Operator

Good day, everyone. Welcome to the Kosmos Energy's First Quarter 2015 Conference

Call. As a reminder, today's call is being recorded.

At this time, let me turn the call over to Mr. Neal Sahah, Vice President of Finance and Treasurer at Kosmos Energy. Please go ahead.

Neal Sahah

Thank you, operator, and thanks to all of you for joining us today. This morning, we issued our first quarter earnings release, which is available on the Investors page of the kosmosenergy.com website, we have also published a presentation this morning giving an update on our Mauritania exploration program which available on the kosmosenergy.com website as well and we anticipate filing our 10-Q with the SEC later today.

Joining me on the call today are Andy Inglis, Chairman and CEO; Tom Chambers, Chief Financial Officer and Brian Maxted Chief Exploration Officer

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

Before we get started, I would like to mention that this conference call includes certain forward-looking statements based under current expectations. The risk associated with forward-looking statements have been outlined in the earnings release and in our SEC filings.

We may also refer to certain non-GAAP financial measures in our discussion. Management believes such measures are important in looking at the Company's historical and future performance, and these are commonly referred to industry metrics. These measures are provided in addition to, and should be read in conjunction with the information contained in our financial statements prepared in accordance with GAAP and included in our SEC filings.

At this time, I'll turn the call over to Andy.

Andrew G. Inglis

Thanks Neal and good morning every one. This quarter months has started as an exciting period for the company. I Joined Kosmos a little over a year ago and since then we've made great progress n delivering our second inning. We started with strengthening the balance sheet to prepare for exploration success, we have done that and now sit in a great financial position, we then strengthened the management team and streamlined the organization, we now have the people we need to execute our plan.

Lastly we've delivered on the exploration front. As noted in last week's announcement, we made a significant discovery and even more important have opened a new hydrocarbon province. Kosmos' all the pieces implies to continue creating value for our shareholders and I'm excited about the company's future prospects.

As I go through my remarks today, there are three messages I want to emphasize. First, our world-class Ghana assets are progressing as expected and remain on track to double gross production by 2017. Second is significance of our recent Tortue West discovery and third Kosmos' strong financial position and ability to invest throughout the cycle.

First in Ghana, we saw consistently strong oil production in the first quarter with average gross production from Jubilee of over 103,000 barrels of oil per day. This led to Kosmos' lifting two cargos in the quarter. We also saw increased gas exports by end of the quarter exporting approximately 75 million cubic feet of gas per day to the onshore gas processing plant in Atuabo.

The power plant downstream in Aboadze continues to the bottleneck on additional export, we expect the insulation of additional gas by power generation is number one and in the second half of the year will elevate this issue. This should enable us to further increase gas exports allowing us to push Jubliee production at FPO so capacity.

As I'm sure you are all aware, last week the special chamber the International Tribunal of the Law of the Sea, rejected [indiscernible] request to Ghana suspend all ongoing exploration and development operations in the disputed area in which the TEN project is situated until the Tribunal gives its decision on maritime boundaries dispute which is expected in late 2017.

However Tribunal did order Ghana to suspend new drilling in the disputed area. Given all ten wells that are planned to be in line at first or already being drilled, we see this orders having limited or no impact in the early life from the project. Late in the first quarter, we will begin completions program and in July subsea insulations are set to begin. The TEN project is now more

than 55% complete ad remains on time and on budget to deliver first ore in the second half of 2016.

I now want to shift gears and provide an update on Mahogany, Teak and Akasa discoveries in the Greater Jubliee area. In March, we submitted the decoration of commerciality concerning the Mahogany discovery to Ghana's Ministry of Energy and Petroleum and expect to submit a plan of development later this year as part of a full field development plan for Jubliee. We are currently in discussions with the government of Ghana regarding the declaration of commerciality for the Teak and Akasa discoveries, in particular we see the Akasa discoveries having some subservice uncertainty which needs further study potentially over two year period in order to support a declaration of commerciality.

At this point, let me pause for a moment to speak about the recent discovery in Mauritania and its implications for our second inning portfolio. As reported last week, the Tortue-1 well in block C8 offshore Mauritania has made a significant base in opening discovery. Volumetrically, the well which tested the Tortue-1 west structure has far exceeded our [indiscernible] expectations and has discovered a large scale gas resource.

