

## **Operator**

Good day, everyone. Welcome to Kosmos Energy's Fourth Quarter and Full Year End 2012 Earnings Conference Call. Just a reminder, today's call is being recorded. At this time, let me turn the call over to Brad Whitmarsh, Vice President of Investor Relations at Kosmos Energy.

## **Brad Whitmarsh**

Thanks, operator, and thanks to all of you for joining us today. This morning, we issued our year-end earnings release, which is accessible on the Investors page of the [kosmosenergy.com](http://kosmosenergy.com) website. And later this morning, we anticipate filing our 2012 10-K with the SEC. [indiscernible] this morning are Brian Maxted, CEO; Greg Dunlevy, Executive Vice President and CFO; and Darrell McKenna, Chief Operating Officer. Following our brief comments, we'll have a question-and-answer session.

[Operator Instructions] If there are any questions that we aren't able to get to within our 1-hour timeframe, please feel free to call me later.

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. We believe such measures are important in looking at the company's historical and future performance, and these are commonly referred to metrics in the industry. These measures are provided in addition to and should be read in conjunction with the information in our financial statements, prepared in accordance with GAAP and included in our SEC filings.

At this time, I'd like to turn the call over to Brian.

## **Brian F. Maxted**

Thanks, Brad. In today's call, I want to touch briefly on the 2012 and then focus on the present, in 2013, and our strong future. Greg will follow with the financial discussion before handing over to Darrell for an operations update.

Looking back, 2012 was a strong year for our company, and we ended it in our best position ever, operationally, financially, as well as organizationally. As a result, we have an attractive long-term platform for growth. We are building and maturing a world-class exploration portfolio that provides transformational upside opportunities.

Our position offshore garners only the initial success for Kosmos, representing the foundation from which we will grow our business. In 2012, we significantly matured and de-risked these assets, growing production and cash flows to record levels, progressing our next-door development and furthering the appraisal of our other discoveries as well. At Jubilee, the early part of the year was focused on overcoming well productivity problems, which we resolved successfully and did so at much lower costs than earlier planned. We also began implementing the Phase 1A development program and exited the year with Jubilee production at approximately 110,000 barrels of oil per day, a record level for the field and up 70% from the beginning of the year.

In 2013, we'll be focused on maximizing production by identifying ways to de-bottleneck the FPSO and increase production even further. Jubilee is proving what we've known all along: It's one of the world best [indiscernible] oil discoveries over the past decade, and now it is one of the world's best producing fields as well.

We also progressed at 10 discoveries in 2012, extending the Enyenra oil channel and identifying a new oil [indiscernible] in Ntomme before submitting a plan of development to the government later in the year. Along with our discoveries at Mahogany, Teak and Akasa, we have a superior track record of success offshore of Ghana and these discoveries are strategically important to our future. Over the next several years, our expected operating cash flows from Ghana, based on a conservative \$85 per barrel Brent price, combined with existing liquidity, provides for substantial and well-defined production and cash flow growth to our business.

In addition, our programs internally fund the material exploration program with 12 to 15 exploration shots on goal over the course of the next 4 to 5 years. Given this exposure to a multibillion barrel potential. This is a real asset metric rich reward opportunity, particularly when we're trading just slightly above our 3P, P10 value, for only the Phase 1 and Phase 1A resources at Jubilee. Let me emphasize that this excludes the value of additional phases of development at Jubilee, the TEN development, MTA and the upside in our exploration portfolio.

Before moving onto our exploration assets, I want to make a quick comment on the recent secondary offering of Kosmos' stock. The \$30 million share offering was recently completed and significantly enhances our public flow without dilution to our shareholders. Despite the near-term impact, we believe the benefit of nearly doubling our public flow will provide long-term gains to our new and existing shareholders. We made the number of key strategic decisions in 2012 regarding our exploration program, including adding a substantial new acreage position offshore Mauritania and expanding

further acquisition offshore Morocco, which combined, make Kosmos Energy to be one of the largest acreage holders offshore of north West Africa today. We also executed sizable seismic programs in Morocco, as well as in Suriname. We brought in Chevron to join our exploration efforts there.

