

Operator

Good day everyone. Welcome to Kosmos Energy's Second Quarter 2017, 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 all of you for joining us today. This morning, we issued our releases regarding our second quarter earnings, which are available on the Investors page of the kosmosenergy.com website. We anticipate filing our 10-Q for the second quarter with the SEC later today.

Joining me on the call today are Andy Inglis, Chairman and Chief Executive Officer; Brian Maxted, Chief Exploration 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 the forward-looking statements have been outlined in our earnings release and in our SEC filings.

We may also refer to certain the 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, 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.

Andrew Inglis

Thanks Neal and good morning everyone. In my remarks today, I want to highlight three things that differentiate the future prospects for Kosmos.

First, in a \$50 world, Kosmos has and continues to generate significant free cash flow. As of the end of the second quarter, we've generated approximately \$170 million of free cash flow. Additionally, as we announced this morning, we had further reduced CapEx from \$150 million to approximately \$100 million, demonstrating our continued focus on capital discipline. With production in Ghana remaining strong, we're confident in our ability to deliver in excess of \$250 million of free cash flow this year in a \$50 oil environment.

Second, we hold a substantial and growing acreage position offshore Mauritania and Senegal, a world class basin with significant undrilled potential for both gas and oil. Our activity here is progressing on two fronts, advancing the Tortue gas project and to reach FID in 2018 and first gas in 2021, as well as our continued exploration program offshore Mauritania and Senegal, where we plan drill three more high impact wells targeting super giant prospects starting later this month.

Third, our exploration portfolio beyond Mauritania and Senegal is rich in opportunity, particularly in Suriname and Sao Tome, where we've been maturing prospects for drilling in 2018 and 2019. The current environment has created a tremendous opportunity for us to build and high grade an exploration portfolio aimed at repeating our basin opening success of the past.

As a result we believe Kosmos represents a compelling investment proposition both in terms of its upcoming exploration program and the development of recent gas discoveries. Consequently, as announced last week, we believe now it the right time to obtain a secondary listing on the LSE to broaden Kosmos's international investor base. We selected the LSE for our secondary listing because of its strong liquidity, reputation with transparency and participant's knowledge of the role of frontier exploration and development in our industry.

I'll begin my review of the second quarter with Ghana, which continues to generate the cash that underpins our business growth. At Jubilee, growth sales averaged approximately 86,000 barrels of oil per day in the second quarter of 2017. During the quarter sale reached an important milestone having cumulatively produced more than 200 million barrels of oil. In this station we've injected over 320 million barrels of water and our current order cut is only 7% supporting our view of the Jubilee as a world class reservoir and will continue to grow.

The partnership is agreed on the need of stabilize the FPSO turret bearing which is expected to cause shutdown that should commence around the end of the year. The operators estimate that his shutdown will take approximately five to eight weeks in 2017, but we continue to work with the partnership to shorten this duration. Planning for other remediation work namely, vessel rotation and CALM buoy installation is ongoing and expected to occur in 2018 and 2019 respectively.

The Jubilee partners are focused on minimizing the field downtime associated with this work and he operator estimates total downtime required of less than 12 weeks cumulatively for the stabilization, rotation and CALM buoy installation. Work continues with the Government of Ghana to update

the greater Jubilee full field development plan and the partners remain on track to resubmit the plan to the government with approval expected later this year. Approval should allow drilling at Jubilee to resume around the end of the year and would enable us to book additional reserves as we've only booked 1P reserves for Phase 1 so far.

At TEN, gross sales during the quarter averaged 45,000 barrels of oil per day, while field and facilities optimization efforts resulted in production levels regularly exceeding 50,000 barrels of oil per day. In June, final commissioning and testing activities demonstrated that the TEN FPSO and fields can deliver volumes in excess of the vessels 80,000 barrels per day name plate capacity. We've limited well capacity, full year gross sales guidance of 50,000 barrels of oil per day remains unchanged as to our expectations for the three lifting's net to Kosmos.

However, we expect production to increase to plateau post the ITLOS ruling. The final ruling for ITLOS is expected by September and is anticipated the drilling could therefore resume around the end of the year subject to the outcome of the Tribunal's ruling.

I'll now turn to the world-class space in offshore Mauritania and Senegal where we remain focused on advancing the Tortue gas development and fully testing the considerable potential basin through our exploration program.

Mauritania/Senegal is a largest new petroleum system opened in the last 15 years along the Atlantic margin. We have already proved that this basin here is world class and truly differentiated. With just six wells, we have grown the discovered gross resource base for approximately 40 trillion cubic feet. Our ongoing technical evaluation and recent 3D data support our view that our discovered resource base will continue to grow as we continue to drill.

I'll focus first on Tortue, where our partnership remains aligned on delivering a low cost LNG project with FID on track for 2018 and first gas in 2021. We believe there's no better time to developing a project like Tortue, indeed the partnership is leveraging the current market environment along with a novel contracting strategy to deliver one of the lowest cost pre-FID LNG projects in the world.