Our acreage in both Mauritania and Senegal covers approximately 45,000 square kilometers which we own 60%. This success validates our business strategy of creating value per shareholders through the opening of new petroleum systems with substantial follow-on exploration prospectivity. While gas terms in some African countries have been unclear contract terms in Mauritania and Senegal anticipate gas are explicitly set forth in the PSCs under our competitor globally.

Brian will provide more details on the discovery later; the important point to take away is the size of our acreage and the calibration of our seismic data have put us in a good position to drill a series of perspective follow-on exploration wells. As reported in March, the CB1 exploration well located in the Cap Boujdour permit offshore West Sahara encountered hydrocarbons However, the discovery was non-commercial and the well was plugged and abandoned.

While non-commercial, we were able to derisk two of the major unknowns in the Frontier basin and working source rock an effective trap including a regional top seal, what we did not find was commercial scale reservoir, as the first one of the basin, we are encouraged by this initial well results and are now reworking our play and prospect models to locate on that potential prospect in this basin.

Lastly, I would like to comment how well positioned we are from a financial perspective, in March we announced our borrowing based redetermination; we successfully included our TEN project for the first time. In April, we finalized our add-on secured note offering of $225 million, this offering provided us additional liquidity to further accompany for success. Pro forma for the note offering we have $1.9 billion of liquidity to execute our program. Additionally, the company continues to actively manage our hedging program as the end of April, we have approximately 12.7 million barrels hedged through 2017. We continue to protect our balance sheet and are taking the necessary steps to ensure we can execute our activity set.

And now, I'll turn the call over to Tom to update you further on the financials and then Brian will review the Tortue-1 well results. Tom.

Thomas P. Chambers

Thank you, Andy. Good morning everyone. Financial performance for the first quarter was strong and as Andy just indicated, the company acted proactively to strengthen our balance sheet to prepare for future success. We finished the quarter with two crude oil liftings generating revenues of $109 million for the quarter. This excludes derivative settlements of $51 million over the quarter.

When you add our revenue to our settled hedges, it reflects a realized price of approximately $84 or $0.47 per barrel. For the quarter, we generated a net loss of $79 million or $0.21 per diluted share driven largely by exploration expense related to the CB-1 well, adjusting for the impact of realized and unrealized commodity derivatives, the company generated a net loss of $67 million or $0.18 per diluted share for the quarter.

On the cost side, operating expense in the first quarter was $32 million or $16.90 per barrel sold versus $16 million in the first quarter of 2014. This was higher than our annual guidance due to the timing of work over activity in the Jubilee field. All planned activity for 2015 was completed during the first quarter and therefore we expect OpEx to normalize over the course of 2015.

Exploration expense for the quarter was $99 million included were $84 million of dry hole cost associated with the CB-1 exploration well on the Al Khayr prospect, cost related to a large 3D seismic survey in Senegal as well as ongoing seismic processing and interpretation expenditures throughout the company's portfolio. General and administrative cost for the quarter were $39 million compared with $40 million incurred during the fourth quarter of 2014. [Indiscernible] and depreciation expense was $37 million or

$19.48 per barrel of oil sold versus $23.94 per barrel sold in the first quarter of 2014.

Income tax expense for the first quarter of 2015 was $26 million; the majority of the amount was related to current taxes in Ghana. Approximately $11 million of the taxes are related to the tax impact associated with the mark-to-market of our commodity hedges during the quarter. In the first quarter, we spent $168 million on CapEx, excluding $30 million of proceeds associated with our Mauritania farm-out, while this was recognized from an accounting perspective in the first quarter; we expect to receive those cash proceeds in the second quarter.

Kosmos exited the first quarter of 2015 with $1.7 billion of liquidity and $407 million of net debt compared to $1.9 billion of liquidity and $213 million of net debt as of December 31, 2014. The increase in net debt since year end 2014 is primarily driven by changes in working capital. Adjusting for the $225 million add on issuance of senior notes in April, we would have had pro forma liquidity of $1.9 billion as of March 31, 2015. In terms of our guidance for the year, our previously issued full-year guidance remains unchanged including our CapEx budget of $800 million.

I'll now turn the call over to Brian to walk you through the discovery. Brian.