In 2013, our exploration efforts are accelerating, with focus on maturing the existing assets to the drilling stage, as well as capturing additional near- and longer-term opportunities for drilling. In Cameroon, drilling operations are now underway at the Sipo prospect on the Ndian River Block. Albeit, a little late than we have planned due to logistical challenges with the rig-up process. Results are likely to be in April of this year. As a reminder, Sipo is a 150-million barrel oil equivalent prospect of tertiary age with multiple similar structures in the block. Kosmos operates the well with 100% working interest.

Offshore Morocco, we have established leading acreage positions in 2 basins, the Agadir Basin to the north and the Aaiun Basin in the south. We continue to mature identified prospects through seismic interpretation and are planning on the first phase of exploration drilling to include between 2 and 3 new wells, testing both pre- and post-salt opportunities beginning as early as late this year. We have received the final volumes of seismic data, and we're very excited by the early interpretation, which provides a diverse set of opportunities with a multibillion barrel potential.

Offshore Morocco is still under the high level of interest -- industry interest in both its shallow and deeper water petroleum systems with a number of U.S. and international independents and majors all negotiating new acreage positions, or forming into positions near where Kosmos is located. This bodes well as we are now beginning to process to secure strategic partners to join our exploration efforts. In addition, we're in discussions to access the necessary rig capacity to support not only our Morocco joint plans, but also other exploration areas as well.

We expanded our leading acreage position in Northwest Africa by capturing a nearly 27,000-square kilometer position offshore deepwater Mauritania. The concept offshore Mauritania represents our first reentry in the Upper Cretaceous stratigraphic play concept along the West Africa transport margin, where the industry, following our success in Ghana, spent over \$1 billion pursuing this play without much success during the last 6 or 7 years. We're targeting large basin for farm [ph] potential in its proven petroleum system with proven oilfields up [indiscernible] we believe being leaked from a deeper source kitchen. We have now secured a seismic vessel to cover our entire 3-block position with 2D seismic, commencing in March this year. And we're close to contracting the larger 3D shoot to follow in the middle part of the year.

In South America, offshore Suriname, where we are exporting the same Upper Cretaceous stratigraphic play across the Atlantic margin, we've just now received in the fast track data from our 3D -- acquisition, and we'll spend the large majority of 2013 working to identify opportunities for potential 2014 drilling. Similar to Mauritania, there is a proven oil discovery up there and we're in a deepwater basin for composition, close to where we believe the source kitchen has generated substantial volumes of hydrocarbons. While maturing these existing assets to the drilling stage, we're also intently focused on further expanding our exploration portfolio to provide significant exposure for additional success. There are several opportunities in the pipeline. I'm excited about where the company are -- is today and more importantly, where we're headed in the future.

Let me now hand it over to Greg.

### **W. Greg Dunlevy**

Thanks, Brian, and good morning, everyone. In my prepared comments this morning, I will first review our financial results for the final quarter of 2012 while providing some of our expectations for 2013. To follow on Brian's comments earlier, I'd like to highlight the financial position we ended the year with, largely a result of improved performance and production increases at Jubilee, combined with a step up in our financial capacity late last year. Cash and cash equivalents at the end of the year was \$515 million, and we had approximately \$600 million of availability in debt facilities. Combined, this provides over \$1 billion of liquidity, marking Kosmos' strongest financial position since becoming a public company.

Maintaining adequate financial liquidity is core to our business strategy, as it provides the capacity to internally fund our development and growth programs in Ghana and also give us the ability to fund our high-impact exploration programs to the point of success and beyond. At the same time, an improved balance sheet provides flexibility to capture attractive new exploration opportunities as they arise. With production ramping significantly in the second half of 2012, we finished the year with 6 crude oil liftings. 2 of which incurred in the fourth quarter, as expected. Total oil revenues for the fourth quarter were \$218 million. On the cost side, oil and gas operations expense was expected and included cost related to 2 acid treatments performed at Jubilee, which average approximately \$8 million gross a piece.

