluding the any proceeds of Mauritania/Senegal where we're going to be at 1.7 to 1.8 by year end.

Neil Mehta

I appreciate that. And the follow-up question is, is this BBC Panorama story on Senegal, I think you guys have been very public as well as BP in your response to it. But can you frame out that risk for investors who are on the call? Because it is something that does come up, and by virtue of you showing conviction around the Tortue asset sale I would imagine that that you feel like that's still on course and won't be disrupted from these headlines. But I want to give you a forum to respond.

Andy Inglis

So let me -- I appreciate you asking the question. I think we were right clear in our response to the program. We feel it is a inaccurate and misleading portrayal of our business in Senegal.

BP has been equally clear and so has the Government of Senegal. As far as the Government of Senegal is concerned they're very focused on the governance of the sector, which Kosmos fully supports. They recently been very clear through their COS-Petrogaz the entity, which governs the sector that there is absolutely no intention to question the licenses that have been issued to Kosmos or BP. And in fact the government is very much focused on ensuring that the project moves forward.

And that is the most important thing that we talk to with potential buyers as they come into the data room is the project is absolutely proceeding as planned. The progress made on Phase 1 in terms of the contracts being led steel being cut and that propagation occurring and the pre-FEED work that's occurring on Phases 2 and 3. So nothing has changed.

Neil Mehta

Appreciate Inglis.

Operator

Our next question is from Bob Brackett with AllianceBernstein. Please proceed.

Bob Brackett

Question around Equatorial Guinea and specifically slide 7. I guess, I'll start fairly specifically that fall block that you're targeting for S5. Is the 50 million barrel target all within that fairway in that fall block?

Andy Inglis

Yes.

Bob Brackett

And then going broader I'll see what I'll get away with. I see a number of both penetrated and unpenetrated fall blocks and I see two fairways. One question would be, what color on that chart represents lowest known oil? And how prospective do you think those two fairways are? So if S-5 is successful, what's the sort of scale of the follow on opportunity?

Andy Inglis

Yeah. I think, yeah, good questions Bob. I think that the -- I think if S-5 is successful where we would go next is sort of is up-dip. We haven't got across section for years. If you went up that which is going to the east on that map, the resource upside would come in from that up-dip stratigraphic trap. And that's where the new seismic data has actually allowed us to see additional resource.

Bob Brackett

And that unpenetrated fall block east of the G-13-2, is that prospective?

Andy Inglis

Yes. It is.

Bob Brackett

Okay. Great. Thanks for the color

Andy Inglis

Yeah. So look. I don't want to go. A good call good questions, right? So I think we're targeting the first well in what we believe is the lowest risk compartment, which is where the S-5 well has been targeted. And then I think the success there allows us to have a tie back, which is economic. And then from there with that in place we can then test the up-dip resource, which would add significant additional volume.

And I think the other thing is to sort of recognize. As I said in my remarks that the original wells were drilled off seismic that was 20 years old. Actually 20 years old, yeah. And so the step changing quality is huge.

So we have the ability to image it a little better. And clearly, one of the reasons why this wasn't pursued in those days by Hess and actually our team actually was in the Triton days, we're involved in that handover with Hess was because the facilities were full at cyber and Okume and there wasn't a space.

So I think this is going to be interesting. And I think there were -- there are other opportunities of a similar well that we're starting to define now on the back of the enhanced data set.

Bob Brackett

And sorry to pester with one final one. What do you think the economic cutoff is for a viable tie back in terms of reserves?

Andy Inglis

It's around -- it's around that 50 million barrel mark. Yeah, it's around the 50 million barrel mark. Yeah, it's more than enough. So it is a good question Bob. We haven't been able to bid at century, but in terms of where we are of all the pre-FEED work that we've done, we would say it's around that 50 million barrel mark, yeah.

Bob Brackett

Great. Thanks, again.

Andy Inglis

Great. Thanks.

Operator

Our next question is from Al Stanton with RBC Capital Markets. Please proceed with your question. Al Stanton with RBC Capital Markets. Please proceed with your question.

Al Stanton

Yes. Good afternoon guys. Just a very quick question on the Gulf of Mexico. You mentioned a number of times I think that you've got a -- an inventory of drilling targets for the next five years or six years. So does that mean your plate is full with respect to exploration? And any new additions we should anticipate in the Gulf of Mexico very much focused on adding reserves production and cash flow inorganically?

Andy Inglis

Great question, Al. I think we're in an enviable position. I think, we've built a really strong portfolio of opportunities. We've access really low cost. And I couldn't be more pleased that the way in which we took advantage. I think of real low lay in the Gulf of Mexico to do that. It's interesting to see almost -- post the acquisition sort of more interest now in the deepwater. I think we can't be timed it really well.

And I actually think there will be inorganic opportunities that will come up. I think the majors, I think constantly reevaluating the portfolios. So I think the simple answer is to say anything that we add has to compete with the inorganic returns. And I think we've demonstrated, I think that those in organic returns are pretty good.

So we have choices and it's great to have choices. And I believe we're not driven to do anything from an inorganic perspective. We will obviously look at things. And if we believe that any new additions can match the high-quality that we have internally then obviously, we would look at it. And I think it's great to have built that foundation now. So I think it's going to be interesting times in the Gulf of Mexico. But I think discipline, discipline, discipline is huge important. And we – and I think we've demonstrated that discipline through our initial ownership and growth in the Gulf.

