Operator

Good day everyone, and welcome to Kosmos Energy's Fourth Quarter and Full Year 2015 Conference Call. Just a reminder, today's call is being recorded.

At this time, let me turn the call over to Neal Shah, Vice President of Finance and Treasurer at Kosmos Energy.

Neal Shah

Thank you operator, and thanks to all of you for joining us today. This morning we issued our fourth quarter earnings release which is available on the Investors page of the kosmosenergy.com Web site. We anticipate filing our 10-K with the SEC later today, which will also be available on our Web site.

Joining me on the call today are Andy Inglis, Chairman and Chief Executive Officer; and Tom Chambers, Chief Financial Officer. Following our prepared comments, we will have a question-and-answer session. Consistent with prior calls, I request that you ask only one primary question and one follow-up question. This will help ensure we get to everyone on the call. If there are questions that we aren't able to get to within our one-hour timeframe, please contact me later today.

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. 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, Neal, and good morning everyone. 2015 was a successful year for Kosmos. Our basin-opening well at Tortue set the tone for the year and marked the beginning of a successful series of exploration and appraisal well.

We also made significant progress in Ghana, where Jubilee continues to deliver, and the TEN development remains on budget and on schedule to produce first oil in the third quarter. As we look forward to the rest of 2016, we are well positioned both operationally and financially to create value for our shareholders.

As I go through my remarks today, there are four points I want to emphasize. First, Kosmos has the financial strength to invest through the cycle focusing on activities that will create long-term value. We remain disciplined in our capital allocation and will continue to protect our balance sheet.

Second, our Ghana asset provides both high margin cash flow and significant growth. We expect net production to grow around 50% from 2015 to 2017.

Third, we're just beginning to unlock the value and potential of our acreage offshore Mauritania and Senegal. We have had three major gas discoveries thus far and remain convinced of the basin's potential for significant oil resources as well.

And fourth, we continue to plan for the future by high-grading our exploration portfolio. We view this period in a price cycle as a time of opportunity.

I'd like to begin by highlighting the strength and stability of Kosmos' business model. Possessing the financial robustness to manage through market turbulence is the fundamental part of the strategy for a resource company that has a long-term vision. In a world of price volatility, it is essential.

Since inception, Kosmos' business was designed to execute through the cycle. The quality of our assets and our prudent approach to managing the balance sheet over the last five years has meant that we enter the downturn with a solid financial foundation.

Over the course of 2015, we've maintained our liquidity position and continue to protect our balance sheet, enabling us to enter 2016 at position of strength. We have robust liquidity, low leverage, and a well-hedged production profile. This position combined with declining CapEx and growing production enables Kosmos to continue to execute a strategy and take advantage of the current environment.

Today we announced our expected investment program for 2016, $650 million, which is nearly 20% reduction from last year. $200 million of the budget is allocated to Ghana, approximately $250 million is directed towards exploration and appraisal activities in Mauritania and Senegal, and the remaining $200 million is allocated to other exploration.

The work program that underpins this level of capital has been high graded essential activities that create the most value. We are continuing to exercise capital discipline by ensuring we only drill exploration wells when the prospects have been fully matured as demonstrated by the fact we have only drilled six frontier exploration wells in our 12-year history, and opened up two basins at 33% success rate.

In Ghana, our capital will focus on delivery of the TEN projects and Jubilee asset maintenance, both of which underpin our growing high margin production base.

In Mauritania and Senegal, our 2016 program is centered on the efficient appraisal of the Tortue discovery, testing our top ranked oil prospect inboard Senegal and acquiring additional seismic to further define the oil prospectivity of these high potential licenses.

Given the better-than-expected results from the Guembeul-1 well in the Tortue West structure and based on the anticipated success of the Ahmeyim-2 appraisal well, which is currently drilling, we believe we will shortly define sufficient resource to win, underpin a world-scale LNG project. As a result, we do not expect to drill anymore appraisal wells in Tortue West this year after Ahmeyim-2.

In addition to successfully delineating and appraising the substantial gas resource, we remain focused on unlocking the oil potential of Mauritania and Senegal. We see three independent oil-prone fairways in the basin, which are located inboard Senegal, inboard Mauritania, and the outboard of both Mauritania and Senegal.

Early last year, we completed our first seismic program inboard Senegal. Based on our interpretation of the well results and evaluation of that seismic program, one standout oil prospect has emerged which we have named the [Teranga] [ph] prospect. We are now planning on drilling this prospect immediately post Ahmeyim-2. Post the [Teranga] [ph] well which we anticipate will be completed in the second quarter this year, we plan to pause our drilling activity until 2017.

In 2016, we will complete two additional seismic surveys in the outboard of Senegal and Mauritania. We expect that the full analysis of our prior and ongoing seismic acquisition will be complete in 2017, and when combined with information acquired from the [Teranga][ph] well will enable us to drill our best prospects first on the remaining two independent oil tests. Ensuring we take the time necessary to fully evaluate the prospectivity is a critical part of our exploration strategy; more on this in a moment.