Brian F. Maxted

Thanks Tom. As I make my remarks, I will be talking through the presentation provided on the website titled Mauritania Exploration Update. I'll start with the Tortue-1 Well Objectives on Page 3. Tortue well without a doubt is a world-class discovery and the first test of the outboard petroleum system in Mauritania. The well was designed to test Tortue West, which is part of the Greater Tortue Complex as you can see depicted in the image. Pre-drill, Tortue West carried approximately a third of the estimated resource base of the Greater Tortue Complex and as Andy mentioned, the results have far exceeded our pre-drill volumetric expectations.

The well importantly has also opened a new outboard Cretaceous petroleum system offshore Mauritania and Northern Senegal, which we have captured with our large contiguous 45,000 square kilometer position. With this discovery, we have also extended our track record about forming the industry and opening up frontier basins.

We'll now turn to the well results themselves on Page 4. Based on the preliminary analysis of drilling and logging results, Tortue-1 intersected a 107 meters or 351 feet of net hydrocarbon pay in two pools. A single gas pool was encountered in the Primary Lower Cenomanian objective. Importantly, we discovered excellent reservoir throughout the Lower

Cenomanian with multi [indiscernible] permeability and 20% to 30% porosity. A separate zone, 19 meters or 62 feet thick was penetrated within the Secondary Upper Cenomanian target.

On Page 5 you can see a cross-section on the top reservoir structure map of the trap. The trap is a combination structural stratigraphic feature with dip closure to the west and the channel pinch out to the east. Based on our preliminary analysis of the well results, which have been integrated with seismic information, we believe the resource base at Tortue West is between 5 Tcf and 12 Tcf of recoverable resource, with a mean of 8 Tcf.

The 5 Tcf case assumes gas is recoverable through the interval intersected by the Tortue-1 Well and conservatively assumes a 30% net to gross. The 12 Tcf case is based on the projected gas water contact derived from both seismic data and well-pressure information and assumes a 55% net grosses encountered in the well.

As shown on Page 6, at this size, Tortue West alone is potentially the largest associated or non-associated gas discovery offshore West Africa. As Andy mentioned, the other differentiator is we have defined gas terms in our PFCs. The maritime boundary is not in dispute and precedence already exists for cross-border cooperation. As a result, we believe that as we move forward, we won't be slowed down by prolonged negotiation of terms with or between the two governments.

Page 7 shows a section through the Greater Tortue Complex, which comprises three distinct tracking geometries. As noted the Tortue-1 Well tested Tortue West in which the Lower Cenomanian is the primary objective. Tortue East and North target primarily the Albo-Aptian more and ought to be tested by subsequent wells. The strong dependence of these prospects of adjacent Tortue-1 Well, particularly in regard to charge and trap as well as calibration of reservoir and hydrocarbon presence by ABO, with this we believe it's positive for the potential of future exploration success in the Greater Tortue Complex. We believe in aggregate the Greater Tortue Complex has a resource potential between 6 Tcf and 22 Tcf.

On Page 8 we outline our 45,000 square kilometer position offshore Mauritania and Senegal. The outboard cretaceous petroleum system we are targeting in both countries is located in a range of water depths from 1,000 meters to 3,000 meters of water. The Tortue-1 Well results are of significance in terms of making a world-class discovery and substantially de-risking adjacent prospects in the Greater Tortue Complex.

More broadly, the well results is also important with respect to the exploration potential and the outboard Mauritania and Northern Senegal

petroleum systems are haul for two reasons. Firstly, it proves the play concept of cretaceous reservoirs in combination structural stratigraphic traps, charged [indiscernible]. Fundamentally, Tortue-1 has proven a working hydrocarbon system. Also, the untested prospectivity includes a Cenomanian reservoir proven by Tortue-1 as well as deeper exploration targets with the potential for other source rocks.

Secondly, we now have excellent well to seismic calibration. The well results confirmed our ability to define reservoir and charged presence as well as trap. The Top and Lower Cenomanian reservoirs penetrated within 20 meters of prognosis, and its thickness to within 10%. This provides us additional confidence in our future exploration program given the predictive ability of the seismic.