We have several workflows currently underway to meet this timeline. We have this drill stem test or DST, which is ongoing and expected to be completed this month as planned. The purpose of the DST to demonstrate reservoir performance, provide information that will enable us to optimize the number of wells and define process, design parameters critical to beginning the FEED process later this year. The early results from the test

validate the key parameters on well rates, reservoir connectivity, and fluid composition that underpin the preferred development concept.

In addition, we continue to progress the commercial agreements principally the intergovernmental cooperation agreement, or ICA, and the unitization agreement and unit operating agreement with both governments. The ICA has been agreed by both national oil companies and official government approvals and now are being sought from the various ministries as evidenced by the inter-ministerial meeting in Senegal that being reported recently in the press.

Over the past months, my team and I've spent considerable time with both governments, including President Aziz and President Sall and we are pleased to see continued progress. It's clear to me that both governments remain committed to delivering the ice yet a timely manner to allow this project to proceed on the timeline we have described. The project is also making headway on the midstream having previously agreed the near shore development concept with BP during the first quarter, the partnership is currently in negotiations for the midstream solution. These negotiations are ongoing and may expect the timing of the midstream provider selection to coincide with the commencement of FEED later this year.

Beyond Tortue, we continue to explore in the outboard portion of our blocks integrate data from recent wells and process and incorporate newly acquired 3D seismic volumes. Last quarter, we announced the results of our Yakaar-1 exploration well, our sixth consecutive successful one in the basin, which marked the beginning of a multi-well program to test some of the largest prospects identified by the industry in the last several years. In addition to be the largest discovery of 2017 in creating a second LNG have been the region, the Yakaar results further de-risk the key play elements of the basin for fan fairway demonstrating that the play concept works. This is a positive retreat for subsequent wells in our drilling program, which reside in a similar geologic setting.

Our seismic and AVO tools, critical elements of our play and prospect analysis continue to accurately predict reservoir and hydrocarbons and give us further confidence in our upcoming drilling. We now have all of our acquired 3D in-house and the quality and potential of our prospectivity is growing as our seismic interpretation progresses. We're also seeing previously identified prospects improving in definition as evidenced by the high level of calibration of our AVO to prospect structure across our next three tests.

So the team is exciting to resume its running program once the Tortue DST is being completed later this month with a focus on understanding the oil

source rocks in the basin. We expect to spur the first of these wells, Hippocampe around the end of this month.

Let me remind you that Hippocampe is located in Block C8 of Mauritania and it's comprised of a series of stack basin floor fans in a combination of structural stratigraphic trap providing potential for more liquids rich gas and/or oil. The well is targeting Cenomanian and Albian age reservoirs charged by the Valanginian, Neocomian and potentially Albian sources. Both reservoir targets displayed very strong seismic attribute support for hydrocarbons, including calibrated AVO, which conforms to structure. Hippocampe is a good example of our prospect to continuing to grow. We previously described Hippocampe as a prospect with a p-mean resource of over 2 billion barrels of oil equivalent or 12 trillion cubic feet of gas equivalent. We now believe the potential in and adjacent to Hippocampe is significantly larger having received an integrated new seismic data into our analysis.

After doing Hippocampe, we plan to Lamantin in the fourth quarter. Lamantin is a basin for fan comprised of Campanian age reservoirs, which stratigraphically younger than our other prospects in charge from a Cenomanian-Turonian, Albian oil prone, oil mature source systems. We have now received fast-track 3D process gathers, which display good distinctive AVO in support of the prospect. We continue to view Lamantin as our best chance of finding black oil in the basin, given its location in the heart of the Cenomanian-Turonian, Albian source systems and estimate the p-mean resource size is 2 to 3 billion barrels equivalent.

Following Lamantin, we planned Requin Tigre in Senegal around the year end. Requin Tigre is the 60 tcf test of a large basin and for fan, which we believe is lighting to more gas prone given its proximity to Tortue and other results in Senegal.

Aside from my active drilling program, we continue to see opportunities grow our existing position of the basin where we have a competitive advantage through our proprietary understanding. Given our view that the northern part of our Mauritania acreage is likely to more oil prone, we have recently farmed into Block C8 in Mauritania, which is northwest of our current acreage. This additional acreage expands our position in the Cenomanian-Turonian and Albian oil fairways and provides additional play diversity in the basin. We plan to acquire seismic on the block as soon as logistically possible potentially around the end of the year.

I will now turn to the rest of our exploration portfolio beyond Mauritania and Senegal, we have an exploration portfolio rich in opportunity. And within this portfolio, we are maturing prospects for drilling in 2018 and 2019.

Suriname is our top opportunity and we plan to drill two wells here in mid to late 2018. 3D seismic acquisition is complete and we've received interim process volumes in-house confirming the multi-billion barrel prospectivity of the basin. In Block 42, our work in combination with our partners, Hess and Chevron, has validated our previously identified Aurora trend on the eastern portion of the block and has identified additional prospectivity on the Apetina trend located on the western portion of our block. In Block 45, our 700 million barrel oil prospect stand out drilling opportunity and recent additional seismic has enhanced this definition.

