Operator

Good day everyone. Welcome to Kosmos Energy's First Quarter 2018 Conference Call. Just a reminder, today's call is being recorded.

At this time, let me turn the call over to Jamie Buckland, Vice President of Investor Relations at Kosmos Energy.

Jamie Buckland

Thank you, operator, and thanks to you all for joining us today. This morning, we issued a release regarding our fourth quarter earnings, which is available on the Investors page of the kosmosenergy.com Web site. We anticipate filing our 10-Q for the first quarter 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 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 will turn the call over to Andy.

Andy Inglis

Thanks, Jamie and good morning and afternoon, everyone. Kosmos is a well-capitalized, pure play deep water company, with growing production, a pipeline f development opportunities and a balanced exploration portfolio. In February, we set out Kosmos's strategy for creating value over the near, medium and long term. There are four key areas that support and enable us grow and I'm pleased that we've made strong progress on each of them in the first quarter.

First, an increasingly diverse portfolio of high margin production assets delivering growth; second, the world scale low cost comparatively positioned gas project being developed by BP, which is progressing towards FID late this year and provides the next phase of growth for Kosmos. Third, a sustainable exploration program with a balanced and proven emerging and frontier basin opportunities offering multiple catalysts in 2018, 2019 and beyond and finally a disciplined and conservative approach to financing with a strong balance sheet and significant available liquidity which supports the execution of our strategy.

Starting with production, our high margin assets in Ghana and Equatorial Guinea continue to deliver growth. The 3P reserves of these assets underpin the core value of Kosmos with significant room for additional upside.

In Ghana, first quarter production was offsetting Kosmos lifting two net cargos as expected with an operating cash margin of over 40 per barrel. At Jubilee, gross production averaged approximately 63,800 barrels of oil per day. The first quarter Turret Remediation Program or TRP shutdown was accomplished as planned. However, the shutdown of the gas processing train lasted longer, which restricted oil volumes during this period.

The shutdown has benefited future oil production as adjustments made to the facilities subsequently allowed for increased gas throughput and consequently higher oil volumes. Post shutdown, daily production reached to almost 110,000 barrels of oil per day. With the successful completion of the first phase of the TRP, the operator expects the second phase to commence in May. We anticipate oil productions to be offline around two weeks as a consequence of this shutdown.

Furthermore, we anticipate gas system being shut-in for slightly longer to complete non-turret related maintenance similar to the first quarter. We still expect the rotation of the vessel to take place around the end of the year with minimal impact to production in 2018. As a result, we still expect seven cargos from Jubilee and with two cargos in each of the next three remaining quarters.

At TEN, production is growing towards the FPSO nameplate capacity of 80,000 barrels of oil per day and that reached approximately 68,600 barrels of oil per day growth during the first quarter. First quarter production was nearly 23% higher than the full year 2017 average and during the quarter achieved a peak level of approximately 72,750 gross barrels of oil per day. The focus is clearly intended to growing production across Jubilee and TEN, with drilling now resumed.

In March, the most conventional drill ship arrived in Ghana and commenced operations drilling two wells including one at TEN and one at Jubilee. The rig will then begin completions work with the first well Ntomme-5 at TEN scheduled to be placed on production in early July. In 2018, the partnership plans to drill and complete four produces including two each at Jubilee and TEN and complete a water injection at Jubilee.

Furthermore, the partnership is in discussions on the addition of a second drilling rig in Ghana which could arrive in the field as early as October and contribute to increase production volumes in 2019.

The Equatorial Guinea assets that we acquired in late 2017 are performing strongly and our partnership with Trident Energy is working well. Gross field production averaged over 47,000 barrels of oil per day during the quarter, exceeding our 43,000 barrel per day 2018 forecast and 37,000 barrel per day acquisition assumption.

Strong production resulted in two lifting's net to Kosmos above our stated guidance with a robust cash for cash margin. This high margin production has delivered meaningful cash distribution to Kosmos already, approximately 88 million from deal closed at the end of April or nearly 38% of our 231 million purchase price. With this performance we see payback being reduced to just over one year down from approximately three years of the time of acquisition less than six months ago.

Operationally, production optimization work is on track planning for the first phase of Electrical Submersible Pump or ESP installation to increase lift capacities underway and the work program it scheduled to commence in the fourth quarter of 2018. The FP projects are expected to generate higher hours of more than 100% with production volume impact expected to be seen from 2019 onwards.

Finally during the quarter we received government ratification of the surrounding exploration blocks and PSEs negotiated last year, which I'll discuss further in my remarks on our exploration program.

