UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-35167

Kosmos Energy Ltd.
(Exact name of registrant as specified in its charter)

Delaware	**98-0686001**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8176 Park Lane	
Dallas, Texas	**75231**
(Address of principal executive offices)	(Zip Code)

Title of each class	Trading Symbol	Name of each exchange on which registered:
Common Stock $0.01 par value	KOS	New York Stock Exchange
		London Stock Exchange

Registrant's telephone number, including area code: **+1 214 445 9600**

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 30, 2020
Common Shares, $0.01 par value	405,410,075

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Unless otherwise stated in this report, references to “Kosmos,” “we,” “us” or “the company” refer to Kosmos Energy Ltd. and its wholly owned subsidiaries. We have provided definitions for some of the industry terms used in this report in the “Glossary and Selected Abbreviations” beginning on page 3.

KOSMOS ENERGY LTD.
GLOSSARY AND SELECTED ABBREVIATIONS

The following are abbreviations and definitions of certain terms that may be used in this report. Unless listed below, all defined terms under Rule 4-10(a) of Regulation S-X shall have their statutorily prescribed meanings.

“2D seismic data”	Two-dimensional seismic data, serving as interpretive data that allows a view of a vertical cross-section beneath a prospective area.
“3D seismic data”	Three-dimensional seismic data, serving as geophysical data that depicts the subsurface strata in three dimensions. 3D seismic data typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic data.
"ANP-STP"	Agencia Nacional Do Petroleo De Sao Tome E Principe.
“API”	A specific gravity scale, expressed in degrees, that denotes the relative density of various petroleum liquids. The scale increases inversely with density. Thus lighter petroleum liquids will have a higher API than heavier ones.
“ASC”	Financial Accounting Standards Board Accounting Standards Codification.
“ASU”	Financial Accounting Standards Board Accounting Standards Update.

“Barrel” or “Bbl”	A standard measure of volume for petroleum corresponding to approximately 42 gallons at 60 degrees Fahrenheit.
“BBbl”	Billion barrels of oil.
“BBoe”	Billion barrels of oil equivalent.
“Bcf”	Billion cubic feet.
“Boe”	Barrels of oil equivalent. Volumes of natural gas converted to barrels of oil using a conversion factor of 6,000 cubic feet of natural gas to one barrel of oil.
"BOEM"	Bureau of Ocean Energy Management.
“Boepd”	Barrels of oil equivalent per day.
“Bopd”	Barrels of oil per day.
"BP"	BP p.l.c. and related subsidiaries
“Bwpd”	Barrels of water per day.
"Corporate Revolver"	Revolving Credit Facility Agreement dated November 23, 2012 (as amended or as amended and restated from time to time)
"COVID-19"	Coronavirus disease 2019.
“Developed acreage”	The number of acres that are allocated or assignable to productive wells or wells capable of production.
“Development”	The phase in which an oil or natural gas field is brought into production by drilling development wells and installing appropriate production systems.
"DGE"	Deep Gulf Energy (together with its subsidiaries).
"DST"	Drill stem test.
“Dry hole” or "Unsuccessful well"	A well that has not encountered a hydrocarbon bearing reservoir expected to produce in commercial quantities.
"DT"	Deepwater Tano.
“EBITDAX”	Net income (loss) plus (i) exploration expense, (ii) depletion, depreciation and amortization expense, (iii) equity-based compensation expense, (iv) unrealized (gain) loss on commodity derivatives (realized losses are deducted and realized gains are added back), (v) (gain) loss on sale of oil and gas properties, (vi) interest (income) expense, (vii) income taxes, (viii) loss on extinguishment of debt, (ix) doubtful accounts expense and (x) similar other material items which management believes affect the comparability of operating results. The Facility EBITDAX definition includes 50% of the EBITDAX adjustments of Kosmos-Trident International Petroleum Inc for the period it was an equity method investment and includes Last Twelve Months ("LTM") EBITDAX for any acquisitions and excludes LTM EBITDAX for any divestitures.
"ESG"	Environmental, social, and governance.
"ESP"	Electric submersible pump.
“E&P”	Exploration and production.
"Facility"	Facility agreement dated March 28, 2011 (as amended or as amended and restated from time to time)
“FASB”	Financial Accounting Standards Board.
“Farm-in”	An agreement whereby a party acquires a portion of the participating interest in a block from the owner of such interest, usually in return for cash and/or for taking on a portion of future costs or other performance by the assignee as a condition of the assignment.
“Farm-out”	An agreement whereby the owner of the participating interest agrees to assign a portion of its participating interest in a block to another party for cash and/or for the assignee taking on a portion of future costs and/or other work as a condition of the assignment.
"FEED"	Front End Engineering Design.
"FLNG"	Floating liquefied natural gas.
“FPS”	Floating production system.
“FPSO”	Floating production, storage and offloading vessel.
"Galp"	Galp Energia Sao Tome E Principe, Unipessoal, LDA.
"GEPetrol"	Guinea Equatorial De Petroleos.
"GHG"	Greenhouse gas.

"GJFFDP"	Greater Jubilee Full Field Development Plan.
"GNPC"	Ghana National Petroleum Corporation.
GoM Liquidity Ratio	The "GoM Liquidity Ratio" is broadly defined, for each applicable forecast period, as the ratio of (1) net cash flow of our U.S. Gulf of Mexico business unit over the immediately succeeding six (6) months from the sale of the volumes of crude oil using certain agreed pricing metrics and models set forth in the Production Prepayment Agreement, to (2) the portion of the Prepaid Value to be delivered to Trafigura as determined by the Volume Model for the same six (6) month period.
“Greater Tortue Ahmeyim”	Ahmeyim and Guembeul discoveries.
"GTA UUOA"	Unitization and Unit Operating Agreement covering the Greater Tortue Ahmeyim Unit.
"Guarantor Liquidity Ratio"	The "Guarantor Liquidity Ratio" is broadly defined, for each applicable forecast period, as the ratio of (1) the sum of (A) projected revenues of the Company from the sale of hydrocarbons over the four quarters beginning on or after the calculation date, (B) the expected income from hedges then in effect (but not less than zero), (C) its cash balance as of the calculation date, and (D) the amount of the Prepayments available under the Production Prepayment Agreement and any other committed sources of capital of the Company, to (2) the sum of all forecast cash costs of the Company over the four quarters beginning on or after the calculation date.
"Hess"	Hess Corporation.
"HLS"	Heavy Louisiana Sweet.
"H&M"	Hull and Machinery insurance.
"Jubilee UUOA"	Unitization and Unit Operating Agreement covering the Jubilee Unit.
"KTEGI"	Kosmos-Trident Equatorial Guinea Inc.
"KTIPI"	Kosmos-Trident International Petroleum Inc.
"LNG"	Liquefied natural gas.
"LOPI"	Loss of Production Income.
"LSE"	London Stock Exchange.
"LTIP"	Long Term Incentive Plan.
“MBbl”	Thousand barrels of oil.
“MBoe”	Thousand barrels of oil equivalent.
“Mcf”	Thousand cubic feet of natural gas.
“Mcfpd”	Thousand cubic feet per day of natural gas.
“MMBbl”	Million barrels of oil.
“MMBoe”	Million barrels of oil equivalent.
"MMBtu"	Million British thermal units.
“MMcf”	Million cubic feet of natural gas.
“MMcfd”	Million cubic feet per day of natural gas.
"MMTPA"	Million metric tonnes per annum.
"NAMCOR"	National Petroleum Corporation of Namibia.
“Natural gas liquid” or “NGL”	Components of natural gas that are separated from the gas state in the form of liquids. These include propane, butane, and ethane, among others.
"NYSE"	New York Stock Exchange.
"Ophir"	Ophir Energy plc.
"PETROCI"	PETROCI Holding.
“Petroleum contract”	A contract in which the owner of hydrocarbons gives an E&P company temporary and limited rights, including an exclusive option to explore for, develop, and produce hydrocarbons from the lease area.
“Petroleum system”	A petroleum system consists of organic material that has been buried at a sufficient depth to allow adequate temperature and pressure to expel hydrocarbons and cause the movement of oil and natural gas from the area in which it was formed to a reservoir rock where it can accumulate.
“Plan of development” or “PoD”	A written document outlining the steps to be undertaken to develop a field.

"Prepaid Value"	As defined in the Production Prepayment Agreement attached as exhibit 10.3 hereto.
"Productive well"	An exploratory or development well found to be capable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well.
"Prospect(s)"	A potential trap that may contain hydrocarbons and is supported by the necessary amount and quality of geologic and geophysical data to indicate a probability of oil and/or natural gas accumulation ready to be drilled. The five required elements (generation, migration, reservoir, seal and trap) must be present for a prospect to work and if any of these fail neither oil nor natural gas may be present, at least not in commercial volumes.
"Proved reserves"	Estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be economically recoverable in future years from known reservoirs under existing economic and operating conditions, as well as additional reserves expected to be obtained through confirmed improved recovery techniques, as defined in SEC Regulation S-X 4-10(a)(2).
"Proved developed reserves"	Those proved reserves that can be expected to be recovered through existing wells and facilities and by existing operating methods.
"Proved undeveloped reserves"	Those proved reserves that are expected to be recovered from future wells and facilities, including future improved recovery projects which are anticipated with a high degree of certainty in reservoirs which have previously shown favorable response to improved recovery projects.
"RSC"	Ryder Scott Company, L.P.
"SEC"	Securities and Exchange Commission.
"Senior Notes"	7.125% Senior Notes due 2026.
"Senior Secured Notes"	7.875% Senior Secured Notes due 2021.
"Shelf margin"	The path created by the change in direction of the shoreline in reaction to the filling of a sedimentary basin.
"Shell"	Royal Dutch Shell and related subsidiaries.
"SNPC"	Société Nationale des Pétroles du Congo.
"Stratigraphy"	The study of the composition, relative ages and distribution of layers of sedimentary rock.
"Stratigraphic trap"	A stratigraphic trap is formed from a change in the character of the rock rather than faulting or folding of the rock and oil is held in place by changes in the porosity and permeability of overlying rocks.
"Structural trap"	A topographic feature in the earth's subsurface that forms a high point in the rock strata. This facilitates the accumulation of oil and gas in the strata.
"Structural-stratigraphic trap"	A structural-stratigraphic trap is a combination trap with structural and stratigraphic features.
"Submarine fan"	A fan-shaped deposit of sediments occurring in a deep water setting where sediments have been transported via mass flow, gravity induced, processes from the shallow to deep water. These systems commonly develop at the bottom of sedimentary basins or at the end of large rivers.
"TAG GSA"	TEN Associated Gas - Gas Sales Agreement.
"TEN"	Tweneboa, Enyenra and Ntomme.
"Three-way fault trap"	A structural trap where at least one of the components of closure is formed by offset of rock layers across a fault.
"Tortue Phase 1 SPA"	Greater Tortue Ahmeyim Agreement for a Long Term Sale and Purchase of LNG.
"Trafigura	Trafigura Group PTD, Ltd. and related subsidiaries including Trafigura Trading LLC.
"Trap"	A configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate.
"Trident"	Trident Energy.
"Undeveloped acreage"	Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of natural gas and oil regardless of whether such acreage contains discovered resources.
"Volume Model"	As defined in the Production Prepayment Agreement attached as exhibit 10.3 hereto.
"WCTP"	West Cape Three Points.