Exploration expense for the quarter was impacted by the completion of a large 3D seismic program offshore Suriname. In addition, we finalized our farm-out to Chevron during the period. Previously, we had been recording 100% of these costs to exploration expense until the farm-out transaction was finalized. Depreciation and depletion per barrel was positively impacted

by the transferred improved reserves from undeveloped to developed at the end of the year, largely a result of the successful acid stimulation program conducted throughout the year. In conjunction with executing our new corporate revolver in the fourth quarter, we also made some changes to our existing reserve base lending facility. This reduced the commitment amount from \$2 billion to \$1.5 billion and associated with this change, we expensed of \$5 million of deferred finance costs in the fourth quarter. EPS for the quarter was \$0.08 per share and net cash provided by operating activities totaled over \$221 million for the quarter.

At this time, I'd like to transition to our expectations for 2013. Overall, our expected investment program totals \$525 million, excluding the benefits of any future formats with a little more than half this amount targeted for development activity in Ghana. The remaining 45% goes towards our global exploration programs. At the midpoint of our production guidance range, we estimate selling 9 cargoes of Jubilee crude oil this year, which marks a 50% increase from our 2012 sales volumes. At current Brent prices, this represents approximately \$1 billion in annual revenues for Kosmos and substantial operating cash flows that should more than meet our 2013 capital requirements.

In the first quarter of the year, we anticipated 2 liftings, of which the first has already occurred. On the cost side, we anticipate total production expense per barrel to range from \$10 to \$12, consistent with the operators guidance. In total, the midpoint of this range represents a greater than 30% reduction from the full year 2012 rate. Exploration expense is expected to be approximately \$115 million for 2013, excluding the impact of any unsuccessful well costs or farm-outs completed during the year. The majority of these costs are planned for seismic acquisition and interpretation. In addition to this amount, we will be recording approximately \$10 million exploration expense related to the Sapele Well, which has been drilled to total depth and is being plugged and abandoned.

G&A cost for the year should be relatively in line with full year 2012 and DD&A should average about \$30 per barrel. Our 10-K filed today will detail our current hedge positions, which totals 7 billion barrels, with approximately 15% of 2013 production covered and 2.5 million barrels covering 2014. With continued strong Brent pricing, we would expect to add further to our 2014 positions and begin to lock in initial hedges for 2015. With the strength in Brent outlook in the early part of 2013 versus year-end 2012, and should pricing remain at these levels, we anticipate a negative mark-to-market change for our hedging position at the end of the first quarter of this year.

Bearing in mind the challenges of giving guidance on taxes, we project total tax expense to be approximately \$16 million to \$20 million per lifting, consistent with 2012 actuals. We do anticipate larger portion of our tax expense in 2013 to be current as we anticipate using up our remaining Ghana NOL carryforwards during the year.

Now, I will turn the call over to Darrell for an operations review.

**Darrell L. McKenna**

Thanks, Greg. Let me start off my comments discussing our planned development program for 2013, which is focused on maximizing production levels at Jubilee, as well as commencing our next major project development at TEN. As Brian and Greg mentioned, results at Jubilee continue to be very strong and the field has been averaging about 110,000 barrels of oil per day through the first 2 months of the year. This is a result of successful acid stimulation program in 2012, as well as the impact of production we have seen from the first Phase 1A wells. The new Phase 1A wells are exceeding our expectations and we are now -- have well deliverability, substantially exceeding the FPSO capacity.

To date, 6 of the 8 Phase 1A wells have been drilled to various stages with the remainder anticipated to be completed through 2013. As mentioned earlier, the acid stimulations has proven to be a highly successful in resolving near wellbore scale buildup. Going forward, we intend to utilize an intervention vessel for these treatments, which we anticipate can further reduce the cost.

Our outlook for full year average production for the field is in the range of 105,000 to 115,000 barrels of oil per day. This includes high predicted uptime for the FPSO, as well as a 2-week scheduled downtime during the year for planned maintenance, timing to be determined. Recently, we have been performing at the high end of the range as we are testing the capacity limits of the FPSO, including gas-handling capacity, water injection and oil throughput systems.