In Mauritania, the next prospect we will drill will be the Marsouin prospect, which is located in the Central portion of the C8 well and fed by different river systems. As shown on Slide 9, Marsouin is also very simple four-way structure; it has a strong similarity from a trap perspective to Tortue-1 and has AVEO's support. The well will test both the Cenomanian reservoir objectives and [indiscernible] Tortue-1 as well as deeper targets. In the event for success from a charge reservoir and trap standpoint Marsouin will further derisk the remaining potential we have identified in both Block C-8 as well as our C-12 Block to the north.

Slide 9 also shows an example of our Fastrack 3D structure lead data set from Senegal which is currently being interpreted. It clearly confirms structure leads with previously defined on 2D seismic. These display significant size as well as track geometry which strongly resembles the Tortue West discovery, potential seismic attributes which could support reservoir and hydrocarbon presence.

Lastly on Page 10, we outlined our forward program through 2015, we are still on location at Tortue-1 and we expect the well to be completed shortly. Following a pre-agreed farm out of the next rig slots of Atwood Achiever the rig will come back to us in the third quarter and we will drill our Marsouin prospect. Given the implications of the Tortue-1 well, we are in the process of planning an accelerated exploration of appraisal program offshore Mauritania and Senegal.

An appraisal program is being planned to delineate the Tortue West discovery and an exploration program is being formulated to test the other prospects of the Greater Tortue Complex which extends into the St. Louis Offshore Profond Block in Senegal. We expected to fill our fourth rig slot this year with an exploration of price well on the Greater Tortue Complex with

continuing exploration appraisal in Mauritania and Senegal through next year.

To summarize the Tortue-1 well as a significant discovery for Kosmos, [indiscernible] the new outboard petroleum system offshore Mauritania and Senegal. Our position offers substantial exploration potential and we have captured the core of the trend, the 60% working interest and operatorship of all five large licenses. So as Andy indicated, we have placed ourselves in a good position to test this potential through a series of high impact wells which will enable us to determine the size and extent of the commercial resource in this part of our exploration portfolio.

Now I will turn the call back to Andy.

Andrew G. Inglis

Thanks Brian. I'm sure there will lots of questions on that so I think without anything else we will hand it back to the operator and open it up for the questions.

Question-and-Answer Session

Operator

Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Edward Westlake with Credit Suisse. Please go ahead with your question.

Unidentified Analyst

Good morning everyone. This is Zack [indiscernible] covering for Ed, real quick here. Thanks for taking the call. Has any of the work done at Tortue indicated any oil freeze in the region especially kind of as regard to kind of Marsouin, I'm kind of thinking about what you know from Tortue now, you have gone back taking a look at the models and the results. How are you thinking about Marsouin and what changes are you making to your approach if any of there?

Andrew G. Inglis

Hi Zack, why don't I pass this across to Brian.

Brian F. Maxted

Yes, hi Zack, before we drill to Tortue-1 the biggest uncertainty for us was actually phase and clearly it's found gas, we see this basin which is a frontier

basin which has got limited information particularly in the outboard at this point is being one that offers potential multiple source rocks, what's interesting is that acreage to the north is bounded by an oil play in the shallow water part of Mauritania and to the south the recent can discovery which is just south of our acreage in Northern Senegal is also oil. So without question, since we are framed by oil discoveries with north and south of our acreage whilst we made a gas discovery in Tortue there clearly is a lot of potential for oil as well as gas in the space.

Q –unidentified Analyst

Perfect, thanks and real quick I understand it's still early days with Tortue and there's a lot of work to be done there. Do you have any initial plans for monetizing that? Thank you.

Thomas P. Chambers

Yes, what I would say is its early days and in terms of the composition of the fluid at Tortue, we've obviously done MBT's. They are in the line of being analyzed as we speak. I think we're probably a couple of months away from getting all the data on that but I think just in short we manage our expectations. I think you should expect that this is a low CGR gas.

In terms of monetization plans, I think it's early, I think what we do have is a resource here that's got really good reservoir quality. I think we have high deliverable wells. We have wells that are probably low CGR there for the subsea architecture, I think, is a lot simpler as a result. So, I think, what we need to do is go forth with the appraisal plans and as Brian indicated, we have a potential well planned for the end of this year and then through into a full well program in 2016 and I think, now, the important thing now is to build a picture, build the resource base and integrate the well results into a comprehensive plan for the field, so early days.