Lastly, our exploration CapEx will be focused on high-grading our portfolio. This will include additional seismic in Suriname, which we still believe has significant potential. The acquisition of additional licenses in Sao Tome and new ventures. Also included in the exploration CapEx is the cost related to the Atwood Achiever, even though additional drilling is planned in the second half of 2016.

With $650 million of capital expenditure in 2016, we expect to end the year with liquidity of approximately $1.3 billion, assuming an average Brent price of $35 per barrel for the year. Importantly, we expect to still be well within our covenants with moderate leverage of approximately 2.5 times net debt to EBITDAX. This positions us very well to achieve our strategic objectives and invest counter-cyclically in contrast to the industry.

In 2017 and beyond, we plan to live within our cash flows. We expect Ghana to be near full production and we should have additional capital flexibility as Ghana spending declines following a multiyear period sustained investments.

Kosmos entered the downturn in strong financial position and we continue to rigorously allocate capital to execute our strategy through the cycle creating a long-term value while maintaining balance sheet strength.

I'll now shift to Ghana where the industry mantra that big fields get bigger continues to hold true for our Jubilee field, which delivered strong reserve replacement of over 100% for the third consecutive year. The reserve additions more than offset any negative impact from pricing reflect the truly world-class quality of the reservoir. Production also remained strong with Jubilee averaging gross sales of 106,000 barrels of oil per day sales in the fourth quarter, approximately 102,500 barrels of oil per day sales for the year. This led to Kosmos lifting its ninth cargo for the year in December. Gas exports continue to progress averaging approximately 92 million cubic feet per day during the fourth quarter and ended the quarter at over 110 million cubic feet per day.

Following a recent inspection of the turret area of the Jubilee FPSO by SOFEC the original turret manufacturer, a potential issue was identified with a turret bearing. As a precautionary measure additional operating procedures to monitor the turret bearing and reduce the degree of rotation of the vessel are being put in place. SOFEC will now undertake further offshore examination and until our work with SOFEC determine what further measures will be required. Oil production and gas export is continuing as normal.

The TEN project, our second major oil development in Ghana is now over 85% complete and remains on budget, on schedule with first oil in the third quarter of 2016. The FPSO sales in Singapore on the 23rd of January and is expected to arrive in Ghana shortly.

Additionally, completion of the development wells in on schedule with six well completed to-date. After the FSPO arrives in Ghana field hookup and commissioning activities are expected to begin. Over the next 12 months, we expect significant production growth from Ghana with the TEN development expected to push gross productions more than 200,000 barrels of oil per day. As a result, we expect net production to Kosmos increase around 50% from 2015 to 2017.

In 2017 and beyond, we believe growing production and declining capital spending requirement should result in significant cash flow generation providing Kosmos with substantial financial flexibility.

I will now shift from our Ghana operations to provide an update on the outboard Mauritian and Senegal basin which we opened in 2015. We believe the basin to be one of the largest opened in the world over the last 15 years and will be source of our continuing growth. Our basin-opening discovery with the Tortue-1 well on the Tortue West structure in April was the second largest discovery in the world in 2015 and marked the beginning of a series of successful follow-on wells.

Last month, the company announced the results of the Guembeul-1 well which was our first discovery offshore Senegal and our third consecutive successful exploration well continuing our 100% exploration rate in the basin.

At the field level, Guembeul significantly de-risked reservoir, continuity, and connectivity Tortue suggesting we discovered a single large accumulation of gas. In addition, this well proved the existence of excellent quality reservoirs in the Albian zone which his critical to ensuring the commerciality of resources in the interval.

Accordingly, the Guembeul discovery enabled us to increase our Pmean gross resource estimates in both Tortue West and the Greater Tortue complex, which we now estimate at approximately 11 Tcf and 17 Tcf of gas respectively.

As mentioned during our second quarter 2015 conference call, the granting Tortue towards commercialization requires working parallel on both below ground and above ground priorities. At that time we declared our top priorities to be proving a commercial threshold of resource with a limited number of exploration and appraisal wells, fostering the development of an intergovernmental cooperation agreement to Mauritania and Senegal and lastly crafting a credible development strategy. Now less than 12 months later, we've made significant progress in all fronts.

From a resource perspective, it's our current view that if the Ahmeyium-2 well comes in on prognosis we will approve an approximately 15 Tcf of resource in the Tortue West's structure alone, given the higher net to gross and additional high quality pay in the Albian. Based on this, we do not plan to drill any further gas exploration or appraisal wells as we don't believe additional resource of the 15 Tcf will add material value today.

We've also made much progress above the ground. Last month the Company announced that Kosmos entered into a Memorandum of Understanding with Petrosen and SMHPM the national oil companies of Senegal and Mauritania. The document outlines the principles of an intergovernmental cooperation agreement for the joint development of the cross border Greater Tortue resource.

The MOU sets out the frame work to rapidly conclude the required commercial and legal terms to enable early development of the field thereby maximizing value for all stakeholders. This represents an important step in demonstrating the country's willingness and ability to cooperate. With our successful appraisal program and the support of both governments the initial gas development continues to gain momentum.