KOSMOS ENERGY LTD.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	June 30, 2020	December 31, 2019
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 164,091	$ 224,502
Restricted cash	186	4,302
Receivables:		
Joint interest billings, net	56,267	81,424
Oil sales	33,497	64,142
Other	26,797	28,727
Inventories	130,299	114,412
Prepaid expenses and other	39,573	36,192
Derivatives	30,289	12,856
Total current assets	480,999	566,557
Property and equipment:		
Oil and gas properties, net	3,365,746	3,624,751
Other property, net	12,919	17,581
Property and equipment, net	3,378,665	3,642,332
Other assets:		
Restricted cash	542	542
Long-term receivables	88,137	43,430
Deferred financing costs, net of accumulated amortization of $15,989 and $14,681 at June 30, 2020 and December 31, 2019, respectively	5,013	6,321
Deferred tax assets	—	32,779
Derivatives	11,271	2,302
Other	21,864	22,969
Total assets	$ 3,986,491	$ 4,317,232
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 145,670	$ 149,483
Accrued liabilities	203,275	380,704
Current maturities of long-term debt	56,000	—
Derivatives	43,974	8,914
Total current liabilities	448,919	539,101
Long-term liabilities:		
Long-term debt, net	2,107,653	2,008,063
Production prepayment agreement, net	49,333	—
Derivatives	9,306	11,478
Asset retirement obligations	239,845	230,526
Deferred tax liabilities	644,091	653,221
Other long-term liabilities	33,157	33,141
Total long-term liabilities	3,083,385	2,936,429
Stockholders' equity:		
Preference shares, $0.01 par value; 200,000,000 authorized shares; zero issued at June 30, 2020 and December 31, 2019	—	—
Common stock, $0.01 par value; 2,000,000,000 authorized shares; 449,574,638 and 445,779,367 issued at June 30, 2020 and December 31, 2019, respectively	4,496	4,458
Additional paid-in capital	2,291,826	2,297,221
Accumulated deficit	(1,605,128)	(1,222,970)
Treasury stock, at cost, 44,263,269 shares at June 30, 2020 and December 31, 2019, respectively	(237,007)	(237,007)
Total stockholders' equity	454,187	841,702
Total liabilities and stockholders' equity	$ 3,986,491	$ 4,317,232

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenues and other income:				
Oil and gas revenue	$ 127,314	$ 395,933	$ 305,094	$ 692,723
Other income, net	—	1	1	1
Total revenues and other income	127,314	395,934	305,095	692,724
Costs and expenses:				
Oil and gas production	88,747	90,977	150,350	170,776
Facilities insurance modifications, net	52	2,278	8,090	(17,743)
Exploration expenses	15,711	29,905	60,316	60,249
General and administrative	18,186	28,072	39,097	63,980
Depletion, depreciation and amortization	121,857	151,438	215,159	269,533
Impairment of long-lived assets	—	—	150,820	—
Interest and other financing costs, net	28,274	59,803	56,109	94,844
Derivatives, net	100,075	(14,185)	(35,963)	62,900
Other expenses, net	1,228	(1,793)	25,157	326
Total costs and expenses	374,130	346,495	669,135	704,865
Income (loss) before income taxes	(246,816)	49,439	(364,040)	(12,141)
Income tax expense (benefit)	(47,425)	32,602	18,118	23,928
Net income (loss)	$ (199,391)	$ 16,837	$ (382,158)	$ (36,069)
Net income (loss) per share:				
Basic	$ (0.49)	$ 0.04	$ (0.94)	$ (0.09)
Diluted	$ (0.49)	$ 0.04	$ (0.94)	$ (0.09)
Weighted average number of shares used to compute net income (loss) per share:				
Basic	405,195	401,323	404,990	401,244
Diluted	405,195	408,230	404,990	401,244
Dividends declared per common share	$ —	$ 0.0452	$ 0.0452	$ 0.0904

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Shares		Additional Paid-in	Accumulated	Treasury	
	Shares	Amount	Capital	Deficit	Stock	Total
2020:						
Balance as of December 31, 2019	445,779	$ 4,458	$ 2,297,221	$ (1,222,970)	$ (237,007)	$ 841,702
Dividends ($0.0452 per share)	—	—	(18,918)	—	—	(18,918)
Equity-based compensation	—	—	10,078	—	—	10,078
Restricted stock awards and units	3,590	36	(36)	—	—	—
Purchase of treasury stock / tax withholdings	—	—	(4,947)	—	—	(4,947)
Net loss	—	—	—	(182,767)	—	(182,767)
Balance as of March 31, 2020	449,369	4,494	2,283,398	(1,405,737)	(237,007)	645,148
Dividends	—	—	24	—	—	24
Equity-based compensation	—	—	8,406	—	—	8,406
Restricted stock awards and units	206	2	(2)	—	—	—
Net loss	—	—	—	(199,391)	—	(199,391)
Balance as of June 30, 2020	449,575	$ 4,496	$ 2,291,826	$ (1,605,128)	$ (237,007)	$ 454,187
2019:						
Balance as of December 31, 2018	442,915	$ 4,429	$ 2,341,249	$ (1,167,193)	$ (237,007)	$ 941,478
Dividends ($0.0452 per share)	—	—	(18,744)	—	—	(18,744)
Equity-based compensation	—	—	8,744	—	—	8,744
Restricted stock awards and units	2,610	26	(26)	—	—	—
Purchase of treasury stock / tax withholdings	—	—	(1,979)	—	—	(1,979)
Net loss	—	—	—	(52,906)	—	(52,906)
Balance as of March 31, 2019	445,525	$ 4,455	$ 2,329,244	$ (1,220,099)	$ (237,007)	$ 876,593
Dividends ($0.0452 per share)	—	—	(18,740)	—	—	(18,740)
Equity-based compensation	—	—	9,525	—	—	9,525
Restricted stock awards and units	113	1	(1)	—	—	—
Purchase of treasury stock / tax withholdings	—	—	(4)	—	—	(4)
Net income	—	—	—	16,837	—	16,837
Balance as of June 30, 2019	445,638	$ 4,456	$ 2,320,024	$ (1,203,262)	$ (237,007)	$ 884,211

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2020	**2019**
Operating activities		
Net loss	$ (382,158)	$ (36,069)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depletion, depreciation and amortization (including deferred financing costs)	219,634	274,222
Deferred income taxes	23,650	(56,730)
Unsuccessful well costs and leasehold impairments	20,855	7,099
Impairment of long-lived assets	150,820	—
Change in fair value of derivatives	(31,615)	65,686
Cash settlements on derivatives, net (including $42.4 million and $(18.7) million on commodity hedges during 2020 and 2019)	34,814	(21,044)
Equity-based compensation	17,693	17,932
Loss on extinguishment of debt	2,215	24,794
Other	6,529	7,417
Changes in assets and liabilities:		
(Increase) decrease in receivables	57,593	(23,996)
Increase in inventories	(17,715)	(19,021)
(Increase) decrease in prepaid expenses and other	(3,464)	29,380
Decrease in accounts payable	(3,813)	(76,031)
Increase (decrease) in accrued liabilities	(157,874)	28,751
Net cash provided by (used in) operating activities	(62,836)	222,390
Investing activities		
Oil and gas assets	(135,242)	(153,268)
Other property	(1,536)	(5,230)
Proceeds on sale of assets	1,713	—
Notes receivable from partners	(42,362)	(5,983)
Net cash used in investing activities	(177,427)	(164,481)
Financing activities		
Borrowings under long-term debt	150,000	175,000
Payments on long-term debt	—	(300,000)
Advances under production prepayment agreement	50,000	—
Net proceeds from issuance of senior notes	—	641,875
Redemption of senior secured notes	—	(535,338)
Purchase of treasury stock / tax withholdings	(4,947)	(1,983)
Dividends	(19,181)	(36,289)
Deferred financing costs	(136)	(1,981)
Net cash provided by (used in) financing activities	175,736	(58,716)
Net decrease in cash, cash equivalents and restricted cash	(64,527)	(807)
Cash, cash equivalents and restricted cash at beginning of period	229,346	185,616
Cash, cash equivalents and restricted cash at end of period	$ 164,819	$ 184,809
Supplemental cash flow information		
Cash paid for:		
Interest, net of capitalized interest	$ 58,096	$ 65,307
Income taxes	$ 54,199	$ 14,619

See accompanying notes.

KOSMOS ENERGY LTD.

Notes to Consolidated Financial Statements
(Unaudited)

1. Organization

Kosmos Energy Ltd. changed its jurisdiction of incorporation from Bermuda to the State of Delaware, in the United States of America, (the "Redomestication") in December 2018. As a holding company, Kosmos Energy Ltd.'s management operations are conducted through a wholly-owned subsidiary, Kosmos Energy, LLC. The terms "Kosmos," the "Company," "we," "us," "our," "ours," and similar terms refer to Kosmos Energy Ltd. and its wholly-owned subsidiaries, unless the context indicates otherwise.

Kosmos is a full-cycle deepwater independent oil and gas exploration and production company focused along the Atlantic Margins. Our key assets include production offshore Ghana, Equatorial Guinea and U.S. Gulf of Mexico, as well as a world-class gas development offshore Mauritania and Senegal. We also maintain a sustainable exploration program balanced between proven basin infrastructure-led exploration (Equatorial Guinea and U.S. Gulf of Mexico), emerging basins (Mauritania, Senegal and Suriname) and frontier basins (Namibia, Sao Tome and Principe, and South Africa). Kosmos is listed on the New York Stock Exchange and London Stock Exchange and is traded under the ticker symbol KOS.

Kosmos is engaged in a single line of business, which is the exploration, development, and production of oil and natural gas. Substantially all of our long-lived assets and all of our product sales are related to operations in four geographic areas: Ghana, Equatorial Guinea, Mauritania/Senegal and U.S. Gulf of Mexico. In addition, we have exploration activities in other countries in the Atlantic Margins.

2. Accounting Policies

General

The interim consolidated financial statements included in this report are unaudited and, in the opinion of management, include all adjustments of a normal recurring nature necessary for a fair presentation of the results for the interim periods. The results of the interim periods shown in this report are not necessarily indicative of the final results to be expected for the full year. The consolidated financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by Generally Accepted Accounting Principles in the United States of America ("GAAP") have been condensed or omitted from these interim consolidated financial statements. These consolidated financial statements and the accompanying notes should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2019, included in our annual report on Form 10-K and our quarterly report on Form 10-Q for the quarter ended March 31, 2020.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current presentation. Such reclassifications had no significant impact on our reported net income (loss), current assets, total assets, current liabilities, total liabilities, stockholders' equity or cash flows.

Cash, Cash Equivalents and Restricted Cash

	June 30, 2020	December 31, 2019
	(In thousands)	
Cash and cash equivalents	$ 164,091	$ 224,502
Restricted cash - current	186	4,302
Restricted cash - long-term	542	542
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 164,819	$ 229,346

Cash and cash equivalents include demand deposits and funds invested in highly liquid instruments with original maturities of three months or less at the date of purchase.

In accordance with certain of our petroleum contracts, we have posted letters of credit related to performance guarantees for our minimum work obligations. Certain of these letters of credit are cash collateralized in accounts held by us and as such are classified as restricted cash. Upon completion of the minimum work obligations and/or entering into the next phase of the respective petroleum contract, the requirement to post the existing letters of credit will be satisfied and the cash collateral will be released. However, additional letters of credit may be required should we choose to move into the next phase of certain of our petroleum contracts.

Inventories

Inventories consisted of $115.2 million and $112.3 million of materials and supplies and $15.1 million and $2.1 million of hydrocarbons as of June 30, 2020 and December 31, 2019, respectively. The Company's materials and supplies inventory primarily consists of casing and wellheads and is stated at the lower of cost, using the weighted average cost method, or net realizable value.

Hydrocarbon inventory is carried at the lower of cost, using the weighted average cost method, or net realizable value. Hydrocarbon inventory costs include expenditures and other charges incurred in bringing the inventory to its existing condition. Selling expenses and general and administrative expenses are reported as period costs and excluded from inventory costs.

Revenue Recognition

Our oil and gas revenues are recognized when hydrocarbons have been sold to a purchaser at a fixed or determinable price, title has transferred and collection is probable. Certain revenues are based on provisional price contracts which contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from oil sales at the spot price on the date of sale. The embedded derivative, which is not designated as a hedge, is marked to market through oil and gas revenue each period until the final settlement occurs, which generally is limited to the month after the sale.

Oil and gas revenue is composed of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Revenues from contract with customer - Equatorial Guinea	$ 28,147	$ 63,165	$ 52,518	$ 152,279
Revenues from contract with customer - Ghana	64,577	209,469	114,250	328,800
Revenues from contract with customers - U.S. Gulf of Mexico	39,222	129,364	142,674	214,431
Provisional oil sales contracts	(4,632)	(6,065)	(4,348)	(2,787)
Oil and gas revenue	$ 127,314	$ 395,933	$ 305,094	$ 692,723

Restructuring Charges

The Company accounts for restructuring charges and related termination benefits in accordance with ASC 712—Compensation-Nonretirement Postemployment Benefits. Under this standard, the costs associated with termination benefits are recorded during the period in which the liability is incurred. During the three and six months ended June 30, 2020, we recognized $(0.6) million and $13.3 million, respectively, in restructuring charges for employee severance and related benefit costs incurred as part of a corporate reorganization in Other expenses, net in the consolidated statement of operations.

Concentration of Credit Risk

Our revenue can be materially affected by current economic conditions and the price of oil. However, based on the current demand for crude oil and the fact that alternative purchasers are available, we believe that the loss of our marketing agent and/or any of the purchasers identified by our marketing agent would not have a long-term material adverse effect on our financial position or results of operations. The continued economic disruption resulting from the COVID-19 pandemic could materially impact the Company’s business in future periods. Any potential disruption will depend on the duration and intensity of these events, which are highly uncertain and cannot be predicted at this time. For our U.S. Gulf of Mexico operations, crude oil and natural gas are transported to customers using third-party pipelines. For the three months ended June 30, 2020 and 2019, revenue from Phillips 66 Company made up approximately 24% and 22%, respectively, and revenue from Shell Trading (US) Company made up approximately 8% and 9%, respectively, of our total consolidated revenue and was included in our U.S. Gulf of Mexico segment. For the six months ended June 30, 2020 and 2019, revenue from Phillips 66 Company made up approximately 37% and 22%, respectively, and revenue from Shell Trading (US) Company made up approximately 15% and 7%, respectively, of our total consolidated revenue and was included in our U.S. Gulf of Mexico segment.

Recent Accounting Standards

In June 2016, ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," was issued requiring measurement of all expected credit losses for certain types of financial instruments, including trade receivables, held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. This standard was effective January 1, 2020. We assessed all receivable positions for expected credit losses through the implementation of ASU 2016-13, current expected credit loss standard (CECL). Our receivables are collectible in the original term of the underlying agreements and current expected credit losses under the CECL standard are not significant.