In the third quarter of this year, we anticipate re-wheeling the gas compression system on the FPSO, which will provide immediate uplift to gas-handling capacity and result in an increase in oil production. Accordingly, we anticipate exiting 2013 with a production above 120,000 barrels of oil per day. At the same time, we are continuing to monitor the progress of the domestic gas export plan. The system is anticipated to pipe Jubilee gas to an onshore process facility and will hook up to multi gas-driven power generation sites. We anticipate first volume of gas to shore in the second half of the year.

The Deepwater Tano partners are continuing to discuss with the government the path forward for the TEN plan of development. Our submitted PoD supports an oil-based FPSO development with scale -- scalable production capacity initially targeting 80,000-barrel oil per day and flexibility to expand based on performance and additional resources.

Similar to Jubilee, our plan focuses on gathering early dynamic reservoir information and cash flows from which we expand our full field development. The operator has guided to a mid-case development CapEx of approximately \$4.5 billion, assuming a leased FPSO. Our portion of that amount will be approximately \$900 million, which is anticipated to be spent over a multiyear timeframe. Initial production is anticipated to be in the first half of 2016, which would be the range of 30 to 36 months following project sanction. With the base production capacity of both Jubilee and TEN, gross oil production combined is planned at over 200,000 barrel oil per day. Our net portion represents approximately 40,000-barrel oil per day or 2.5x our 2012 average.

Progress is also being made in regards to aligning the appraisal periods of Mahogany, Teak and Akasa. In 2013, we're planning to add at least 1 appraisal well [ph] in a Jubilee Phase 1 well to test the previously undrilled portion of the Mahogany reservoir. This is in addition to a potential well at Akasa and additional seismic interpretation at Teak. From a development standpoint, we are looking at the concept of tying selective MTA producing wells into the Jubilee FPSO to garner early, long-term dynamic reservoir information.

We also released our 2012 reserve data a few weeks ago reflecting net production of 6 million barrels in 2012, as well as a reduction in 14 billion cubic feet of gas of our fuel gas reserves from the prior year to align with actual fuel usage on the FPSO. In addition, we transferred 15 million barrels of oil reserves from proved undeveloped to proved developed category, resulting -- as a result of our successful acid simulations and Phase 1A drilling. Our P1 PB10, which is available in our 10-K, showed an increase versus last year, largely as a result of improved production outlook at Jubilee and lower assumed operating development costs at the field.

The path forward for growth at Kosmos is clear and our vision to achieve it is simple and focused. First, executing Ghana by maximizing oil production and fields recovery from existing and developable rediscovers while maintaining strong capital discipline in our investments. Next, progress our existing exploration assets to the drilling stage, which expose Kosmos to potential petroleum systems that are of major scale. And lastly, continue to build a premier exploration portfolio that will deliver multiple new basin, shots on goal each and every year.

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

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

### **Operator**

[Operator Instructions] Our first question is from the line of Ed Westlake of Crédit Suisse.

### **Edward Westlake - Crédit Suisse AG, Research Division**

Just -- I wanted to focus and touch on de-bottleneck. Any rough numbers in terms of how what the maximum could be for the FPSO as you look at the kit that you have onboard at the moment?

### **Brian F. Maxted**

Yes, let me hand over to Darrell.

### **Darrell L. McKenna**

Okay, Ed, as we mentioned, we're looking through also systems onboard the FPSO right now, gas, water and oil handling. We started the re-wheeling project in 2011 when we approved the equipment. We'll be assembling and putting that in place in 2013. And as we mentioned, we know we can hit the 120 nameplate once that project is completed. I guess, the only other thing I can add is that we were looking at all the systems of looking for opportunities across the board and we can perhaps give some more guidance in later calls on that.

### **Edward Westlake - Crédit Suisse AG, Research Division**

Okay. And a broader question about Morocco. I've got the plains release in front of me. Obviously, they found in the carrier of \$215 million next to your acreage. And according to DeGolyer and MacNaughton, they were talking about an estimated gross un-risked mean recoverable resources in that block of around 7 billion barrels, which seems like, obviously, a very large number. Could you comment on potentially where you are in a farm-out of your own acreage? And maybe a comment on is the D&M assessments, as you look at the seismic, in line with your thoughts for that -- for the potential of that block?