Concurrently we're reviewing a number of development options for the substantial resource. We are evaluating traditional partnering solutions such as working with the major as well as any development solutions which involve pondering with contract developers. In this regard, I'd like to give you a brief update on our partnership with Chevron who held a 30% interest in our Mauritania acreage and an option to bank into our Tortue acreage.

Chevron has made us an offer to back and it is currently being evaluated. Discussions are ongoing and at this time we cannot comment any further. We have a substantial resource here which we have added value to through our successful appraisal program so the key for us will be selecting the optimal option which creates most value for our shareholders.

Many have asked why we are moving forward with an LNG development given the presumption on long lead times to first gas as well as the current view of an over supplied LNG market. On both of these issues we have a differentiated view. In addition to basin-opening exploration accelerated and phased development are in the Kosmos DNA, in particular we view our discoveries in Mauritania, Senegal, and the potential to use that LNG technology for initial development as an alleges to our Jubilee experience where Kosmos created significant shareholder value through the deployment of a phased development approach or accelerate first production -- ultimately maximizing value enhancing the returns of the projects.

Historically, LNG projects are taking 10 to 20 years from discovery to first gas. Projects have moved slowly largely due to lack of part alignment, lack of government support, and project complexity. Kosmos plans to do things differently. We believe that Tortue like Jubilee is a large simple structure and this coupled with new technology should allow for accelerated development.

At LNG technology is changing project cycle times much like FPSO technology once did and could be a viable development path for the first phase of Tortue. Moreover, we are at an historic low for development costs which further benefit the long-term cost competitiveness at Tortue Gas.

As for LNG supply/demand we agree there is a short term over supply. But beyond 2020 we believe that supply gap closes sooner rather than later based on new market entrance and new technology. While a significant amount of attention is focused on India and China, the LNG demand from new market entrance is expected to be a larger component of global LNG growth in this decade.

This is driven by two types of economies, first large economies like Indonesia who require gas in excess of current production, exporters who are now becoming importers. And second, other markets which may not have the capacity to build a large regas facility but with the growth of FSRUs can access the market.

FSRUs are increasingly popular alternative to typical onshore regasification and can be deployed on short notice in areas where LNG regasification was previously unavailable. It's interesting to know that FSRUs now make up 75 million tons per annum of demand which represents around a quarter of total LNG demand.

The world is getting gas, and we believe there will be a market for low cost gas by Tortue in the future. The global gas market is changing. We believe the combination of a world class resource and innovative development can form a very competitive gas project.

Beyond commercialization of Torture our folks in Mauritania Senegal remain on unlocking this truly super major scale hydrocarbon province. Based on our post well results and available size mix we remained convinced that the basin has significant prospectivity for both gas and oil.

As I previously discussed, we've identified three independent fairways that have oil potential. The first well we'll test the Teranga prospect which has emerged as our top oil prospects in the inboard Senegal fairway. Teranga appears very similar to Tortue in terms of reservoir entrap. From a reservoir perspective drilling to-date has confirmed the presence of well developed stack reservoir systems in the Cenomanian and Albian associated with the Senegal River fairway.

We've also demonstrated the combination of structural stratigraphy closures provide effective traps in these structural trends. The key difference between Teranga and Tortue is that Teranga appears to have access to old mature Albian source rocks in this location. This will be an important calibration point that should enable us to continue to refine our understanding of the petroleum system.

After we drill this well we plan on taking a pause in drilling activity until 2017 to integrate the well results and seismic data ensuring we continue to drill the best prospects first and allocate our capital prudently.

A rifle-shot exploration approach has always been an essential part of our strategy and a key differentiator of the Kosmos. In the current environment it's more important than ever to do our homework to ensure we drill the best prospects first.

Lastly, I'd like to remind you that Kosmos remains committed to new ventures and a continued high grading of our exploration portfolio. In 2015 you saw us exit one area right before we entered another. It's natural turnover reflex to reality that everything in our portfolio has to complete the capital. In 2016 we continue to invest in our exploration portfolio countercyclically to the industry. Less competition and lower commodity prices create opportunity for Kosmos to acquire acreage that was not available previously.

In Sao Tome we recently added to our position with a forming agreement for two more blocks. This brings our total position in Sao Tome to approximately 25,000 square kilometers over four blocks adjacent to a proven petroleum system that our team knows intimately. In Suriname we are planning to shoot an additional 3D survey of a block 42 which is adjacent to the Liza discovery offshore of Guyana.

This additional data should enable us to high grade the prospectivity of near-term drilling. The current environment makes this a very good time to build a portfolio with good fiscal terms and minimal commitments as well as quite size make it low costs the mature prospects.

So in conclusion, the combination of Kosmos' financial stability our world class asset in Ghana, our Torture discovery and exploration upside provides Kosmos with significant opportunity during the current down cycle.

We will protect our balance sheet and financial position to ensure we can continue to execute our plan. We have a long record of being good stewards of capital, and there are no plans to change that.