In December 2019, the FASB issued ASU 2019-12, “Simplifying the Accounting for Income Taxes”. The amendments in the ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, however, we do not plan to early adopt ASU 2019-12 at this time. ASU 2019-12 is not expected to have a material impact on our income tax expense.

3. Acquisitions and Divestitures

2020 Transactions

During the second quarter of 2020, Kosmos made a decision to withdraw from our blocks offshore Cote d'Ivoire following our evaluation of seismic data.

In July 2020, we provided notice to Staatsolie that we declined to enter the final exploration phase of the Suriname Block 45 petroleum agreement.

2019 Transactions

During the first quarter of 2019, we agreed a petroleum contract covering offshore Marine XXI block with the national oil company of the Republic of the Congo, Societe Nationale des Petroles du Congo. The petroleum contract was subject to a required governmental approval process before the petroleum contract could be made effective. The petroleum contract had not been approved by the government of the Republic of Congo nor entered into force when, in February 2020, we terminated our interests in the Marine XXI block petroleum contract.

In March 2019, we completed an agreement to acquire Ophir's remaining interest in Block EG-24, offshore Equatorial Guinea, which increased our participating interest to 80% and named Kosmos as operator.

4. Joint Interest Billings, Related Party Receivables and Notes Receivables

Joint Interest Billings

The Company's joint interest billings generally consist of receivables from partners with interests in common oil and gas properties operated by the Company for shared costs. Joint interest billings are classified on the consolidated balance sheets as current and long-term receivables based on when collection is expected to occur.

In Ghana, the contractor group funded GNPC's 5% share of the TEN development costs. The block partners are being reimbursed for such costs plus interest out of a portion of GNPC's TEN production revenues. As of June 30, 2020 and December 31, 2019, the current portions of the joint interest billing receivables due from GNPC for the TEN fields development costs were $9.1 million and $14.0 million, respectively, and the long-term portions were $17.0 million and $16.0 million, respectively.

Notes Receivables

In February 2019, Kosmos and BP signed Carry Advance Agreements with the national oil companies of Mauritania and Senegal which obligate us separately to finance the respective national oil company's share of certain development costs incurred through first gas production for Greater Tortue Ahmeyim Phase 1, currently projected in 2023. Kosmos' share for the two agreements combined is up to $239.7 million, which is to be repaid with interest through the national oil companies' share of future revenues. As of June 30, 2020 and December 31, 2019, the balance due from the national oil companies was $71.1 million and $27.4 million, respectively, which is classified as Long-term receivables on our consolidated balance sheets.

5. Property and Equipment

Property and equipment is stated at cost and consisted of the following:

	June 30, 2020	December 31, 2019
	(In thousands)	
Oil and gas properties:		
Proved properties	$ 5,129,222	$ 4,904,648
Unproved properties	533,393	814,065
Total oil and gas properties	5,662,615	5,718,713
Accumulated depletion	(2,296,869)	(2,093,962)
Oil and gas properties, net	3,365,746	3,624,751
Other property	59,686	61,598
Accumulated depreciation	(46,767)	(44,017)
Other property, net	12,919	17,581
Property and equipment, net	$ 3,378,665	$ 3,642,332

We recorded depletion expense of $115.7 million and $144.0 million for the three months ended, June 30, 2020 and 2019, respectively, and $202.9 million and $255.0 million for the six months ended June 30, 2020 and 2019, respectively. As a result of the impact of COVID-19 on the demand for oil and the related significant decrease in oil prices, we reviewed our long-lived assets for impairment at March 31, 2020. Oil prices improved during the three months ended June 30, 2020. During the three months ended June 30, 2020 and 2019, no oil and gas asset impairments were recorded. During the six months ended June 30, 2020 and 2019, we recorded asset impairments totaling $150.8 million and zero, respectively, in our consolidated statement of operations in connection with fair value assessments for oil and gas proved properties in the U.S. Gulf of Mexico.

6. Suspended Well Costs

The following table reflects the Company's capitalized exploratory well costs on drilled wells as of and during the six months ended June 30, 2020. The table excludes $9.6 million in costs that were capitalized and expensed during the same period. During the first quarter of 2020, the exploratory well costs associated with the Greater Tortue Ahmeyim Unit were reclassified to proved property as the execution of the Tortue Phase 1 SPA in February 2020 resulted in recognition of proved undeveloped reserves at that time.

	June 30, 2020
	(In thousands)
Beginning balance	$ 445,790
Additions to capitalized exploratory well costs pending the determination of proved reserves	1,140
Reclassification due to determination of proved reserves	(263,849)
Capitalized exploratory well costs charged to expense	—
Ending balance	$ 183,081

The following table provides an aging of capitalized exploratory well costs based on the date drilling was completed and the number of projects for which exploratory well costs have been capitalized for more than one year since the completion of drilling:

	June 30, 2020	December 31, 2019
	(In thousands, except well counts)	
Exploratory well costs capitalized for a period of one year or less	$ 29,616	$ 29,121
Exploratory well costs capitalized for a period of one to two years	—	78,245
Exploratory well costs capitalized for a period of three years or greater	153,465	338,424
Ending balance	$ 183,081	$ 445,790
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	2	3

As of June 30, 2020, the projects with exploratory well costs capitalized for more than one year since the completion of drilling are related to the BirAllah discovery (formerly known as the Marsouin discovery) in Block C8 offshore Mauritania and the Yakaar and Teranga discoveries in the Cayar Offshore Profond block offshore Senegal.

BirAllah Discovery — In November 2015, we completed the Marsouin-1 exploration well in the northern part of Block C8 offshore Mauritania, which encountered hydrocarbon pay. Following additional evaluation, a decision regarding commerciality is expected to be made. During the fourth quarter of 2019, we completed the nearby Orca-1 exploration well which encountered hydrocarbon pay. Following additional evaluation, a decision regarding commerciality is expected to be made. The BirAllah and Orca discoveries are being analyzed as a joint development.

Yakaar and Teranga Discoveries — In May 2016, we completed the Teranga-1 exploration well in the Cayar Offshore Profond block offshore Senegal, which encountered hydrocarbon pay. In June 2017, we completed the Yakaar-1 exploration well in the Cayar Offshore Profond block offshore Senegal, which encountered hydrocarbon pay. In November 2017, an integrated Yakaar-Teranga appraisal plan was submitted to the government of Senegal. In September 2019, we completed the Yakaar-2 appraisal well which encountered hydrocarbon pay. The Yakaar-2 well was drilled approximately nine kilometers from the Yakaar-1 exploration well. Following additional evaluation, a decision regarding commerciality is expected to be made. The Yakaar and Teranga discoveries are being analyzed as a joint development.

7. Leases

We have commitments under operating leases primarily related to office leases. Our leases have initial lease terms ranging from one year to ten years. Certain lease agreements contain provisions for future rent increases.

The components of lease cost for the three and six months ended June 30, 2020 and 2019 are as follows:

	Three Months Ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Operating lease cost	$ 1,899	$ 1,602	$ 3,157	$ 3,009
Short-term lease cost(1)	2,434	582	12,802	587
Total lease cost	$ 4,333	$ 2,184	$ 15,959	$ 3,596

(1) Includes $2.3 million and zero during the three months ended June 30, 2020 and 2019, respectively, and $12.2 million and zero during the six months ended June 30, 2020 and 2019, respectively, of costs associated with short-term drilling contracts.

Other information related to operating leases at June 30, 2020 and 2019, is as follows:

(In thousands, except lease term and discount rate)	June 30, 2020	December 31, 2019
Balance sheet classifications		
Other assets (right-of-use assets)	$ 18,775	$ 20,008
Accrued liabilities (current maturities of leases)	2,005	1,139
Other long-term liabilities (non-current maturities of leases)	21,078	22,240
Weighted average remaining lease term	8.4 years	8.8 years
Weighted average discount rate	9.9%	9.8%

The table below presents supplemental cash flow information related to leases during the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,	
	2020	2019
	(In thousands)	
Operating cash flows for operating leases	$ 1,909	$ 1,750
Investing cash flows for operating leases(1)	12,225	—

(1) Represents costs associated with short-term drilling contracts.

Future minimum rental commitments under our leases at June 30, 2020, are as follows:

		Operating Leases(1)
		(In thousands)
2020(2)	$	2,061
2021		4,174
2022		4,237
2023		4,301
2024		3,464
Thereafter		16,041
Total undiscounted lease payments	$	34,278
Less: Imputed interest		(11,195)
Total lease liabilities	$	23,083

(1) Does not include purchase commitments for jointly owned fields and facilities where we are not the operator and excludes commitments for exploration activities, including well commitments, in our petroleum contracts.

(2) Represents payments for the period from July 1, 2020 through December 31, 2020.

8. Debt

		June 30, 2020		December 31, 2019
		(In thousands)		
Outstanding debt principal balances:				
Facility	$	1,450,000	$	1,400,000
Corporate Revolver		100,000		—
Senior Notes		650,000		650,000
Total		2,200,000		2,050,000
Unamortized deferred financing costs and discounts(1)		(36,347)		(41,937)
Total debt, net		2,163,653		2,008,063
Less: Current maturities of long-term debt		(56,000)		—
Long-term debt, net	$	2,107,653	$	2,008,063

(1) Includes $27.8 million and $32.8 million of unamortized deferred financing costs related to the Facility as of June 30, 2020 and December 31, 2019, respectively; $8.5 million and $9.1 million of unamortized deferred financing costs and discounts related to the Senior Notes as of June 30, 2020 and December 31, 2019, respectively.

Facility

In April 2020, following the lenders' annual redetermination, the available borrowing base and Facility size were both reduced from $1.6 billion to $1.5 billion. In addition, as part of the redetermination process, the Company agreed to conduct an additional redetermination in September 2020. The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities. As of June 30, 2020, borrowings under the Facility totaled $1.45 billion and the undrawn availability under the facility was $0.05 billion.

The Facility provides a revolving credit and letter of credit facility. The availability period for the revolving credit facility expires one month prior to the final maturity date. The letter of credit facility expires on the final maturity date. The available facility amount is subject to borrowing base constraints and, beginning on March 31, 2022, outstanding borrowings will be constrained by an amortization schedule. The Facility has a final maturity date of March 31, 2025. As of June 30, 2020, we had no letters of credit issued under the Facility.

As result of the impact of COVID-19 on the demand for oil and the related significant decrease in oil prices, our ability to comply with one of our financial covenants, the debt cover ratio, may be impacted in future periods. Therefore, in July 2020, we proactively worked with our lender group, prior to any inability to comply with the financial covenants thereunder, to amend the debt cover ratio calculation through December 31, 2021. The amendment makes this covenant less restrictive during the stated period up to a maximum of 4.75x and thereafter gradually returns to the originally agreed upon ratio of 3.5x. In addition, as part of the amendment to relax the debt cover ratio, we agreed to include the advanced amounts under the Production Prepayment Agreement as part of the debt cover ratio calculation. We were in compliance with the financial covenants as of the most recent assessment date. The Facility contains customary cross default provisions.

Corporate Revolver

In August 2018, we amended and restated the Corporate Revolver from a number of financial institutions, maintaining the borrowing capacity at $400.0 million, extending the maturity date from November 2018 to May 2022 and lowering the margin 100 basis points to 5%. This results in lower commitment fees on the undrawn portion of the total commitments, which is 30% per annum of the respective margin. The Corporate Revolver is available for general corporate purposes and for oil and gas exploration, appraisal and development programs.

As of June 30, 2020, there were $100.0 million in outstanding borrowings under the Corporate Revolver and the undrawn availability was $300.0 million. As of June 30, 2020, we have $5.0 million of net deferred financing costs related to the Corporate Revolver, which will be amortized over its remaining term.

As result of the impact of COVID-19 on the demand for oil and the related significant decrease in oil prices, our ability to comply with one of our financial covenants, the debt cover ratio, may be impacted in future periods. Therefore, in July 2020, we proactively worked with our lender group, prior to any inability to comply with the financial covenants thereunder, to amend the debt cover ratio calculation through December 31, 2021. The amendment makes this covenant less restrictive during the stated period up to a maximum of 4.75x and thereafter gradually returns to the originally agreed upon ratio of 3.5x. In addition, as part of the amendment to relax the debt cover ratio, we agreed to include the advanced amounts under the Production Prepayment Agreement as part of the debt cover ratio calculation. We were in compliance with the financial covenants as of the most recent assessment date. The Corporate Revolver contains customary cross default provisions.

Revolving Letter of Credit Facility

Our revolving letter of credit facility agreement (“LC Facility”) expired in July 2019.In May 2020, the remaining five outstanding letters of credit under the LC Facility totaling $3.1 million were released and the LC Facility was subsequently terminated in June 2020.

In 2019, we issued two letters of credit totaling $20.4 million under a new letter of credit arrangement, which does not currently require cash collateral.

7.125% Senior Notes due 2026

In April 2019, the Company issued $650.0 million of 7.125% Senior Notes and received net proceeds of approximately $640.0 million after deducting commissions and other expenses. We used the net proceeds to redeem all of the Senior Secured Notes, repay a portion of the outstanding indebtedness under the Corporate Revolver and pay fees and expenses related to the redemption, repayment and the issuance of the Senior Notes.

