

## **Operator**

Welcome to the Kosmos Energy's third quarter 2012 earnings conference call. (Operator Instructions) At this time, let me turn the call over to Brad Whitmarsh, VP of Investor Relations at Kosmos Energy.

## **Brad Whitmarsh**

Thanks, operator and thanks to all of you for joining us today. This morning, we issued our third quarter earnings release, which is currently accessible on the Investor's page of the [kosmosenergy.com](http://kosmosenergy.com) website.

Later today, we anticipate filing our third quarter 10-Q with the SEC, which will be available on our website at that time. Joining me on the call today with our prepared comments are Brian Maxted, CEO; Greg Dunlevy, Executive Vice President and CFO; and Darrell McKenna, our Chief Operating Officer.

Following brief comments today, we will have a question-and-answer session. Consistent with prior calls, I'd ask the participants to keep your questions to one primary and one follow-up. This will ensure that we get to all who are on the call today. If they are questions that we're unable to get to within a one hour timeframe, please feel free to call me later in the day.

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. You may also refer to certain non-GAAP financial measures in our discussion. We believe such measures are important in looking at the company's historical and future performance and these are commonly referred to metrics in the industry. 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 want to turn the call over to Brian.

## **Brian Maxted**

Thanks Brad. I'd like to take a few moments this morning to comment on a number of our recent successes, highlights in the great progress we've made in all areas of our business. Throughout, I will stress on how we strategically positioned Kosmos for the future before handing over to Greg for financial review and Darrell for an update of operations.

Starting in the Tweneboa basin petroleum system offshore Ghana, we have focused on delivering maximum value through our diversified set of assets, which includes existing growing and long-term production plateau at Jubilee, upcoming development projects, as well as near term exploration upside.

At Jubilee, we have continued to see a high level of performance at the field, with strong and consistent production levels over the last several months, following implementation of the well productivity solution.

Production exited the third quarter at over 85,000 barrels of oil per day gross, our successful asset stimulation program, while we have treated five of the nine production wells supported high levels of production from the field resulted in two crude oil lifting's for Kosmos in the third quarter.

To accelerate reaching plateau production, we have prioritized Phase 1 activity, with completion operations underway. Two new Phase 1A production wells are anticipated to be online by the end of the year, launching us into 2013 with field production at its highest level ever.

On the development front, we anticipate submitting the PoD for the TEN developments to the Ministry of Energy by the end of the year. This will be a second high volume FPSO based development for our company and indeed the country of Ghana, providing the next significant step up in production and cash flow growth for Kosmos beyond Jubilee.

In addition to the ongoing production and development operations, our 2012 expiration campaign in Ghana provide significant opportunity to expand our inventory of discovered resources.

Early in the third quarter, we announced an expiration success at Wawa oil and gas condensate discovery, immediately a bit off, but separate from Enyenra, in a previously undrilled portion of the Deepwater Tano Block.

This was the first of three important expiration wells for Kosmos in Ghana this year; the second is Okure, which is the largest of the three prospects with multiple hundred million barrel equivalent potential. The well is currently drilling. We should have results by the end on the month. Okure, will then we followed by the drilling of the Sapele prospect, a 75 million barrel equivalent target down at the Jubilee and Mahogany.

Results of Sapele are expected in early next year. For Kosmos, the value of proposition in Ghana is the example of what we are intent on replicating throughout our global exploration portfolio in places such as Morocco, Mauritania and across the Atlantic in Suriname.

Our exploration strategy is simple, build a world-class exploration portfolio, focused on high value, high volume petroleum systems and deliver major discoveries for Kosmos into the places where we operate.

The first of these opportunities is onshore Cameroon with the Sipo prospect on the Ndian River Block. Sipo is a 150 million barrel equivalent tertiary age prospect with multiple look-alike structures in the block derisked in the case of success. The rig and heavy lift helicopter are in country. Transport of the rig to the drilling location and assembly should begin shortly with a planned December spud and results expected 45 to 60 days later. We continue to negotiate with the number of companies to form out a portion of this position.

Turning to Morocco, we have completed the acquisition of additional interest in the Fom Assaka Block raising our interest by 18.75% to 56.25%. We also announced in this morning's earnings release that we have execution in agreement to acquire an additional interest in the Essaouira Block, when completed following the acquired government approvals, our interests in the block will double to 75%.