And with that, I will now turn the call over to Tom to update you on the financials.

Tom Chambers

Thank you, Andy, and good morning everyone. As Andy mentioned, we exited 2015 in a favorable financial position. Total corporate liquidity was 1.8 billion at year end versus 1.9 billion at year end 2014, and we are very well positioned to execute our plans in 2016.

We finished the year with nine crude oil liftings, three of which occurred in the fourth quarter in line with our revised guidance issued on the third quarter conference call. This generated full year 2015 oil revenues of $447 million, excluding $225 million of derivative settlement. When you add our revenue to our settled hedges, it reflects a real life price of approximately $78.73 per barrel in 2015.

Fourth quarter and full year revenues were down compared to 2014, primarily as a result of lower oil prices. At the end of the year the company was in an underlift position, having sold approximately 117,000 barrels less than our entitlement.

For 2015, we generated a net loss of $70 million, or $0.18 per diluted share and in the fourth quarter generated net income of $24 million or $0.06 per diluted share. Adjusting for the impact of one-time items that affected the comparability, the company generated a net loss of 66 million or $0.17 per diluted share for the full year of 2015, and net income of $18 million or $0.04 per diluted share in the fourth quarter.

On the cost side, operating expense in the fourth quarter was $30 million or $10.50 per barrel sold, representing a sequential decrease to a level more in line with our second quarter rates. For 2015, we averaged operating expense of $12.34 per barrel, above our annual guidance is the result of higher workover expense and non-routine maintenance on the FPSO, including expenses to repair the gas compressor in the third quarter of 2015.

Exploration expense of $24 million for the fourth quarter was largely related to our ongoing 3D seismic work in the outboard Senegal area as well as ongoing seismic processing and interpretation resulted in full year 2015 exploration expense of $156 million.

Full year general and administrative costs, including non-cash equity-based compensation remained at $137 million, which is in line with our guidance for the year, and essentially flat with 2014 levels.

Fourth quarter G&A was approximately 20% lower on an absolute basis, but more importantly our $15.98 per barrel rate was 14% lower than our fourth quarter 2014 rate. This was favorably impacted by the addition of proved reserves at year end, the result of positive field performance at Jubilee. This rate will have a positive impact on the earnings in 2016.

Taxes decreased in 2015, largely as a result of lower oil pricing. It's important to note that our deferred taxes fluctuated over the year based on the mark-to-market value of the hedges, making it very difficult to predict our overall tax position. This will again be the case going forward in 2016.

We continue to maintain our strong hedge position, and at year end, our hedges had a mark-to-market value of approximately $238 million. Currently, our roller hedges totaled 12.9 million barrels with approximately 6 million barrels hedged in 2016, 6 million barrels hedged in 2017, and 1 million barrels hedged in 2018. Our 2106 hedging program reduces commodity price exposure, or approximately 60% of our 2016 production with average floor prices of $81.67 per barrel based on Brent.

The company's robust hedging program is a part of our strategy to protect our cash flows, balance sheet, and liquidity. Maintaining adequate financial liquidity is critical to our business strategy as it provides the capacity to internally fund our developments and growth programs in Ghana, as well as our exploration and appraisal program even in this current environment.

Another indication of our balance sheet strength is the recent affirmation by both S&P and Fitch of our corporate debt rating as the stable, despite a recent rash of credit downgrades.

So as we enter 2016, we enter with a strong balance sheet and liquidity position, allowing us to execute on our $650 million investment program. We expect to exit 2016 with approximately $1.3 billion of liquidity, based on our CapEx guidance and assuming Brent averages $35 per barrel for the year.

Our borrowing-based re-determination process is currently ongoing and will be completed by the end of March. At this time we do not expect a material change in our borrowing base over the course of 2015. Although pricing will drive some decreases in availability, borrowing capacity of TEN should increase as we achieve first oil. This should more or less offset most of the changes to borrowing availability due to prices in 2016.

At this time, I would like to transition to our expectations for 2016. Consistent with the operators' guidance we anticipate 2016 production to mirror 2015 levels, resulting in Kosmos selling a total of nine cargos of crude oil. This includes a two-week shutdown of the FPSO in the first quarter of 2016, which is expected to decrease average field production by 4000 barrels of oil per day, as well as the period of reduced water injection capacity during the first half of the year, which is currently being addressed.

During the fourth quarter 2016, we anticipate selling our first cargo from TEN, which would result in Kosmos selling in total of 10 cargos for the year, and 11% increase from 2015 levels. We expect cargo sizes in 2016 to average approximately 95,000 barrels per cargo.

On the cost side, we anticipate total production operating expense for the year to average $12 per barrel, which includes both Jubilee and TEN. For the first three quarters of the year we expect Jubilee operating expense to average approximately $10 per barrel. In the fourth quarter we expect OpEx to increase as we begin to sell ten cargos given the 10 FPSO lease costs, include in LOE plus the fact that some one-time operating costs will come through at start-up.