Unidentified Analyst

Perfect. Thank you.

Operator

Thank you. Our next question comes from the line of Ryan Todd with Deutsche Bank. Please go ahead with your question.

Ryan Todd

Thanks. Good morning gentlemen. Maybe if I could and be talk a little bit about the resource range, I realized the importance of the net to gross in

the gas water contact in terms of the range, but can you talk, maybe a little bit about do you assume different recovery factors at the various net to gross range points and then maybe as a follow-up on that, you had mentioned in the start about Tortue West being about a third of the resource in the Greater Tortue Complex, but within the updated range, it seems to represent a much larger than a third portion relative to Tortue North and East. Can you talk maybe a little bit about what you assume for Tortue North and East and what the potential is there?

Andrew G. Inglis

Yes, Ryan, it's lots of questions there, okay.

Ryan Todd

Sorry!

Andrew G. Inglis

I think what we've done is set out today, I think, a relatively straightforward way to look at the resource. I think as you look at Tortue West itself, we know the 5 Tcf number, the low-end, is not setting a conservative view. We're going down just to the gas down to where we're taking a conservative view of the net to gross. We found 55% in the well; we're assuming 30% in there. We're assuming the low end of the porosity, so that's one view of the world.

And clearly we have another view, which is from what we believe is the inferred gas water contact, the porosity that we actually saw in the well and the net to gross that we saw in the well. So, those are of two bookends and I think they reflect subjectively what we have. And if you, sort of, take those bookends and take the deterministic view and you compare it to what we had pre-drill, it's significantly above.

What we haven't done is then sort of gone on and added on to that as it were with Tortue North and Tortue East. We've retained same numbers as we had originally. So, the increment you can see is a result of the increment that we've seen in Tortue West. So, I think it's important to remember that this is the first well. We've literally just got the well result and what we're trying to give you, I think, is a credible range of resources based on a credible set of assumptions.

Ryan Todd

Okay, that makes sense. So, at this point, the resource estimates therefore Tortue East and North are the same as what they were on pre-drill application.

Andrew G. Inglis

Yes, absolutely.

Ryan Todd

Okay.

Andrew G. Inglis

Which is, again is a sort of sensible place to stand at this point.

Ryan Todd

Great that's very helpful, and then maybe I mean you mentioned the Mauritania Senegal relationship at this point. I guess, can you talk a little bit about prior history of unitizations, maybe how you think politically, how it'll play out when it comes to eventual development?

Andrew G. Inglis

Yes, Brian and I visited both presidents, actually in the last week and so sort of have a first-hand knowledge, I think, of how they would see it. I think, the first thing to say is that the countries have a history of working together. In fact, the recent Banda project, which was a small gas field in Mauritania was going to be developed and actually power sold to both Senegal and Mali.

So it illustrates the ability for two countries to cooperate particularly in the energy sector. And the working relationship between the NLC is strong and between the ministries. So I think that an important thing and they have a track record with things such as Banda. I think also on the Senegal side, they have a history of working cross border issues with Guinea Bissau, they haven't demonstrated analog which sort of creates a joint development area and then that's how that cross border issue was dealt with.

So it's an issue to manage, I think the compensation is we've had to date, I think signaled that that issue can be managed in a very practical way and clearly from both countries perspective, what they want is to see the development move forward and this is not an acumen on the country, this would be absolutely the top priority. So that is what gives me confidence that this thing can be done in a sensible way and there is the history and the analogs that they can roll on.

Ryan Todd

Great, thanks. I appreciate the detail. I'll leave it there.

Andrew G. Inglis

Thanks, Ryan.

Operator

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

John P. Herrlin

Hi, Thanks. Going forward, once you delineate Tortue better, is this the kind of gas where you could just bring it to shore or you have to go up to shallow or depths with the idea of an LNG type project, have you given any thought?

Andrew G. Inglis

John, again, good question. Look, again, early days all right. But if you would look at it today John, and again we haven't got the MDTs back, so we don't have a CGR, our expectation is that we have a relatively low CGR which from a fluid assurance perspective makes it an easier fluid to handle. So obviously one of the things we're thinking about today is that, yeah, you could flow it right now. It's too early to be able to tell you whether that would be the development comes that but it's clearly one of the things that on our mind as it is with yours. So I think let's get the MDT back and let's actually get the fluid properly characterize and then we can work itbut it certainly, it would make the development a lot easier because you can - you have a very simple subsurface architecture as a result.