Both of these transactions strengthen our position in the offshore Agadir Basin, an area where we have seen significant recent industry activity. We continue to process the 3D seismic data that we acquired in late 2011 and early 2012. And we're extremely excited about the prospectively of our blocks. Timings of potential first drilling offshore Morocco, remains as early as late 2013.

Across the Atlantic in Suriname, another area where we have seen a significant amount of industry activity recently, we have completed our 3D seismic shoot, acquiring over 3,800 square kilometers of data covering portions of our deepwater Blocks 42 and 45.

Our teams in cooperation with Staatsolie, Suriname's national oil company, executed this program very efficiently, following preparation approval of the environmental assessment, seismic operations begun in August and were completed in early October. We anticipate receiving the fast-track dates in the early part of next year, with 2014, as a drilling target.

In offshore Mauritania, we're focused on finalizing plans for 2D and 3D seismic program. They are target to begin the acquisition in the very early part of 2013. In addition, our new venture efforts continue, as we further expand our portfolio to provide significant exposure for future exploration success and several opportunities are in the pipeline.

I am very excited about where we are today as a company, but more importantly where we're headed in the near and longer term. Strong and

growing cash flow from Jubilee, combined with our existing liquidity, puts us in an enviable position of being financially self-sufficient. It's allows us to fully fund all of our future activities in the Tano Basin offshore Ghana, as well as the company's potential game changing exploration drilling campaign elsewhere. We are in a great position to create substantial value for our shareholders going forward. Greg?

### **Greg Dunlevy**

Thanks, Brian, and good morning everyone. In my prepared comments this morning, I will provide a brief review of our financial results for the third quarter before giving an update on our outlook for the rest of the year.

On our oil revenues were \$222 million on the sale of two cargoes in the third quarter. Previously, we had forecasted, as most likely, only one lifting for the period. However, improved production levels at Jubilee as well as some slight scheduling changes accelerated the lifting from the early part of October into the latter part of September.

Our annual guidance for lifting's is unchanged as we still anticipate six lifting's for the full year with our fifth cargo sold in the latter part of October, and our sixth planned in December. On the cost side, the impact of having two cargos in the quarter is seen in our production expense, depletion, and income tax line items.

As mentioned in our second quarter call, we anticipate higher production costs resulting from acid stimulation expenses in the period. The third quarter amount includes costs associated with the last three acid treatments, two of which include detailed diagnostic and multiple production logging procedures, which were more expensive than a basic treatment, while cost savings procedures were critical in identifying the most effective solution and refining the treatments to enhance well productivity. Excluding these amounts, production expense for the third quarter was consistent with our expectations and recent quarters at under \$9 per barrel sold.

Exploration expense for the quarter was \$37 million, a large portion of which was associated with our substantial 3D seismic acquisition program offshore Suriname. As required, we've expensed 100% of the cost of the 3D program to-date and we'll continue to do so until our 50% farm-out to Chevron is closed. We anticipate government approval and finalization of the agreement by the end of this year.

Derivative expense for the quarter was \$25 million. And mark-to-market charge, reflecting the impact of strength in Brent prices at the end of the third quarter. \$5 million of this amount relates to derivative instruments,

which settled in the third quarter with the remainder representing the change in valuation of future derivative positions.

With increasing confidence in our cash flows, we elected to repay \$110 million under our credit facility, ending the quarter with \$400 million of cash. Subsequent to quarter-end, the borrowing based on our credit facility was adjusted to up \$180 million to \$1.34 billion, resulting from a combination of factors including our enhanced production outlook and increased hedging.

Our available liquidity at the end of October was comprised of approximately \$500 million in cash on hand and \$340 million available under the revolver. Capital expenditures for the third quarter were approximately \$120 million, bringing the total year-to-date to \$340 million.

Our outlook for the remainder of the year still has CapEx in the range of \$500 million or somewhat below that with expenditures in the fourth quarter driven by Phase 1 development in Jubilee, exploration activity in Ghana, Cameroon and elsewhere.

Looking forward to the fourth quarter, I would anticipate it to be fairly consistent with the third quarter in terms of revenues and expenses with a couple of exceptions.

As I mentioned earlier, we anticipate two lifting's in the fourth quarter. Production expense should be less than the third quarter as a result of lower anticipated work over activity. Exploration expense excluding any potential well costs is anticipated to be significantly less than the fourth quarter as our seismic program offshore Suriname was completed in the very early part of fourth quarter at ahead of schedule.

