

Operator

Good day, everyone. Welcome to Kosmos Energy's Third Quarter 2016 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. Thank you, you may begin.

Neal Shah

Thank you, operator. And thanks, all of you for joining us today. This morning, we issued our third quarter earnings release, which is available on the Investors page of the kosmosenergy.com website. We also anticipate filing our 10-Q with the SEC later today.

Joining me on the call today are Andy Inglis, Chairman and Chief Executive Officer; and Tom Chambers, Chief Financial Officer.

Before we get started, I'd like to mention that this conference call includes certain forward-looking statements based on our current expectations. The risks associated with forward-looking statements have been outlined in our 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.

Our 2016 objectives are focused on strengthening our foundation asset in Ghana and demonstrating long-term self-funded growth. I am pleased to say that the third quarter, we have made good progress across the business and are now in better position than ever to deliver these objectives and continue to grow shareholder value.

To go through my remarks today, there are two key points I want to emphasize. First, our Ghana asset successfully reached an inflection point with the recent delivery of the 10 projects. We're now generating the free

cash flow that will enable Kosmos to grow and create value in the years ahead.

And second, the quality and size of our exploration portfolio continues to improve as we mature new prospects and leads. We're taking the right steps needed to deliver a high quality multi-well exploration program targeting liquids, which we expect to begin by mid-2017. This program will include some of the best prospects we have drilled over the company's 12-year history. Tom will then finish up with the review of our strong financial position and quarterly results.

Turning to Ghana at Jubilee, the revised operating procedures we implemented earlier this year are working better than anticipated. Jubilee production was strong during the quarter averaging approximately 91,000 barrels of oil per day gross and reasonably over 100,000 barrels of oil per day gross with more than 65 offloadings completed. This performance underpins the offloading of second half 2016 gross production guidance for Jubilee of 85,000 barrels of oil per day and that's potential to exceed this level with continued strong operating performance.

In parallel with reestablishing reliable field production in the near-term, we're focused on restoring the field to its full production capacity for the long-term. Since I've last updated you we've made good progress implementing the solution. As a reminder, the total borrowing remediation process is comprised of three principle work phases.

The first phase of the program involves the interim spread mooring of the FPSO of the current heading. The initial part of this work locking of the turret was complete in early September and we began the interim spread mooring operation in early October. This first phase is anticipated to be completed by year end 2016. The completion of the interim spread mooring work will eliminate the need for the tug boats, which are currently been used - highly controlled of the FPSO.

The second phase of the working involves rotating the vessel to its optimum heading and permanently spread mooring the FPSO. This phase is currently planned to begin the first quarter of 2017 and is expected to be completed during the first half of 2017. The work is anticipated to involve a field shutdown for approximately 8 to 12 weeks.

The third and final phase of the work is the installation of the CALM buoy, which is expected to restore a full offloading functionality of the field and remove the need for the shaft and storage tank and associated operating expenses. We expect this work to be complete in the first half of 2018.

In conjunction with the operational advantage made during the quarter. We've also made good progress on the insurance recovery process. Coverage under both of our loss of production income or LOPI and hull and machinery or H&M policies has been confirmed by our insurance and proceeds already coming in. This demonstrates the process is working.

As a reminder, our LOPI insurance covers loss revenue below a threshold production level for 12 months beginning in late May 2016 at a price of \$62 per barrel. Last quarter, we reached an agreement LOPI insurance on the payment terms and process. We are submitting claims under this policy on a monthly basis and are receiving payments within 30 days of acceptance.

The claims adjusting parties or CAPs that have acceptable LOPI claims of approximately \$42 million, covering the period beginning in late night through September the 30 and we've received cash proceeds of over \$38 million so far. Going forward, the future signs of LOPI claims will be a function of our actual Jubilee field production.

With regard to our H&M policy, which is procured by TELO [ph] on behalf of the partnership and covers repairs for the FPSO. The partnership is currently working on a similar agreement of the claims and reimbursement process. We expect the partnership to finalize that agreement within the fourth quarter and reimbursements to follow-up shortly thereafter.

So, despite the issue with the turret bearing early this year, we believe that the cash flow and the value of the Jubilee field remain intact, given strong production in the near-term, a long-term solution currently being implemented and our insurance coverage is functioning as anticipated.

Moving on to TEN, our second major oil development in Ghana. Production from the field started on time and then contrast to many recent projects, it was delivered on budget. The 11 development wells, the initial phase of drilling which includes five producers, five water injectors and one gas injector, have all been completed in early October and the West Leo rig has moved off location.