Al Stanton

Okay. Thank you.

Andy Inglis

Good. All right, thanks.

Operator

Our next question is from Pavel Molchanov with Raymond James. Please proceed.

Pavel Molchanov

Thanks for taking the question. It so happens that this year your drilling schedule just for the company as a whole is very backend weighted with – I think four prospects between September and November, or something like that. Are you going to be sustaining that pace of exploration activity into 2020, or is it just kind of a coincidence that Q4 of 2019 has such a large number of exploration prospects?

Andy Inglis

Yeah, good question, Pavel. Yeah. It's a little bit of it – it's just the – obviously, if you think of it three of the five are Gulf of Mexico. Yeah. And actually there are three operated well from the Gulf of Mexico. So it's really post the acquisition of DGE, building the portfolio, high-grading it, making sure we're drilling the right things, getting access to the Resolution hub with BP, access actually and sort of equity – progressing the equity conversations with Hess on Oilfield. Moneypenny was sort of always in the program where it was. But actually, the two operated wells required us to sort of get those deals done then get the rigs. And the other point to mention is, we use rigs of opportunities. So that – we can get very good rig rates and so we're not locked into a program actually that's happening to drive the rig.

So I think this is a feature of the spool up post the acquisition of DGE. Now, once we would clearly as I described got four or five very strong prospects outlined for 2020 in the Gulf of Mexico. So what you will see is a more rateable program. And then the – what follow on in EG will depend on success in EG-13 or S5. And then we will time that the basin opening wells as the data matures. So I think you'll see a more – so the answer is you're going to see a more rateable drilling program through 2020 and 2021 built-off the back of a more rateable program in the Gulf of Mexico.

Pavel Molchanov

Okay. That's helpful. Back to the cash flow allocation question, if we just look at your Q2 numbers and annualize with Brent in the $60's your stock's trading at around three times cash flow from operations obviously pretty low multiple by anybody's standards. I'm curious, what your thoughts are on share buyback as an opportunity to perhaps balance that out with deleveraging?

Andy Inglis

Yeah. We've – we have used share buybacks in the past. We obviously use stock to proportion of the acquisition of DGE, and we brought – bought that back at Tom, what a 40% discount actually to address the dilution in that deal. And as we talked about, we've grown the company by over 50% EBITDAX production quarter 2019 versus 2018 2Q, 2Q with minimal dilution. So we've used it opportunistically in that way. Yes, it remains an option, and I'm not going to rule it out Pavel. It remains an option. I think we've been clear dividend, get the debt in the right place and then it remains an option I think after that. So we don't rule it out. We've clearly used it in the past. And I think depending on the share price performance it remains an option. Tom, would you like to add anything?

Tom Chambers

No. I think that kind of summarizes Andy from where we stand.

Andy Inglis

Yes. And we're clear the balance sheet strength for us is something that has been good for Kosmos since we went public. And it's helped us I think distinguish ourselves in the sector and that's our dividend balance sheet strength. And then -- and I think and then share buybacks would be an option.

Pavel Molchanov

Great. I appreciate it.

Andy Inglis

Thanks.

Operator

Our next question is from James Hosie with Barclays. Please proceed.

James Hosie

Hi there. Good morning. Good afternoon depending where you are. I guess firstly, on the Senegal/Mauritania divestment, I'm just wondering the extent to which you feel the drilling activity you're planning there for H2 given these impact of sales process?

Andy Inglis

Yes, good question James. I think we've been careful on our remarks that we anticipate having the Orca result before we would announce a transaction. So, that's sort of what we believe would be the outcome. Clearly, if things were to accelerate, there are mechanisms in which you can -- commercial mechanisms in which you can cope with that. So, it doesn't become a rate determining step. It's simply one that we can accommodate.

James Hosie

Okay. So it's possible that you could see the timing of the announcement slip into next year just on the timing of activity?

Andy Inglis

No. Orca -- we'll know the Orca result this year.

James Hosie

Okay. And the second question I had on Jubilee and the gas throughput enhancement plans, can you may be give us some color on the scale of the uplift of production capacity at Jubilee you expect to achieve from that?

Andy Inglis

Yes. So if you -- I don't want to get too much into the engineering, but a few. Today, the gas handling is on Jubilee is constrained to around 160 million to 165 million. It's sort of in those -- we would hope to through the debottlenecking get to 180 million to 185 million. So and then actually, the uplift you get on the oil side will depend on the sort of the margin or GOR of a well. But it's sort of 10,000 barrels a day of oil production if you saw that increase.

James Hosie

Okay. Thanks very much for that.

Andy Inglis

From existing wells. It's not new wells being brought on from existing wells. So, it's material. And the most important part is it sort of helps you going forward. It's a constant break that you get rather than it'd be one that sort of on decline.

James Hosie

Right. Very clear. Thank you.

Andy Inglis

Great. Thanks.

Operator

We have reached the end of our question-and-answer session. I would like to turn the conference back over to management for closing remarks.

Jamie Buckland

Great. Thanks operator. We appreciate you all joining us on the call today. And thanks for your interest in Kosmos. If you've got any further questions, please don't get in contact -- hesitate to get in contact with me and thanks very much.