In wrapping, up, I want to provide an update on our hedging program. We focus on reducing downside commodity price risk, unlocking and significant amounts of future cash flow, we recently added to our strategic hedge position for next year.

Our current 2013 position covers 3.5 million barrels of oil, and are structured as three way columns with floors averaging just north of \$91, a ceiling of about \$110, and with upside prediction in the case of Brent north of \$130 per barrel. The details of these positions will be in our 10-Q filing.

Our strategy targets hedging production in the range of 20% to 50% of total volumes up to 36 months out. So, I anticipate, we will continue to look to execute more hedges for 2013. And we will begin to lock in some of our 2014 cash flow as the opportunities arise, with continued confidence in our long-term production forecasts and with increased price certainty, we are ensuring that Kosmos will be well funded for the long-term.

Now, I'll turn the call over to Darrell.

**Darrell McKenna**

Thanks, Greg. Let me first start my comments with an update on Jubilee. The producing reservoirs continue to perform strongly, and the production has been stable at 85,000 barrel oil per day, while awaiting completion of Phase 1A wells and additional asset stimulation activities. Fuel production was enhanced in the middle of the year by the implementation of our highly effective solution to well productivity, which has been successfully applied to five of the nine original producing wells.

Additional asset stimulations are being planned with one or two of these treatments potentially in late 2012 following the completion of the first two Phase 1A producers. Technical work is underway to evaluate the ability to complete future asset stimulations from a vessel rather than a rig. This will further reduce the cost of each application.

As a reminder, the last asset treatment utilizing a rig was only \$8 million gross, and we believe we can use an intervention vessel to reduce that amount by approximately 50%.

So let me now provide an update of Phase 1A activities. To-date, we have drilled three producers and two water injection wells as part of our Phase 1A, representing 60% of the total wells in the program. Four of the five wells drilled have been tied into the subsea architecture system and two new producing wells are expected to be online by the end of year.

During the third quarter and into the early part of force, we experienced some rig downtime as a result of planned BOP maintenance as well as unplanned rig maintenance due to a number of mechanical issues. Completion activities are now underway on the first Phase 1 producer.

Drilling results for the program have been very encouraging with good reservoir communication seen throughout the field and better than expected rock properties indicating strong productivity capabilities in all the producers. With the additional capacity from these new wells, we anticipate exiting the year with the Jubilee field producing its highest level since start-up, growing further in the early part of 2013.

Following a very successful exploration appraisal and development optimization program at the Deepwater Tano companies are in the final stages of preparing to submit the TEN plan of development to the government. The development plan will be focused on providing early reservoir performance and well productivity data. The characteristics of these fields, including the geometric distribution of Enyenra, which is a

confined channel system with three primary reservoirs extending 20 plus kilometers long, support an early learning approach to optimize future well count and placement.

Collectively, the development teams are working together to evaluate and tender a number of major subsidy components including trees, controls, umbilical's, riser and flowlines. And we are also close to selecting the FPSO contractor as well. Following the final PoD approval, we will aggressively move this project forward with the award of key contracts and pre-ordering the long lead items.

On the West Cape Three Points Block, we successfully tested the Akasa well with a restricted rate of over 7,500 barrel per day, indicating deliverability potential of over 10,000 barrels oil per day. We are continuing to analyze pressure build up data, which assist in determining the area extent of the discovery and total resources in place.

Discussions continue with the government in regards to aligning the appraisal programs for Mahogany, Teak, and Akasa with a strategy to advance these discoveries towards the most optimum development plan.

We are close to achieving long-term plateau production at Jubilee. The development projects have made good progress, and we remain focused on exploration for company making discoveries with near-term potential in Ghana and Cameroon and new basin opportunities within the expanding global portfolio.

Operator, we'd like to open the call for questions at this time?

## **Question-and-Answer Session**

### **Operator**

(Operator Instructions) Our first question comes from the line of Bob Morris of Citigroup.

### **Bob Morris - Citigroup**

At Jubilee, you didn't do any asset stimulations during the third quarter, and you exited the second quarter about 86,000 barrels a day, you had 85,000 barrels a day. Currently, what has occurred there to preclude any real natural decline rate in that production and in absent whatever you doing to keep that steady, what would be the natural decline and I guess follow-on that would be with the additional asset stimulations in the Phase 1a wells, will you still hit a peak rate of 120,000 barrels a day or has that kind of been dampen a little bit just how things are stressed out with the decline rates?