Next I would discuss Tortue on low cost competitively positioned LNG project by Cretaceous in Mauritania and Senegal, which we are developing alongside BP, who is the operator. Tortue's innovative near-shore LNG project will scale at around 10 million tons per annum. FID of the first 2.5 million ton phase is expected around the end of the year. Since we reported our first quarter result the project has remained considerable progress.

The agreement of the ICA in early February and they will feed to commence in earnest and all the major contracts have now been awarded including the subsea infrastructure, FLNG vessel, FPSO vessel and hub terminal of Breakwater. The liquefaction unit to be used in Tortue phase 1 is similar to the [indiscernible] which commenced LNG production in mid-March for Briancon [ph].

Additionally, for the gas marketing we have issued requests for proposals to a short listed group of potential buyers including all major traders and end users. The project continues to gain momentum and remains on track to reach FID around year end.

In parallel with phase 1, the partnership is evaluating concepts for additional phases to expand the capacity of Tortue from around 2.5 million to around 10 million tons per annum by the middle part of the decade or sooner. This work is ongoing and aimed at providing the most efficient liquefaction options which can leverage existing infrastructure of the near-shore development and provide economies of scale.

We're aiming to grow the gas delivered from Tortue in the early 2020s, when leading forecasters expect LNG demand to outpace supply given the low inventory of world scale Greenfield projects ready for sanction. This should be a good time to bring gas to market allowing us to deliver attractive project economics for the partnership.

I'll now turn to exploration where our growing portfolio provides a sustainable exploration program comprised of a balanced mix of opportunities in proven emerging and frontier basins, offering multiple catalysts in 2018, 2019 and beyond. Our proven basin activities focused in the Rio Muni basin Equatorial Guinea is under explore the basin, has suffered a dearth of exploration activity following the discovery of the Ceiba and Okume fields by members of the current Kosmos team 20 years ago.

As part of the 2017 acquisition, we entered into an agreement with the government to acquire blocks SW and 21surrounding Ceiba and Okume. We see two distinct opportunities to leverage our basin knowledge; first, step out exploration along the eastern part of our blocks, this provide short cycle, highly economic time back opportunities to grow production utilizing spare capacity and the interesting Ceiba and Okume production facilities. Second, in the West there are opportunities for standalone Greenfield exploration which provides a potential for an extension of the basin floor fanfare way to exploring offshore Sao Tome.

In the first quarter we focus our activity on maturing these areas for drilling in 2019, we command seismic acquisition this month and I expect to begin processing the data shortly. Early in the second quarter we expanded our position by farming into Block EG-24, located out board of our existing position for 40% participating interest. By entering this block we have now capture the entirety of the Rio Muni basin play from the near-shore producing assets of Ceiba and Okume through the in board slope channel fairways and all the way to the basin forefronts in eh out board of our Sao Tome acreage.

We know there's a working petroleum system in the region as our blocks is surrounded by [indiscernible] Sao Tome and Principe to the west and producing fields at Ceiba and Okume to the east. We're excited by the many opportunities and it's proven play but under explored petroleum system.

Within emerging basins we have a key presence in each of the two recently opened giant scale Cretaceous oil and gas petroleum systems off shore Mauritania and Senegal and Senegal and Guinea and Suriname. In Suriname we're drilling two test this year to evaluate the first of up to five 3D seismic defined independent prospects across our two blocks which in aggregate of multi-billion dollar oil potential.

Anapai located in Block 45, is our first well in the basin and is testing a combination structural stratigraphic trap. While operations are currently ongoing and we anticipate communicating results to the market later this month. This will be followed by a well in Block 42, which is which is expected to start in the third quarter either on the Late Cretaceous Aurora or Apetina trends both offer potential extensions at least that type stratigraphic place in Guinea and the partnership is continuing its technical evaluation in order to finalize the first prospect.

In Mauritania and Senegal we're taking the time to integrate data obtained from our 2017, '18 drilling program with a view to initiating a third exploration campaign in 2019. We anticipate this will focus on exploration appraisal in support of potential further gas hubs in southern Mauritania and northern Senegal as well as continuing to search for liquids. We remain excited about the significant remaining potential in the basin and we'll update the market later in the year on the 2019 program.

Turning now to Frontier basins where we have two major opportunities to our current portfolio that were actively maturing to a drill ready status. First is Sao Tome, we bolstered our already large position with the addition of two blocks 10 and 30, which we acquired as part of our BP Kosmos alliance in West Africa. These bolt on acquisitions solidify our position in the out board Rio Muni basin and allowed us to capture significant amounts of this frontier region.