Production has now increased to approximately 50,000 barrels of oil per day gross. During startup, ramp up of production is being managed in combination with water injections to ensure proper management of reservoir. Water injection is now increased to approximately a 100,000 barrels of water per day, which we expect will allow a gradual ramp up in oil production to test the TEN FPSO capacity around the end of the year.

Gas commissioning is ongoing with the objective to begin gas injection into the Ntomme reservoir by year-end. We are pleased with the progress we have made during the quarter about Jubilee and TEN. Our foundation asset

has successfully reached it's an inflection point can now generated the free cash flow that enables Kosmos to grow and create value in the years ahead.

I'll now turn to exploration well, we continue to enhance the quality of our portfolio and where we remained focused on finding liquids in the Mauritania and Senegal Basin, which shows significant potential.

Kosmos' disciplined and consistent execution of our differentiated strategy has been and will continue to be the primary driver of our success. We are taking the time to do exploration in the right way to deliver not only large resources, but most importantly superior full cycle returns to our shareholders. That means carefully gathering, interpreting and analyzing the right data, so that when we drill, we are drilling the best prospects with the highest chance of success.

When we make a discovery, we secure the right strategic partnerships, with the right balance sheet strength to move forward into development. This quarter, we made excellent progress to define a multi-year exploration drilling program, beginning mid-2017. That we expect, will include some of the best prospects we have drilled in our 12-year history and are among the most anticipated prospects to be drilled by the industry.

Over the 15-month period beginning in January this year, we will acquire approximately 40,000 square kilometers a 3D seismic which will complete coverage of a significant portion of our acreage in Mauritania and Senegal during Suriname and Sao Tome. This will allow us to take advantage of the current down market to counter cyclically acquire Seismic at a historically low rate. As a result, Kosmos will be one of the largest, one of the largest acquirer of new 3D seismic data globally.

We currently receiving fast track data from our seismic acquired output in Senegal earlier this year and we recently began the first of two further 3D Seismic acquisition projects at Abdo [ph] Mauritania position.

In October, we commenced a new 3D Seismic survey of a Block 42 in Suriname located in the Peruvian-Guyana Suriname Basin, adjacent to the Liza discovery.

Additionally, in January next year, we plan to commence a new 3D Seismic survey, Offshore Sao Tome, which will be the largest such acquisition in Kosmos' history. This time the acquisition of Seismic will enable our technical team to mature high grade prospects to support an ongoing drilling program over the next several years.

Beyond gathering interpreting the right technical data, we're also developing the right partnerships to strengthen our regional knowledge and bring the

right combination of capabilities necessary to manage exploration success. In Suriname, earlier this year in our Block-42 acreage, we partnered with Hess, who is also a partner of the Liza discovery offshore Guyana and therefore bring significant regional knowledge.

In Sao Tome, we reached an agreement to farm out 20% non-operating stake in our interest across three Blocks to Galp. Last year, we got an interest in a Block in Sao Tome from Galp and bringing them in across all our acreage allows to join explore the basin with full technical alignment. Additionally, as a Portuguese company favoring strong above ground capabilities which should prove valuable as we continue into the drilling stage. We're using the same strategic approach to bring the right partner into our Mauritania and Senegal acreage, discussions are ongoing secure a major IOC partner.

Now more on Mauritania and Senegal, where our ongoing work program is designed to support the maturation of high-graded prospects to a drill-ready stage with a focus on finding liquids. We expect the second multi-well program to begin in mid-2017 and to feature at least three independent tests for liquids in each of the three-potential oil-prone oil material source kitchens and the outboard of our acreage.

One of the standout tests, which we told you about previously Requiem Tegra [ph] is a multi-billion-barrel prospect that lies in the basin full of [indiscernible] in Senegal. As a result of additional seismic interpretation and processing, a second standout prospect, Lamantin has been identified in our Northern Mauritania acreage.

Lamantin is a slope channel prospect on the border of Block C-12 and C-6 and it is designed to test the Cenomanian, and Turonian old source rock, which has been proven in the nearby Chinguetti field. In addition to multi-billion-barrel potential, we believe Lamantin is our lowest risk oil prospects in the basin, given it lies in the middle of the Cenomanian, and Turonian oil kitchen.

