

Operator

Good day, everyone. Welcome to Kosmos Energy's Second Quarter 2013 Conference Call. Just a reminder, today's call is being recorded. At this time, let me turn the call over to Jon Cappon, Manager of Investor Relations at Kosmos Energy.

Jon Cappon

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

Joining me on the call with our prepared comments are Greg Dunlevy, Executive Vice President and Chief Financial Officer; Eric Haas, Senior Vice President Production and Technical Services; and Brian Maxted, Chief Executive Officer and Director. Following our prepared comments, we will have a question-and-answer session.

[Operator Instructions]

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 would like to turn the call over to Greg.

W. Greg Dunlevy

Thank you, Jon, and good morning, everyone. In my prepared comments this morning, I will review our financial results for the second quarter and then provide a brief update on our expectations for the remainder of the year.

Overall, our financial performance for the second quarter was in line with expectations. We recognized a net loss of \$71 million or \$0.19 per share. Excluding the \$76 million dry hole expense related to Sipo-1 and the

planned exit of Cameroon, we would have recognized a net income of \$5 million or \$0.01 per share.

Total revenues for the period were \$193 million, for an average of just under \$100 per barrel sold. At the end of the second quarter, we were in an under-lift position, having lifted for sale approximately 350,000 barrels less than our current entitlement.

On the cost side, production expense for the quarter was \$23 million. Excluding certain rig maintenance and work-over costs, our underlying operating expense was less than \$7 per barrel, reflecting the benefit of continued strong Jubilee production versus a year ago.

Exploration expense for the second quarter was \$93 million. Excluding the dry hole expense in Cameroon, the exploration expense was \$17 million, the same as the second quarter of last year.

G&A, depletion and interest expense amounts were all consistent with our previous expectorations and guidance, and our derivatives gain reflected the market's lower oil prices at second quarter end. Tax expense for the quarter was \$46 million. We utilized the balance of our Guinea net operating loss position during the first quarter and are now paying cash taxes.

Cash flow provided by operations was strong this quarter, generating \$210 million. Our cash balance as of June 30 remained robust at just over \$500 million. Our liquidity position improved for the last quarter, and we now have over \$1.2 billion in liquidity between cash and our debt facilities. During the second quarter, we paid down \$100 million debt outstanding.

At this time, I'd like to provide some brief comments on our expectations for the remainder of 2013. We are anticipating a slight increase in total forecast of CapEx to approximately \$560 million for the year. This increase largely relates to the capture of our licensed offshore Ireland and the acceleration of the Ireland 3D seismic program into the second half of this year.

Total capital spending is split approximately 50-50 between development and exploration and appraisal activities. Based on an anticipated extension of a previously planned maintenance shutdown and a recent water pump failure, the field operator has revised the Jubilee production forecast to an average of 95,000 barrels of oil per day gross for 2013.

As such, we now anticipate selling 8 cargoes net to Kosmos during the year. Our expectations for third quarter production expense, G&A, DD&A and interest expense are that these items will generally be similar to second quarter amounts. Exploration expense will continue to vary quarter-to-

quarter, primarily as a result of the timing of seismic and G&G expenditures. We currently have 2 large 3D surveys underway in Ireland and Mauritania.

Tax expense is often a bit more challenging to guide to. We anticipate our tax expense per lifting going forward to be consistent with our amount from the first half of this year, particularly if Brent remains at or above \$100 per barrel.

With Jubilee generating substantial cash flows, combined with our existing liquidity, we remain well-positioned to internally fund our growth plans in Ghana, as well as a very strategic exploration program.

I will now turn the call over to Eric for an operations review.

Eric J. Haas

Thanks, Greg. Strong performance in Jubilee continued during the first half of 2013. The field exhibited exceptional well deliverability, high FPSO uptime and an excellent safety and environmental record. The Jubilee field is currently producing at a rate of around 110,000 barrels of oil per day and averaged approximately 106,000 barrels of oil per day during the second quarter.

The field operators recently revised full year average production forecast of 95,000 barrels of oil per day, which reflects the short-term production impact of an extended planned maintenance period and a recent water injection pump failure on the FPSO, as Greg mentioned.