In Sao Tome, we're nearly 85% complete with our 3D seismic acquisition, which is the largest undertaken in the company's history. Our position here is compelling because of its location outboard of the proven Rio Muni basin offshore Equatorial Guinea and between the oil seeps on the islands of Sao Tome and Principe themselves. We're pursuing a similar basin for a fan concept that we have successfully unlocked in Mauritania and Senegal, pending a review of the 3D seismic, we plan to drill here in 2019.

Beyond Sao Tome, our objective is to create a sustainable rifle-shot exploration program that delivers economic value and it's up \$50 world. This objective is enabled by two things. First as an active explorer, we can leverage our learnings to new basins just as we leverage the learnings from Mauritania and Senegal to acquire our acreage in Sao Tome. Similarly, we're pursuing new ideas and concepts to create opportunity in other basins along the Atlantic margin for drilling early in the next decade.

And second, this access is supported by the current market conditions with less competition, lower costs, and governments eager to attract a world-class explorer. In support of this, I'd like to discuss the formation of the Kosmos BP strategic exploration alliance. This expands our relationship the previously Mauritania, Senegal, and The Gambia to create a broader Atlantic margin explorer-developer partnership.

Our agreement creates the opportunity for long-term organic growth for both parties through the execution of a joint frontier and emerging basin exploration strategy. This alliance will leverage Kosmos' regional exploration knowledge, ideas, and concept generation capability together with BP's deepwater development capabilities, as well as the above ground relationships and reputations of both companies.

The Kosmos, the alliance enhances our ability to explore more efficiently by leveraging the technical resources of BP and reducing cycle times in the event of exploration success. We're excited about the creation of the alliance and I expect to update you with new developments going forward.

So, in summary, we are in a great position to continue to deliver shareholder value by generating free cash flow in the \$50 dollar world and over the next 18 months, we plan to drill five prospects that are among the industry's most significant exploration wells and the world's two most promising offshore hotspots. The same time period we are progressing the Tortue gas developments with FID, which we expect to be one of the lowest cost Greenfield LNG developments.

I will now turn over the call to Tom to discuss our financial results. Tom?

Tom Chambers

Thanks, Andy and good morning, everyone. Kosmos enjoys a strong financial position that's enabled us to execute our plan to unlock new petroleum systems and to grow the reserves, production, and the value of our company organically. Our commitment to financial strength and robust liquidity and our dedication to rigorous capital allocation continued to differentiate Kosmos.

As Andy alluded to in his opening comments, the trend of strong cash generation continued through June delivering approximately \$170 million of free cash flow, which was used to repay \$200 million in debt. Combining our lower cost assets with the commitment to rigorous capital discipline means our business can thrive in a \$50 world.

This morning we renounced to revise capital budget of \$100 million down from \$150 million earlier this year. This reduction is driven primarily by two factors. First, our team has been actively working with Tortue to optimize the FPSO remediation and other activities at Jubilee.

This has reduced both the estimated downtime for stabilization of the turret and also the capital required for execution of the other activities. And secondly, there have been some one-time accounting credits from the operator in Ghana attributed to previous accruals that were in excess of actual amounts incurred.

As a result, we expect 2017 CapEx of approximately \$100 million of which \$75 million remains committed to exploration with only \$25 million now attributable to Ghana. Turning to liquidity, we exited the quarter with \$1.2 billion in total corporate liquidity, including capacity on our RBL and RCF facilities, as well as available cash.

As I just mentioned, we repaid \$200 million of debt in the first half of 2017 and then exited the period with approximately \$945 million of net debt. We plan to continue maintaining significant headroom on both our RBL and RCF

facilities by ensuring we extend the facilities before RBL amortization begins or the RCF reaches maturity.

Now, I'll turn to results for the quarter. We finished the quarter with three crude oil liftings, two from Jubilee and one from TEN in line with our guidance. This generated second quarter 2017 oil revenues of \$136 million, excluding \$13 million of derivative settlements. When you add our revenue to our sell hedges, it reflects a realized price of approximately \$51.21 per barrel sold in the quarter.

Second quarter revenues were up compared to the same quarter in 2016 as a result of lifting two more cargoes including a TEN cargo during the quarter. During this quarter, we also received \$10 million of net LOPI proceeds, which is slightly less than our guidance due to stronger than anticipated Jubilee field performance. Our LOPI coverage for the current claim is now complete with this last payment.

For the second quarter, we generated a net loss of \$8.5 million or \$0.02 per diluted share, adjusting for the impact of one-time items that affect comparability, including a \$25 million mark-to-market hedging gain, accompanying generated net loss of \$8.4 million or \$0.02 per diluted share.

On the cost side, operating expense for the second quarter was \$22 million or \$7.41 per barrel versus \$20 million or \$10.06 per barrel in the first quarter of 2017 as a result of greater cost control and a one-time accrual adjustment from the Jubilee and TEN fields' operator.