The acquisition of Block C-6 in Mauritania this quarter, which held approximately half of the Lamantin prospect is a good example of how Kosmos is leveraging our proprietary technical knowledge and taking advantage of the environment to high-grade our exploration portfolio.

On the seismic that we acquired over Block C-12, we could clearly see the Lamantin prospects expanding into Block C-6. Given that we were the only company would access that knowledge, we quickly access adjacent Block. C-6 was previously held by number of international oil companies who drilled several unsuccessful wells from the license further up that prior to its

relinquishment last year and demonstrate the contrary ideas can lead to new exploration concepts. This countercyclical approach is key to our success.

As the potential of Mauritania and Senegal growth and our understanding improves, we continue to have in-depth partnering discussions for the basin. The Kosmos, it's important that we partner with a company that is both the technical capability to develop the large resources we have found and expect to find was also aligned strategically on the exploration program necessary to fully test the basin.

As we have said, the size and quality of the basin requires a multi-well exploration program which we believe can yield a world class liquids discovery. While we cannot provide any specific guidance on timing of a farm-out, we expect to include the farm-out process prior to resuming our drilling campaign in mid-2017.

I'll now turn the call over to Tom to discuss our financial results for the quarter.

Tom Chambers

Thank you, Andy and good morning, everyone.

Before turning to the results of the quarter, I'd like to cover our financial position. As Andy indicated, this quarter was about execution for Kosmos and we have delivered on our financial side not just this quarter, but throughout the cycle. We now expect to be free cash flow positive as a business and expect this trend to continue into 2017, which should allow Kosmos to be one of the few companies able to improve its balance sheet without raising equity or selling assets.

As we begin the fourth quarter, Kosmos has total corporate liquidity of over \$1.1 billion including \$617 million of undrawn availability and reserve base lending facility or RBL, \$400 million of undrawn availability at our revolving credit facility and \$109 million of available cash.

Furthermore, in September 2016, the borrowing base under our RBL was increased by over \$40 million to \$1.467 billion following the conclusion of our lenders semi-annual redetermination. This reflects the resilient nature of our long-life Ghana asset.

In addition, upon the achievement of certain appurtenant milestones at TEN, we have the ability to further increase the borrowing base capacity prior to our next determination in March of 2017. Our banks continue to be very supportive of our company given our history of financial prudence and we expect that to continue going forward as well.

Also, reflective of the progress we've made year-to-date, Fitch upgraded to Kosmos to stable from negative watch.

Hedging also continues to play a key role in supporting our capital spending program. We expect continued volatility in the oil price in the near-term, but feel comfortable with our activity set underpinned by our active hedging program. Year-to-date, we've collected approximately \$150 million in proceeds from our commodity derivatives and at quarter end had a mark-to-market value of approximately \$57 million.

As of early October, our crude hedge portfolio included approximately 1.5 million barrels remaining in 2016, 7 million barrels hedged in 2017 and just under 3 million barrels hedged in 2018 with protection on average above \$60 per barrel. This robust hedging program remains a core part of our strategy to protect our cash flows and maintain our liquidity enabling the execution of our plans without putting our balance sheet at risk.

Now I'll turn our financial results for the third quarter. For the quarter, we generated a net loss of \$60 million or \$0.15 per diluted share. Adjusting for the impact of one-time items that affect comparability, the company generated a net loss of \$37 million or \$0.09 per diluted share for the quarter. It is important to note that our calculated adjusted net income includes the operating expenses related to their recently revised Jubilee operating procedures.

We finish the quarter with one crude oil lifting which was in line with our market guidance and generate oil revenues of \$47 million excluding \$45 million of derivative settlements. When you add our oil revenue to our sold hedges it resolves in a realized price of \$96.49 per barrel sold for the third quarter of 2016. At the end of the quarter the company was in an under-lift position of approximately 1 million barrel less than our entitlement.

As if mid-October, we have filed claims on a LOPI policy totaling \$50 million that cover the period from initial coverage in late May through September. The claim adjusting parties or CAPs have accepted claims of \$42 million, of which as Andy said over \$30 million has been received. Of the outstanding balance, \$8 million is pending and received with further documentation.

As a reminder, we accrue these proceeds they appear in the revenue section of the income statement as other income. The LOPI claims process is now running smoothly and we anticipate accruing the payment for loss production the month following the loss and receiving the cash a month after that.