Phase 1A drilling and completion operations in the Jubilee field continued during the second quarter, and we anticipate the program will continue into 2014. We remain very encouraged with the 2 Phase 1A production wells currently online and see no productivity degradation from scaling effects in either of the wells to date. The first of these wells has been on production for more than 8 months, which further encourages us that the modified drilling and completion practices have mitigated the scaling issues encountered in the past.

Acid stimulation programs were conducted on 5 production wells during the quarter, using a specially equipped marine vessel, rather than the drilling rig-based interventions performed previously in Jubilee. These vessel-based stimulation treatments have proven to be more cost effective, as the treatments were conducted in significantly less time than the prior rig-based treatments.

In anticipation of our substantial excess well deliverability, we continue to work with our field partners on the assessment of potential de-bottlenecking opportunities on the FPSO.

Near-term plans include the re-wheeling of the gas compression system and the drilling of a third gas injection well, which we anticipate will be operational in the fourth quarter of this year. In addition, we continue to study longer-term options for system de-bottlenecking on the FPSO, analyzing all of the major components and systems, including gas injection, water injection and fluid processing facilities.

Looking forward, it is anticipated the production at year end will be at a record level, supported by substantial existing well deliverability and near-term FPSO de-bottlenecking, as well as the fact that additional Phase 1A producers will be brought online during the remainder of the year. The planned shutdown of the Jubilee production facility for routine maintenance is scheduled for late in the third quarter and is anticipated to take up to 3 weeks to complete.

Finally, we continue to monitor the gas export project, which is currently expected to start up next year.

As announced previously, the TEN planned development was approved in May. This development will combine production from the Tweneboa, Enyenra and Ntomme fields, with the aim of delivering first oil by mid-2016 and providing for gas export. The TEN development will require the drilling and completion of up to 24 development wells. It will be connected through a subsea infrastructure to a new FPSO, the second such vessel in Ghana. Major contracts for the FPSO and subsea equipment have been tendered and award is imminent.

Further required rig capacity has been secured for the development drilling campaign. Accordingly, the field operator has revised the total project capital cost upward of \$4.9 billion, primarily due to an expanded scope to enhance recovery from Ntomme and facilitate gas export.

During the second quarter, we successfully drilled the Ntomme 4A appraisal well. Ntomme 4A is the second appraisal well to be drilled in the TEN area this year. The well planned is a future water injection well, confirmed the down-dip limits of the Ntomme accumulation and encountered well-developed, water-bearing reservoirs, as anticipated. Water injectivity testing is currently being performed to confirm the lateral connectivity of the target reservoirs. The Ntomme 4A well will be suspended for future years in the TEN development program once the water injectivity test has been completed.

On the West Cape Three Points Block, we continue to mature our appraisal and delineation plans from Mahogany, Teak and Akasa. An extension of the Teak appraisal period was received earlier in the year, which further aligns the appraisal of these fields and supports the ultimate future development as a tie-back to the Jubilee FPSO. Our combined Ghanaian assets represent a world-class petroleum system and a foundation from which we will continue to grow Kosmos.

Now I'll hand over the call to Brian.

Brian F. Maxted

Thanks, Eric. I'd like to transition today's discussion from the ongoing production development programs in Ghana to the high-impact exploration program, which is focused on unlocking new petroleum systems along the Atlantic margins. We continue to execute our proven business strategy with great discipline. Over time, we've executed this strategy with patience, which has resulted in a number of significant discoveries around the globe, including the Jubilee field in Ghana. We fully expect the strategy to deliver again going forward.

Our systematic approach is based on leverage in our people and process to create contrarian perspectives. And then those selectively convert the results in first-mover advantage into large strategic positions in petroleum systems that offer the rare combination of high-volume, high-value barrels. We take a concentrated portfolio and a rifle shot exploration approach, as well as ensuring each opportunity offers play diversity and prospect dependency. So we might expect to deliver top quartile exploration performance in frontier and emerging basis.