For the quarter, this included approximately \$34 million of regular operating expense and \$5 million of cost attributed to revise operating procedures, offset by \$17 million in insurance recoveries. Finalizing the OpEx related LOPI claim during this period accounts for the large insurance recoveries recorded in the quarter. Going forward, there will be no insurance offset from our LOPI coverage to the increased revised operating costs related to this claim.

Exploration expense for the second quarter was \$20 million and primarily attributable to ongoing seismic in geologic and geophysical costs incurred in Mauritania, São Tomé, Suriname. Also in the second quarter, other expense net totaled \$8.4 million, which included \$6.4 million of non-cash charges associated with the exploration activities of KBSL.

General and administrative expenses were \$15 million during the second quarter, down approximately 25% compared to the same period in 2016, driven by carried costs as a result of the BP transaction and a one-time accrual adjustment from the Jubilee field's operator.

Depletion and depreciation expense for the quarter was \$72 million or \$24.85 a barrel. The per-barrel rate reflects an increase from the prior year period, which was a result of lifting a cargo at TEN where the depletion rate is higher than Jubilee.

Taxes were \$24 million or approximately \$8.14 per barrel with over 80% deferred. We continue to maintain our strong hedge position and currently our oil hedges total approximately 13 million barrels with approximately 4 million barrels remaining hedged in 2017, approximately 6 million barrels hedged in 2018, and approximately 3 million barrels hedged in 2019. The company's robust hedging program remains a key component of our strategy to protect our cash flow's balance sheet and liquidity.

I'll now turn to our guidance for the rest of the year. Our 2017 production guidance of 11 cargoes net to Kosmos including eight from Jubilee and three from TEN remains unchanged. Breach of the remaining two quarters, we anticipate lifting two cargoes from Jubilee and one from TEN. Cargo sizes are expected to be approximately 950,000 barrels.

On the cost side we are decreasing our total 2017 production operating expense, including the impact of anticipated insurance reimbursements for Jubilee to approximately \$13 per barrel. This is down from \$15 per barrel. We therefore expect our operating expense with the revised procedures to average \$16 per barrel in the second half of 2017.

We also now anticipate lower total G&A in 2017, driven primarily by a decrease in cash G&A. Our 2017 full year G&A guidance is now \$95 million, down from \$100 million with the same 55%, 45% cash and non-cash split respectively. We are now three years into this low-priced oil cycle and while many in the industry have had to modify their business plans to raise expensive capital, Kosmos is continuing to execute our plans.

We have a solid balance sheet, which allows us to execute our planned work program with the potential to drive significant organic growth through the drill-out of our best-in-class prospect inventory and the development of our significant gas discoveries.

That concludes our prepared remarks. Now, operator, we'd like to open the call for questions.

Question-and-Answer Session

Operator

Thank you. We'll now be conducting a question-and-answer session.
[Operator Instructions] Thank you. Our first question is from the line of
Brendan Warn with BMO. Please proceed with your question.

Brendan Warn

Yes. Thanks gentlemen and thanks for the update. I just wanted to touch on the DST results obviously that's been ongoing and you've been announcing results before the end of the month. I just want to be really clear my understanding what you will be announcing sort of what you can tell us of results to-date and just how important it is for the formulation of any development plans at all go into the FEED process please.

Andrew Inglis

Yeah, good morning, Brendan.

Brendan Warn

I'll have a follow-up question.

Andrew Inglis

Yeah, now, clearly the DST is ongoing and we anticipate completing it on plan by the end of the month that will enable the spudding of spreading of Hippocampe. In terms of the early results from the test as I described in my remarks, I think there were three things that we're looking at one is well rate. The second is reservoir connectivity. And the third is fluids and across all those three dimensions, the early results from the DST underpin the key assumptions that went into the preferred development concept that we have taught you. So for me that's the most important thing. We now are armed with the understanding now and the definition that enables us to progress with FEED and that FEED is clearly being targeted at the development concept that we've discussed and underpins the way forward to produce one of the lowest cost Greenfield LNG projects pre-FID. And all of that is to do with fundamentally the quality of the reservoir in terms of high well rates, well connected reservoir, and good fluids.

Brendan Warn

Okay. And just in follow up then I'll stay on call it Tortue and the LNG project, you sort of mentioned a noble strategy for the gas or the contract for the off take for the gas, if you can just expand on that comment? And just what else do we need to see in terms of the process as we go through FEED, do we need to see BP call it contracting this gas as a catalyst or a

need before FID? Just for those in the market could call it believe this project in the current LNG call it oil price environment.

Andrew Inglis

As we discussed at the time when we announced the BP deal, there were many dimensions to it. There was a dimension about bringing in a world-class developer that actually believed in industry led solutions and could therefore target a low cost development scheme. That's clearly proceeding. We also had access to a company that is a potential buyer of the gas that has a large gas portfolio, they could integrate the Tortue gas into their gas off take. So we have that as an option that is clearly being further developed. As a potential buyer of the gas and we're in conversations between ourselves and the government about that as an option but clearly evaluating other options against it. But for me one of the most important things is that we have access to BP's overall gas portfolio to initiate that project. And as we've seen by other actions that they've taken in the market in terms of accessing gas supply, they believe that's an absolute market for this gas at the beginning of the next decade.