On the cost side, operating expense in the third quarter was \$14 million or \$14.33 per barrel sold versus \$23 million or \$12.52 per barrel sold in the

third quarter of 2015. This includes approximately \$7 million for regular operating expense and an additional \$6.5 million for the revised operating procedures related to the turret.

The decrease on an absolute basis was related to one more lifting occurring during the third quarter of 2015 compared to this year. As we've received insurance reimbursement for the additional operating cost, they will appear as a credit to oil and gas production expense on the income statement.

In the third quarter, we added an additional line to the income statement titled Facilities Insurance Modification, this line items will capture the insurance related cost to convert the FPSO to a permanently spread mooring facility and associated insurance reimbursements.

In the third quarter, we recorded approximately \$6 million in Facilities Insurance Modification expense, related to converting the FPSO to a permanently spread mooring facilities. These expenses are excluded from the adjusted earnings calculation.

To summarize, the insurance side that was appearing on the income statement, the LOPI proceeds will show up as other income in the revenue section. The increased operating cost and reimbursement of the same will show up as oil and gas production expense. Cost to convert the FPSO to a permanently spread mooring facility and associated insurance reimbursements will show up in the cost and expense section under Facilities Insurance Modification expense.

So now continuing on. Exploration expense of \$66 million for the quarter was primarily related to the stacking of the Atwood Achiever, accounting for \$47 million of the total, plus ongoing 3D Seismic acquisition and interpretation in Mauritania and Senegal. General and administrative cost for the quarter including non-cash equity based compensation came in at \$22 million which represents nearly a 20% decrease from the third quarter of 2015. This is the result of our focused-on cost control and lower equity compensation expense.

Third quarter DD&A was approximately \$18 million or \$18.84 per barrel compared to \$36 million or \$19.46 per barrel in the third quarter of 2015. The absolute decrease was based on one less cargo being lift into the third quarter of 2016 compared to 2015 and a decrease in rate was the result of an increase improve reserves associated with the Jubilee field booked in the fourth quarter of 2015.

The effect of the income tax rate for the quarter, was a negative 14%, the effective rate is the result of taxes in Guyana where we generated positive

income which could not be offset against expenses incurred another jurisdiction.

At this time, I'd like to transition to our expectations for the remainder of 2016. Based on the current expectation, Kosmos' forecast of selling seven cargos in 2016 remains unchanged since our second quarter call.

During the fourth quarter, we anticipate having two liftings from Jubilee and our inaugural lifting from TEN. As Andy discussed earlier, we made good progress on advancing the insurance recovery process with claims accepted by insurers under both our LOPI and H&M policies.

Based on our second half 2016 production forecast, subject to actual field production and downtime, we anticipate our LOPI claim accruals to total approximately \$70 million for the year, in line with previous guidance. In addition, we expect that a substantial portion of the cash covering these claims will be received this year. We are also currently working on a similar agreement detailing the payment process and timing for the H&M insurance and expected to be agreed with the insurers before the end of the year.

On the cost side, in the fourth quarter of 2016, we expect Jubilee OpEx to average approximately \$15 per barrel, which includes the cost of additional operating procedures on the FPSO. On a total company basis including our first cargo from TEN, we anticipate OpEx of approximately \$17.50 per barrel in the fourth quarter.

In addition to OpEx in 2016, we also expect to incur an additional \$15 million of net facilities insurance modification expenses from any insurance recoveries related to the conversion of the Jubilee FPSO to a permanently mooring facility. As I started out saying, Kosmos' remains in a strong financial position and we will continue to focus on the disciplined execution of our strategy both from an operational and a financial perspective.

That concludes our prepared remarks this morning. And now operator, we'd like to open up the call for questions.

Question-and-Answer Session

Operator

Thank you. Ladies and gentlemen, at this time, we will be conducting a Question-and-Answer Session. [Operator Instructions]. Our first question comes from the line of Ryan Todd with Deutsche Bank. Please proceed with your question.

Ryan Todd

Yeah, thanks. Good morning. Maybe if I could start with one on the capital spend. The capital spends in Ghana anticipated to decline notably in next year. How do you think about capital requirements over the next in 2017 and maybe even in 2020? And I know you've talked about been free cash flow positive, so I guess that's assuming what capital price in general kind or sorry what capital requirements and what oil price do you think you breakeven?