**Brian Maxted**

Let me say a few things and I'll maybe pass it to Darrell to add to it. I think what you are seeing is the success of the five of the nine wells that we've acidized and those jobs, production is staying pretty stable as you pointed out, which talks to the success of the well productivity remediation efforts, and of course, the reservoir and the performance of that.

And, as we go forward, we got four other acidizations to do as well as to tie in our Phase 1A producers. The Phase 1A producers are being prioritized principally because they are ready to be tied in and hooked up just awaiting the rigs to come back from some maintenance. And you're going to see with the additional wells that we need to acidize as well as the Phase 1A production, we anticipate sometime beginning of next year, early next year to get to a plateau production and pretty much stay there.

I mean one of the things that you should note that once we got the production capacity that fills the boat, any additional acidizations we may do either on the ones that are untreated or once that we may need to do in the future, we'll not be seeing, hopefully, in the production levels, because we will have greater capacity than we have got FPSO capability at this point.

Darrell, does that answer for you?

**Darrell McKenna**

I think that's good. I was saying the key thing is good communication and conductivity throughout the field, and we see that in all the Phase 1A wells that were drilling as we think pressures is going along, so good results there.

**Bob Morris - Citigroup**

So were you chocking back the wells in order to keep them from declining during the third quarter or how is it that production held up?

**Darrell McKenna**

There is multiple choke work going on at all time, balanced productivity against reservoir management.

**Operator**

Our next question comes from the line of John Malone of Global Hunter.

**John Malone - Global Hunter**



Just jumping over to TEN for a second, I think you addressed this a bit. Do you maybe get the Okure results and to have to an idea of what you've got there before you submit the planned development final?

**Brian Maxted**

No, not at all. The Okure is a very separate opportunity, prospect opportunity. It's deeper than the main Enyenra field and indeed the Tweneboa accumulations as well. The phased development plan that we'll be submitting, and in particular, the Phase 1, will not be impacted by the Okure results at all. It will be nice to find additional discovery below the field that we are about to develop for sure, but the two are quite independent.

**John Malone - Global Hunter**

And then, just back to the previous question on Jubilee, just kind of to frame it. You mentioned actual rate for that will be the highest you've achieved so far, I think that about 86 was that number, so does that imply that you don't think you will hit the 90,000 of the operated TEN we've talking about or can you constrain what that actually means in terms of number?

**Brian Maxted**

We're at mid-80's. Right now, we've been there for a while. We've had some challenges with the rig that's been doing the well completions and workovers for (Circle) Energy. Those are behind us now. We're back on the wells. We've got two wells that we said we were going to tie-in from Phase 1A by the end of the year that we still anticipate just being able to do that subject to the rig performance, and those are wells that are both benefited from the learning's of the Phase 1 development in terms of drilling and completion design, very high productivity wells, and we would be very surprised if we don't far exceed the highest rate that we've flowed before which is as you say about 86,000 barrels a day.

**Operator**

Our next question comes from the line of Brendan Warn of Jefferies.

**Brendan Warn - Jefferies**

Just three questions if I can. Just still on Jubilee, and I appreciate you've had call of mechanical well issues, but is there anything you can tell us about now the reserve resource classifications and reclassifications and just your understanding of potential increases of recovery factor.

Second question just relates to Cameroon, I apologize, I got under the call a little bit late, just any update of the farm out or the divestment process for Cameron, and then just lastly, just in terms of your call it seismic drilling activity in both Suriname, Mauritania and Morocco, can you tell us what sort of level of intimation sharing you have with other players in the region not some much in your block, but other players such as Tullow in Mauritania, Total whether there is any information sharing that's going on between blocks just to assist with derisking of new frontier agents?

**Brian Maxted**

Let me take the latter two questions there, Brendan, and then I will past the first question to Darrell. In terms of Suriname, Mauritania and Morocco, internally we're still very much at the seismic acquisition processing stage and early interpretation stage for fast track volumes and so none of that information has really been shared with the industry as a whole.

Whist, logistically we talk to our co-venturers in each country, particularly around ensuring that we're optimizing the operations of our seismic and drilling programs beyond that I wouldn't want to say anything about any shared compensations we may have.

In Cameroon, is an opportunity that we'll like a lot, and we have been speaking to a number of potential farm in east and those discussions go on, and that well is planned to spud some time in December with results in the New Year. So we'll have to just see how will that farm-out process goes, but the well will get drilled regardless. Darrell?