Brendan Warn

Thanks for that. Thanks for the update.

Andrew Inglis

Right. Thanks, Brendan.

Operator

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

Charles Meade

Good morning, Andy, to you and your whole team there. I wanted to ask a question about this BP exploration partnership or alliance that you have. I can readily imagine a lot of the benefits that you would get from this expanded partnership, but I'm wondering if you can tell us about how you thought of that maybe some of the opportunity cost that maybe go along with it nothing specifically that you might not have the ability to do up a bake off, for example, the Sao Tome, the way you did in Mauritania and Senegal. So can you give us a little your take on the benefits and what you gave up with that?

Andrew Inglis

Interesting, Charles, for me this is about the ability to just sort of seize a moment in time to be able to build a sustainable portfolio that works in a sub\$50 world and I feel that today is an important time to go out and really seize those opportunities. And so by building it with BP, there is an opportunity to do more today as a result of having the technical resources to draw on. There is clear opportunity to do more because the upfront costs are lower. This is targeting selected geographies on a 50-50 basis, so the upfront costs are lower. And then with success, you have the opportunity to move to development quicker. You pick your development operator and so there is that sort of interregnum as you continue to explore potential praise and then bring in a development partner. So those are the factors that we way in moving forward with the alliance. And I think in today's world, I believe that this is a very positive step forward for the reasons that I've described, the ability quote do more, the ability to do it with less upfront and the ability to move faster in the events of success. And I think a read through of course is that I think it's a positive for the relationship that we've developed in Mauritania and Senegal. Initially we thought about Mauritania, Senegal and The Gambia the fact that we want to broaden out I think demonstrates that that partnership is working well.

Charles Meade

Got it. That's helpful, Andy. And then if I could ask a question about this Block C18, can you maybe perhaps in a similar thing, can you talk about how that process went, what you're bringing to that partnership and especially in the non-op world?

Andrew Inglis

I think this is as you know I believe Mauritania and Senegal is a world-class basin. I think that we're at the front end of opening that basin up. We have proprietary knowledge of the basin, its charge system, its reservoir systems throughout our six wells and we're leveraging that knowledge into new positions. We've grown the acreage position in Mauritania beyond our initial three block position when we brought in Block C6 and this is just the next step, the block was already taken, so we've gone in a non-operator world. But it's all about our belief that there's more to go in Mauritania and Senegal. And we want to optimize our - and grow our position there.

Charles Meade

Got it. Thanks, Andy.

Andrew Inglis

Great. Thanks, Charles.

Operator

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

Richard Tullis

Thanks. Good morning, Andy and Tom. Congratulations on a solid quarter. Andy, when you look at the TEN project and you spoke about drilling resumption upon eventual ITLOS ruling, how many wells could be needed to reach the 80,000 barrel a day gross production level and what sort of timing could you be looking at there on a sustained basis?

Andrew Inglis

I think, Richard, it's a limited number of wells. I think we have actually moved the - in the last sort of month and a half, we've moved the rate actually significantly above the 50, towards the 80,000 barrels a day with the existing well stock. So we're talking about a very limited number of wells to be able to get it there. And then it's a question about a disciplined application of capital to ensure that we maintain that. We've also obviously tested the facilities above the 80,000 barrels a day. So I think the question that follows is with additional drilling, could you push it beyond nameplate of 80,000 barrels a day, but it's a limited number of wells.

Richard Tullis

And then shifting over to Jubilee, the earnings release mentioned expectation of increase in proved reserves once the development plan is finalized and approved. What magnitude of 1P increase could you likely see there?

Andrew Inglis

Yeah, I think, Richard, what we need to do is get the development plan submitted and then we'll come forward with those numbers. But I think that the way to conceptualize it is to see that that development plan is targeting the full potential, the full resource potential of the Jubilee field that it will describe the drilling programs that would underpin that. And obviously with that development plan approved, we can then move towards the sequential booking of those 1P resources.

Richard Tullis

Thanks very much, Andy. That's all for me.

Andrew Inglis

Right. Thanks, Richard.

Operator

Our next question comes from the line of Ryan Todd with Deutsche Bank. Please proceed with your questions.

Ryan Todd

Great. Thanks. Maybe a couple of thoughts on upcoming exploration wells, you ran through some of the details around the next couple of wells out there of Hippocampe and Lamantin. Can you maybe give a little more color on how the prospects differ from - in terms of your expectations from what you've drilled to date differences and similarities and I know you've given ranges but maybe anything else you can share on?