G&A cost for the year ending 2016 are expected to be slightly lower than full year 2015, as a result of the decrease in equity-based compensation expense. We expect that DD&A should average around $19 per barrel, as we begin to depreciate TEN, post first oil.

Bearing in mind the challenge of giving growth on taxes, assuming Brent remains at $35 per barrel, we anticipate cash taxes will be lower than 2015 levels, while deferred component will vary driven by the mark-to-market position of our hedges.

Overall, we expect taxes to range from a $1.50 to $2.50 per barrel on average for 2016, excluding deferred taxes associated with the mark-to-market position of our hedges.

With regard to our $650 million capital program, as Andy described earlier, 200 million is the earmark for Ghana, the majority of which will be spent on the TEN project, 250 million is the earmark for exploration and appraisal activity in Mauritania and Senegal, and 200 million is currently earmarked to other plant exploration activity. This amount includes capital allocated to new ventures, seismic acquisition, and costs associated with the Achiever.

Other 650 million, about 200 million of the total is expected to be treated as exploration expense; two-thirds of which is forecasted in the second half of the year.

As we execute our strategy, we're committed to maintaining the strength of our balance sheet and creating value for our shareholders through the cycle.

This concludes our prepared remarks, and now we would like to turn it over for questions, operator.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from the line of Ryan Todd with Deutsche Bank. Please proceed with your question.

Ryan Todd

Great, thanks. Good morning and good results, gentlemen. Maybe you addressed this some in the comment, but can you walk through a little bit the -- I guess what you would view as your potential options for either the development or the modernization of the resource at Mauritania and Senegal? I know that that is potentially an option right now for Chevron on the backend. At what point do you -- would you consider opening up to a broader process to take market interest, and what would be the potential timing in terms of how you think about timing and development over the next couple of years?

Andy Inglis

Yes, good morning, Ryan. Well, look, I think the first thing is I think we are confident as a result of the appraisal drilling that we've conducted today, and if Ahmeyim-2 comes in on prognosis, you know, on West Tortue, we've got 15 Tcf of gas in what we believe is a very simple launch gas accumulation. Therefore, fundamentally we have a resource which we believe is cost competitive [indiscernible] from an upstream perspective, but I think it's important that we do enough work to understand the most cost effective way from midstream solution. And as I said in my remarks, I think we see the rapid rate at which FLNG technology is moving forward that it can provide us with a very cost effective midstream solution.

So I think the first -- the workover in the next quarter will be to integrate the appraisal work, and around midyear I think we would have done the conceptual thinking to outline what we believe will be a demonstration of a cost effective resource. At that point, we'll then decide the route we go. I think there is a route around partnering with a major, we discussed Chevron; we are in discussions. It will be great to work with them, but there were several other majors that are also seeking to get an entry into the position. So we have added a lot of value here through the appraisal program. And I think it's important that we evaluate the route through a potential farm-down to a major, and equally well there are other solutions available today, a contracted developer approach where we would seek a different development partner. So I think you can probably see us coming to a decision on that in the second half of the year. I am not sure we need to go into a sort of public data room on this. We know who it is we want to work with, and I think it will be a smaller conversation rather than a larger conversation.

Ryan Todd

Great, thanks. That's helpful. And then maybe on spending, can you talk about what the level -- I appreciate the color in 2016, I guess can you talk about the expectations for what happens to capital spend in 2017, how much rolls off, what's kind of the minimum level spend or an appropriate level of spend looking into 2017? And then, maybe you talked about cash flow neutrality from 2017 forward, is that -- what level of capital and oil price does that assume?

Andy Inglis

Yes. Look, what I would say on that, Ryan, is -- what's clear is we’ve been through a period of very heavy spending in Ghana with sort of getting TEN up and running. In 2017, clearly that spend rolls off and we see positive cash flow coming out of Ghana. What I am not going to do is give you the price tag on which we are working in '17, or therefore what is the exact point of cash flow neutrality, but what we do have in '17 is significant financial flexibility. And I think that's the big message coming back to you is that discipline around the environment of the time, and we're not predicting a high price environment. We are predicting quite a moderate environment. And given that moderate environment, the cash flow that would be coming from Ghana, given the limited amount of CapEx going in, the exploration program will be tailored to that. And I think that will still give us the opportunity of drilling the right wells in the right order.

So I believe we are actually at that sweet spot now of being able to run the business in the right way. And I want to come back and make a big emphasis on my remarks which we is we're a rifle-shot exploration company, we do our homework well, and we drill prospects when they are ready. And I believe the maturation of Mauritania and Senegal versus a free cash flow coming from Ghana will enable us to get that synced up.

Ryan Todd

That's great. What is the net roll off in capital in Ghana year-on-year as you look into '17?

Andy Inglis

The net roll off, so if you look at Ghana spend today is a couple of hundred million dollars and a majority of that is on TEN. Clearly, we have limited with sort of no drilling on TEN in the first year, limited drilling on Jubilee, that's a significant reduction.

Ryan Todd

Okay. That's helpful. Thanks.