This approach is designed to achieve optimal exploration efficiency, including low-finding costs and high potential returns to our shareholders.

Since our IPO, execution of this strategy has proven successful in rebuilding our second inning portfolio, positioning us on a series of under-explored petroleum systems that have very significant potential exploration upside.

As a hallmark, each of these opportunities has the necessary technical ingredients for commercial success, has not yet been unlocked by the industry. In response to a very competitive business environment in our core Cretaceous theme in West Africa transform margin geography during the last several years, tactically, we've been pursuing 2 initiatives to create exploration opportunity and build our new exploration portfolio.

Firstly, we successfully exploited our core Cretaceous theme Suriname on the Northeast Latin America transform margin. Here, in our 11,000 square

kilometer position, we continue to work with our partners Chevron on seismic acquisition, processing and interpretation to attain multiple leads at the drilling stage based on the fast-track seismic volumes.

Final prospect mapping will tell us the final seismic data points received later this year.

Using similar tactics during the last quarter, we expanded our geography further to capture 3 licenses in the highly suspected Porcupine Basin, offshore Ireland. This opportunity provides us the chance to leverage our technical understanding and explore a forgotten basin with a new exploration perspective.

Previous drilling in the area has proven a working hydrocarbon system, and the recent efforts of others, though commercially successful, appear to have reinforced this.

In July, the 3 areas were converted to frontier exploration licenses, and we are currently acquiring the 3D seismic program with a future drilling in 2015.

And secondly, over the last 2 years, we've established a significant position in Northwest Africa, specifically offshore Morocco, which is today attracting a lot of industry interest.

Kosmos as a first mover has been able to capture 2 positions of choice, 1 in the petroleum system in the North and 1 in the South. Together, these totaled a massive 50,000 square kilometers. In the south, we're able to explore our core Cretaceous theme, but also have the opportunity in the North to explore one of the last untested salt basins along the Atlantic margins. Given our early entry, offshore Morocco represents our less mature exploration asset. Plans are moving quickly forward to commence a multi-well exploration program beginning in the first quarter of 2014.

We have a defined multiple barrel potential resource base in each of these 2 independent petroleum systems. It includes a range of plays, fairways and prospect types. Over the current course of the next 1.5 years, these potential company-changing opportunities will be tested.

The foremost effort of our Moroccan acreage position during the second quarter has generated substantial interest within the industry. The data room has now been closed, and we expect to announce results in the farm-out process in the next 3 months.

Now that we have the Atwood Achiever rig on the contract and the letter of intent signed for slots on the second rig, we've ensured that we have

capacity to execute next year's drilling program in Morocco, as well as pursue our long-term exploration programs and plays.

Our position in offshore Mauritania represents the first of what we hope will be a number of second cycle exploration opportunities that are emerging along the West Africa transform margin in the wake of the industry's failed efforts to replicate the commercial success we and our partners realized in Ghana with the Jubilee discovery 6 years ago. In May, we completed a 6,300 line kilometer 2D seismic survey, covering the entirety of our 27,000 square kilometer position. Based on very encouraging initial results from the 2D, we accelerated our planned 3D seismic program and expanded the survey over to 10,000 square kilometers. Acquisition of the survey, which will be -- we believe will be one of the largest [indiscernible] regions this year is currently ongoing, with a view to drilling late 2014 or early 2015.

Throughout of Kosmos's first inning portfolio, which was built between 2004 and 2006, was completed last quarter with the fulfillment of the Sipo-1 well commitment in the Ndian River Block, our last remaining obligation in Cameroon. This well was plugged and abandoned, having demonstrated working petroleum system for failing to confirm the presence of commercial reservoirs. We are continuing to execute our exploration strategy to identify additional new venture opportunities along the Atlantic margins, so we can fully build out our second inning portfolio.

The hard work on our exploration programs since our IPO has created significant potential value for Kosmos. We have positioned ourselves to come into the multi-well, multi-country, high-impact drilling programs during our consulting next year. We believe the results will value and transform the company.

Thank you. Now operator, we'd like to open up the call to questions.