In addition to the 16,000 square kilometer seismic acquisition program last year, we expect to acquire seismic over blocks 10 and 30 starting later this year. Initial exploration drilling in Sao Tome remains on target for 2019.

Similarly offshore at Cote D'Ivoire in partnership with B.P. we were awarded five blocks at the start of 2017 covering approximately 16,000 square kilometers on aggregate. A 3D seismic survey commenced in March. The processing is expected sport initial drilling of wells in 2020.

So in conclusion, Kosmos has a balanced portfolio of production, development and exploration with multiple sources of growth in all three of these areas. 2018 continues to be an active and important year for Kosmos with two wells in Suriname and five in Tortue and continuing strong performance expected from our producing assets in Ghana and Equatorial Guinea.

Looking further ahead to 2019, we already have clear line assigned to numerous major catalysts with exploration wells planned across our proven emerging and frontier portfolio in Equatorial Guinea, Mauritania and Senegal and Sao Tome and Principe as well as the potential for a follow on appraisal drilling on the back of success.

Over a multi-year period we will high grade two to three high impact exploration wells a year which we can execute as a result of the strength of the portfolio we have already built and the new venture activity we continue to pursue both in alliance with BP and on our own. We remain focused on executing this activity in a financially prudent manner and we will continue to ensure we have the balance sheet strength and liquidity going forward to manage our business and create value for our shareholders.

At this time I will now turn the call over to Tom.

Tom Chambers

Thank you and morning everyone. As I highlighted on our call in February, although commodity prices have recently improved our commitment to full cycle returns, financial strength and robust liquidity remains unchanged. Our business generates free cash flow at oil prices as low as $50 per barrel and if current oil prices persist we expect to generate significant free cash flow throughout the rest of the year.

At the end of the quarter we had 1.3 billion of total corporate liquidity including capacity on our reserves based lending facility and revolving credit facilities as well as available cash. As previously announced during the quarter we completed the renegotiation of our RBL, which resulted in the borrowing base increasing to $1.5 billion, up from approximately $1.3 billion as a consequence of incorporating our EG assets in the base.

It now also includes an accordion feature which allows the borrowing base to expand by up to $500 million if the existing finances institutions increase their commitments or if new commitments are added.The RBL maturity is now been extended from 2021 to 2025. Our $400 million, revolving credit facility remains undrawn and we expect to refinance it later this year before it matures in November.

Maintain an active and consistent hedging program continues to play an important role in the financial strategy of the company. Currently we have 8.4 million barrels hedged at an average floor of $54.79 per barrel in 2018 and 10.5 million barrels hedged at an average floor of $53.33 in 2019.

Kosmos' consistent fiscal prudent balance sheet strength and commitment to pursuing growth in service of increasing the economic value of the company remain key differentiators compared to many of our peers. We plan to continue living within our means and using our strong free cash flow to execute our growth plans.

Now I'll turn to the results for the quarter. We finished the first quarter with two crude oil lifting's, one each from Jubilee and TEN in line with our guidance, generating oil revenues of $127 million or $65.77 per barrel excluding derivative settlements.

First quarter oil revenues were up compared to the same quarter of 2017 as a result of higher oil prices, factoring in approximately $20 million of cash payments on our hedges lowers our realized pricing at Ghana to $55.56 per barrel.

For the first quarter we generated a net loss of $50 million or $0.13 per diluted share. Adjusting for the impact of onetime items that affect the comparability including $38 million mark to market hedging loss, the company generated a net loss of $23 million or $0.06 per diluted share.

On the cost side, operating expense for the first quarter was $47 million or $24.18 per barrel versus $46 million or $15.75 per barrel in the fourth quarter of 2017. The higher cost was a result of one last cargo lifted in the first quarter versus the previous quarter.

Also first quarter operating expense included approximately $5 million or $2.40 per barrel of expense associated with Jubilee work over's that there were accelerated into the first quarter. For the full year we are still forecasting a rate in the range of $14 to$17 per barrel.

Exploration expense of $21 million for the first quarter was primarily related to ongoing seismic and geologic and geo physical cost in Sao Tome, Mauritania and Cote de Ivore is expected to increase in the next two quarters as Equatorial Guinea seismic survey commences.

General and administrative expenses were $20 million during the first quarter, up compared to the same period in 2017 and the fourth quarter of 2017, driven primarily by the loss of the ability to charge our certain cost associated with the transfer of our operatorship of the Tortue redevelopment project to BP.