Andrew Inglis

Okay. Yeah, thanks, Ryan. I think you sort of - the first thing these are based on four fans, Yakaar was the first one. And I think the most important thing about Yakaar was a, it was a big find in terms of gas resource, build that second hub with Teranga in the south of Senegal, but what it proved was the concept, the prospect concept works, in particular the reservoir quality was there. So I think that was the - remember this is up four-well program and we drilled the first one. So one is we've proved that the reservoir quality was there. And that's clearly a key element that of moving forward. As you then look at the three wells to be drilled, I think I would differentiate them from a sort of gas to oil potential. The third one to be drilled which is Requin-Tigre is in the south, it's in Senegal, it's adjacent to Yakaar and our view would be that it is most likely a gas, but a large prospect, but most likely gas. You then go to the north of the basin in Mauritania where we have the proven CT source rock, Lamantin is a source by that we believe and therefore we see Lamantin as our best opportunity for black oil. And then in Hippocampe, we have another sort of separate test of the source rocks in the Valanginian, Neocomian and Albian source rocks in a different setting from Yakaar and Requin-Tigre and we think there is an opportunity therefore because of the different source setting for that to be the potential of our liquids rich gas. So I think those are the distinctive nature of the three prospects. And they're all world scale. We see an AVO supported conformance to structure and Requin-Tigre that's 60 tcf resource. We see Lamantin as being a 2 to 3 billion barrel oil resource and Hippocampe 12 ts of gas or 2 billion barrels of liquids. So that's the range. And I think they're all very separate tests. And I think at the end of that program we will have generated a significant increase of our knowledge of the basin having sort of drilled from the southernmost part to the

northernmost part and both the prospects on the channels on the slope as well as the basin full fan. So this is a critical next stage of the exploration program and one that we're clearly very excited about given the recent 3D seismic that we've just got in-house.

Ryan Todd

Great. Thanks. And then maybe a similar type question on Suriname, it looks like we'll get some activity there in 2018. Can you talk a little bit about how - what are the similarities in the prospects in Suriname that you're targeting relative to some of the success that we've seen in Ghana basin, similarities and differences between what you're targeting the other successes that we've seen in the region there?

Andrew Inglis

Very similar. I think we see the same reservoir systems, we have same source rock and clearly we're benefiting from the success that eggs on Hess had in that we now have calibrated AVO. So we see a lot of similarity and it's the same structural stratigraphic traps, the same reservoir systems as I said, same source rock and therefore we see a very strong read through.

Ryan Todd

Great. I'll leave it there. Thanks.

Andrew Inglis

Ryan, thanks.

Operator

The next question is from the David Gamboa with TPH Partners, proceed with your question.

David Gamboa

Hi. This is David Gamboa of TPH. Thanks for taking my questions. Just a quick one on Tortue please. You guys mentioned FID still expected for next year first gas still in 2021. If I'm not wrong you mentioned earlier during the year that we could potentially see a midstream solution announced by middle of this year, I was wondering if you have any update for us on how is that tracking, what are the milestones? And you mentioned you would announce a midstream solution by around the time you start the FEED process, I'm just wondering what's the latest on selecting the midstream solution for the project please.

Andrew Inglis

Yeah, I think you've seen two things sort of coming together, I think the completion of the DST gives us confidence in the fluid composition that's clearly a key important part of selecting the midstream solution. So I think the key to having access to that data now allows us to actually do the necessary prequalification and verification of that solution. So what you're seeing Dave is a coming together in a time sense of sort of quote complete DST, have the necessary knowledge to optimize the development in a given well right reservoir connectivity fluids that plays into the ability then to kick off FEED and that enables you then to be able to decide on the midstream solution. So that the coming together now of that information in the sense nothing's changed the objective is to be able to get to the end of the year with that in place so that the FEED can stop.

David Gamboa

Thanks very much.

Andrew Inglis

Great. Thanks. David.

Operator

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

Bob Brackett

My question on the secondary listing, I can see the rationale behind it. Can you talk about the size potentially of it and the uses of it clearly your balance sheet doesn't need additional equity?

Andrew Inglis

Bob, I think this is a very sort of straight forward I think rationale and the rationale is around few things. I think one is we feel now is the time to access new shareholders given the strength of our story. It's a story as I've described in my remarks built around a real point of departure in terms of the exploration program over the next 18 months probably five of the leading wells to be drilled in the industry in the two hottest basins in the industry today. Clearly of that eighteen months the progression of the Tortue development to two FID and a very strong balance sheet, so as you say it's not about raising equity, this is actually about broadening our international shareholder base and removing some of the structural barriers

to owning our stock. And we have a very strong story I believe to attract those investors.

Bob Brackett

But is the idea to use this issuance to drain down some of the private equity money that they don't share, is that the logic?

Andrew Inglis

No, it's not. I think it's you know as I said it's good for all seasons. I think the story is strong today and we believe we want to go out and tell that story to investors that currently count on those shares.

Bob Brackett

And so, if you're neutral on the issuance, would you take the London-based issuance and repurchase shares in the US?

Tom Chambers

Bob, this is Tom. We are not planning on entering any new shares with this listing. So, there is no new shares that are going to go out at all.

Bob Brackett

Okay. No new shares. It's just literally just easier access for foreign investors?

Tom Chambers

Correct. That's it.

Andrew Inglis

You got it, Bob, yeah.

Bob Brackett

Very good. And then a quick follow-up on the DST. Can you comment on sort of the peak rate you've observed so far? Are you waiting to disclose that?