The Senior Notes mature on April 4, 2026. Interest is payable in arrears each April 4 and October 4, commencing on October 4, 2019. The Senior Notes are senior, unsecured obligations of Kosmos Energy Ltd. and rank equal in right of payment with all of its existing and future senior indebtedness (including all borrowings under the Corporate Revolver) and rank effectively junior in right of payment to all of its existing and future secured indebtedness (including all borrowings under the Facility). The Senior Notes are guaranteed on a senior, unsecured basis by certain subsidiaries owning the Company's Gulf of Mexico assets, and on a subordinated, unsecured basis by certain subsidiaries that guarantee the Facility. We were in compliance with the financial covenants contained in the Senior Notes as of March 31, 2020. The Senior Notes contain customary cross default provisions.

At June 30, 2020, the estimated repayments of debt during the five fiscal year periods and thereafter are as follows:

	Payments Due by Year						
	Total	2020(2)	2021	2022	2023	2024	Thereafter
	(In thousands)						
Principal debt repayments(1)	$ 2,200,000	$ —	$ 56,000	$ 422,571	$ 428,571	$ 428,572	$ 864,286

(1) Includes the scheduled principal maturities for the $650.0 million aggregate principal amount of Senior Notes and borrowings under the Facility and Corporate Revolver. The scheduled maturities of debt related to the Facility as of June 30, 2020 are based on our level of borrowings and our estimated future available borrowing base commitment levels in future periods. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter.

(2) Represents payments for the period July 1, 2020 through December 31, 2020.

Interest and other financing costs, net

Interest and other financing costs, net incurred during the periods is comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Interest expense	$ 28,504	$ 38,450	$ 60,270	$ 76,622
Amortization—deferred financing costs	2,192	2,302	4,475	4,689
Loss on extinguishment of debt	2,215	24,794	2,215	24,794
Capitalized interest	(5,729)	(7,002)	(12,256)	(14,253)
Deferred interest	1,182	433	1,496	1,270
Interest income	(1,023)	(591)	(2,102)	(1,243)
Other, net	933	1,417	2,011	2,965
Interest and other financing costs, net	$ 28,274	$ 59,803	$ 56,109	$ 94,844

9. Production Prepayment Agreement, net

	June 30, 2020	December 31, 2019
	(In thousands)	
Production prepayment	$ 50,000	$ —
Unamortized deferred financing costs	(667)	—
Production prepayment agreement, net	$ 49,333	$ —

In June 2020, the Company received $50 million from Trafigura under a Production Prepayment Agreement of crude oil sales related to a portion of our U.S. Gulf of Mexico production primarily in 2022 and 2023, The Production Prepayment Agreement is for up to $200 million of crude oil sales, with an additional $100 million committed by Trafigura in addition to the $50 million received in June 2020. The Company will sell to Trafigura a specified volume of crude oil each month as defined in the Volume Model, which is expected to be finalized in the third quarter of 2020 in accordance with the terms of the Production Prepayment Agreement (estimated at approximately 2 million barrels total), for no more than 60 months following the funding in June 2020, such final delivery date being the "Final Delivery Date," provided, however, if the market value of the crude oil volumes delivered prior to the Final Delivery Date is equal to $57.5 million, then the Company's obligation would be considered fully satisfied. Under the Production Prepayment Agreement, upon the satisfaction of certain conditions provided in the Production Prepayment Agreement, the Company may elect for Trafigura to prepay for two additional tranches of crude oil in the amount of $100 million on September 30, 2020 and $50 million on or before March 31, 2021. If the Company makes such election, the total volume of crude oil to be sold will be adjusted accordingly.

Financing costs includes the applicable margin of 5%; LIBOR; and mandatory costs. We recognize interest expense in accordance with ASC 835 — Interest, which requires interest expense to be recognized using the effective interest method. The total financing costs associated with the Production Prepayment Agreement are based on the estimated market value of the crude oil to be delivered to Trafigura compared to the cash proceeds received, which is expected to be $7.5 million as of June 30, 2020.

As a condition to Trafigura's obligations, the Company will grant a mortgage interest in certain specified production fields located in the U.S. Gulf of Mexico.

During the term of the Production Prepayment Agreement, the Company will be required to maintain certain ongoing ratios as defined in the Production Prepayment Agreement. We were in compliance with the financial covenants contained in the Production Prepayment Agreement as of June 30, 2020, which requires the maintenance of:

- the Guarantor Liquidity Ratio (as defined in the glossary), not less than 1.20x and
- the GoM Liquidity Ratio (as defined in the glossary), not less than 1.50x

At June 30, 2020, based on quoted future market prices, the value of the estimated volumes to be delivered under the Production Prepayment Agreement during the five fiscal year periods and thereafter are as follows:

	Payments Due by Year						
	Total	**2020(2)**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
	(In thousands)						
Production Prepayment Agreement(1)	$ 50,000	$ —	$ 15,729	$ 30,799	$ 3,472	$ —	$ —

(1) Any increases or decreases in future market prices would impact the scheduled maturities during the next five years and thereafter.

(2) Represents payments for the period July 1, 2020 through December 31, 2020.

10. Derivative Financial Instruments

We use financial derivative contracts to manage exposures to commodity price and interest rate fluctuations. We do not hold or issue derivative financial instruments for trading purposes.

We manage market and counterparty credit risk in accordance with our policies and guidelines. In accordance with these policies and guidelines, our management determines the appropriate timing and extent of derivative transactions. We have included an estimate of non-performance risk in the fair value measurement of our derivative contracts as required by ASC 820 — Fair Value Measurement.

Oil Derivative Contracts

The following table sets forth the volumes in barrels underlying the Company's outstanding oil derivative contracts and the weighted average prices per Bbl for those contracts as of June 30, 2020. Volumes and weighted average prices are net of any offsetting derivative contracts entered into.

				Weighted Average Price per Bbl					
Term	**Type of Contract**	**Index**	**MBbl**	**Net Deferred Premium Payable/(Receivable)**	**Swap**	**Sold Put**	**Floor**	**Ceiling**	**Purchased Call**
2020:									
Jul — Dec	Swaps	Dated Brent	5,275	$ —	$ 42.67	$ —	$ —	$ —	$ —
Jul — Dec	Swaps	Argus LLS	3,000	—	29.98	—	—	—	—
Jul — Dec	Call spreads	NYMEX WTI	(1)	1.20	—	—	—	45.00	35.00
Jul — Dec	Swaps with sold puts	Dated Brent	333	—	35.00	25.00	—	—	—
Jul — Dec	Three-way collars	Dated Brent	1,000	—	—	25.00	32.50	40.00	—
Jul — Dec	Sold calls(2)	Dated Brent	4,750	(0.19)	—	—	—	80.83	—
2021:									
Jan — Dec	Swaps with sold puts	Dated Brent	5,000	$ —	$ 54.70	$ 43.50	$ —	$ —	—
Jan — Dec	Three-way collars	Dated Brent	1,000	1.00	—	30.00	40.00	55.40	—
Jan — Dec	Sold calls(2)	Dated Brent	7,000	—	—	—	—	70.09	—
2022:									
Jan — Dec	Sold calls(2)	Dated Brent	1,581	—	—	—	—	60.00	—

(1) Added call spreads on 1.0 million barrels to open upside for U.S. Gulf of Mexico production.

(2) Represents call option contracts sold to counterparties to enhance other derivative positions.

In April 2020, we restructured the majority of our May 2020 through December 2020 derivative contracts, whereby we converted the existing hedges into 7.0 MMBbls of Dated Brent swap contracts with an average fixed price of $42.67 per barrel. In July 2020, we entered into Dated Brent costless three-way collar contracts for 1.0 MMBbl from January 2021 through December 2021 with a sold put price of $30.00 per barrel, a floor price of $40.00 per barrel and a ceiling price of $55.00 per barrel. The following tables disclose the Company's derivative instruments as of June 30, 2020 and December 31, 2019, and gain/(loss) from derivatives during the three and six months ended June 30, 2020 and 2019, respectively:

		Estimated Fair Value Asset (Liability)	
Type of Contract	**Balance Sheet Location**	**June 30, 2020**	**December 31, 2019**
		(In thousands)	
Derivatives not designated as hedging instruments:			
Derivative assets:			
Commodity	Derivatives assets—current	$ 30,289	$ 12,856
Provisional oil sales	Receivables: Oil Sales	—	(3,287)
Commodity	Derivatives assets—long-term	11,271	2,302
Derivative liabilities:			
Commodity	Derivatives liabilities—current	(43,974)	(8,914)
Commodity	Derivatives liabilities—long-term	(9,306)	(11,478)
Total derivatives not designated as hedging instruments		$ (11,720)	$ (8,521)

Type of Contract	Location of Gain/(Loss)	Amount of Gain/(Loss) Three Months Ended June 30, 2020	Amount of Gain/(Loss) Three Months Ended June 30, 2019	Amount of Gain/(Loss) Six Months Ended June 30, 2020	Amount of Gain/(Loss) Six Months Ended June 30, 2019
		(In thousands)			
Derivatives not designated as hedging instruments:					
Commodity(1)	Oil and gas revenue	$ (4,632)	$ (6,064)	$ (4,348)	$ (2,786)
Commodity	Derivatives, net	(100,075)	14,185	35,963	(62,900)
Total derivatives not designated as hedging instruments		$ (104,707)	$ 8,121	$ 31,615	$ (65,686)

(1) Amounts represent the change in fair value of our provisional oil sales contracts.

Offsetting of Derivative Assets and Derivative Liabilities

Our derivative instruments which are subject to master netting arrangements with our counterparties only have the right of offset when there is an event of default. As of June 30, 2020 and December 31, 2019, there was not an event of default and, therefore, the associated gross asset or gross liability amounts related to these arrangements are presented on the consolidated balance sheets.

11. Fair Value Measurements

In accordance with ASC 820 — Fair Value Measurement, fair value measurements are based upon inputs that market participants use in pricing an asset or liability, which are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect a company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. We prioritize the inputs used in measuring fair value into the following fair value hierarchy:

- Level 1 — quoted prices for identical assets or liabilities in active markets.
- Level 2 — quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — unobservable inputs for the asset or liability. The fair value input hierarchy level to which an asset or liability measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2020 and December 31, 2019, for each fair value hierarchy level:

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In thousands)			
June 30, 2020				
Assets:				
Commodity derivatives	$ —	$ 41,560	$ —	$ 41,560
Provisional oil sales	—	—	—	—
Liabilities:				
Commodity derivatives	—	(53,280)	—	(53,280)
Total	$ —	$ (11,720)	$ —	$ (11,720)
December 31, 2019				
Assets:				
Commodity derivatives	$ —	$ 15,158	$ —	$ 15,158
Provisional oil sales	—	(3,287)	—	(3,287)
Liabilities:				
Commodity derivatives	—	(20,392)	—	(20,392)
Total	$ —	$ (8,521)	$ —	$ (8,521)

The book values of cash and cash equivalents and restricted cash approximate fair value based on Level 1 inputs. Joint interest billings, oil sales and other receivables, and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. Our long-term receivables, after any allowances for doubtful accounts, and other long-term assets approximate fair value. The estimates of fair value of these items are based on Level 2 inputs.

Commodity Derivatives

Our commodity derivatives represent crude oil collars, put options, call options and swaps for notional barrels of oil at fixed Dated Brent, NYMEX WTI, or Argus LLS oil prices. The values attributable to our oil derivatives are based on (i) the contracted notional volumes, (ii) independent active futures price quotes for the respective index, (iii) a credit-adjusted yield curve applicable to each counterparty by reference to the credit default swap ("CDS") market and (iv) an independently sourced estimate of volatility for the respective index. The volatility estimate was provided by certain independent brokers who are active in buying and selling oil options and was corroborated by market-quoted volatility factors. The deferred premium is included in the fair market value of the commodity derivatives. See Note 10 — Derivative Financial Instruments for additional information regarding the Company's derivative instruments.

Provisional Oil Sales

The value attributable to provisional oil sales derivatives is based on (i) the sales volumes and (ii) the difference in the independent active futures price quotes for the respective index over the term of the pricing period designated in the sales contract and the spot price on the lifting date.

Debt and Production Prepayment Agreement

The following table presents the carrying values and fair values at June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Senior Notes	$ 643,028	$ 580,554	$ 642,550	$ 664,957
Production Prepayment Agreement	50,000	57,500	—	—
Corporate Revolver	100,000	100,000	—	—
Facility	1,450,000	1,450,000	1,400,000	1,400,000
Total	$ 2,243,028	$ 2,188,054	$ 2,042,550	$ 2,064,957

The carrying value of our Senior Notes and Production Prepayment Agreement represents the principal amounts outstanding less unamortized discounts. The fair value of our Senior Notes is based on quoted market prices, which results in a Level 1 fair value measurement. The fair value of the Production Prepayment Agreement represents the estimated value of the crude oil barrels in the Volume Model agreed to be delivered based on quoted market prices which results in a Level 2 fair value measurement. At June 30, 2020, the value of the crude oil volumes to be delivered exceeds $57.5 million prior to the Final Delivery Date, which results in the Company's obligation being fully satisfied when delivered. The carrying value of the Facility approximates fair value since it is subject to short-term floating interest rates that approximate the rates available to us for those periods.