Andy Inglis

Right. Thanks, Ryan.

Operator

Thank you. Our next question comes from the line of John Herrlin with Societe Generale. Please proceed with your question.

John Herrlin

Yes, thanks. Andy, could you be little bit more specific on [Teranga] [ph] in terms of the size of the prospect, I mean, what are you looking for there? Can you describe it more?

Andy Inglis

Yes, I think so if you go to -- and I'll say more about this during the week when we were in [indiscernible] with some pictures, but if you can think of the -- this is the Cayar Profond block, John. The [Teranga] [ph] prospect is fed by the Senegal River system. It's the same depositional system that has fed Tortue. So we have got sort of confidence now through the seismic on the Cenomanian reservoir system. So, it's a Cenomanian reservoir target. They are structured very similar to [Teranga] [ph] at the structural stratigraphic trap.

The big difference between the two is that we're in the southern part of the Senegal basin. This is where we believe the Albian source is oil mature, and that's the key difference between the two prospects where -- and we have the Cenomanian over line directly what we believe is an oil mature Albian source, which is feeding the prospects, and the prospect size is about half a billion barrel.

John Herrlin

Okay, great. Next one from me is with Chevron, is there is a drop dead date in terms of you giving a yea or nay to the backend agreement?

Andy Inglis

No, there isn't. Chevron failed to make their mandatory election to back in to the Mauritania blocks by the original required date. And as a consequence, they have withdrawn -- they have made us a counter-[proposal] [ph] which we are currently discussing with them. It would be great to work with them, but as I said to Ryan, we've got significant interest from other majors.

So for us, it's really about ensuring that we find the best way forward now, and since -- over the last year, as I said, a lot's happened here. We drilled three successful wells. We have updated our petroleum system analysis. We know a lot more about the basin now. It's got significant potential. And therefore, we need to find the right partner for the long-term. So that's where we are, John.

John Herrlin

Great, thank you.

Operator

Thank you. Our next question comes from the line of Edward Westlake with Credit Suisse. Please proceed with your question.

Edward Westlake

Yes, good morning, and congratulations on the results that you [indiscernible] the 12 months. Just express question on the floating LNG, obviously, an onshore scheme would have the ability to have larger scale where FLNG tends to be smaller. I mean, maybe walk through the plan if you do go down an FLNG route, I mean presumably you need three, four vessels to produce that type of resource.

Andy Inglis

Yes, what's interesting, Ed -- and it's great question, is -- and I sort of worked at this for a quite a long time in my career, I think the industry has gotten into a mindset of sort of big is beautiful, and it's credit projects that are actually too large. And therefore, this idea that you are going to get efficiency through scale hasn't been born through. And I think that's the result actually of the last sort of five years of development where scale actually hasn't led to efficiency. So I think it's time to think differently. And our approach is to say that there is a cost competitive size, and I think it's probably in the 2-3 million ton size.

Clearly if you then sort of design one and potentially build two, you get a 5 million tons and actually you can scale beyond that. So, I think it's a question about you can create the same scale and actually think you can create the same scale at lower capital inputs than trying to do the large project first.

And I think the industry has demonstrated irrespective of the operator that the large scheme hasn't delivered the capital efficiency. So I think that's my mindset here. And I don't think that starting with a more modest scheme necessarily negates the fact that you can't build it rapidly to a 10 million ton scheme if that is what supported by the resource which I think it clearly would be. So that's the thinking. It's a very simple point, but I believe we've done enough work now. I am thinking through some of the concepts and learning from history that I think there is a more efficient way of doing it.

Edward Westlake

And it would make a lot sense in terms of looking at how the whole environment for that asset actually works?

Andy Inglis

Yes, absolutely. Yes, you add to it therefore ability to sort of bring some [indiscernible] gas to the country earlier; it enables you to establish a working environment in countries that are relatively immature from a development perspective. So, it has lot of other collateral advantages. But the core thesis is what is the most capital efficient way to do this. And I don't believe big is necessarily right because big means complex and complex has led to massive overrun.

Edward Westlake

Okay. So second question is more related around the turret and the bearing in Jubilee and obviously Tullow is the operator. Obviously, one strives to a lot of reading as to what would happen and how just good it is workout if a bearing is going fail, but maybe just walk us through what would be the worst scenario if say the bearing did fail and need to be replaced?

Andy Inglis

Yes, well, look, we talked to you about it I think it was on Thursday. It's now Monday, right? So, we want to be very open in the disclosure which is what we did. What's happening now is there is a bunch more diagnostic work going on. And I think to be honest, Ed, we need to go through that piece of work and really understand what it is we are dealing with. And from there, we can clearly describe what the worst case scenario is from -- I think it's actually it will be premature to speculate about that. And therefore, I don't want to do is get ahead of the issue. I think what we need to do is do the work. We've got a lot more investigation work to do properly describe the potential issue. And when we've done that, we can come back to you and describe the scenarios. And I think genuinely you have got to give us a little bit of time to do that.