Question-and-Answer Session

Operator

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

Edward Westlake - Crédit Suisse AG, Research Division

Congrats on getting TEN sanctioned. I appreciate you're now the operator, but maybe if we could have a little bit of extra color on what would generally the gas solutions for Ghana given that's going to be an issue going forward.

Brian F. Maxted

Let me ask Eric to take that one, if he could.

Eric J. Haas

Okay. Yes, the gas infrastructure in Ghana is currently being developed under the supervision of GNGC, and we are monitoring and supporting those efforts to the extent that we possibly can. The current information that we have is that the completion of that infrastructure will be made sometime next year.

Edward Westlake - Crédit Suisse AG, Research Division

And it's when you see that shore base pipe and some of -- power plants and demand on onshore.

Eric J. Haas

Yes. But the Western corridor gas infrastructure consists of a pipeline running from Jubilee to Atuabo and then a pipeline running to Aboadze, which is the location of the power generation plant. And at Atuabo, there's also a gas processing plant that's under construction.

Edward Westlake - Crédit Suisse AG, Research Division

Which will be sufficient for the gas from both Jubilee and from TEN?

Eric J. Haas

Yes. So we will continue injecting -- reinjecting some volume at Jubilee, and plans are to inject a good volume of gas at TEN as well.

Edward Westlake - Crédit Suisse AG, Research Division

Okay. And then on TEN, I mean, your -- the \$4.9 billion CapEx is fine, and you're going to lease the FPSO, I understand. What do you think is going to be the OpEx when you think of just from modeling relative to Jubilee, when it's up and running at full capacity per barrel?

Eric J. Haas

Probably a little bit higher than Jubilee.

Operator

Our next question is coming from the line of Brendan Warn with Jefferies.

Brendan Warn - Jefferies LLC, Research Division

It's Brendan Warn from Jefferies in London. Just first question, I should probably have 2 -- 2 questions. The first question is just in term of Morocco. Now that you're saying you've got the rig capacity, could you give us a little bit more detail just about your first prospect? Have you got all your permits in place and what will you be drilling, please?

Brian F. Maxted

Brendan, and it's Brian. Yes. We've got a portfolio of probably 3 wells to begin with to drill in Morocco next year, from really early part of the year onwards, so we got the rig capacity when the Atwood coming later in the year, which is, as you know, 3-year contract, and the letter of intent on a second rig starting in the first quarter. Final plans around the exploration program in terms of the scheduling and the ordering of the wells is kind of ongoing. My expectation is that the first well will be in the North. And we've -- as we pointed out in the script, a number of plays and fairways in those blocks are both pre-salt and post-salt. And the initial exploration program will probably be designed around 2 wells to test the standard prospect in the post-salt and the standard prospect in the pre-salt. For the south, we expect to be in the position to drill out later next year, and that's more of a straightforward, albeit dominantly structural play in the Cretaceous.

Brendan Warn - Jefferies LLC, Research Division

Okay. And second question, just circling back to TEN. Can -- obviously, the operated partners looking to mitigate CapEx, to first off, through some sort of a farm-out process. What's your thinking around staying in the development in terms of funding CapEx or looking to monetize? And is there anything sort of outstanding at the moment in terms of the license or contractual arrangement that would prevent you from monetizing or selling to another party?

Brian F. Maxted

It's Brian. Let me take that one, Brendan. I'm -- obviously, Tullow announced plans to dilute their -- potentially dilute their interests later this year. As you know, they have quite a material position in the development, I think over 50% or thereabouts. We retained a 17% interest. So the idea of diluting doesn't make much sense. And we see -- at this point, we see, mainly the TEN development offering us the second slug of production beyond Jubilee. So as part of the asset in Ghana, it's quite an important piece for us. And we think it's affordable within the context of our 5-year plan, and we got the right capital allocated to a combination of development team in Ghana and our exploration program. So at the moment, we're comfortable where we are, and there's no plans to dilute at this point.