Nonrecurring Fair Value Measurements - Long-lived assets

Certain long-lived assets are reported at fair value on a non-recurring basis on the Company's consolidated balance sheet. These long-lived assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. Our long-lived assets are reviewed for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Company calculates the estimated fair values of its long-lived assets using the income approach described in the ASC 820, Fair Value Measurements. Significant inputs associated with the calculation of estimated discounted future net cash flows include anticipated future production, pricing estimates, capital and operating costs, market-based weighted average cost of capital, and risk adjustment factors applied to reserves. These are classified as Level 3 fair value assumptions. The Company utilizes an average of third-party industry forecasts of Dated Brent, adjusted for location and quality differentials, to determine our pricing assumptions. In order to evaluate the sensitivity of the assumptions, we analyze sensitivities to prices, production, and risk adjustment factors.

As a result of the impact of COVID-19 on the demand for oil and the related significant decrease in oil prices, we reviewed our long-lived assets for impairment at March 31, 2020, which resulted in impairment charges against earnings of $150.8 million, reducing the carrying value of the properties to their estimated fair values of $243.7 million. As part of our impairment analysis, the average per barrel Dated Brent price of third-party industry forecasts used for purposes of determining discounted future cash flows ranged from the mid-$30s in 2020 increasing to the mid-$50s over several years. The expected future cash flows were discounted using a rate of approximately 10 percent, which the Company believes is a market-based weighted average cost of capital for industry peers determined appropriate at the time of the valuation. These impairment charges are included in Impairments of long-lived assets on the consolidated statement of operations. The Company did not recognize additional impairment of proved oil and gas properties during the three months ended June 30, 2020 as no impairment indicators were identified. If we experience further declines in oil pricing expectations, increases in our estimated future expenditures or a decrease in our estimated production profile, our long-lived assets could be at risk of additional impairment.

12. Equity-based Compensation

Restricted Stock Units

We record equity-based compensation expense equal to the fair value of share-based payments over the vesting periods of the LTIP awards. We recorded compensation expense from awards granted under our LTIP of $8.3 million and $9.5 million during the three months ended June 30, 2020 and 2019, respectively, and $17.7 million and $17.9 million during the six months ended June 30, 2020 and 2019, respectively. The total tax benefit for the three months ended June 30, 2020 and 2019 was $1.7 million and $1.5 million, respectively, and $3.8 million and $2.8 million during the six months ended June 30, 2020 and 2019, respectively. Additionally, we recorded a net tax shortfall (windfall) related to equity-based compensation of $0.2 million and nil for the three months ended June 30, 2020 and 2019, respectively, and $1.1 million and $1.2 million during the six months ended June 30, 2020 and 2019, respectively. The fair value of awards vested during the three months ended June 30, 2020 and 2019 was $0.4 million and $0.8 million, respectively, and $25.8 million and $14.0 million during the six months ended June 30, 2020 and 2019, respectively. The Company granted restricted stock units with service vesting criteria and a combination of market and service vesting criteria under the LTIP. Substantially all these grants vest over three years. Upon vesting, restricted stock units become issued and outstanding stock.

The following table reflects the outstanding restricted stock units as of June 30, 2020:

	Service Vesting Restricted Stock Units	Weighted-Average Grant-Date Fair Value	Market / Service Vesting Restricted Stock Units	Weighted-Average Grant-Date Fair Value
	(In thousands)		(In thousands)	
Outstanding at December 31, 2019	4,731	$ 5.71	7,798	$ 8.42
Granted(1)	3,474	5.49	3,392	8.37
Forfeited(1)	(901)	6.17	(476)	8.02
Vested	(2,067)	5.86	(2,582)	9.47
Outstanding at June 30, 2020	5,237	5.41	8,132	8.11

(1) The restricted stock units with a combination of market and service vesting criteria may vest between 0% and 200% of the originally granted units depending upon market performance conditions. Awards vesting over or under target shares of 100% results in additional shares granted or forfeited, respectively, in the period the market vesting criteria is determined.

As of June 30, 2020, total equity-based compensation to be recognized on unvested restricted stock units is $41.6 million over a weighted average period of 2.02 years. In March 2018, the board of directors approved an amendment to the LTIP to add 11.0 million shares to the plan, which was approved by our stockholders at the Annual General Meeting in June 2018. The LTIP provides for the issuance of 50.5 million shares pursuant to awards under the plan. At June 30, 2020, the Company had approximately 6.0 million shares that remain available for issuance under the LTIP.

For restricted stock units with a combination of market and service vesting criteria, the number of common shares to be issued is determined by comparing the Company's total shareholder return with the total shareholder return of a predetermined group of peer companies over the performance period and can vest in up to 200% of the awards granted. The grant date fair value ranged from $1.06 to $12.96 per award. The Monte Carlo simulation model utilized multiple input variables that determined the probability of satisfying the market condition stipulated in the award grant and calculated the fair value of the award. The expected volatility utilized in the model was estimated using our historical volatility and the historical volatilities of our peer companies and ranged from 44.0% to 52.0%. The risk-free interest rate was based on the U.S. treasury rate for a term commensurate with the expected life of the grant and ranged from 0.8% to 2.5%. For the restricted stock units awarded in 2019 and 2020, the Monte Carlo simulation model included estimated quarterly dividend inputs ranging from $0.045 to $0.050.

13. Income Taxes

We provide for income taxes based on the laws and rates in effect in the countries in which our operations are conducted. The relationship between our pre-tax income or loss from continuing operations and our income tax expense or benefit varies from period to period as a result of various factors, which include changes in total pre-tax income or loss, the jurisdictions in which our income (loss) is earned, and the tax laws in those jurisdictions. We evaluate our estimated annual effective income tax rate each quarter, based on current and forecasted business results and enacted tax laws, and apply this tax rate to our ordinary income or loss to calculate our estimated tax expense or benefit. The Company excludes zero tax rate and tax-exempt jurisdictions from our evaluation of the estimated annual effective income tax rate. The tax effect of discrete items are recognized in the period in which they occur at the applicable statutory tax rate.

The income tax provision consists of United States, Ghanaian, and Equatorial Guinean income taxes, and Texas margin taxes. Our operations in other foreign jurisdictions have a 0% effective tax rate because they reside in countries with a 0% statutory rate or we have incurred losses in those jurisdictions and have full valuation allowances against the corresponding net deferred tax assets.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. For the three and six months ended June 30, 2020, we increased our valuation allowance associated with our U.S. deferred tax assets by $16.7 million and $86.1 million, respectively, resulting in $30.9 million of net U.S. deferred tax expense. The valuation allowance was necessary due to the recent decline in oil prices and the impact on our expected ability to utilize U.S. tax losses in the future.

In March 2020, the Coronavirus Aid, Relief, and Economic Security ACT ("CARES Act") became law. Among other things, the CARES Act permits taxpayers to carry back U.S. taxable losses generated during tax years 2018 through 2020 to the five tax years preceding the loss year to obtain tax refunds. Certain of our U.S. legal entities qualify for such relief and we recorded a current tax benefit of $4.9 million during the first quarter of 2020, with a total $12.2 million income tax refund claim. Other provisions of the CARES Act are not expected to have a material impact to our tax expense.

Income (loss) before income taxes is composed of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
United States	$ (79,703)	$ (18,499)	$ (269,840)	$ (74,240)
Foreign—other	(167,113)	67,938	(94,200)	62,099
Income (loss) before income taxes	$ (246,816)	$ 49,439	$ (364,040)	$ (12,141)

For the three months ended, June 30, 2020 and 2019, our effective tax rate was 19% and 66%, respectively. For the six months ended, June 30, 2020 and 2019, our effective tax rate was 5% and 197%, respectively.

For the three and six months ended June 30, 2020, our overall effective tax rate was impacted by deferred tax expense related to valuation allowances on certain U.S. deferred tax assets and by a current tax benefit related to certain U.S. tax losses incurred in 2018 and carried back to years with a higher income tax rate. Additionally, for the three and six months ended June 30, 2020 and 2019, our overall effective tax rates were impacted by the difference in our 21% U.S. income tax reporting rate and the 35% statutory tax rates applicable to our Ghanaian and Equatorial Guinean operations, non-deductible and non-taxable items associated with our U.S., Ghanaian, and Equatorial Guinean operations, and other losses and expenses, primarily related to exploration operations in tax-exempt jurisdictions or in taxable jurisdictions where we have valuation allowances against our deferred tax assets, and therefore, we do not realize any tax benefit on such losses or expenses.

The Company files income tax returns in all jurisdictions where such requirements exist, however, our primary tax jurisdictions are the United States, Ghana and Equatorial Guinea. The Company is open to tax examinations in the United States for federal income tax return years 2016 through 2019 and in Ghana to federal income tax return years 2014 through 2019.

As of June 30, 2020, the Company had no material uncertain tax positions. The Company’s policy is to recognize potential interest and penalties related to income tax matters in income tax expense.

14. Net Income (Loss) Per Share

The following table is a reconciliation between net income (loss) and the amounts used to compute basic and diluted net income (loss) per share and the weighted average shares outstanding used to compute basic and diluted net income (loss) per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands, except per share data)			
Numerator:				
Net income (loss) allocable to common stockholders	$ (199,391)	$ 16,837	$ (382,158)	$ (36,069)
Denominator:				
Weighted average number of shares outstanding:				
Basic	405,195	401,323	404,990	401,244
Restricted stock awards and units(1)(2)	—	6,907	—	—
Diluted	405,195	408,230	404,990	401,244
Net income (loss) per share:				
Basic	$ (0.49)	$ 0.04	$ (0.94)	$ (0.09)
Diluted	$ (0.49)	$ 0.04	$ (0.94)	$ (0.09)

(1) We excluded outstanding restricted stock awards and units of 11.6 million and 1.1 million for the three months ended June 30, 2020 and 2019, respectively, and 11.3 million and 12.9 million for the six months ended June 30, 2020 and 2019, respectively, from the computations of diluted net income (loss) per share because the effect would have been anti-dilutive.

15. Commitments and Contingencies

From time to time, we are involved in litigation, regulatory examinations and administrative proceedings primarily arising in the ordinary course of our business in jurisdictions in which we do business. Although the outcome of these matters cannot be predicted with certainty, management believes none of these matters, either individually or in the aggregate, would have a material effect upon the Company’s financial position; however, an unfavorable outcome could have a material adverse effect on our results from operations for a specific interim period or year.

We currently have a commitment to drill one exploration well in each of Sao Tome and Principe and Namibia and two exploration wells in Mauritania. In Sao Tome and Principe, we also have 3D seismic acquisition requirements of approximately 8,800 square kilometers, and in Mauritania we have 100 line km requirement for controlled source electromagnetic data acquisition. In South Africa we have 2D seismic acquisition requirements of approximately 500 line kilometers.

Performance Obligations

As of June 30, 2020 and December 31, 2019, the Company had performance bonds totaling $208.7 million for our supplemental bonding requirements stipulated by the BOEM and $7.2 million to other operators related to costs anticipated for the plugging and abandonment of certain wells and the removal of certain facilities in our U.S. Gulf of Mexico fields. As of June 30, 2020 and December 31, 2019, we had zero cash collateral against these secured performance bonds.

Dividends

On March 26, 2020, the quarterly cash dividend of $0.0452 per common share was paid to stockholders of record as of March 5, 2020. In March 2020, in response to economic conditions, including oil price volatility and the impact of COVID-19 pandemic, the Board of Directors decided to suspend the dividend.

16. Additional Financial Information

Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2020	December 31, 2019
	(In thousands)	
Accrued liabilities:		
Exploration, development and production	$ 83,052	$ 152,490
Revenue payable	22,028	32,482
Current asset retirement obligations	2,810	4,527
General and administrative expenses	3,518	44,575
Interest	22,953	33,584
Income taxes	56,649	103,566
Taxes other than income	3,230	3,375
Derivatives	5,340	4,837
Other	3,695	1,268
	$ 203,275	$ 380,704

Asset Retirement Obligations

The following table summarizes the changes in the Company's asset retirement obligations:

	June 30, 2020
	(In thousands)
Asset retirement obligations:	
Beginning asset retirement obligations	$ 235,053
Liabilities incurred during period	—
Liabilities settled during period	(3,905)
Revisions in estimated retirement obligations	2,138
Accretion expense	9,369
Ending asset retirement obligations	$ 242,655

Facilities Insurance Modifications, Net

Facilities insurance modifications, net consists of costs associated with the long-term solution to convert the Jubilee FPSO to a permanently spread moored facility, net of related insurance reimbursements. During the three months ended June 30, 2020 and 2019, we incurred approximately $0.1 million and $11.2 million, respectively in expenditures offset by approximately zero and $8.9 million, respectively, in insurance recoveries. During the six months ended, June 30, 2020 and 2019, we incurred approximately $8.1 million and $22.2 million, respectively, in expenditures offset by approximately zero and $39.9 million, respectively, in insurance recoveries.