Depletion and depreciation expense for the quarter was $54 million or $20.07 per barrel, an increase from the prior year period, but in line with their guidance. This increase is a result of the heavier weighing of 10 cargos to the total number of cargos in the current quarter compared to the prior year quarter. With two Jubilee cargoes per quarter for the rest of the year, the rate should be well within the range for our full year guidance.

Taxes were a benefit of $23 million for the quarter. For Ghana and the US, we're expecting full year positive pretax income and tax expense. The first quarter benefit is expected to reverse in Q2 and Q3 as Ghana pretax income goes from loss to positive income.

In Equatorial Guinea strong production during the quarter resulted in the partnership lifting four cargoes or two net cargoes to our 50% interest, generating net revenues of $123 million or $65.53 per barrel.

Operating expense per barrel during the quarter was $13.75. DD&A was $28.73 per barrel, comprised of $14.38 cents of normal DD&A and $14.34 of basis difference amortization. Both operating expense and DD&A included cost associated with their overlook position at the quarter, taxes were $13.20 per barrel, slightly higher than our annual guidance due to higher oil prices versus guidance which was based on $60 brand.

As Andy noted, our EG operations generate significant cash flow which resulted in an approximately 65 million of cash distributions to Kosmos in the quarter and 88 million of cumulative cash distributions from deal closed through April. This is a significant portion of the $231 million acquisition price we paid last year and is direct evidence of the attractiveness of this transaction as the payback timing continues to decrease.

Looking to our guidance for the rest of the year , our 2018 production guidance as Andy indicated of 11 cargos net to Kosmos including seven from Jubilee and four from TEN remains unchanged. For each of the remaining quarters in 2018, we anticipate lifting two cargos from Jubilee and one from TEN.

In today's earnings release we've provided our full year 2018 guidance, which remains unchanged from our previous call.

With that that concludes our prepared remarks and now operator, we would like to open the call for questions.

Question-and-Answer Session

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions

The first question comes from the line of Richard tell us from Capital One Services. Proceed with your question please.

Richard Tullis

Thanks. Good morning, Andy a nice quarter. When you look at EG production off to a strong start in 2018, I know you mentioned in the opening remarks about the plans for drilling in 2019, but should we look for further production increases this year given the well optimization work in progress on the assets and she took over and with the upside to the outlook of the 43,000 barrel a day forecast for the full year.

Andy Inglis

Yeah, thanks for the question Rich. Look we triggered off to a good start, 47,000 barrels in the first quarter was obvious ahead of the full year guidance that we gave you, which I think will demonstrate I think the opportunity that there is in the assets that we acquired. The next phase of work is obviously to increase the lift capacity, which is installing the ESP's as I discussed. That going to really start in the beginning of the fourth quarter, so the production impact from that is really going to be by year end and then into 2019. Whereas you said you haven't got the combination of the impact of ESP's and the impact of potential success with input drilling or tie-backs. So, in summary you know off to a good start, clear plans to continue to grow with activity underway that will impact 2019 and beyond. As we got up 2018, we are sticking with our guidance. You know we haven't changed the guidance. We need to stay another quarter under our belt and then I think when we come forward with the 2Q results, we'll obviously give you another set of guidance. But, you know what you should take out of those comments is, we are really pleased with the work today and it's more than just the production, I think it's the integration now of the production of the opportunities to enhance through well work and the opportunity now to look at the expression at the base. And on the Block 24 addition, is also another important piece in our puzzle.

Richard Tullis

Okay and then just moving on to the expiration side with your well along in Suriname, has your team able to gather any additional learning's from some of the recent wells drilled in that area Suriname, Guinea including the recent unsuccessful well by Exxon and its partners?

Andy Inglis

Yeah, look this is an emerging bank since there's going to be a mix of success in Suriname. My understanding of the Exxon well is they were testing as sort of an active part of the play which was clearly unsuccessful. When we look at our opportunities and block 42, we've got a couple of opportunities in the Aurora and the upper China trends. Both of those are down there and there are now I guess, so the least of turbo price and obviously with us being part of the consulate and we are able to leverage of their knowledge - have a success, significant success that they had in on lease or on the stable block. So, yeah I think we are building our knowledge base and we continue to be right positive about the opportunities we have in 45 and 47.

Richard Tullis

Thank you and just one last one for Tom I believe. Could you give an overview on the process Tom, to move say from the equity message for EG overtime?

Tom Chambers

Yeah, well what we are doing right now is we are working to give that to the normal accounting or which is a fortune accounting and get away from equity math of accountings. We are in the process, we hope to have it done alter this year; I'll give you some more information as we get through along. But that is the goal to get back to our normal proportional consolidated accounting.

Richard Tullis

Alright that's all for me, Thank you.