Andy Inglis

Yeah. Hi, Ryan it's Andy. So, clearly our number moving in parts and we quite frankly with all oil prices something using. And clearly it also depends on the nature of the partnering agreements that we coming to as we start to think about Senegal and Mauritania as we restart the drilling program in mid-2017. But within all that variables, we believe that we can be - live within our means in 2017. And I think that's the key message. So, we haven't given a CapEx forecast for 2017 yet or also even not 2018.

But as you step back and you look at the variables that are out there, there are sort of credible oil price not the similar to where we are today. And restart the drilling program in mid-2017. That's the objective.

Ryan Todd

Okay. Would you limit yourself to trying to stay within cash flow or that just in a rough estimate that's around about where you think you'll be in 2017?

Andy Inglis

What I'm saying is, we think when we think what a sensible program is for drilling and restarting in '17, the numbers of wells, the cost of those wells, we think that we can live within our means. So, I think we're doing two things out of that. We're saying we have a strategic objective not to weaken the balance sheet. And at the same time, we have a strategic objective to drill the right wells at the right time, both of two things are absolutely deliverable.

Ryan Todd

Okay, thanks. And then maybe one more just on the monetization process graded toward to. You said a few of things but any thoughts can you elaborate anymore on potential timing and when you think you might be able to get a farm down drill down and maybe how we might expect something to be stripped or does it likely they'll be some combination of cash and carrier. Just any thoughts and how the process is going there?

Andy Inglis

Yeah, what I'd say, so that sort of come back to your question actually. And I think, it's a bigger objective and simply the farm-out of greater Tor 2 [ph]. I think since we probably spoke a quarter ago, what's clear to us as we start to analyze the data that we're getting in from the seismic and the outboard. The significant exploration potential in outboard in both Mauritania and Senegal and clearly the process of acquiring additional data continues.

So, I think the message really is about, we see two things that we needed to deliver from that partnering agreement. We need to deliver a partner that aligned around that exploration program so that we can deliver the full value of that in a timely fashion in terms of the drill out and the potential which we think is considerable as well as move forward on the gas development. And it's bringing both of those things together which is really driving the timeline.

We need to make sure that we got the data that present to the incoming parties and we're not through that process yet. And as well as the opportunity from the discovered resource. So, I think out of that, I think the message really is about, this is about getting the right partner from Mauritania and Senegal for the long-term rather than simply a process of farming out the discovered resource in Tor 2 [ph].

So, I think that at least gives you, I think a good understanding of what our strategic objective is and as I said in our remarks and I think cool part of our business model is getting the right partner in at the right time and we're a company that's good at exploration, we're a company that's good at getting access, we're a company that's good at I think a contrary approach and getting in early in the cycle with good fiscal terms to get for its positions. But we know what other companies they can take things through the development stage. But something of the scale of Mauritania and Senegal I think we need a partner that's aligned both on the exploration side and on the development side.

Four of which back to timing then if you want to welcome question is, we need to be in a position where I think we have the partnership outlined ahead of the drilling campaign which has started mid-2017 and all of that strategic thinking is aligned with that.

Tom Chambers

Ryan, are you there?

Operator

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

Pavel Molchanov

Hey, guys, thanks for taking the question. On the timing of the Sao Tome given that you previously telegraphed your intention of doing the deal by the end of this year and now we're looking at a six month push out what changed beyond the fact that oil is having trouble to get back above 50, I'm sure that's a headwind, but how is your sort of thinking - I mean is there something strategic that has been kind of adjusted in the process maybe that's what I'm hearing you say?

Andy Inglis

Yeah, it is Pavel I think that what's new is I think when we started the process we had a significant discovery in Tor 2 [ph] and it was about getting the right development partner for the Tor 2 [ph] discovery. I think as we have the early opportunity to assess the Seismic from the outboard and Senegal which we showed earlier this year. We got the fast track in recently over the summer and that changed our thinking entirely.

This is a big basin we believe we've opened up now with significant opportunity and the outboard, with some significant structures there not only in Senegal, but we believe there are structures now continuing to the outboard in Mauritania, in Block C-8, 13 and we are now also talked about the Lamantin structure which is in Block C-12 and C-10 in Mauritania.

So, I think it's a much bigger opportunity now and that's changed our thinking and it's changed the thinking of our partners as they look to the opportunity. So, I think that's the reason for going a little slower, because ultimately it's a big decision for the company we believe this is a significant basin, it could be potentially one of the largest basin as opened up in the Atlantic margin in the last 15 years and therefore getting the right long-term partner is hugely important and that's our objective today.