Other Expenses, Net

Other expenses, net incurred during the period is comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Loss on disposal of inventory	$ 361	$ —	$ 1,828	$ 187
(Gain) loss on ARO liability settlements	(28)	(5)	2,122	1,913
Restructuring charges	(575)	—	13,340	—
Other, net	1,470	(1,788)	7,867	(1,774)
Other expenses, net	$ 1,228	$ (1,793)	$ 25,157	$ 326

The restructuring charges are for employee severance and related benefit costs incurred as part of a corporate reorganization.

17. Business Segment Information

Kosmos is engaged in a single line of business, which is the exploration and development of oil and gas. At June 30, 2020, the Company had operations in four geographic reporting segments: Ghana, Equatorial Guinea, Mauritania/Senegal and the U.S. Gulf of Mexico. To assess performance of the reporting segments, the Chief Operating Decision Maker ("CODM") reviews capital expenditures. Capital expenditures, as defined by the Company, may not be comparable to similarly titled measures used by other companies and should be considered in conjunction with our consolidated financial statements and notes thereto. Financial information for each area is presented below:

	Ghana	Equatorial Guinea	Mauritania/Senegal	U.S. Gulf of Mexico	Corporate & Other	Eliminations	Total
	(In thousands)						
Three months ended June 30, 2020							
Revenues and other income:							
Oil and gas revenue	$ 61,192	$ 26,901	$ —	$ 39,221	$ —	$ —	$ 127,314
Other income, net	—	—	—	4	121,264	(121,268)	—
Total revenues and other income	61,192	26,901	—	39,225	121,264	(121,268)	127,314
Costs and expenses:							
Oil and gas production	46,568	25,414	—	16,765	—	—	88,747
Facilities insurance modifications, net	52	—	—	—	—	—	52
Exploration expenses	13	2,117	985	6,594	6,002	—	15,711
General and administrative	3,132	1,222	2,176	2,849	28,217	(19,410)	18,186
Depletion, depreciation and amortization	64,917	19,409	16	36,880	635	—	121,857
Impairment of long-lived assets	—	—	—	—	—	—	—
Interest and other financing costs, net(1)	13,322	(331)	(6,222)	2,991	20,297	(1,783)	28,274
Derivatives, net	—	—	—	—	100,075	—	100,075
Other expenses, net	54,048	6,379	(322)	40,093	1,105	(100,075)	1,228
Total costs and expenses	182,052	54,210	(3,367)	106,172	156,331	(121,268)	374,130
Income (loss) before income taxes	(120,860)	(27,309)	3,367	(66,947)	(35,067)	—	(246,816)
Income tax expense (benefit)	(44,051)	(13,258)	—	(1)	9,885	—	(47,425)
Net income (loss)	$ (76,809)	$ (14,051)	$ 3,367	$ (66,946)	$ (44,952)	$ —	$ (199,391)
Consolidated capital expenditures	$ 8,590	$ 9,335	$ 2,202	$ 39,897	$ 6,360	$ —	$ 66,384

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	Ghana	Equatorial Guinea	Mauritania/Senegal	U.S. Gulf of Mexico	Corporate & Other	Eliminations	Total
				(In thousands)			
Six months ended June 30, 2020							
Revenues and other income:							
Oil and gas revenue	$ 110,900	$ 51,520	$ —	$ 142,674	$ —	$ —	$ 305,094
Other income, net	1	—	—	451	9,255	(9,706)	1
Total revenues and other income	110,901	51,520	—	143,125	9,255	(9,706)	305,095
Costs and expenses:							
Oil and gas production	64,610	36,889	—	48,851	—	—	150,350
Facilities insurance modifications, net	8,090	—	—	—	—	—	8,090
Exploration expenses	98	4,836	4,459	20,561	30,362	—	60,316
General and administrative	7,022	2,960	4,285	6,853	60,079	(42,102)	39,097
Depletion, depreciation and amortization	84,648	28,303	31	100,714	1,463	—	215,159
Impairment of long-lived assets	—	—	—	150,820	—	—	150,820
Interest and other financing costs, net(1)	28,153	(700)	(12,848)	7,680	37,391	(3,567)	56,109
Derivatives, net	—	—	—	—	(35,963)	—	(35,963)
Other expenses, net	(62,324)	(9,377)	2,471	43,745	14,679	35,963	25,157
Total costs and expenses	130,297	62,911	(1,602)	379,224	108,011	(9,706)	669,135
Income (loss) before income taxes	(19,396)	(11,391)	1,602	(236,099)	(98,756)	—	(364,040)
Income tax expense (benefit)	(5,830)	(8,670)	—	30,902	1,716	—	18,118
Net income (loss)	$ (13,566)	$ (2,721)	$ 1,602	$ (267,001)	$ (100,472)	$ —	$ (382,158)
Consolidated capital expenditures	$ 25,076	$ 16,106	$ 5,323	$ 78,551	$ 25,795	$ —	$ 150,851
As of June 30, 2020							
Property and equipment, net	$ 1,429,160	$ 453,178	$ 451,140	$ 1,018,586	$ 26,601	$ —	$ 3,378,665
Total assets	$ 1,567,529	$ 692,283	$ 650,351	$ 3,067,724	$ 12,404,285	$ (14,395,681)	$ 3,986,491

(1) Interest expense is recorded based on actual third-party and intercompany debt agreements. Capitalized interest is recorded on the business unit where the assets reside.

	Ghana	Equatorial Guinea	Mauritania/Senegal	U.S. Gulf of Mexico	Corporate & Other	Eliminations	Total
				(In thousands)			
Three months ended June 30, 2019							
Revenues and other income:							
Oil and gas revenue	$ 202,085	$ 64,484	$ —	$ 129,364	$ —	$ —	$ 395,933
Other income, net	1	—	—	124	19,079	(19,203)	1
Total revenues and other income	202,086	64,484	—	129,488	19,079	(19,203)	395,934
Costs and expenses:							
Oil and gas production	44,954	16,670	—	29,353	—	—	90,977
Facilities insurance modifications, net	2,278	—	—	—	—	—	2,278
Exploration expenses	56	2,472	2,043	11,015	14,319	—	29,905
General and administrative	6,002	1,539	1,540	4,893	44,313	(30,215)	28,072
Depletion, depreciation and amortization	75,898	16,287	15	58,215	1,023	—	151,438
Interest and other financing costs, net(1)	19,026	—	(6,524)	5,642	43,443	(1,784)	59,803
Derivatives, net	—	—	—	(1,390)	(12,795)	—	(14,185)
Other expenses, net	(12,982)	(2,583)	412	553	11	12,796	(1,793)
Total costs and expenses	135,232	34,385	(2,514)	108,281	90,314	(19,203)	346,495
Income (loss) before income taxes	66,854	30,099	2,514	21,207	(71,235)	—	49,439
Income tax expense (benefit)	24,683	11,762	—	4,439	(8,282)	—	32,602
Net income (loss)	$ 42,171	$ 18,337	$ 2,514	$ 16,768	$ (62,953)	$ —	$ 16,837
Consolidated capital expenditures	$ 33,496	$ 6,115	$ 4,039	$ 41,177	$ 15,858	$ —	$ 100,685

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	Ghana	Equatorial Guinea	Mauritania/Senegal	U.S. Gulf of Mexico	Corporate & Other	Eliminations	Total
				(In thousands)			
Six months ended June 30, 2019							
Revenues and other income:							
Oil and gas revenue	$ 325,003	$ 153,289	$ —	$ 214,431	$ —	$ —	$ 692,723
Other income, net	1	—	—	259	91,888	(92,147)	1
Total revenues and other income	325,004	153,289	—	214,690	91,888	(92,147)	692,724
Costs and expenses:							
Oil and gas production	75,010	39,276	—	56,490	—	—	170,776
Facilities insurance modifications, net	(17,743)	—	—	—	—	—	(17,743)
Exploration expenses	107	5,643	8,485	22,209	23,805	—	60,249
General and administrative	11,958	3,584	3,827	12,286	88,519	(56,194)	63,980
Depletion, depreciation and amortization	130,761	39,304	31	97,409	2,028	—	269,533
Interest and other financing costs, net(1)	39,679	—	(13,317)	11,571	60,478	(3,567)	94,844
Derivatives, net	—	—	—	30,513	32,387	—	62,900
Other expenses, net	32,118	(2,243)	641	2,145	51	(32,386)	326
Total costs and expenses	271,890	85,564	(333)	232,623	207,268	(92,147)	704,865
Income (loss) before income taxes	53,114	67,725	333	(17,933)	(115,380)	—	(12,141)
Income tax expense (benefit)	19,700	27,293	—	(3,766)	(19,299)	—	23,928
Net income (loss)	$ 33,414	$ 40,432	$ 333	$ (14,167)	$ (96,081)	$ —	$ (36,069)
Consolidated capital expenditures	$ 68,463	$ 21,051	$ 6,290	$ 87,059	$ 28,050	$ —	$ 210,913
As of June 30, 2019							
Property and equipment, net	$ 1,643,410	$ 460,679	$ 422,539	$ 1,281,439	$ 39,506	$ —	$ 3,847,573
Total assets	$ 1,872,202	$ 498,195	$ 546,454	$ 3,343,917	$ 12,051,009	$ (13,846,043)	$ 4,465,734

(1) Interest expense is recorded based on actual third-party and intercompany debt agreements. Capitalized interest is recorded on the business unit where the assets reside.

	Six Months Ended June 30,	
	2020	2019
	(In thousands)	
Consolidated capital expenditures:		
Consolidated Statements of Cash Flows - Investing activities:		
Oil and gas assets	$ 135,242	$ 153,268
Other property	1,536	5,230
Adjustments:		
Changes in capital accruals	(20,392)	13,684
Exploration expense, excluding unsuccessful well costs and leasehold impairments(1)	39,461	53,150
Capitalized interest	(12,256)	(14,253)
Other	7,260	(166)
Total consolidated capital expenditures	$ 150,851	$ 210,913

(1) Unsuccessful well costs are included in oil and gas assets when incurred.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto contained herein and our annual financial statements for the year ended December 31, 2019, included in our annual report on Form 10-K along with the section Management's Discussion and Analysis of financial condition and Results of Operations contained in such annual report. Any terms used but not defined in the following discussion have the same meaning given to them in the annual report. Our discussion and analysis includes forward-looking statements that involve risks and uncertainties and should be read in conjunction with "Risk Factors" under Item 1A of this report and in the annual report, along with "Forward-Looking Information" at the end of this section for information about the risks and uncertainties that could cause our actual results to be materially different than our forward-looking statements.

Overview

We are a full-cycle deepwater independent oil and gas exploration and production company focused along the Atlantic Margins. Our key assets include production offshore Ghana, Equatorial Guinea and U.S. Gulf of Mexico, as well as a world-class gas development offshore Mauritania and Senegal. We also maintain a sustainable exploration program balanced between proven basin infrastructure-led exploration (Equatorial Guinea and U.S. Gulf of Mexico), emerging basins (Mauritania, Senegal and Suriname) and frontier basins (Namibia, Sao Tome and Principe, and South Africa).

The ongoing COVID-19 pandemic that emerged at the beginning of 2020 has resulted in increased travel restrictions, including border closures, travel bans, social distancing restrictions and office closures being ordered in the various countries in which we operate, impacting some of our business operations. These ongoing restrictions have had an impact on the supply chain, resulting in the delay of various operational projects. Globally, the impact of COVID-19 has decreased demand for oil, which has also resulted in significant declines in oil prices. The Company's revenues, earnings, cash flows, capital investments and, ultimately, future rate of growth are highly dependent on oil prices. Due to the COVID-19 pandemic, our operations have been impacted as follows:

- Delay to the installation of the Ghana Jubilee catenary anchor leg mooring ("CALM") buoy. The Government of Ghana implemented certain travel restrictions pertaining to its borders. The contractor responsible for the installation and commissioning of the Jubilee CALM buoy decided to suspend operations and demobilize from Ghana. Kosmos expects the contractor to return to Ghana this year to complete installation and commissioning of the CALM buoy. As a result of the delay, the Jubilee joint venture is expected to continue to incur an estimated $6 million (gross) per month conducting ship to ship transfer operations until the CALM buoy is installed and commissioned.

- Deferral of the current Ghana drilling program associated with the termination of the Ghana drilling rig contract. The Company did not incur material costs associated with the termination of the drilling contract.

- Elected to defer completion operations on the Kodiak in-fill well drilled during 2020 in the U.S. Gulf of Mexico. Additionally, our U.S. Gulf of Mexico infrastructure led exploration (ILX) program was suspended. The Company did not incur material costs associated with the decision not to extend the drilling contract.

- Suspension of the 2020-2021 Equatorial Guinea drilling program and ESP program. The Company did not incur material costs associated with the suspension of the programs.

- Delay of the construction of the Greater Tortue Ahmeyim Phase 1 development project by approximately 12 months, with first gas now expected in the first half of 2023. Phase 1 of the project is currently approximately 40% complete. This delay is expected to result in a significant reduction in budgeted spend in 2020 as activity and milestone payments are delayed. With the re-phasing of the project timeline, the partnership has approved a revised budget and, as a result, the carry of our capital obligations is expected to be extended through the end of this year. In addition, we continue with the Tortue sell down process to support a self-funded gas business.