### **Brian F. Maxted**

Ed. Brian, again. Let me just add to that first question that you asked on de-bottlenecking. I mean, we're obviously in a great position with the resolution of the well-productivity issues with the remediation and the acidization jobs,



and we've now got productive capacity way above the nameplate FPSO capacity. And as Darrell pointed out, a number of options are open to us, shorter-term and longer-term, to get this production -- get this production up. And so we continue to look at all of those. And the obvious long-term one that we need to add is the Jubilee export of gas, which we understand from the state will be -- the project will be in place in the second -- sometime in the second half of this year. So we obviously look forward to that because it provides us with the long-term solution. To answer your question about your Morocco. Yes, I mean, as you know, we were one of the -- as we sought to push the horizons of our existing playing fields further away from the transform margin in an effort to secure -- identify and secure new portfolio opportunities for ourselves, we were one of the first players to join the hunt for oil and gas offshore Northwest Africa. And so, we had the -- basically, we had the pick of the acreage as we've had in Ghana when we went into there in 2004. So we're very happy with the position we've got. It was deliberately selected because it's in the heart of the salt basin, offering post-salt and pre-salt plays. And there are several fairways on that salt basin, one of which extends into the plains of Pura Vida block. We have, in addition to that though several others that we -- that are included in our acreage. And we're in the early stages of interpretation on that data set, the 3D data set. We're not in the game of promoting large numbers of track capacity and trap potential, we're very focused on de-risking the whole petroleum system including source rocks and reservoirs. And what I will tell you is that everything is starting to come together really quite nicely for us and we look forward to maturing that prospectivity ahead of farm-outs later in the year and then drilling as early as the end of this year.

## **Operator**

Our next question is coming from the line of Ryan Todd of Deutsche Bank.

## **Ryan Todd - Deutsche Bank AG, Research Division**

If I could get one more follow-up on Morocco. If we look over the course of the rest of the year, at what point do you think you'll be in a position from a seismic analysis and data analysis point of view to communicate some additional clarity on targets and timing of the wells and so on?

## **Brian F. Maxted**

Yes. In terms of the -- Ryan, it's Brian again. In terms of the analysis evaluation of prospectivity around the middle of the year, as you I'm sure aware. The pre-salt interpretation in particular, takes a lot of tender loving care and as we define the pre-salt potential. So it's going to take us some time. And then we will be looking to farm it out during the early part of the

second half of the year, so we should be able to give some guidance on both prospectivity and, hopefully, new partners sometime in around the third quarter. And then alongside all of that, we are working to secure a rig and all the various permits that we're going to need to get this drilling program underway.

**Ryan Todd - Deutsche Bank AG, Research Division**

Great. And then if I could -- just one more follow-up on Jubilee. You've mentioned a few times now that the -- you believe that the well deliverability is significantly above the capacity of FPSO right now. Would you be willing to say what you think the well deliverability is right now?

**Brian F. Maxted**

No, it's obviously enhanced significantly by -- I would say that the original 9 wells we haven't fully acidized all of them yet. I think we've done 7 of the 9. But once we've done all of them, I think the original plan was to fill the boat with the Phase 1 wells and I think we'll be in a position to be able to do that. The big game changer has obviously been the Phase 1A wells of which we drilled 3, I think 2 are tied in. And they've benefited from the learnings of the Phase 1 drilling and completion. The wells are designed quite differently. They're high angular, in one case horizontal, so the exposure to the reservoir interface is significantly greater, and therefore, the KH and the productivity is significantly higher. They've got much simpler completion strings as well. And they've all got the -- each of those has got the capability of 20,000 barrels a day or more. With that, you can substantially above the current nameplate capacity of the FPSO.

**Operator**

Our next question is from the line of John Malone with Global Hunter Securities.

**John Malone - Global Hunter Securities, LLC, Research Division**

So with TEN, assuming you get approval in the near-term, what do think that could add in terms of reserves net to you for next year?

**Brian F. Maxted**

John, it's Brian. Let me pass that over the Darrell.