**Darrell McKenna**

On the Jubilee question, just go back to our comment on communication conductivity across the field is good. We see that in all the wells we drill in the Phase 1A producers and injectors. We're pleased with the pressure support with both gas and water across the entire section. So we wouldn't have any updates from prior guidance, nothing that gives us any worries relative to recovery factors. We're still on track to what we said in prior conversations.

**Brendan Warn - Jefferies**

I guess, I was driving that in terms of if we're going to start seeing good productivity, an increases recoverable resource or an increase in reserve, and when would you be looking to book those to your balance sheet?

**Darrell McKenna**

I would just say that at year-end is our process where we update all our reserves. And as Brian mentioned, we'll have the first two Phase 1A wells on production. Once we see some of the production of those wells that will give us an opportunity for an update.

**Brendan Warn - Jefferies**

Just one follow-up question, just in terms of submission of the PoD for TEN, any likely push backs or constraints to the government and timing of approvals that you envisage?

**Darrell McKenna**

I guess, we've got the PoD all prepared and there is some dialogue going on with various parties both ministry and the GMPC. So we're optimistic in terms of the way forward with the actual approval process.

**Operator**

Our next question comes from the line of John Herrlin of Societe Generale.

**John Herrlin - Societe Generale**

Just a couple of quick ones, with the seismic, have you been getting brute stacks or you really haven't seen any in Suriname?

**Paul Dailly**

In Suriname, John.

**John Herrlin - Societe Generale**

Yes.

**Paul Dailly**

The factor I concerned that was actually not in yet. We completed that program ahead of schedule and actually below budget, which was great. But the so called fast tracks, volume actually won't be in until January. But we do have the fast-track start later on Morocco.

**John Herrlin - Societe Generale**

Speaking of Morocco, how much was the incremental 37.5% position that you purchased or you negotiation for?

**Paul Dailly**

As we pointed out, in Essaouira license, we've increased that we've increased our interest and we now got 75% of that. Obviously, as usual we keep the terms and conditions of such transactions confidential.

**John Herrlin - Societe Generale**

With Jubilee, you're pleased with pressure support with water reinjection, have you considered using any sort of chemicals or maybe high rich water injection or you're just comfortable with the way the reservoir is performing?

**Darrell McKenna**

There has been no modeling so far on enhanced recovery at this point. But we would want to see the field fully developed through Phase 1A before we'd even consider any augmentation on the water flow.

**Operator**

Our next question comes from the line of Al Stanton of RBC.

**Al Stanton - RBC**

Going to try and make it sound like one question. Portfolio rationalization, I mean you've added a few things to your portfolio. You are looking to farm down Cameroon quite late in the day. I was wondering, when we should expect news flow from the various licenses.

Obviously, you've shown, where you are going to drill the wells or when you are going to drill the wells, but should we anticipate farm out ahead of that. And then conversely with TEN, do you think you will participate with the 17% stake or if Tullow offered you more, would you be interested in it?

**Brian Maxted**

I wouldn't comment on your last question. Other than, we anticipate going forward on the current basis of our interest. In terms of the exploration portfolio, a couple of things really; one, we've made a tremendous start to rebuilding the portfolio to deliver the next one or two Ghana's for this company.

We're very, very pleased with the acreage position we've established. They are larger acreage positions. There is a lot of work to do on them. They are potentially very prospective. So as we think forward, working in what we see as a highly competitive business environment, there is a couple of ways and mix of couple of ways we could go.

One is to kind of leverage the opportunity that we do have and to diversify the portfolio by acreage swaps et cetera to get into other opportunities and fill out the portfolio. And then with the blocks that we're in already, our main focus is working with partners that bring something that sit at table either at the exploration stage or very importantly for us the development and production stage in the event that were successful.

So you will see us partnering most likely in these opportunities, but with people that we think are going to add value to the full exploration development cycle. As you've seen in Surinam, where we brought Chevron in to that opportunity. At the moment, we don't see any rationalization beyond diligent to get the right partners into our various blocks and look to leverage our opportunities to seek diversification portfolio.

### **Al Stanton - RBC**

Just quick on acreage swaps, should we assume that's with neighbors or is it a way of leapfrogging into new areas?

### **Brian Maxted**

More than latter, I mean we're about diversification, focused diversification. We think we got very strong positions in existing petroleum systems, particularly in Morocco and Suriname, where we have the guts of the petroleum system. And so it's principally a focus of getting into new opportunities in other areas.

### **Operator**

Our next question comes from the line of Pavel Molchanov of Raymond James.