John P. Herrlin

Sure, Thanks. With you DSTs, some of the subsequent delineation wells or A1 DST?

Andrew G. Inglis

I think, again, among since inception, we would obviously want to establish connectivity could be that couple of ways with the DST with price attached. And clearly you probably want to get a better view of the CGL. So those are ways in which we could do that. That's something that we need to think about in the future, John. But I think, our view today is we have a relatively simple structure that requires whether the appraisal could be relatively straight forward. I think we want to make sure, we capture the data we

need from each well, given that each well - I don't think there will be a large number of wells.

John P. Herrlin

Okay. Last one for me. Are you going to basically re-process all the seismic now that you have now this track column delineating?

Andrew G. Inglis

That's right.

Brian F. Maxted

Hey, John.

John P. Herrlin

Hey Brian.

Brian F. Maxted

The Mauritania survey which is proprietary obviously is fully processed. We have that is in place all are various attributes, the fast track, the Senegal 3D is still in the process of being processed and actually we only have the fast track deliverables at the moment and the rest of it will be through later in the year. And that 3D survey will be integrated with Mauritania 3D surveys as that we effectively a single data set to work with. But there are obviously both state-of-the-art 3D surveys, the geology behaves extremely well and that's the reason for the very good top calibration that we see with the well results. So very, very excited by what we're seeing on the 3D.

I think on that Slide 8 just to make sure you're clear Tano basin is at the same scale shown on that slide and I think it's important for the market to understand the scale of this position and we're just looking at that kind of one little polygon, one big polygon at the border with Mauritania and Senegal but there is a lot of other opportunity around here particularly in Northern Senegal where the definition at the moment is only based on the existing 2D seismic. So we would expect to see prospect activity enhanced as we interpret new seismic. So it is interesting times for us.

John P. Herrlin

Great, thank you.

Operator

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

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

Al Stanton

Yes good afternoon guys. I just wanted to go a little bit back to the beginning and just ask about why Tortue was picked, was it just the biggest structure with the brightest anomaly unfortunately in the deepest water and then what you get from here I appreciate you want to appraise this discovery but it is fair spectrum of maybe seismic anomalies where actually pledged once since the gas brackets and then look at other ones which perhaps might be more indicative of oil and high put them at hierarchy because ultimately I still think you would still rather have oil than gas?

Andrew G. Inglis

Thanks Al, why don't I let add Brian just chat about the exploration strategy, the approach that why Tortue first and then move forward from that.

Brian F. Maxted

Yes it's important that the context for the selection of the first well was this, we have the Mauritania for three years, we shot that 3D, it is fully processed, the prospectivity at this stage of the exploration program is defined and Tortue clearly was one of the lead prospects there.

We also had Senegal and we were not in the process of forming out Senegal, we only acquired that last August. As I mentioned earlier, the 3D hadn't been acquired and hasn't been processed yet. But what we understood was that pudding a well into Tortue was going to help us derisk not just Mauritania but also give us the calibration to evaluate the 7000 square kilometers of 3D in Senegal and so it was deliberately chosen as the prospect that was somewhat centralized. So the two positions which obviously as we now go forward with the exploration strategy, we got to integrate as we get the full data sets combined together.

So that is why its chosen. The issue of bright spots, now it's - as the industry has been shown over the last few years, it was shown in the Gulf of Mexico many years ago, bright spot exploration are actually quite dangerous because it was pretty good at demonstration to presence of hydrocarbons and to give you technical success, it's lousy at demonstrating commercial scale reservoirs, we have this issue ourselves in [Indiscernible] and so the out petroleum analysis workflow is very much focused.

It is integrating the physical attributes with a solid robust geological story which predicts reservoir presence, quality around province, depositional setting and diagenetic histories and it's that work which was very much integral to protecting reservoir in Tortue which is excellent and one of the great things about Tortue is the deliverability of these wells is going to be enormous because of the reservoir quality and the reservoir effectiveness.