Operator

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

Ryan Todd - Deutsche Bank AG, Research Division

A couple -- I guess a quick one on the -- on Jubilee. You referenced a near-term bottlenecking. I think you may have mentioned potential for your gas injector later this year. What is the near-term bottlenecking? How much capacity you think that add? And is this referencing the gas compression that you're looking to put on?

Brian F. Maxted

Ryan, yes, let me get Eric to answer that one again.

Eric J. Haas

Ryan, the current constraint on production, which is at around 110,000 barrels of oil per day is due to gas compression and gas injection, both of which are being addressed by the compressor re-wheeling project and the drilling and completion of the third gas injection well. So we anticipate, given in particular that we have well deliverability exceeding FPSO capacity, that we will be able to take advantage of that additional capacity at the end of the year.

Ryan Todd - Deutsche Bank AG, Research Division

And do you -- maybe you don't want to say, but do you have an estimate of what you think the well deliverability might be? And that additional gas injector, is that sufficient if there's a delay in onshore gas solution? Or at one point, is there a need at some point to potentially add another gas injector to the mix?

Eric J. Haas

Yes. I guess, answering your first question, we believe the well deliverability currently is around 130,000 barrels of oil per day. And in terms of the gas -- the third gas injection well and when the situation becomes more critical, we anticipate that will not happen for approximately another year.

Operator

Our next question is coming from the line of Anish Kapadia with Tudor, Pickering and Holt.

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

My first question, just looking at some of the new areas that you're going to be looking at the next few years, I'm wondering, in terms of read-through, what read-through you can talk about from the recent well in the west of Ireland? And what we should be looking for maybe in terms of the wells that are going to be drilled later this year in Mauritania and Morocco? And then the second one was, I was just wondering if you could expand on the timing and the scope of the appraisal plans for the MTA field in West Cape Three Points and what you see as, at least, potential first oil from those fields.

Brian F. Maxted

Let me take your exploration question and I'll pass over to Eric to talk you through MTA. Yes, in terms of Ireland, let's start with Ireland, the Exxon Dunquin well, I think you're referring to, recently drilled, was within the basin's downdip to the west of us. It was on a rather unique feature, which in terms of the targets and nature of the play is quite different from what we are looking at. We're looking at a far more conventional stratigraphic combination play ala the South Atlantic margins. And that well was generally tied, and we don't have a lot of information on it. As we pointed out in the script, we feel that they did encounter evidence of a working petroleum system but may have had a blown trap, is one of the things that we've heard as to why it was dry. So it's encouraging that they did -- the encounter shows us, as you know, many of the previous wells in the Porcupine trough encountered show us. So and then the key for us is it's really a trap issue primarily, and that's what -- it's a 3D problem, and that's why we're shooting a pretty extensive 3D program right now. In terms of Morocco, Mauritania read-throughs, the Genel drilling won't be a read-through for us, it's a different play. There will be some read-through from the Cairn drilling. They are drilling a post-salt play to the Siatopas [ph] in the northern part of offshore Agadir. So there will be some from read-through from that from a play standpoint. Obviously, it's a different prospect. But it will be interesting to see what they will find. In Mauritania, we've got a different part of the geological systems track, if you like. We are further out [indiscernible] than Tullow. We are looking for basin floor fans as opposed to channel plays, which is dominantly the target for the Tullow guys. But of course, we're exploring at the same stratigraphic level in the Cretaceous, so it would be important for us to see what reservoir quality looks like and whether the petroleum system is active and working at that level and not part of the basin, just updip of us. So we'll -- there will be some read-through on that, but we are in a different play fairway.

Eric J. Haas

Anish, in response to your question on MTA timing, a little bit of an update on what we have been doing. Our teams are continuing to refine resource estimates for Mahogany, Teak and Akasa discoveries with the aim of determining the optimum development potential for those resources. We did also receive an extension for the appraisal period in Teak this year to May of 2014. And we are looking, along with our partners, to a potential second well at Akasa later this year. We still see these discoveries as most likely tiebacks to the Jubilee FPSO. And in terms of timing, we see late 2015 or early 2016 for the first oil.

Operator

Our next question is coming from the line of Al Stanton with RBC.