Tom Chambers

Alright, thanks Richard.

Operator

Our next question comes from the line of Bob Morris with Citi. Please proceed with your question.

Bob Morris

Yeah, Richard asked both of my questions, so I am good. Thank you.

Andy Inglis

Oh, yeah, great minds think alike. Thanks Bob.

Bob Morris

Certainly.

Operator

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

Charles Meade

Good morning, we are dealing a team there, or afternoon as may be. I wanted to ask you - going back to your comments about Ghana and the possibility of bringing in a second rig towards the end of the year. Can you frame up for us, what the next couple of years could look like there in specifically I am wondering to - there's obvious chance to ramp up the TEN complex, but what other opportunities beyond getting TEN to that facility capacity? Whether there are opportunities out there to grow volumes there?

Andy Inglis

Yeah, hi Charles, Andy Inglis. Well, if you look at Ghana today I think the fundamental point id because of the restriction on drilling because of the lost price tax and actually the delight for the fulfilled development approval done Jubilee, both fields are well constrained today. So, actually adding additional wells actually is the thing that is going to drive up production. We've got the opportunity to get both fields up the closed main place capacity which is a 120,000 bopd and 80,000 bopd on TEN. And then with full well capacity as it works tax beyond that is really the next thing. And when we are testing Jubilee beyond 120, you know in the region of 125 and we believe that the chances to move TEN beyond the 80,000 name plate capacity. So, really the objective is how do we get to the - that sweet spot where we got reliable production, without the main play capacity or slightly beyond. And, we have the well stock that can be dependent, so that where the growth is going to come from.

Charles Meade

Got it, that's helpful detail, thank you. And then if I could ask on question on Tortue, has it been anything you've seen in any of the field work that has gone on so far that has evolved you view on how quickly you are going to ramp your project up? I think you touched on this a bit perhaps in your prepared comments?

Andy Inglis

No, look you know I think everything that seems today remains positive. I think the near-shore development approach that we're taking provides a really cost competitive low cost scheme. We established a necessary infrastructure for that with phase I, which use the girl out of fashion technology and that is the phase I scheme that is two and half million tons per annum. The work that we are doing now with BP is to look at the concept that can grow the productions of the full sort of 10 million ton per annum, potential of the recent space or somewhere around that number and what is the optimized way to do that. You know we are going to be using that as our initial approach, we put in the infrastructure where we've got a very cost competitive base from that. So, how do we grow from there? So, now there is nothing sort of in the fee that is closing of any questions. I think it's really forced to fight that we've got the starting point and I think the challenge for us in ourselves in BP now is to ensure that we've got the right concept for the full build out of this project. And of course having established that in the near-shore concept you can then apply it to the South potentially and trying the discovery or to other discoveries that we would have. So, I think that to me is sort of the upside of this is and then you got the real opportunity to design one and build many. And we've proven the concept through the work that we had done today with BP and we're now into field which is all about getting the detail like which enables us to be around the end of the year and first gas at the end of 2021.

Charles Meade

That's helpful context. Thank you, Andy.

Andy Inglis

Right, thanks Charles.

Operator

Our next question comes from the line of David Round from BMO. Please proceed.

David Round

Hi guys. Can you say anything about the range of outcomes for production from the [indiscernible] development well and I guess like around TEN? Can you just give us kind of a update on hydro performance to the reservoir there? You know, you obviously look strong from where we are sitting, but may be on an individual row based have you seen any decline from through there? And then just back apart from that development well, is it going to speak straight into the production? Is it going to be a one plus one or is it in the case of allowing you to better manage how hard your plates pulling on the other wells?

Andy Inglis

Alright thanks David, lots of good questions there. I think you should think about Sao Tome 5, what we should think about is, it has the potential you know, to get us on an instantaneous rate basis close to the nameplate capacity of TEN, yeah. So don't want to do individual well predictions, but I think you can do the math for yourself, I think we'll get as close to that on a 10 years rate basis. So, it is additive and it is tactful to establishing that phase. But clearly to reliably producing that level, we want some additional well cover and a math obviously a process of bringing a - assigning a second well and allowing the depletion of that, allowing you to give cover. Okay.

David Round

Okay, alright I got it. And one - just may be one, Tom mentioned it briefly and appreciate you want the business to be robust at low oil prices, but I guess looking since your last update, we had probably had $10 added to the old price, so, what point do you start to think about project the work, passing the $55, $60 per well environment rather than sealing the 50?