Make sure we got the right data to base decision on, get the incoming party as that data and therefore we can get absolute alignment both on the exploration program and the development approach.

Pavel Molchanov

Okay. I also wanted to clarify just the timing of the exploration catalysts during 2017. So, the Requiem Tetre [ph] second half of next year will Kosmos be involved in any prospects between now and then?

Andy Inglis

No as we said we intend to start the drilling program in mid-2017, so we don't anticipate during any drilling before then. Why? This is all about drilling the best prospects in the right order, so we have seismic being acquired outboard of Mauritania today. We recently acquired Block C-6 and want to extend the seismic program into the northern part of C-12 and C-6 of Lamantin and so it is about and ensuring we're drilling, the right things in the right order. And we are in the right shot approach to exploration where company will see very few exploration wells and our view is that today we have further work to do to high grade the opportunities set. There's plenty of opportunity issuance to the right wells in the right order.

Pavel Molchanov

All right. Appreciate it, guys.

Andy Inglis

Great, thanks.

Operator

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

Al Stanton

Good afternoon, guys. Sorry I fell off the call halfway through the description about the exploration, so can I just ask about Manatee [ph] and the target short prospect. So, in terms of the similarities and the differences, do they look the same or do they have the same seismic amplitude and laser or is there anything totally different than might lead you to think is one is potentially more royal prior than the other?

Andy Inglis

Yes, thanks Al. I think the big issue I think is really about the source. We see sort of three potential source kitchens in the outboard. To the south actually in the southern part of Senegal, if you remember we drilled Taranga, and while we penetrated an Albian source rock, oil source rock, we believe clearly in our part of our acreage we have an independent test of the Albian.

As you move to the more central part of the basin, close to the Senegal and Mauritania border, we see the deeper after Borromean [ph] has been the oil

source rock and that would be the source rock you would be testing with in Requiem Tegré or Tiger Shark [ph] as you appropriately translated it.

And then you go further north to Lamantin and the key difference with Lamantin is that's it's in the proven Cenomanian and Turonian source kitchen, that's a source kitchen that Chinguitel and I think Chinguitel is an update [indiscernible] and so Lamantin you're testing the CT source rock, which is the proven source rock.

So, you could argue actually from a liquids perspective, Lamantin is the lowest risk prospect that we have, so that's really why we see sort of three independent test now, the order in which we drill the wells, the relative signs of them in terms of liquid is something that still to be finalized, but there is significant potential outboard, that is the first message, these are large prospects and Lamantin is on two days probably over 2 billion barrel with further work to be done to define it from the 3D. Requiem Tegré [ph] is a significant sign in terms of the larger than Lamantin. But I think it is the source rock and actually that the quest for liquid now which drives a differentiation in three prospect.

Al Stanton

Okay. And sorry, can I ask a follow-up question on the drilling activity. Based on what some of your pays that saying about rig rates, back in my envelope suggest that you could make a payment for rig for the Atwood Achiever and bring in it a separate rig more quickly at lower day rate and save a fair amount of cash, so is this wondering what we should anticipate whether you're going to restrict with the current rig of 495 or go back to the 595 and have a short contract and then move on to cheaper rig. What should we be thinking about in terms of rig contract?

Andy Inglis

I think we haven't made those decisions yet now and as we said, as we've already said, we don't anticipate restarting the program until 2017, mid-2017. I think there is lots of opportunity to optimize the program beyond the end, the current end of the contract, which is November of '17. So, I think we are going to look at all the options, what it does says is as you start looking beyond '17 into '18 and '19 is plenty of opportunity to optimize it. So, we haven't made those decisions yet.

Al Stanton

Okay. Thank you. Fair enough.

Operator

Our next question comes from the line of Andrew Maze from Macquarie [ph]. Please proceed with your question.

Unidentified Analyst

Hi, thanks for taking my question. Just curious is having the farm-out in place, the requirement to begin the drilling process or would you proceed if no farm-out is in place?

Andy Inglis

Good question, there is plenty of interest that we believe will be now, we will be successful with the farm-out and that actually when you look at the scale of what we have today, we believe that is the right root forward. So, we have the financial capability to drill it out ourselves. And clearly we could pursue that as an option, but our primary objective is to secure a pharma partner.

Unidentified Analyst

Okay. And then just as you guys move towards becoming free cash flow positive here, what's the intention with the cash? Is that to paydown the revolver borrowings or how you get thinking about that?

Andy Inglis

Tom, do you want to cover that?