**Darrell L. McKenna**

Yes. In terms of -- we won't hand out any numbers right now in terms of net or gross adds to the reserve base. We will just reiterate the mid-case [ph]

that the operator has put out is -- the 23 wells in development, our share, \$900 million. And we're in the range of 300 to 360 in terms of total gross adds with the project itself. We currently...

**Brian F. Maxted**

We have 78% [indiscernible].

**Darrell L. McKenna**

And currently in the stage of negotiating several items in the government. So we're moving along with answering technical questions on behalf of the TEN PoD right now.

**Brad Whitmarsh**

And, John -- Brad Whitmarsh, I would add to that, that certainly it would be a process of booking over a number of years with initial -- initial bookings originally, but then also associated with sanction. But then also as production comes on and you get some history information, you would expect to then continue with additional reserve bookings. So we anticipate that to be over a multiyear period.

**Brian F. Maxted**

Yes, which is typical with these phased developments, of course, as we try to find the right balance between developing the first phase of the field. While it's not overextended itself from a financial commitment investment standpoint and size, you've seen in Jubilee the ramp-up to reserves is delayed, deferred because of the phasing nature of the development.

**John Malone - Global Hunter Securities, LLC, Research Division**

Okay, great. And then 80,000 initial productivity on the FPSO that you're talking about for TEN, will it be built in the way that Jubilee was -- that will be the rate and then any further de-bottlenecking will be again to gas compression in sort of ancillary moves? Or would you build an 83 -- 80 initially, and really have a lot of room to expand on that? Can you give some sense of what you're thinking and expanding beyond that 80?

**Darrell L. McKenna**

So John, the 80 is now, I guess, to the Jubilee 120. That is the nameplate design and then of course, we look for opportunities, once we get with well capacity in the TEN field to the same point where Jubilee has where we exceed the nameplate. We look for those de-bottlenecking opportunities as we go along. And there's always room for minor adjustments, capital

investments to add in capacity as well major with deck space potential on top of the FPSO. Those could be added later on as we see productivity and dynamic data performing as we anticipate.

## **Operator**

And the next question is from the line of Al Stanton of RBC.

## **Al Stanton - RBC Capital Markets, LLC, Research Division**

A quick question on exploration. You talked about the desire to bring in partners, so was wondering what you're looking to do, whether it's just manage your financial risk or perhaps it was to enlarge your portfolio. There's a number of players, including yourselves, in Mauritania with big stakes. Would you rather have less or more? Or are you quite happy with the jobs that you already have?

## **Brian F. Maxted**

Yes, Al. Brian. Really, what -- 2 fundamental drivers, I think, of securing partners. Obviously, the balance sheet in Kosmos is in great shape right now and -- which gives us a lot of flexibility and a lot of opportunity in farm outs. And so, given that the financial drivers are actually not the primary issue for us, there are 2 other issues that are key to driving the strategy. One is we've got very significant acreage positions and we believe that we've got that sweet spots on each of these petroleum fairways, but we don't know that for certain, and we don't know exactly where the individual sweet spots are. And so the exploration program is not a 1-well and let's get out. It's probably several wells in each of these opportunities. And so primarily, we need somebody who's going to join us with that exploration program that's not going to get cold feet after we drill 1 well and not have the Jubilee size success with the first haul that's what happens. And then we look beyond that, with respect to our partners in terms of what they bring to the table not just at the exploration stage but also at the development production stage as well, particularly in some of these deeper reservoirs and deeper waters. So that's very much the thinking behind Chevron in Suriname. And then the second driver is, as you pointed out, everybody is looking for great opportunities right now to build their portfolio out and deliver exploration catalysts. And our strategy is historically been very organic, greenfield, working stuff out. But to move things forward and reduce the exploration cycle time, these assets -- existing assets provide opportunities for us to potentially do swaps and farm-ins with other companies. So to some extent, that's a driver for us as well. As you mentioned, there's 1 or 2 companies along [indiscernible] in each of the basins. And if we feel that their acreage brings play diversity to our opportunities, which is something that we look

for, then that could be helpful. Otherwise, getting exposed to other petroleum systems that we're currently not represented in this pretty important to us.