- Government of Sao Tome and Principe implemented certain travel regulations restricting international travelers from entering the country. These restrictions made it impossible for the Company to safely manage the seismic acquisition in Blocks 10 and 13. As the technical operator of the seismic acquisition, the Company declared force majeure on the seismic acquisition contract and terminated it. Thereafter, BP, as operator of Blocks 10 and 13, declared force majeure on the blocks.

- Delayed expected spud date of the Jaca exploration well in Sao Tome Block 6 from the fourth quarter of 2020 to the second half of 2021.

- Suspension of the quarterly dividend by the Board of Directors.

- During the first quarter of 2020, reduced Company headcount resulting in restructuring charges for employee severance and related benefits totaling approximately $13.3 million during the six months ended June 30, 2020.

- During the first quarter of 2020, recorded asset impairments totaling $150.8 million during the three months ended March 31, 2020 primarily as a result of lower oil prices arising from the COVID-19 pandemic. The Company did not recognize additional impairment of proved oil and gas properties during the three months ended June 30, 2019 as no impairment indicators were identified.

Recent Developments

Ghana

Jubilee

During the second quarter of 2020, Jubilee production averaged approximately 90,000 Bopd (gross) with consistent water injection and gas offtake since the work to enhance gas handling capacity was successfully performed by the operator during the first quarter of 2020.

TEN

During the second quarter of 2020, TEN production averaged approximately 50,000 Bopd (gross). In the third quarter of 2020, Kosmos expects the NT-09 well to be brought online.

U.S. Gulf of Mexico

Production from the U.S. Gulf of Mexico averaged approximately 20,200 Boepd (net) for the second quarter of 2020, including the impact of approximately 6,000 Boepd shut-in during the quarter.

As a result of market conditions in the second quarter, the operator of the Delta House platform in the U.S. Gulf of Mexico shut-in the facility during the month of May 2020 and accelerated planned maintenance. The shut-ins were primarily limited to May 2020 and all shut-in fields were brought back online by early June 2020.

In the first half of 2020, we successfully drilled a Kodiak development well located in Mississippi Canyon Block 727 (29.1% working interest). The well is a subsea tieback, which is expected to be brought online through existing infrastructure to the Devils Tower SPAR in the first half of 2021.

In Q2 2020, Tornado 4 development well located in Green Canyon Block 280 (35.0% working interest) was successfully drilled by the operator. Kosmos expects the well to be brought online in the second half of 2020, produce for approximately 6 months, and then be converted to a waterflood well.

Equatorial Guinea

Production in Equatorial Guinea averaged approximately 34,000 Bopd (gross) in the second quarter of 2020.

Mauritania and Senegal

Greater Tortue Ahmeyim Unit

The Tortue Phase 1 SPA was signed on February 11, 2020, resulting in approximately 100 MMBoe of proved undeveloped reserves being recognized at that time as evaluated by the Company's independent reserve auditor, Ryder Scott, LP.

Suriname

In July 2020, we provided notice to Staatsolie that we declined to enter the final exploration phase of the Suriname Block 45 petroleum agreement.

Sao Tome and Principe

In July 2020, we received approval for a one year extension to the current exploration phase for Block 11 offshore Sao Tome and Principe to July 2022.

Cote d'Ivoire

In May 2020, a withdrawal notice for our offshore blocks CI-526, CI-602, CI-603, CI-707, and CI-708 offshore Cote d'Ivoire was issued to partners and the Government of Cote d'Ivoire.

Republic of the Congo

In February 2020, notice of withdrawal from the approval process awarding Kosmos' interest in the offshore Marine XXI block was issued to the Republic of the Congo.

Results of Operations

All of our results, as presented in the table below, represent operations from Jubilee and TEN fields in Ghana, the U.S. Gulf of Mexico and Equatorial Guinea. Certain operating results and statistics for the three and six months ended June 30, 2020 and 2019 are included in the following tables:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In thousands, except per volume data)			
Sales volumes:				
Oil (MBbl)	5,751	5,851	9,202	10,541
Gas (MMcf)	1,303	1,663	3,284	3,464
NGL (MBbl)	142	139	335	251
Total (MBoe)	6,110	6,267	10,084	11,369
Total (Boepd)	67,145	68,870	55,408	62,814
Revenues:				
Oil sales	$ 124,813	$ 389,286	$ 296,729	$ 680,150
Gas sales	2,113	4,145	5,832	7,807
NGL sales	388	2,502	2,533	4,766
Total revenues	$ 127,314	$ 395,933	$ 305,094	$ 692,723
Average oil sales price per Bbl	$ 21.70	$ 66.53	$ 32.25	$ 64.52
Average gas sales price per Mcf	1.62	2.49	1.78	2.25
Average NGL sales price per Bbl	2.73	18.01	7.56	19.00
Average total sales price per Boe	20.84	63.18	30.25	60.93
Costs:				
Oil and gas production, excluding workovers	$ 87,726	$ 85,351	$ 145,143	$ 158,066
Oil and gas production, workovers	1,021	5,626	5,207	12,710
Total oil and gas production costs	$ 88,747	$ 90,977	$ 150,350	$ 170,776
Depletion, depreciation and amortization	$ 121,857	$ 151,438	$ 215,159	$ 269,533
Average cost per Boe:				
Oil and gas production, excluding workovers	$ 14.36	$ 13.62	$ 14.39	$ 13.90
Oil and gas production, workovers	0.17	0.90	0.52	1.12
Total oil and gas production costs	14.53	14.52	14.91	15.02
Depletion, depreciation and amortization	19.94	24.16	21.34	23.71
Total	$ 34.47	$ 38.68	$ 36.25	$ 38.73

The following table shows the number of wells in the process of being drilled or in active completion stages, and the number of wells suspended or waiting on completion as of June 30, 2020:

	Actively Drilling or Completing				Wells Suspended or Waiting on Completion			
	Exploration		Development		Exploration		Development	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Ghana								
Jubilee Unit	—	—	—	—	—	—	9	2.17
TEN	—	—	1	0.17	—	—	7	1.19
Equatorial Guinea								
Block S	—	—	—	—	1	0.40	—	—
U.S. Gulf of Mexico								
Tornado 4	—	—	1	0.35	—	—	—	—
Kodiak 727 #3	—	—	—	—	—	—	1	0.29
Mauritania / Senegal								
Mauritania C8	—	—	—	—	2	0.56	—	—
Greater Tortue Ahmeyim Unit	—	—	—	—	3	0.80	1	0.27
Senegal Cayar Profond	—	—	—	—	3	0.90	—	—
Total	—	—	2	0.52	9	2.66	18	3.92

The discussion of the results of operations and the period-to-period comparisons presented below analyze our historical results. The following discussion may not be indicative of future results.

Three months ended June 30, 2020 compared to three months ended June 30, 2019

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Increase (Decrease)
	(In thousands)		
Revenues and other income:			
Oil and gas revenue	$ 127,314	$ 395,933	$ (268,619)
Other income, net	—	1	(1)
Total revenues and other income	127,314	395,934	(268,620)
Costs and expenses:			
Oil and gas production	88,747	90,977	(2,230)
Facilities insurance modifications, net	52	2,278	(2,226)
Exploration expenses	15,711	29,905	(14,194)
General and administrative	18,186	28,072	(9,886)
Depletion, depreciation and amortization	121,857	151,438	(29,581)
Impairment of long-lived assets	—	—	—
Interest and other financing costs, net	28,274	59,803	(31,529)
Derivatives, net	100,075	(14,185)	114,260
Other expenses, net	1,228	(1,793)	3,021
Total costs and expenses	374,130	346,495	27,635
Income (loss) before income taxes	(246,816)	49,439	(296,255)
Income tax expense (benefit)	(47,425)	32,602	(80,027)
Net income (loss)	$ (199,391)	$ 16,837	$ (216,228)

Oil and gas revenue. Oil and gas revenue decreased by $268.6 million as a result of lower oil prices stemming from the excess market supplies related to the COVID-19 pandemic. We sold 6,110 MBoe at an average realized price per barrel equivalent of $20.84 during the three months ended June 30, 2020 and 6,267 MBoe at an average realized price per barrel equivalent of $63.18 during the three months ended June 30, 2019.

Oil and gas production. Oil and gas production costs decreased by $2.2 million during the three months ended June 30, 2020, as compared to the three months ended June 30, 2019 as a result of lower workover costs in the current period.

Facilities insurance modifications, net. During the three months ended June 30, 2020, we incurred $0.1 million of facilities insurance modifications costs associated with the long-term solution to the Jubilee turret bearing issue versus $11.2 million during the three months ended June 30, 2019. During the three months ended June 30, 2020 and 2019, these costs were offset by zero and $8.9 million, respectively, of hull and machinery insurance proceeds.

Exploration expenses. Exploration expenses decreased by $14.2 million during the three months ended June 30, 2020, as compared to the three months ended June 30, 2019. The decrease is primarily a result of lower seismic costs incurred in 2020 versus the prior period related to the U.S. Gulf of Mexico business unit.

General and administrative. General and administrative costs decreased by $9.9 million during the three months ended June 30, 2020, as compared to the three months ended June 30, 2019 primarily as a result of headcount and other cost reductions.

Depletion, depreciation and amortization. Depletion, depreciation and amortization decreased $29.6 million during the three months ended June 30, 2020, as compared with the three months ended June 30, 2019 primarily as a result of increased reserves recorded in the fourth quarter of 2019 and a lower cost basis in the U.S. Gulf of Mexico associated with an impairment recorded in the first quarter of 2020.

Interest and other financing costs, net. Interest and other financing costs, net decreased $31.5 million primarily a result of the $24.8 million loss on extinguishment of debt primarily associated with the refinancing of our senior notes recorded during the second quarter of 2019 and lower interest rates during the current period.

Derivatives, net. During the three months ended June 30, 2020 and 2019, we recorded a loss of $100.1 million and a gain of $14.2 million, respectively, on our outstanding hedge positions. The amounts recorded were a result of changes in the forward oil price curve during the respective periods.

Income tax expense (benefit). For the three months ended June 30, 2020, and 2019, our overall effective tax rates were impacted by the 35% statutory tax rates applicable to our Ghanaian and Equatorial Guinean operations, non-deductible and non-taxable items associated with our Ghanaian and Equatorial Guinean operations, and other losses and expenses, primarily related to exploration operations in tax-exempt jurisdictions or in taxable jurisdictions where we have valuation allowances against our deferred tax assets, and therefore, we do not realize any tax benefit on such losses or expenses.

Six months ended June 30, 2020 compared to six months ended June 30, 2019

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Increase (Decrease)
	(In thousands)		
Revenues and other income:			
Oil and gas revenue	$ 305,094	$ 692,723	$ (387,629)
Other income, net	1	1	—
Total revenues and other income	305,095	692,724	(387,629)
Costs and expenses:			
Oil and gas production	150,350	170,776	(20,426)
Facilities insurance modifications, net	8,090	(17,743)	25,833
Exploration expenses	60,316	60,249	67
General and administrative	39,097	63,980	(24,883)
Depletion, depreciation and amortization	215,159	269,533	(54,374)
Impairment of long-lived assets	150,820	—	150,820
Interest and other financing costs, net	56,109	94,844	(38,735)
Derivatives, net	(35,963)	62,900	(98,863)
Other expenses, net	25,157	326	24,831
Total costs and expenses	669,135	704,865	(35,730)
Income (loss) before income taxes	(364,040)	(12,141)	(351,899)
Income tax expense (benefit)	18,118	23,928	(5,810)
Net income (loss)	$ (382,158)	$ (36,069)	$ (346,089)

Oil and gas revenue. Oil and gas revenue decreased by $387.6 million as a result of lower volumes sold due to cargo timing in our international operations and lower oil prices stemming from the excess market supplies related to the COVID-19 pandemic. We sold 10,084 MBoe at an average realized price per barrel equivalent of $30.25 during the six months ended June 30, 2020 and 11,369 MBoe at an average realized price per barrel equivalent of $60.93 during the six months ended June 30, 2019.

Oil and gas production. Oil and gas production costs decreased by $20.4 million during the six months ended June 30, 2020, as compared to the six months ended June 30, 2019 as a result of lower sales volumes in the current versus prior period due to cargo timing in our international operations.

Facilities insurance modifications, net. During the six months ended June 30, 2020, we incurred $8.1 million of facilities insurance modifications costs associated with the long-term solution to the Jubilee turret bearing issue versus $22.2 million during the six months ended June 30, 2019. During the six months ended June 30, 2020 and 2019, these costs were offset by zero and $39.9 million, respectively, of hull and machinery insurance proceeds.

General and administrative. General and administrative costs decreased by $24.9 million during the six months ended June 30, 2020, as compared with the six months ended June 30, 2019 primarily as a result of headcount and other cost reductions.

Depletion, depreciation and amortization. Depletion, depreciation and amortization decreased $54.4 million during the six months ended June 30, 2020, as compared with the six months ended June 30, 2019 primarily as a result of increased reserves recorded in the fourth quarter of 2019, a lower cost basis in the U.S. Gulf of Mexico associated with an impairment recorded in the first quarter of 2020 and lower sales volumes during the current period.