Al Stanton - RBC Capital Markets, LLC, Research Division

I'm intrigued by the Atwood Achiever, the 3-year contract that you started there from June 2014. Do you feel that you have the portfolio to keep the rig active for the 3 years and in terms of, I suppose, Ireland, Suriname and Mauritania and Morocco? Or do you intend using it as a vehicle for accessing new opportunities? And I suppose, the flip side of that is now that you've got the rigs you need for Morocco, what sort of thing are you looking for from a partner without, obviously, giving too much away?

Brian F. Maxted

Al, yes, let me take those 2-part -- those 2 questions. Yes, obviously, and what continues to be a rig-challenged environment in Atlantic margin, securing a rig on an operating basis to give us the flexibility while -- to firm the program, to begin with after next year. And then to give us the flexibility, really, in the event of success was important for us. And so making a long-term commitment, I think, really reflects the fact of our confidence in the exploration program. In the event that we do have success in any one of our opportunities, that rig alone won't be enough. And on the other side of the coin, we're pretty confident within today's rig environment that if we do need to share some time on that rig with others, we will be able to, indeed. We've been approached by a number of companies looking to secure slots on that rig. So we're pretty comfortable that -- very comfortable that the rig will be employed for the 3 years. In terms of the partnering, I think we announced that the date room is closed. Bids have been received. A very strong response, as we pointed out. And we'll sit through it all and work through it in the next few weeks. In a month or 2, hopefully, we can have something to tell the market. But a good response, and I think we'll be able to make a pretty important statement -- as we did in Suriname with Chevron, make a pretty important statement about the

size and upside of these opportunities. Hopefully, we'll see some pretty significant partners joining us.

Operator

[Operator Instructions] Our next question is coming from the line of Pavel Molchanov with Raymond James.

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

You referenced the Chevron transaction from last year. Can we just get a status update on how things are going in Suriname? And what you and the partner have been engaged in over the past year or so?

Brian F. Maxted

Yes, sure. I mean, we shot our 3D last year now. And it's been in processing. It will be completed in about September, October time. We've been working on the fast-track volume for the good part of last quarter. Initial data was received early part of this year. The interpretation continues on that. Obviously, there's a limited demand we can do with the fast-track data. We don't have all of the attribute and another -- volumes to work with. But we are working in unison with Chevron, working up a number of plays and fairways and indeed leads and prospects, and that will all continue through probably towards -- until towards the end of the year when we get the final volumes, and we'll be able to refine our interpretation and decide how we want to go forward and what an explanation program -- drilling program looks like.

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

And do you anticipate getting to a drill stage sometime next year in Suriname?

Brian F. Maxted

Yes. Obviously, that will depend on the 3D interpretation. But in terms of schedule, assuming the prospects are ready for drilling, are in place, then we would anticipate drilling sometime later next year, is where it is currently on our schedule.

Operator

Our next question is a follow-up coming from the line of Ed Westlake with Crédit Suisse.

Edward Westlake - Crédit Suisse AG, Research Division

Just, I guess, on the strategic notes. Obviously, there's a lot to do in the portfolio ahead of you. But there is obviously not just farm-down potential intent, but maybe farm-up potential if you're interested and obviously, farm-up potential in the Hess block just on the other side, so maybe just some comments in terms of how you think about balancing the overall portfolio.

Brian F. Maxted

Yes, thanks, Ed. Obviously, Ghana is a very important asset to us, and we look at all opportunities as they become available, as we have done in the past. Obviously, a big focus for the company is diversifying outside the company -- country. And that's our principal emphasis is at the moment, and so building portfolio outside of Ghana is probably, in our minds, a better use of capital.

Operator

It appears we have reached the end of our question-and-answer session. I would now like to turn the floor back over to Mr. Cappon for any concluding remarks.

Jon Cappon

Thank you, Jessie. Appreciate all of you joining us on the call today. If you have any other questions, please don't hesitate to give me a call. Thank you very much.

Brian F. Maxted

Have a good day.

W. Greg Dunlevy

Thank you.

Brian F. Maxted

Thanks.