Andy Inglis

Yeah, I think another good question. I think well the mindset of Kosmos, from the day it was found it was all about being at the low end of cost curve. Because the low end of the cost curve is easily competitive and you can move forward, you know lowest cost supply will always win. I think we have all of the projects we have under development today as delicate Tortue and it's close to the place of two and three. It is fundamentally a low cost source of supply and we are not worrying about the old price and move forward with those, it's about optimizing it and getting the right concept that we can repeat. Similarly in the expiration proof earlier we are targeting things that work at the low end of the cost curve. So, I don't think you're saying is changing our mindset around the threshold of what we would develop or not. Because I think fundamentally we've always said that we are going to be at that low end of the cost curve. So, it has not changed our mindset, clearly make right bugger opportunity but we got to have things that are good for all seasons at the low end of the cost curve and that's the way we build the strategy of the company.

David Round

Got it, okay, thanks Andrew.

Andy Inglis

Thanks David.

Operator

Our next call comes from the line of Pavel Molchanov from Raymond James. Please proceed.

Pavel Molchanov

Thanks for taking the question guys. On hedging you've been, least 50% hedged I think over the past couple of years with Brent well into 70's? Is that making you more likely to weigh on hedges or perhaps is it kind of the upside effect?

Tom Chambers

Hi Pavel, this is Tom, I'll take that. You know right now, given were our prices are, we are kind of taking a little bit of break. But, it doesn't change our overall philosophy because what the philosophy is, is to protect the downside but being able to partake in some of the upside, not all of the upside but some of the upside. Right now, it's a little bit difficult with were prices are, in given the accreditation of the current to get some of the upside on. So, we are watching it very closely, but we haven't changed our overall hedging philosophy.

Pavel Molchanov

Okay, and kind of along those lines as we watched pop rising and even to some extent the back end of the curve move up, any pressure on offer cost either the rigs themselves or any of the ancillary components that you guys might be observing?

Tom Chambers

Yeah, in a broad bright sense Pavel, I'm saying no. You know, if you look at the two big areas of cost for us, you're looking at the rig market, the six end rigs, you know they are all still trying to explore out. And I think my view is that's going to remain the case for a number of years. When we look at the construction arena, I still think there's never been a better time to build infrastructure that will be at a point where yards have significant and used capacity and therefore it's great time to sort of lay in capital for the long term. And, I think that is the census we spoke at the end of the moment and it's important too, as it will take advantage of that while it's there. But, we don't see an impending end to that as we think about our projects.

Pavel Molchanov

Okay, appreciate it.

Tom Chambers

Alright, thanks Pavel.

Operator

Our next question comes from the line of Elwin Thomas with Exane [ph]. Please proceed. Mr. Thomas your line is live.

Elwin Thomas

Sorry, I think I was muted. Just to ensure now, can I just ask you further questions on managing downside risks? So, if the well is becoming dry how many independent of the process do you have? Or maybe you can just give some color around some of the potential wells you have around there and eventually what comes out you can take away and when you could get back starting in that region? And, if you can just re-visit, yeah, the [indiscernible] how do you think we should think about commerciality there since times go and possible linking of Tortue a later day? Thank you.

Andy Inglis

Yeah, that's great Elwin. Yeah, sure now, that was probably up the sleeves you have 30 or 4 to 5, independent tests with probably four of those within Block 42. You know, there are fundamental sort of different play type's plastic components and I think we got both of those in Block 42. And then we got sort of different reservoir settings in terms of the age of reservoir and then we have different prospect risk when it gets into structure. So I think we significant prospectivity in 42 and we are clearly at the stage of identifying of all that on science mix. But we see - fundamentally we see at least four tests that we would look to make that is truly independent. And I think the challenge we've got at the main menu is taking the right things to start and as we talk. And then once you drill back more knowledge, but we remain excited about that. I mean and I have failure in 18, you know no doubt, we would take a time out, think about what we learnt and then come back to just as we have done in Teranga, Senegal. And look from my perspective, the great thing about portfolio we talked today, is that we got real quality through choice now. We are not driven by rig schedules, we are not driven by having to create news, we are never driven by doing the right work and ensuring that we are drilling enough drill beds, cross beds across the portfolio and high grading those. So, that's my mindset today and I think in 2019, sort of excess riches, and what we want to do is to make sure that we are drilling things that's not cut. So, if we actually fell it, we'd step back, there are up sleeve, there are independent tests, we'd have to get back and examine them and then decide will they fit in the order.