**Al Stanton - RBC Capital Markets, LLC, Research Division**

Can I ask you a quick follow-up? In term of -- do you have a strong view on gas? If you drill early wells and they are gas, is that key for an exit? Or are you willing to try your luck?

**Brian F. Maxted**

Well, I mean, as we've seen in other -- on other margins in the last couple of years, if you can find a lot of gas it could be extremely valuable. So the commercial risk related to getting the phase prediction wrong is not as high as it used to be, at least if you find a lot of gas. And we will just have to see. I mean, I think if we -- in a petroleum system where we think there's potentially giant volumes of gas, it makes sense to define what opportunity we have in those basins.

**Operator**

[Operator Instructions] The next question is from Anish Kapadia with TPH.

**Anish Kapadia - Tudor, Pickering, Holt & Co. Securities, Inc., Research Division**

I just have a question on the Mahogany, Teak, Akasa fields. I'm just wondering if you could give even a more detailed update in terms of where you see the combined size over there. It sounds like you're moving to -- moving away from a standalone development, much more likely to be timed to Jubilee. So just where you see the connect combined size and what the appraisal program will be going forward on that?

**Brian F. Maxted**

Yes. Let's get Darrell to take that one for you.

**Darrell L. McKenna**

Yes, I guess our -- Anish, our primary focus right now is to align the appraisal time periods with the government of Ghana, that's our big focus. And then we've got, as we mentioned in the call, we had some minor appraisal work ongoing. We have deepened our Phase 1A well to look at an undrilled portion at Mahogany, potential for an Akasa second well from an appraisal standpoint and an additional seismic work we want to do on Teak. So still very much a high-value, it's got some good resources there, and

we're looking at continuing to evaluate it. The range in numbers we're talking right now is in the 50 million to 150 million barrels oil equivalent range. And potentially, we'll work through that 2013 to finalize our appraisal program and have a better view of it by year end.

**Anish Kapadia - Tudor, Pickering, Holt & Co. Securities, Inc., Research Division**

So the 50 to 150 is the combination of Mahogany, Teak and Akasa, right?

**Darrell L. McKenna**

Correct.

**Anish Kapadia - Tudor, Pickering, Holt & Co. Securities, Inc., Research Division**

And then, just one follow-up. On the tax situation, I'm just wondering if you could say what percentage of the \$16 million to \$20 million per lifting you expect to be cash tax and what percentage deferred tax? And also, when would you expect to stop paying the additional profit tax in Ghana?

**W. Greg Dunlevy**

Anish, this is Greg. Obviously it depends on oil prices and essentially, what drives profitability. But our planned price, I would say, we start paying cash taxes late this year at current prices more like second quarter mid-year. So it really depends on the price tag [ph] and therefore, the overall profitability. As far as what I think you're asking, which is the additional oil entitlement, at planned prices that's probably 5 years out. At current prices, it's probably couple of years out before we get to the point where the AOE is payable.

**Operator**

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

**Pavel Molchanov - Raymond James & Associates, Inc., Research Division**

I wanted to go back to one of your earlier comments about reserve bookings. On Jubilee, obviously, you guys didn't book any additional reserves in 2012. Is there more left for you to book on Jubilee? Or is it at what we currently have?

**Darrell L. McKenna**

Yes. Darrell McKenna here. So we're very early days on Jubilee right now. We've got very conservative recovery factors worked into our numbers right now. We're working with our reserves certifier through the next -- this year course and the following years, to bring those recovery factors up. There's lots of opportunity relative to Jubilee, and we'll continue to look for technical opportunities that will bring that forward. So it's a very positive view on it right now. And of course, that will be predicated on the Phase 1A development, it will continue. And then there's follow-up development phases, Phase 2A, 2B, that'll actually bring in additional reserves as we go along.

**Pavel Molchanov - Raymond James & Associates, Inc., Research Division**

Okay. And I -- also to touch on one of the earliest comments you guys made in relation to the recent equity sale. Given what you know about the, let's say, investment desires of your 2 principal shareholders, what can you say about their near-term plans? Are they pretty well set after this recent monetization? Or do they have plans to do more in, let's say, over the next 12 to 18 months?