All of that said, there are many potential solutions spread mooring is a potential solution in water depth than the mid ocean condition. So, there are many potential solutions out here. So, -- and in the meantime of course, most important thing is that with a vessel heading being controlled by turret production continues as normal. Okay?

Edward Westlake

Thank you.

Operator

Thank you. Our next question comes from the line of David Gamboa with Tudor Pickering Holt. Please proceed with your question.

David Gamboa

Hi, good morning gentlemen. I have two questions please. So the first one just a clarification I guess around the Mauritania and Senegal LNG project. You mentioned how probably around midyear we will have some sort of idea of concept selection of best midstream solution for the project. I was just wondering if you could give a bit more color around any further milestones that you would need to see for -- before taking an FID on this project and some idea around the timing of this. I believe you said probably second half of the year you probably would be deciding on the procedure for just to confirm.

And the second one, just on Jubilee, you have mentioned how big fields get bigger on time -- I think you guys mentioned in the past that Jubilee could reach around 120,000 barrels per day or probably even reach more above that main pipe capacity, but guidance for this year is around 100,000 barrels a day, just north of that. I just was wondering if you could give us some color of your thought around how the field group will perform in the future if you still think the table has reached that 120,000 barrel per day mark exceeded, and if so, how long can that be maintained? Thank you.

Andy Inglis

Yes, David. Let's start with the Jubilee question and come up to margin in Senegal. Just wanting to clarify a point which we continue to make, which is 120,000 barrels a day is the production number and there is a shrinkage factor to go from sales to production. So, actually in the fourth quarter we had -- our gross sales were around 106,000 barrels a day, which actually on a production basis is probably -- you get the math wrong now, but about 112,000-113,000 barrels a day. So, actually in the fourth quarter, the field was pretty close to its 120. And of course that's an average for the quarter. So on certain days it was absolutely that.

So, it's a mathematical problem that we need to keep going around, which is the conversion from production to sales, and then sales with maintenance build into it, which is really the issue for 2016 is that we've got a two-week shutdown. So we can't do the math when you put the two-week shutdown into it, you take the exit production rate from the fourth quarter of 2015, the numbers are pretty close. I think and internal piece is the production is going to be a little lighter I think in the first half, where we're catching up on some injection issues that we've had, but fundamentally the capacity is that. So I think's the -- the field continues to perform, and what I would highlight is the gas export has been remarkably reliable actually, given the nature of the system through to the gas pile generation. So that to me was one of the big risks that we have to remove in 2015. So I think that's the Jubilee production story.

In terms of Mauritania and Senegal, again, just to be very clear, David, what I said was we're the process now of integrating on knowledge of the gas resource with the final appraisal well, our gas appraisal well, which is Ahmeyim-2. We then put that with the early thinking we got on the most competitive way to develop the resource, the concept thinking, that sort of going to come together by mid-year, and in parallel we are in discussion with a number of parties about that potential participation. We would make a decision on that participation in the second half of '16. And that would allow us then to move forward with the necessary work in '17 to bring this to an investment decision. So I think the investment decision in some ways out, at least for the backend of '17. So what we are looking to do I think is first is what's the right way to develop this resource and ensure we've got alignment with the potential partner around that.

David Gamboa

Okay, thank you.

Operator

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

Pavel Molchanov

Hey guys, thanks for taking the question. So kind of a high-level one first, from the first field you started up to the second, it's been roughly six years, do you have a sense of how long it will take for your next development, whether it's LNG or perhaps something else to get to production?

Andy Inglis

Great question, Pavel. I would say that it's going to be the early part of the next decade; there maybe that six-year cycle is probably right.

Pavel Molchanov

Okay, and -- okay, fair enough. And is there any realistic prospect that something other than Mauritania LNG could come at ahead of the LNG project? So, is there anything on deck that could be an accelerated development versus LNG?

Andy Inglis

Well, clearly, there is lots of ins and outs in that. If I take the question maybe how it's input, I will be looking at inorganic opportunities that could potentially accelerate. We obviously continue to throw all possible opportunities. We believe we create value through our differential quality of our exploration portfolio, and focus on ensuring, we are targeting big things that work at a very competitive oil price and therefore, and we believe the things that we will test in Mauritania and Senegal, the three oil test will absolutely be competitive in that regard.

So the question is if we had an oil discovery what it can be time-wise with the process of monetizing Tortue, and I think the answer would be if it is a scale on the court and we believe that, then absolutely it could.

Pavel Molchanov

All right, fair enough. I appreciate it guys.

Andy Inglis

Right, thanks.

Operator

Thank you. Our next question comes from the line of Petr Grishchenko with Imperial Capital. Please proceed with your question.

Petr Grishchenko

Hi guys, thanks for taking my question. Just one question with liquidity, what do you expect result of the March re-determination look like? In your mind, are there any commitment amortizations for next year?

Andy Inglis

Yes. Well, I will pass it over to Tom, Petr.