Tom Chambers

Sure. Obviously the first use of the cash will be to fund the capital program. And then as we're said we're free cash flow positive we use the excess cash to paydown the RBL. We don't have anything drawn under the RCF right now and we have a significant amount of restricted cash which as we execute the drilling program those that restricted cash will free up as well. So, but to answer your question will CapEx program and then paydown the RBL.

Unidentified Analyst

Okay, great. Thanks.

Operator

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

Neil Mehta

Good morning. I was wondering if you could talk about a Guyana little bit, how operations and production appear relative to your expectation. How do they make you think about the 2016 and 2017 guidance? And if you could just talk about where we stand at the ramp and how it's delivering relative to your forecast?

Andy Inglis

Yeah. Hi, Neil. As I said in my remarks production is now up to 50,000 barrels a day. I think we always said it was going to take around six months to ramp up. So, we're kind of on track with that and we're on track to testing the facility's limit by the end of the year which is always the intention.

We had an - with the water ejection earlier on the guys have fixed that problem. And so, we've been conservative in ensuring that we match the water injection capacity to the oil production level and manage the reservoir in the right way from day one. That certainly been done and we've got production water ejection capacity of well over 100,000 barrels a day now. So, that allows us to ramp up.

The next big step is to get our gas injection in place into - and that's planned for the end of year. So, everything is kind a going in lock step with what we'd anticipated, but it's early days yet. We're less than three months of production ramping up kind of in line with what we'd intended doing things the right way in terms of managing the reservoir from day one. So, I think kind of what we'd expect to be we have some stuffs to finish by the end of the year.

Neil Mehta

I appreciate that. And not to be the dead horse to around the partner, but can you just kind a talk a little bit about what specifically you're looking for partner to bring to the table. I know you addressed in your opening remarks. But then some there is been some talk of oil services company is also getting involved in L&G type of project and natural gas. Can you talk about whether that could be a potential partnership opportunity relative to large IOC?

Andy Inglis

Yeah, it will be good. So, I think as you said, what we believe today is that significant oil and gas potential offshore Mauritania and Senegal, where the front-end of opening of basin that's going to require multi-well, multi-year exploration program with success significant follow along appraisal.

So, what we're looking for when you step back from it is the partner that is aligned with those around the exploration program that we see which is to be defined, but given the exploration potential we complete from the early 3-D out for Senegal the 2-D that we have outboard Mauritania, which is being confirmed by the 3-D been shaft out. We believe that significant exploration program to be pursued.

Now what we're looking for is a partner that shares the exploration outlook that we share has the Deepwater skills that we'll be able to do that and also have gas L&G skills. So, in a best kind of the box that we're looking at and as you look at the list of names around the world, you can come to your own conclusion of the company that actually fit that. So, that's kind of the better direction we're heading it.

Where does that leave the contract to develop a piece a probably puts it as a less of a priority today is one of them ruled it out. There are clearly that was interest from parties to do that and it remains an option. But I think what you're hearing from me today is the actually you know one of the best thing to do is to create the right partnership from day one in Mauritania and Senegal, that allows to realize the full value from both exploration and development. And therefore, the set of skills we are looking for is allowing with that mindset.

Neil Mehta

Appreciated. If I can sneak in one more. There's been a lot of talk about Guyana, you guys have a Block in Suriname. Can you just talk about prosecuting that play and where now it's capital allocation optic [ph]?

Andy Inglis

Yeah, good question. We see it has been very perspective, obviously Block 42 is adjacent to the Boujdour with Guyana and as we believe the continuation of the trend with the Liza discovery. Where with shooting Seismic over it as we speak - last month we'll have the results in the early part of next year and so as we start to think about the evolving sort of portfolio of Kosmos, we see we have got high quality prospectivity in Mauritania and Senegal that they are drilling out in 2017 and 2018.

The back end of 2018, back end of 2017 into 2018, we would hope to start the program in Turonian and we have got two different test there, we have a drill ready prospect in Block 45, which is a different concept to the Liza trend, but we see in 42, of 2D and some very high prospectivity.

So, it ranks high in terms of our capital allocation and if this very nicely as the sort of follow-on set of drilling opportunity that would come after the drill out of the big prospect in Mauritania and Senegal.

Then after that, we shoot Seismic in Sao Tome next year and when we will do the prospectivity following from that. So, I think you know, we all of which as I think you know as I said in my remarks, think our exploration portfolio today is the strongest that companies ever had.