### **Pavel Molchanov - Raymond James**

I want to go back to one of the earlier ones about the approving the plan of development, does the timeline or just generally your outlook for that approval depend in anyway on the outcome of the Ghana election in December?

### **Brian Maxted**

I don't think it depends on the outcome necessarily. I think obviously, there is an election and there is an election process going on. So there is the challenge to ensure that we can tell the operator who is dealing with the approval process can interact with the relevant parties in GMPC and the ministry and the government at large. And that's probably more of the

challenge at the moment as opposed to the actual election itself and the outcome.

**Pavel Molchanov - Raymond James**

And then, just following up on that, just generally, do you anticipate any substantive changes to energy policy if the current opposition takes power or is that a non-issue in your mind?

**Brian Maxted**

It's not an issue that we would make a comment on that.

**Operator**

(Operator Instructions) Our next question comes from the line of Anish Kapadia of TPH.

**Anish Kapadia - TPH**

Just a couple of questions. Firstly, I was wondering, if you could comment on the potential to increase the production capacity at the Jubilee FPSO from the 120,000 barrels per day, either to take more volumes from Jubilee or from the MTAB development, is that the kind of current plan in terms of developing MTAB to back fill the Jubilee FPSO? Then I've got one follow-up.

**Darrell McKenna**

Definitely that is an area of focus for us from an engineering standpoint is to look at the capacity, get it up to that level with existing level of Jubilee, test where the potential bottlenecks are and take a capital look at how much it would take to bring it beyond the 120.

I'll also add that there are some space on the deck itself that we could potentially add modules in as well overtime. And that have to be a function of capital against economics.

**Anish Kapadia - TPH**

Have you got any idea of what the potentially upside could be? And just on the MTAB, is that what you are thinking about for MTAB at the moment to tie into Jubilee?

**Darrell McKenna**

That's definitely an option on MTAB, but we can comment on capacity increases at this point in time. Take some engineering work, and we'll be able to answer that in time.

**Anish Kapadia - TPH**

The second one was just some clarification on TEN, see you've got to submit the PoD, then I believe there is an approval process, how long are you anticipating for that approval process. Is the way to understand it, it's that it's 30 months from approval that you're expecting first oil. We've seen press reports of around \$7 billion cost for the TEN development, is that about ballpark along with the expectations?

**Brian Maxted**

No, No, no, is the answer. I have no clue where you got that. It's not the first time we've heard it, but let Darrell answer your question.

**Darrell McKenna**

We're not pumped on capital at this time. It is a function of been documented in the PoD itself. The approval process is a function of the government of Ghana going through the process. We know the track record from the past. It was 8 to 10 months for Jubilee, phases in the past. We expect that this one probably would be a little quicker. It's a non-process in the country now and with the various agencies. So we think it will actually be somewhat three month.

**Brian Maxted**

I mean, the last one we did was Phase 1A for Jubilee and that just took us 10 weeks. So obviously, it's a new field. But we have a very strong working relationship with the GMPC and the ministry. So notwithstanding the political distractions, we hope to make good progress on it.

**Anish Kapadia - TPH**

Then you're still good for about 30 months after that first oil?

**Brian Maxted**

Yes.

**Operator**

Our next question is a follow-up question from the line of John Malone of Global Hunter.

## **John Malone - Global Hunter**

Just housekeeping, just south of \$9 run rate you had for LOE in the quarter. You said that that's what it would be netting the three acid jobs. Can we use that as a run rate going forward, and you talk about more acid jobs after Phase 1A well started to come online. So where do you think that south of \$9 run rate goes into next year?

## **Brian Maxted**

I'll give that one to Greg.

## **Greg Dunlevy**

We have \$9 has been pretty close to a clean run rate if you will excluding ore corporate related or acid costs. We do expect some additional acid job related cost for the fourth quarter. As Darrell mentioned, we have four of the original nine producers that have not yet received an acid treatment, we may get one or two of those into the quarter, and then the rest of them probably sometime early next year. So I do expect some acid costs. I do expect in the fourth quarter that the amount of those will be substantially less than what we saw in the third quarter numbers.

## **Operator**

Thank you. There are no further questions at this time. I would like to turn the floor back over to Mr. Whitmarsh for any closing comments.

## **Brad Whitmarsh**

All right, thank you all for joining us on the call today. I would ask if you have any other questions, feel free to give me a call later this morning or this afternoon. Thanks.