Tom Chambers

Yes, Petr, there is no amortization this year or in '17. And obviously the March re-determination will be dependent on what the actual price deck is, and we have just started those discussions, but overall we think it will be relatively de minimis. And when you get to the September re-determination we will have TEN added to the approved reserve base. So, overall year-on-year, we think we will be in pretty good shape.

Petr Grishchenko

Got it. And you mentioned two and a half times leverage, I believe, in '15, what do you see most drawing on the revolver?

Andy Inglis

Drawing mostly on the revolver, is that what you said?

Petr Grishchenko

Yes. What do you see in the drill down in the revolver?

Andy Inglis

Most of those come -- we're not going to drill anything on the revolver. It will all be out of the RBL.

Petr Grishchenko

I mean that's what I'm in, one type of drill down you…

Andy Inglis

Typically about 400.

Petr Grishchenko

400, got it. And lastly if I may, I'm looking at your -- given the [indiscernible] and reserves, can you provide a color on the revision of estimates of 10 million in prudent reserves?

Andy Inglis

I'm not following your question.

Petr Grishchenko

You have revision and estimates in the prudent [technical difficulty] 10 million.

Andy Inglis

Right.

Petr Grishchenko

And I'm just wondering what portion I guess if you can sort of provide more color, like, what amount was declined in reserves due to lower oil prices versus increased due to reserve economics?

Andy Inglis

Well, I mean, Petr, come back with -- you can chat with Neal later, but I think the basic story is that we are seeing reserve growth in Jubilee more than offset the price deck and that's where the growth is coming from.

Petr Grishchenko

Okay, great. That's all I have guys.

Andy Inglis

Probably an important point to emphasize is that despite the lower price deck, that was reserve source at Jubilee, which led to the more than 110% reserve replacement across the Ghana asset.

Tom Chambers

Yes. Petr, most of that was reserved, there was very little price intact.

Petr Grishchenko

Interesting, thanks a lot guys, thanks.

Andy Inglis

Okay, thanks.

Operator

Thank you. [Operator Instructions] Our next question comes from the line of Al Stanton with RBC. Please proceed with your question.

Al Stanton

Yes. Good morning, guys. Just a question about the decision to park the rig, in terms of when the decision was made and also why, I mean it's obvious why, but in terms of whether that was a eureka moment, and with the issue of timing to return to drilling wells, you have accelerated the well in Senegal, why is [indiscernible] to accelerate the wells in Mauritania and drill them ahead of the previous schedule, do the math a little bit quicker on prospect sizes and probabilities?

Andy Inglis

Look Al, I know -- I guess it's all good questions, I think the fundamental part, which I hope was clear was on remarks is that we believe very strongly as a company around the discipline of the exploration process via patrolling system analysis work, that allows you to properly evaluate the prospectivity and drill the best prospects first.

The acreage in Senegal and the seismic that we had -- there we shot in 2015, you know, what came from that is that our understanding of Teranga, it's the same Senegal river system, allowed us to get a lot of confidence in the reservoir, allowed us to get confidence with the shopping [ph] geometries. And therefore with a combination of the well results in terms of the geochemistry gave us confidence that we had a real potential in the South.

I think what we are saying on the other prospectivity is that we see three independent tests, but we need to do further work, and our further work in the outboard requires us to shoot additional seismic, which drives the timing of those wells. And clearly in the North, we've got further work to do on the reservoir system, [indiscernible] river feeding and the Senegal River feeding. So I think this is all about ensuring that we do the right work, remain disciplined about it, and [indiscernible] driven, and that will be a fundamental way in which we work. So we still see real valid tax on the inboard Mauritania, outboard Mauritania and Senegal, but there is going to be further work, and we think that work will be completed in 2017, not this fall.

Al Stanton

So, when drilling restarts in 2017, should we expect you to drill the prospects you already identified, or should we expect other things to -- either come into the portfolio or come -- reach the similar stage of maturity?

Andy Inglis

Well, look, today I'd like to say we haven't paid the prospects. We see an oil test in northern Mauritania, and we see an oil test either in the outboard of Mauritania or Senegal. And then I think we are clearly shooting seismic in Suriname his year on Block 42. I think that will high grade into an oil prospect, and we have the existing prospects, which is already [indiscernible] in Suriname. So I think they're going to be live. If there is oil test, we're going to have to figure out the right order to do those tests. Some of that will depend on partners as well.

Al Stanton

If I may, can I ask one last question. You're in a similar position on the development side, being rig-rich, should we push the teak area and the Greater Jubilee continue development further to the right as well, or do you see that happening in 2017 as well?

Andy Inglis

Well, in terms -- we have submitted the plan of development for Greater Jubilee, which includes mahogany and teak. We're not in discussions with the government. So I think the timing of that will depend on the pace at which those things move forward.

Al Stanton

Fair enough. Thank you.

Andy Inglis

Okay. Thanks, Al.

Operator

Thank you. Since there are no further questions at this time, I would like to turn the floor back over to Neal Shah for closing comments.

Neal Shah

Thank you, operator. We appreciate all of you joining us today, and your interest in Kosmos. If you have any further questions, please don't hesitate to contact me. Thank you very much.