And so the future exploration program of course we will bear in mind the attributes including AVEO that will be part of our risking and ranking the prospect but it is not - it is not the primary driver by any means and we will be probably drilling as many dense spots we drill, we drill bright spots as we go forward.

Al Stanton

Can I just ask one follow-up then? In terms of source rocks did you encounter any potential source rocks in this well?

Brian F. Maxted

Well, we're still drilling and the source rocks that we predicted out here really are anything from lake Jurassic all the way through to the conventional more well-known source rocks in this area, Cenomanian–Turonian, and it would be no surprise to us if we didn't have multiple source rocks working. And over the area that we have, multiple source rocks work in either in the gas window or in the oil window. That would be our expectation.

I think, it's important for the market, to understand, as I said earlier to John, that running room on this new petroleum system is huge and I would be shocked for it all to be gas, just as I would be shocked for it all to be oil. I think, what's important here is the scale and if we do find oil we're going to find big oil as we've shown. If we find gas, we're going to find big gas. So, the market needs to keep an open mind. We don't see this as a gas province. We see it as a province as a huge hydrocarbon province containing a lot of gas and hopefully over the course of the next year or two we will demonstrate it's got big oil too.

Al Stanton

And you'll just take with this one rig?

Andrew G. Inglis

Again, I think it is early days. You know, what we need to do is ensure that we've got a credible appraisal program for a greater Tortue. We have a

credible exploration program that fully delineates that area and then as Brian says, in the right way, we start an exploration program across the extent of Northern Mauritania to Northern Senegal, but we don't get ahead of ourselves. This is all about insuring we do it in a disciplined way, we are efficient about integrating information.

Then, look, it's a great province to have at the moment. If we need to get a second rig, we could get a second rig and we can design the program to fit. So, there isn't a better time actually to be preparing ourselves for that problem. So, today, we're not suggesting that we're going to go down that route, but as we start to open up the perspectivity, it's something that that we're going to consider.

Al Stanton

Thank you.

Brian F. Maxted

You're welcome.

Operator

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

Pavel Molchanov

Thanks for taking the question guys. You mentioned the clarity on the fiscal terms in Mauritania. Can you quickly recap what they are and how they compare to what you have been getting in Ghana?

Thomas Chambers

Yes, you know, Pavel, well, what I suggest we do is we can go through it in a broad sense. What I would say is, I think, Neil can talk you through it in more detail off-line. The most important part is that the terms in the PSCs did anticipate gas. Quite often, I think, in West Africa there has been an issue with the terms not being clear whereas, I think, both whereas, both with Mauritania and the Senegal PSCs we anticipated it.

So, you know, the state participation is 10%. The cost recovery ceiling is large of the gas than it is for oil. That's a sliding scale for the profit gas. The state reimbursement of the contractor is phased. And what I would do is rather than go through all the numbers on the cope Pavel, I think, it's probably simpler if Neil goes through it with you in detail afterwards. Anyone else that wants to insure their modeling is accurate, they can do that.

Pavel Molchanov

Yes. No, quite clear enough. Then, can I ask a quick one about hedging. Given the extent of the Contango right now in the Brent Curve, are you looking at perhaps more for 2016 or subsequent years than you would have under normal circumstances?

Thomas P. Chambers

Yes, Pavel, we just added 2 million barrels for 2017. So, you know, the Contango nature of the curve is not lost on us. So, you know, we like to be in the market on a continual basis. So, we saw a chance to actually hedge some in 2017. So, we took 2 million barrels and got a 72.50 swap and we actually sold and put bought back a call. So we've put some floors underneath it, and we also didn't limit the upside. So yes the answer to your question is yes.

Pavel Molchanov

Okay. Appreciate it, guys.

Andrew G. Inglis

Great. Thanks, Pavel. Okay.

Operator

Thank you. Our next question comes from the line of Bob Morris with Citigroup. Please go ahead with your question.

Robert S. Morris

Thanks. And congratulations gentlemen on the Tortue discovery. Let me jump over to Jubliee, you mentioned that you had the gas rate up to 75 million cubic foot a day, what would then be the rate of oil after the FPSO given you're taking 75 million of gas of it currently and where would you need to get that gas rate up to be able to take the ramp up the PSO capacity to 120,000 barrels a day?