Andrew Inglis

No. Waiting to disclose that like in, say, is the rates we've observed and this has fully underpinned the rates that we've assumed in the development scheme. These are high rate wells.

Bob Brackett

Say 100 or 200 million cubic feet a day?

Andrew Inglis

We'll advise you later, but we've talked about well rates that are capable of 200 million cubic feet.

Bob Brackett

Great. Thank you.

Operator

Our next question is from the line of Nicky Kouzmanov with Jefferies. Please proceed with your question.

Nicky Kouzmanov

Hi. Good morning, gentlemen. Most of my question have been actually asked. But maybe just a couple of clarification points. One is on the sort of next milestones and steps to feed. You talked about the ICA. What about the unitization? Would you need a unitization agreement signed before you actually get into feed? Is that unitization agreement just between you guys or the governments or the national oil companies have to get involved as well? And then on the BP partnership, is it just looking for new licenses or would you be able to sort of cross farming into existing position that you or BP might have along the target margin? Thank you.

Andrew Inglis

Okay. Yeah. Hi, Nicky. I'd take the last question first. This is about targeting new things. Selected geographies, Atlantic margin, 50-50 partnership, so we're targeting new things. In terms of Tortue, the key staff is getting the ICA approved. As you say, it's been agreed by the government. It's been agreed by the national oil companies. Now we need approval of the various ministries, government approvals, there's a process being kicked off in Senegal and you are seeing sort of news reports on that. And there is a similar process going on in Mauritania. The unit operating agreement will be between the national companies and ourselves.

Nicky Kouzmanov

Great. Thank you. And would you be announcing any of these once they are completed or?

Andrew Inglis

Sure. Yes, we will. Yeah, yeah.

Nicky Kouzmanov

Great. Thank you. Thank you, Andy.

Andrew Inglis

Yeah.

Operator

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

John Herrlin

Yeah. Hi. Just some quick ones. Regarding the LOPI insurance, you said in your release that you're going to receive a payment in August. How much, Tom?

Tom Chambers

Well, the August payment is reflected in, actually in that. We'll give the \$10 million that we had for - that we put in our production and we'll get the last - the second quarter increased cost of work, which I think was around \$17 million.

John Herrlin

Okay. Then with your London listing, how much is that going to run, how much do you think the cost will be?

Tom Chambers

It's actually very cheap, because it's a standard listing. So, what we can do is we can use all of our US filings to satisfy the London listing. So, the actual listing itself will be \$2 million to \$3 million a year.

John Herrlin

Okay. Great. And last one from me on Hippocampe. How long will it take to reach TD?

Andrew Inglis

We've typically said the wells are around 60 days. So, we've used that as a ready reckoner that we'll work on so, we anticipate spudding later this month and then 60 days.

John Herrlin

Great. Thank you, Andy.

Andrew Inglis

Great. Thanks, John.

Operator

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

Al Stanton

Yes. Good afternoon folks. A couple of questions if I may. Just on the listing in London. The thing is people have asked about it. Is it purely an instruction or is that secondary pricing taking place at the same time?

Andrew Inglis

No, it's purely an instruction.

Al Stanton

Okay. And then, Tom, in terms of the costs on exploration, I had back of the envelope rig rate that was going to result in you paying a fair amount through the second, third, and fourth quarter. I notice Atwood saying that you are paying less in the 595. I was wondering if it's materially less and perhaps that's why some of the saving has come from - for the outlook for rest of the year?

Tom Chambers

The 595 is applicable all the way through the current contract, which expires in November.

Al Stanton

And then would the wells continue through December and January? Is that - do you take a deal on that?

Andrew Inglis

No. We are still in discussions about a new contract if we were to continue with Atwood.

Al Stanton

Okay. Cool. And then finally if I may, I don't expect you to tell us what projects you're looking at with BP. But can you tell us some of the things that you wouldn't look at perhaps geographically and geologically? I mean would we expect to see you talking presold [ph]?

Andrew Inglis

As you say, I don't want to give away all the thinking. If you just sort of go back to the strategic logic of it is that Kosmos is core area of expertise, the Cretaceous and the Atlantic margin and actually this is about leveraging that knowledge conceptual thinking with a deeper technical resource base from BP and the ability to sort of split it upfront in terms of access costs and then be able to move it faster.

So, now we remain focused on the things that have actually brought Kosmos success today, which is deep knowledge of the Cretaceous. And as I said in my remarks, we managed to leverage that thinking from a Ghana perspective into Mauritania and Senegal. We've actually leveraged that thinking in terms of the basin for fans, the quality of reservoir outboard into our concept in Sao Tome how do we apply similar thinking into other geographies. So, it's very much about same discipline being able to move a little faster than if we were just doing it ourselves.

Al Stanton

Thanks, guys.

Andrew Inglis

Thanks.

Operator

The next question is from the line of Pavel Molchanov with Raymond James. Please proceed with your question.