**Brian F. Maxted**

It's Brian, I will try to answer that. The recent offering was very much an effort by private equity sponsors and management to respond to existing and potential new investor needs who were looking to see a higher float and better tradability of the stock that we felt was hanging over us. And we've, obviously, achieved that with effective doubling of the float. I mean, we essentially sold the same amount of stock that we sold in the original IPO. And as you pointed out, the investors, private equity guys, still owned, what, over 60% or so of the company. And typically, Warberg [ph] in particular, have got more of a history in this in seeding companies and taking them public, have typically stayed in their investments over the course of a number of years. They've not necessarily been market timers. They've got out periodically. For example, a new field Spinnaker where it was in the region of a decade for both of those. So I don't expect anything different with Kosmos, really. I think they will be opportunistic as far as they may be, they can be. Obviously, nobody was happy with the price that we sold a week or 2 ago, but there is no further plans for them to sell any more stock at this point --

**W. Greg Dunlevy**

I think we all agreed that the prices are reasonably low, and as Brian alluded to earlier, the current price is -- the values as a company is approximately

the value is at PB10 of Phase 1 plus 1A reserves in Jubilee only, which is, frankly, from my personal perspective, have been silly.

**Brian F. Maxted**

And then -- and the timing of this, it's been 18 months since we IPO-ed the company and we -- just about every meeting we have with investors, this issue of float was brought up. We felt it was a good time because, structurally, we were between de-risking of the downside in Kosmos with the resolution of the Ghana productivity issues and the confirmation that we have a world-class asset underpinning the value of this company on the one hand. And on the other hand, we were headed in between a pretty exciting exploration program, as we go forward. So it made sense from a structural standpoint.

**Operator**

[Operator Instructions] Your next question is coming from the line Rob [indiscernible] with Citigroup.

**Robert S. Morris - Citigroup Inc, Research Division**

Actually, it's Bob Morris. I apologize if you answered this already. I got disconnected during the Q&A. But you mentioned that wells in Phase 1A Jubilee were exceeding expectations, what is your current total productive capacity? I think it's something like -- 35,000, 40,000 barrels a day above the 110,000 barrels a day you've been producing?

**Darrell L. McKenna**

Bob, let me jump on this again. This is Darrell. As Brian mentioned, all the Phase 1A wells have benefited from lessons learned on Phase 1. They're all very high-angle well, there's like you said a horizontal well in there as well. And we've learned a lot in terms of our progression through the stimulation program. We clearly exceed our FPSO capacity right now, and Brian talked about 20,000 barrel per day average on the remaining wells. We have 3 remaining wells to tie in and put on production, so you kind of do the math in terms of where it ultimately can get to. Again, when we talk about FPSO de-bottlenecking, we have to look at all 3 systems -- gas, water and oil, so it's a real balance to keep all those rolling kind of simultaneously.

**Robert S. Morris - Citigroup Inc, Research Division**

Let me ask you then, if you look at that, I know you've 3 to connect, you've got 2 more to drill, farther ignoring for now the possibility of tying in some of the Ntomme [ph] wells into Jubilee FPSO. So once you get to 120,000



barrels a day, that can happen this year assuming that the major capacity with what you got from the Jubilee and Phase 1A wells. How long a period can you maintain that level of 120,000 barrels per day?

**Darrell L. McKenna**

Yes. That's what we talked about in various conversations past, is the plateau is multi-years and within [indiscernible], obviously, that gives us even longer life on it. One of our primary objectives, as an operator team with partners, is to look at how we might potentially shorten that with both minor and major capital investments over time. So we'll always look for -- trying to bring that capacity up and bring it up above 120 with time.

**Operator**

We reached the end of our question-and-answer session for today. I'll now turn the floor back over to Brad Whitmarsh for closing comments.

**Brad Whitmarsh**

Yes. I want to thank everybody for joining us for the conference call today. Hopefully, we answered everybody's questions. If you'd like to follow up, please give me a call this afternoon. Thanks.