Andrew G. Inglis

Yes Bob, it's couple of things, not quite as simple as that. Those two things that we really need to do. One is the clearly the by moving gas from the reservoir, we are ultimately lowering the CGR which is good allows us to process oil. So there is a sort of time function as we produce the gas, the allowed CGR and therefore over time you will see an improvement in the oil

rate. Clearly what you also need to do is support the reservoir pressure by water injection, so that you could maintain that oil throughput.

So today we have pushed up the oil rate, we're not quite at the FPSO capacity, with a 75 million export rate, I think the way that you should think about it is that in the same half of the year, given that we expect that to be greater thermal power generation capacity at Aboadze, that if it turns up in time, that will allow us then in the back half of the year to drive the gas rates up.

And then through time, you will see a lowering of the CGR, the pressure in the reservoir maintained by water injection and that's when you'll see the uplift in the oil rate. So there is a time dependence here, the two things don't occur at the same point.

Robert S. Morris

So given at where is the oil rate currently and what did it ramp up to by year end?

Andrew G. Inglis

Well, it is the oil rate today, production rate is over 110. So we're sort of headed towards the 120 and then what we're saying is that by the end of the year, we anticipate we have that production rate that appears capacity of 120. So we're making progress, we're headed in the right direction, the things remember of course is those are production rates that they at the FPSO, they don't take account of shrinkage. Therefore the actual sales number is lower.

Robert S. Morris

Great. Thank you.

Andrew G. Inglis

All right. Thanks.

Operator

Thank you. Our next question comes from the line of Brendan Warn with BMO Capital Markets. Please go ahead with your question.

Brendan Warn

Good morning, gentlemen. This Brendan Warn from BMO. Just a follow-up question, there is so much on the physical terms of as more just a

relationship at the moment with Chevron related to Tortue, and can you just remind me what terms are right to be got and I appreciate its early days, appreciate you got a lot of follow-up drilling in potential in this region, having covered it since [indiscernible] days. Just your ability to form down, slow down. So what are the rights in terms for the government and should Chevron to backing at this point please.

Andrew G. Inglis

Okay well just sort of summarize that over beginning of the year, we announced Chevron forming into the Mauritania acreage and that forming in 30% by a disproportionate cost of the well which is on the Marsouin well. They have a right to back in post the discovery well on Tortue at the same 30%, and to try a disproportionate share of the well cost. And we don't anticipate Chevron making that decision probably until the beginning of next year. So that's the sort of broad overlay as we've described it.

So that sort of leaves us with a 60% share in Mauritania and that go to our strategy. The point is that as we look at it today, this is an area as areas Brian described every time significant remaining prospective, we have the financial position to be able to drill it down and our view would be, that we want to fully delineate the scale and quality of Mauritania acreage position and that's viewing that fundamental to our strategy.

And clearly, as you we that, we believe we then have the option to make further determination at what level of equity, we would want to carry at a particularly at a development decision. So, what I say Brendan is, that this is a, again early days but we're in a very strong position to have the ability to have a partner such as Chevron, it is great.

We have a great working relationship and the two companies worked together very well. And as we forward we have the ability to the flex all level of equity spend and, as we see a commercial development becoming close to decision. So that's why we see it today.

Brendan Warn

Okay, thanks. Then just one follow-up, just in terms of LNG export terms, I understand you got gas fiscal terms for the out stream but just like a comment on terms of the value chain with the Mauritania as extents today?

Andrew G. Inglis

Yes no we said play today, we don't have any negotiated terms with the government on what that explore would be, so obviously very early days. What we would note is that in Mauritania is clearly proximate to Europe. This

could be a significant gas resource which is proximate to a major market and therefore I believe has differential position in the market because of geographic position.

So yet today we haven't done any work clearly around that but if you look at things that drive it as you know well is the scale, it's the reservoir in terms of development cost and then it's the proximate markets and I think from the preliminary views of the Tortue-1 well reserve, we have some positive signs there.

Brendan Warn

Great, thank you.

Andrew G. Inglis

Great, thanks.

Operator

Thank you. [Operator Instructions] Ladies and gentlemen since there are no further questions at this time, I would like to turn the floor back over to Neal Shah for closing comments.

End of Q&A

Neal Sahah

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.