Pavel Molchanov

Hi, guys. Thanks for taking the question. Just one from me. On the alliance with BP, how will the prospects be selected between the two sides and is there a mechanism for sort of abstaining if one side is interested in drilling and the other is not?

Andrew Inglis

Yeah, yeah, clearly there is a sort of default sort of divorce course. So, we have a pre-nup. But this is not about that actually, Pavel. I think this is about two companies that see things pretty similarly. We've demonstrated that in Mauritania and Senegal and the ability then to sort of leverage that joint thinking into new geographies. Clearly if one party sees something that the other party doesn't want to pursue, then they can go along. But our objective is clearly to do things together.

Pavel Molchanov

Okay. And when is the first location as part of the alliance decided?

Andrew Inglis

The line broke up. Is the first location decided? Is that what you?

Pavel Molchanov

When do you anticipate making a decision on the first prospect that's part of the alliance?

Andrew Inglis

We've already got lots of ideas. So, in terms of areas we're targeting, we clearly have selected geographies that we're now working. We're clearly not going to divulge those today. And when we make our first points of access, we'll obviously make them known to the market.

Pavel Molchanov

Okay. I appreciate it.

Andrew Inglis

Great. Thanks.

Operator

The next question is from the line of Neil Mehta with Goldman Sachs. Please proceed with your question.

Neil Mehta

Good morning, team. First question is just about how you guys think about your hedging program. Can you talk about that with the curve around \$50 a barrel right now over the next couple of years and that being a level where

Kosmos' economics look relatively attractive? How do you think about locking of that?

Andrew Inglis

Yeah, I'll let Tom follow up. I just said a bit of concerns done. I think that to me it's fundamentally about the ability to conduct our business in a \$50 world and being confident in our ability to do that and therefore it is a kind of flow that we're looking to secure and we're now being bounded by an upside which we could capture the points is higher. I think we've done a very good job since the inception of Kosmos to ensure that we had a balance sheet that was capable irrespective of the price environment of executing the strategy. And in that regard, the kind of nothing's changed, so we see an uncertain future in terms of price and we want to ensure that we protected the core of the strategy and our ability to execute that by having hedges in place that are priced appropriately. Tom?

Tom Chambers

That's very good Andy, but Neil what I've added to that is, Andy said that we want to be able to make sure that the business works at \$50. So we're protecting the downside of \$50, so we're also looking and making sure that we don't totally block ourselves out of the upside. So we're also looking at the upside and we're taking what the curve gives us. In fact, what you'll see in my remarks that we talked about - we've just hedged 2019, we put 3 million barrels on to 2019 and again it's the same similar philosophy we've had along protecting that downside, so the business works in the \$50 world, but also allowing access to the upside should we see a rise in oil prices, so that philosophy continues. We've got 6 million barrels in '18 hedge, we'll continue - before the year is out, we'll finish hedging off 2018 to the tune of somewhere between two thirds and 75% of our forecasted volumes for 2018 and then we'll continue on into '19. So the hedging philosophy has served us very well in the past. We've collected, since 2015 we've collected over \$400 million worth of proceeds from our hedging program and it's allowed us to keep our balance sheet strong and allowed us to continue doing the exploration that we need to do that allows us to continue to make the interest coverage. So we have no plans on changing that at this point.

Neil Mehta

That's great, guys. And then the follow up question is just around cash sources and uses. With your operating cash flow providing a base line plus the formal proceeds, you're going to be generating a decent amount of free cash flow. So I want you to talk a little bit about how you guys are thinking about the uses of that cash flow, especially an early look into 2018 at this

point, recognizing there's a lot that's moving around and so how should we think about kind of the '18 CapEx level. And then also how do you weigh the return of cash to shareholders if you think the stock is fundamentally undervalued via buybacks or given the stability of cash flow coming from Africa, how do you think about the dividend? So can you talk philosophically about that and maybe drill into wherever you can here?

Andrew Inglis

Yeah, I think you sort of pull the question upon. I think the - if you look at the history of the company, we were very I think thoughtful about entering the current downturn sort of post '14 and the restart of the drilling program was a very strong balance sheet. And we use the period from when production started in Ghana in 2010, that four year period to pay down debt and we enter that period therefore in advance of an activity set that if it delivered success we were able to follow through on it. And I think that's - it's a huge important point about our business model is that exploration success without the ability than the follow through with appraisal and stay in the development, the value will not come through to the shareholders. So I feel very strongly that in terms of what we're doing today is using the cash flow again to pay down debt, which is what we're doing at the moment. And then the strength of that balance sheet is at anticipation of a five well program that we believe has real potential to deliver success and therefore I follow program. So from my mind I'm thinking about the sources and uses of cash in a strategic sense around how we allocate capital and the allocation of capital will be to high quality projects that will come through from one organic program and the ability to have a strong balance sheet enables us to fully participate in -

Neil Mehta

That's great guys. Thanks for the time.

Andrew Inglis

Right, thanks Neil.

Operator

Thank you. There are no further questions at this time. I'll 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 on the call today and your interest in Kosmos. If you have any further questions, please don't hesitate to contact me. Thank you very much.