Tom Chambers

On the Yakaar we've got a significant resource in the hub that combines Yakaar and Taranga. You know the next step is appraisal, and we anticipate that the appraise the well in 2019, we still have to sort of agreement with the government etcetera. And then to my mind you start think about ford activity of that, I think you got a piece of work which takes the full development of a Tortue, as you know. And then I think with that concept in place, you would then look at how you can apply the same technology that near show development and apply it to the Yakkar, Taranga. Plenty of resource there, what we need to so is ensure that we can continue to leverage it and create another truly cost competitive source of gas.

Elwin Thomas

Okay, thanks very much guys.

Andy Inglis

Okay, thanks.

Operator

Our next question comes from the line of Tyler Dann from Victory Capital Holdings RS. Please proceed with your question.

Tyler Dann

Good morning everybody thanks for taking my question. I was - my question is about EG and you provided in your Press Release, the details of what it would like when you were proportionally consolidating the asset on EBITDA perspective? Could you help me with cash flow from operations and also CapEx please?

Tom Chambers

Yeah, hi Tyler. We don't have all of that, this is Tom, we can get back to you offline. Right now, it's self-funding from a capital perspective and from a cash flow, we can help you to have that word kind of offline, because it's not straight forward.

Andy Inglis

I think I was a couple of months away from accounting that way, Tyler. So, I think the rather than give full caster date for capital and cash I think probably the best thing to do is walk you through the lines, and show you were our thinking is. But, probably you should that offline.

Tyler Dann

Okay, great, we'll refer to that, thank you.

Andy Inglis

Alright, thanks Tyler.

Operator

Our next question comes from the line of Niki Kouzmanov from Jefferies. Please proceed with your question.

Niki Kouzmanov

Good morning, good afternoon. Andy and Tom, may be just a quick question on financing, you talked about the I guess the refining RCF before November, want to just know do you actually need to refine that are you also looking to refine the senior notes, that the pie has shown after that? And on Equatorial Guinea, most of the questions were answered, but I was just wondering is there any maintenance that we need to think of before the year end, and plus test driving your guidance for example 43 to 47, thank you?

Andy Inglis

Well Tom will do the finance and I'll back to you Nicki on EG.

Tom Chambers

Okay, Niki on the RCF, no, we don't really have to do it, as I said we've got a $5.5 million recording feature on the RBL. We'd like to have the spirit of capacity though, so and it doesn't cost us very much, we haven't drilled very much, we've reduced the commitment fee last time we renewed it. So, we'll probably look at renewing it, it's a low cost facility for us and it provides us somewhere to certain capacity. In terms of the high yield notes, the high yield notes, started last year, they were cargoed for the first time as they are pretty expensive. Beside is, they call auction drops a bit, so we are looking at that. We are in no hurry, because those notes don't mature till 202. So, you know we are looking at the foundation, what the market is doing and trying to tie in that a bit better and given what the needs we might have from the overall business. So, what I'm nearly paid hurry to refinance, mid callers know it's refined and so it's not such as at this point in time.

Niki Kouzmanov

Got it, thanks.

Andy Inglis

Just on EG Niki, you know there's no unusual planned maintenance on the assets. So, no, just a slow repeat to what I said is, we'd change the guidance when we know more. We've got a strong start to the yearend first quarter, we got second quarter under our bowl and then we can move forward. But, there is no anything that sort of adding significant plan maintenance for the same.

Niki Kouzmanov

Understood, thank you, Andy. Thank you, Chamber.

Operator

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

Neil Mehta

Good morning guys and congrats to you on your strong Q4 results. The first question is just on Brent sending you a $75 bureau, so it's a two part, the first is can you remind us again what the sensitivity is that will change in Brent? And then if we would hold the $75 bare level how much excess free cash flow are we talking about at the company?

Andy Inglis

Tom will take by for those norms.

Tom Chambers

So, Neil what I would say is the first hand if you look at cash flow, free cash flow, we have - w could forecast a range between a 100 million to 200 million of free cash flow if prizes hold from here. In terms of $5 move in and cash on hand, I don't have that up yet. We can get that back through Jamie or Reese to you about.

Neil Mehta

Okay, that's a $100 million to $200 million of free cash flow that?

Tom Chambers

At current price rate.

Neil Mehta

At current price rate, correct got it. And, sorry go head?

Tom Chambers

No, go ahead.

Neil Mehta

Oh, that's great. And so the follow-up is just, if you get into 2019 the spend this year is $300 million for capital spend. Can you just talk about the moving pieces as we get into '19? How we should be thinking about, at least at a high level, paralytic level, thinking about CapEx in '19 and '20?

Tom Chambers

Okay, I'll give my sentence as pretty ambitious we are not giving guidance on CapEx. But let's look at the moving parts, good, okay?

Neil Mehta

Yeah.