Neil Mehta

Appreciate it. Got it.

Andy Inglis

Thanks.

Operator

[Operator Instruction] Our next question comes from the line of Rafael [ph] from Bank of America Merrill Lynch. Please proceed with your question.

Unidentified Analyst

Yes, thank you. Thank you for the opportunity to ask a couple of questions. I just had two follow-ups on the TEN field in Guyana. I just wanted to clarify whether you said that the full water injection capacity is now available to you post the fix of the hiccup you mentioned and then secondly I was just curious as to how long you think that Plato level of 80,000 barrels a day and I appreciated capacity testing but how long do you see that being sustained and then how do you see production trajectory going over 2017? Thanks very much.

Andy Inglis

Yeah, what I said in my remarks, is that we now got water injection capacity up to 100,000 barrels a day, which is more than a sufficient to - around - in the oil production rate therefore enable us to test the facilitate capacity. So, I think you know that's something reissue of this sort of you know can we enough water to manage a reservoir properly, I think that issue is now behind us.

And then in terms of the 2017 guidance, I think the operator has guided towards 65,000 barrels a day sales for 2017. Clearly given what we know today, we don't see any reason to have a different view, but clearly what we need to do is ramp up the productions you have to see how the field

behaves and its early days, we've only got sort of less than three months of production.

Unidentified Analyst

Great. Thanks very much.

Operator

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

John Herrlin

Yeah hi Andy. You said that with Suriname, you had a different concept are you still looking for stratigraphic track.

Andy Inglis

Yeah, same thing on Suriname. It's exactly the same concept. If I misspoke then I would have misled you, it's the same concept in Suriname.

John Herrlin

Okay. And then with respect to Mauritania and Senegal and farm-outs, are you looking for folks that want to do both gas NOL or just bear the burden the outboard program or all the above?

Andy Inglis

I probably I have a strong view to create value by having partnerships that are aligned from day one. And therefore, oil comes with gas. What we need to do in Mauritania and Senegal is to trying to find the simplest partnership from day one. So, what I believe we should be doing which is where we're the compensation is really trying to find an alignment around a party that shares both the exploration outlook and the gas development outlook that we have. So, it's a combination of both, John. It's essentially the ruling we're done.

John Herrlin

Thanks, Andy.

Andy Inglis

All right, thanks.

Operator

Our next question comes from the line of Anish [ph] from PPH. Please proceed with your question.

Unidentified Analyst

Good morning, I think question as well on Guyana. I was wondering if you can give an update on the development of some of the satellite sales or currently the great Jubilee development. And also, the gas sale agreement with regards to TEN going forward.

And then secondly just going back to the Guyana's region once again I was wondering if you could give some idea of any potential read through we should be watching from the wells that has to going to be drilling the PRO well. And also, I think Apache got well planned at the beginning of the year in Suriname. Just from what you say in terms of trend, whether drilling what should we be watching from those wells. Thank you.

Andy Inglis

Yeah Anish [ph]. Yeah just in terms of the satellite development. The approach on that in terms of the Jubilee satellite just to here put those together with the Jubilee greater field development plan, which is kind of the final phase of the development with Jubilee.

We're in conversations with the government around the approval of that. It's actually been deferred until next year just given the focus that's been on the work to repair the turret and move forward with that development.

So ultimately we would see the development of MTA which is the satellite field has been part of that fulfill development which is part of the ultimate development long-term development of Jubilee. I think we should see that as being an extension of the plateau that's fundamentally the view of the way that would work.

In terms of gas sales, the gas currently on TEN is being planned, it will move to injection by the end of the year in Ntomme. We intend to - 2017 initiate the gas sales; the associated gas is at \$0.50 Mcf and the non-associated gas is at \$3 an Mcf. So, those the pricing is set, there is some detailed to be worked out in terms of the final details of the oil and gas sales arrangements of the actual financial basis on which it will be done has been said.

In terms of Guyana, I think the big read-through will be from the next phase of drilling from Exxon that's clearly looking for following the lease trend which is John Holland said, all the settles [ph] we see the same trend then the same prospect types in 42. So, that's the reason I think the is the continuing drill out of the Exxon has work in Guyana following on with Liza

and clearly with HESS as the partner in our block now in 42. We get it, we have the advantage of having that regional input.

Unidentified Analyst

Thanks.

Operator

Since there are no further questions at this time, I'd like to turn the call 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 us.