Andy Inglis

So, what you are looking down the - we ran a sort of one rig program as it were through - let's just say three quarters. And then the potential of the second rig you know it's like another quarter. So, you felt sort of four quarters of rig, I think you may have a little more rig activity in 2019. The question is how long we run the sequence of two rigs? Yeah and I think we have not made that decision yet but it could be a little more than probably one rig for four quarters. That's one dynamic. When you look at the development work on Tortue and you look at the expiration work in Mauritania, it's going to go - we're still working under the BP carry. So, in essence sort of no change there. And then really it's the level of wells in addition that we would pursue outside of that, so really number of wells, say terminally numbers of wells actual Guinea. We're clearly drilling two wells in the Suriname this year. So, you know we've had a relatively heavy sizing program, so you know I don't share significant uptake in that and to my mind it's all going to be about you know apology through choices. So, I think we will have options by but it's driving the hydrating of that sort of believing within that flame. So, I think when you look at the moving parts you can see, actually sort of not a lot of difference really as we sort of plan. And it's not being driven by the brand prizes, it's being driven by quite doing the right thing. I think we have drilling opportunities in Ghana, the most important thing is to build the required well capacity that those facilities plus a margin but not beyond that. And actually doing a value of the two rigs is good, because you clearly are at the benefit of the production area. And within expiation we'll have choices to make, but we are going to be hard as to bare those choices. And you know as Tom said, in the current world, we are delivering $100 million to $200 million of cash.

Neil Mehta

Yeah, thanks for providing that early look, I appreciate it.

Andy Inglis

Alright, thanks Neil.

Operator

Our final question comes from the line of Bob Brackett from Bernstein Research. Please proceed with your question.

Bob Brackett

Thanks for getting me in at the end. The question on Suriname if Anapai ends before the first of June, you are kind of guiding to the end of May, and your next wells are third quarter spud what's driving that time gap? Is it optionality around further logging or well testing or is it finalizing which prospect to drill?

Andy Inglis

No, it's the latter Bob, it is finalizing the final prospects. So, you know two question, and we've been very hard edged you know - I think I've given you a little bit of teller that we see you know moved for tests, pulling up to four tests in Block 42. Important thing is the sort of the you know stop the right one and we got work to do, that we are currently progressing with our partners, with great input from Chevron and from Hess on picking the right thing first. So, all that work is quite ongoing as we speak and it will be ready and enable us to spot the brilliant at the beginning of the third quarter. So, I did think that this is the time to do it right if I was sort of simplify to a punch line and I think that's important for the discipline to the way in which we approach expiration.

Bob Brackett

And who covers the rig cost in that month? Is that the partnership?

Andy Inglis

No, no the rig will go off chart.

Bob Brackett

Okay, gotcha and then a quick follow-up. In terms of Mauritania and Senegal unitization proceedings, can you give us an update on that and how it ties in to FID as we approach the end of the year?

Andy Inglis

Yeah, so there is quite a formality, the ICA set out the basic quality parameters. So, how unitization would be done, and as you know it's by complete agreement, 30-30 start etcetera and in five years to the first re-termination time line. So, all the key parameters have been put in place in that inter- governmental propagate agreement. We then we need to convert that into a unit agreement and works are going on that. I don't - with all the key stuffs done now it's about getting all the detail done. But there is nothing sort of out there that would add into supply, that's going to be on the critical path.

Bob Brackett

And that's because the volumetric don't matter which is on which side of the boarder, it's just really a - that will happen latter at redetermination down the road.

Andy Inglis

Yeah, so what the ICA did is, it set out the parameter which is it's 50-50 from the start, five years in, you determine. So all of that's been done, okay, so you're not into a unitization conversation, what you're into is a unit agreement that captures all of the intent of that ICA, all that work's been done up front.

Bob Brackett

Great, that's clear. Thanks.

Andy Inglis

Good question Bob because that's very clear that that's the basis on which we're working, so it's not a unitization negotiation, it's actually the codification if they were writing it down into an agreement.

Bob Brackett

That's great because unitization - I've been stuck in unitizations in the past and -

Andy Inglis

Yeah, which is - yeah, I would say it's a great point. We've done it a different way, we've agreed the big things up front as the process to try to - that was a big breakthrough here is you agree the big things up front and the methodology and now in the back of that you can then convert into an agreement, so yeah, that was a good top line question. So I think that's an important part of the way we do process.

Bob Brackett

Great, thank you.

Andy Inglis

Thanks, Bob. I appreciate it.

Operator

There are no further questions at this time. I would like to turn the floor back over to Jamie Buckland for closing comments.

Jamie Buckland

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