Impairment of long-lived assets. As a result of the impact of COVID-19 on the demand for oil and the related significant decrease in oil prices, we recorded asset impairments totaling $150.8 million during the six months ended June 30, 2020 for oil and gas proved properties in the U.S. Gulf of Mexico.

Interest and other financing costs, net. Interest and other financing costs, net decreased $38.7 million primarily a result of the $24.8 million loss on extinguishment of debt primarily associated with the refinancing of our senior notes recorded during the second quarter of 2019 and lower interest rates during the six months ended June 30, 2020, as compared to the six months ended June 30, 2019.

Derivatives, net. During the six months ended June 30, 2020 and 2019, we recorded a gain of $36.0 million and a loss of $62.9 million, respectively, on our outstanding hedge positions. The losses recorded were a result of changes in the forward curve of oil prices during the respective periods.

Other expenses, net. Other expenses, net increased $24.8 million primarily related to $13.3 million in restructuring charges for employee severance and related benefit costs and asset impairments of $4.5 million.

Income tax expense (benefit). For the six months ended June 30, 2020, our overall effective tax rate was impacted by increases to our valuation allowance associated with our U.S. deferred tax assets, resulting in $30.9 million net U.S. deferred tax expense and by a $4.9 million current tax benefit related to certain U.S. tax losses carried back to years with a higher income tax rate. Additionally, for the six months ended June 30, 2020, and 2019, our overall effective tax rates were impacted by the 35% statutory tax rates applicable to our Ghanaian and Equatorial Guinean operations, non-deductible and non-taxable items associated with our U.S., Ghanaian and Equatorial Guinean operations, and other losses and expenses, primarily related to exploration operations in tax-exempt jurisdictions or in taxable jurisdictions where we have valuation allowances against our deferred tax assets, and therefore, we do not realize any tax benefit on such losses or expenses.

Liquidity and Capital Resources

We are actively engaged in an ongoing process of anticipating and meeting our funding requirements related to our strategy as a full-cycle exploration and production company. We have historically met our funding requirements through cash flows generated from our operating activities and obtained additional funding from issuances of equity and debt, as well as partner carries.

Current oil prices are volatile and could negatively impact our ability to generate sufficient operating cash flows to meet our funding requirements. This volatility could result in wide fluctuations in future oil prices, which could impact our ability to comply with our financial covenants. To partially mitigate this price volatility, we maintain an active hedging program and review our capital spending program on a regular basis. Our investment decisions are based on longer-term commodity prices based on the nature of our projects and development plans. Also, BP has agreed to partially carry our exploration, appraisal and development program in Mauritania and Senegal up to a contractually agreed cap. Current commodity prices, combined with our hedging program, partner carries and our current liquidity position support our remaining capital program for 2020.

Sources and Uses of Cash

The following table presents the sources and uses of our cash and cash equivalents and restricted cash for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,	
	2020	2019
	(In thousands)	
Sources of cash, cash equivalents and restricted cash:		
Net cash provided by (used in) operating activities	$ (62,836)	$ 222,390
Net proceeds from issuance of senior notes	—	641,875
Borrowings under long-term debt	150,000	175,000
Advances under production prepayment agreement	50,000	—
Proceeds on sale of assets	1,713	—
	138,877	1,039,265
Uses of cash, cash equivalents and restricted cash:		
Oil and gas assets	135,242	153,268
Other property	1,536	5,230
Notes receivable from partners	42,362	5,983
Payments on long-term debt	—	300,000
Redemption of senior secured notes	—	535,338
Purchase of treasury stock	4,947	1,983
Dividends	19,181	36,289
Deferred financing costs	136	1,981
	203,404	1,040,072
Decrease in cash, cash equivalents and restricted cash	$ (64,527)	$ (807)

Net cash provided by (used in) operating activities. Net cash used in operating activities for the six months ended June 30, 2020 was $62.8 million compared with net cash provided by operating activities for the six months ended June 30, 2019 of $222.4 million. The decrease in cash provided by operating activities in the six months ended June 30, 2020 when compared to the same period in 2019 is primarily a result of lower volumes sold due to cargo timing in our international operations and lower oil prices stemming from the excess market supplies related to the COVID-19 pandemic.

The following table presents our net debt and liquidity as of June 30, 2020:

		June 30, 2020
		(In thousands)
Cash and cash equivalents	$	164,091
Restricted cash		728
Senior Notes at par		650,000
Borrowings under the Facility		1,450,000
Borrowings under the Corporate Revolver		100,000
Net debt	$	2,035,181
Production prepayment agreement		50,000
Net debt and production prepayment agreement	$	2,085,181
Availability under the Facility	$	50,000
Availability under the Corporate Revolver	$	300,000
Available borrowings plus cash and cash equivalents	$	514,091
Availability under the Production Prepayment Agreement(1)		100,000
Available borrowings plus cash and cash equivalents plus Production Prepayment Agreement	$	614,091

(1) Represents commitments under the Production Prepayment Agreement to be advanced in September 2020, subject to Kosmos' election.

Capital Expenditures and Investments

We have relied on a number of assumptions in budgeting for our future activities. These include the number of wells we plan to drill, our participating, paying and carried interests in our prospects including disproportionate payment amounts, the costs involved in developing or participating in the development of a prospect, the timing of third-party projects, the availability of suitable equipment and qualified personnel and our cash flows from operations. We also evaluate potential corporate and asset acquisition opportunities to support and expand our asset portfolio which may impact our budget assumptions. These assumptions are inherently subject to significant business, political, economic, regulatory, health, environmental and competitive uncertainties, contingencies and risks, all of which are difficult to predict and many of which are beyond our control. We may need to raise additional funds more quickly if market conditions deteriorate, or one or more of our assumptions proves to be incorrect, or if we choose to expand our acquisition, exploration, appraisal, development efforts or any other activity more rapidly than we presently anticipate. We may decide to raise additional funds before we need them if the conditions for raising capital are favorable. We may seek to sell assets, equity or debt securities or obtain additional bank credit facilities. The sale of equity securities could result in dilution to our shareholders. The incurrence of additional indebtedness could result in increased fixed obligations and additional covenants that could restrict our operations.

In response to current economic conditions including the volatility in oil price and the COVID-19 pandemic, we have reduced our base business 2020 capital program by approximately 40%. We have identified capital reductions from discretionary expenditures related to exploration activities in the U.S. Gulf of Mexico, our basin-opening exploration portfolio and other non-critical work that does not impact safety and asset integrity. We currently estimate that we will spend approximately $200 - $225 million of capital expenditures on our base business, net of carry amounts related to the Mauritania and Senegal transactions with BP, for the year ending December 31, 2020. Through June 30, 2020, we have spent approximately $151 million.

Significant Sources of Capital

Facility

In April 2020, following the lenders' annual redetermination, the available borrowing base and Facility size were both reduced from $1.6 billion to $1.5 billion. In addition, as part of the redetermination process, the Company agreed to conduct an additional redetermination in September 2020. The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities. As of June 30, 2020, borrowings under the Facility totaled $1.45 billion and the undrawn availability under the facility was $0.05 billion.

The Facility provides a revolving credit and letter of credit facility. The availability period for the revolving credit facility expires one month prior to the final maturity date. The letter of credit facility expires on the final maturity date. The available facility amount is subject to borrowing base constraints and, beginning on March 31, 2022, outstanding borrowings will be constrained by an amortization schedule. The Facility has a final maturity date of March 31, 2025. As of June 30, 2020, we had no letters of credit issued under the Facility.

As result of the impact of COVID-19 on the demand for oil and the related significant decrease in oil prices, our ability to comply with one of our financial covenants, the debt cover ratio, may be impacted in future periods. Therefore, in July 2020, we proactively worked with our lender group, prior to any inability to comply with the financial covenants thereunder, to amend the debt cover ratio calculation through December 31, 2021. The amendment makes this covenant less restrictive during the stated period up to a maximum of 4.75x and thereafter gradually returns to the originally agreed upon ratio of 3.5x. In addition, as part of the amendment to relax the debt cover ratio, we agreed to include the advanced amounts under the Production Prepayment Agreement as part of the debt cover ratio calculation. We were in compliance with the financial covenants as of the most recent assessment date. The Facility contains customary cross default provisions.

Corporate Revolver

In August 2018, we amended and restated the Corporate Revolver from a number of financial institutions, maintaining the borrowing capacity at $400.0 million, extending the maturity date from November 2018 to May 2022 and lowering the margin 100 basis points to 5%. This results in lower commitment fees on the undrawn portion of the total commitments, which is 30% per annum of the respective margin. The Corporate Revolver is available for general corporate purposes and for oil and gas exploration, appraisal and development programs.

As of June 30, 2020, there were $100.0 million in outstanding borrowings under the Corporate Revolver and the undrawn availability under the Corporate Revolver was $300 million.

As result of the impact of COVID-19 on the demand for oil and the related significant decrease in oil prices, our ability to comply with one of our financial covenants, the debt cover ratio, may be impacted in future periods. Therefore, in July 2020, we proactively worked with our lender group, prior to any inability to comply with the financial covenants thereunder, to amend the debt cover ratio calculation through December 31, 2021. The amendment makes this covenant less restrictive during the stated period up to a maximum of 4.75x and thereafter gradually returns to the originally agreed upon ratio of 3.5x. In addition, as part of the amendment to relax the debt cover ratio, we agreed to include the advanced amounts under the Production Prepayment Agreement as part of the debt cover ratio calculation. We were in compliance with the financial covenants as of the most recent assessment date. The Corporate Revolver contains customary cross default provisions.

Revolving Letter of Credit Facility

Our revolving letter of credit facility agreement (“LC Facility”) expired in July 2019. In May 2020, the remaining five outstanding letters of credit under the LC Facility totaling $3.1 million were released and the LC Facility was subsequently terminated in June 2020.

In 2019, we issued two letters of credit totaling $20.4 million under a new letter of credit arrangement, which does not require cash collateral. This arrangement contains customary cross default provisions.

7.125% Senior Notes due 2026

In April 2019, the Company issued $650.0 million of 7.125% Senior Notes and received net proceeds of approximately $640.0 million after deducting commissions and other expenses. We used the net proceeds to redeem all of the Senior Secured Notes, repay a portion of the outstanding indebtedness under the Corporate Revolver and pay fees and expenses related to the redemption, repayment and the issuance of the Senior Notes.

The Senior Notes mature on April 4, 2026. Interest is payable in arrears on each April 4 and October 4, commencing on October 4, 2019. The Senior Notes are senior, unsecured obligations of Kosmos Energy Ltd. and rank equal in right of payment with all of its existing and future senior indebtedness (including all borrowings under the Corporate Revolver) and rank effectively junior in right of payment to all of its existing and future secured indebtedness (including all borrowings under the Facility). The Senior Notes are guaranteed on a senior, unsecured basis by certain subsidiaries owning the Company's Gulf of Mexico assets, and on a subordinated, unsecured basis by certain subsidiaries that guarantee the Facility. We were in compliance with the financial covenants contained in the Senior Notes as of March 31, 2020. The Senior Notes contain customary cross default provisions.

Production Prepayment Agreement

In June 2020, the Company received $50 million from Trafigura under a Production Prepayment Agreement of crude oil sales related to a portion of our U.S. Gulf of Mexico production primarily in 2022 and 2023, The Production Prepayment Agreement is for up to $200 million of crude oil sales, with an additional $100 million committed by Trafigura in addition to the $50 million received in June 2020. The Company will sell to Trafigura a specified volume of crude oil each month as defined in the Volume Model, which is expected to be finalized in the third quarter of 2020 in accordance with the terms of the Production Prepayment Agreement (estimated at approximately 2 million barrels) for no more than 60 months following the funding in June 2020, such final delivery date being the "Final Delivery Date," provided, however, if the market value of the crude oil volumes delivered prior to the Final Delivery Date is equal to $57.5 million, then the Company's obligation would be considered fully satisfied. Under the Production Prepayment Agreement, upon the satisfaction of certain conditions provided in the Production Prepayment Agreement, the Company may elect for Trafigura to prepay for two additional tranches of crude oil in the amount of $100 million on September 30, 2020 and $50 million on or before March 31, 2021. If the Company makes such election, the total volume of crude oil to be sold will be adjusted accordingly.

Financing costs includes the applicable margin of 5%; LIBOR; and mandatory costs. We recognize interest expense in accordance with ASC 835 — Interest, which requires interest expense to be recognized using the effective interest method. The total financing costs associated with the Production Prepayment Agreement are based on the estimated market value of the crude oil to be delivered to Trafigura compared to the cash proceeds received, which is expected to be $7.5 million as of June 30, 2020.

As a condition to Trafigura's obligations, the Company will grant a mortgage interest in certain specified production fields located in the U.S. Gulf of Mexico.

During the term of the Production Prepayment Agreement, the Company will be required to maintain certain ongoing ratios as defined in the Production Prepayment Agreement. We were in compliance with the financial covenants contained in the Production Prepayment Agreement as of June 30, 2020, which requires the maintenance of:

- the guarantor liquidity ratio (as defined in the glossary), not less than 1.20x and
- the GoM liquidity ratio (as defined in the glossary), not less than 1.50x

Contractual Obligations

The following table summarizes by period the payments due for our estimated contractual obligations as of June 30, 2020:

	Payments Due By Year(5)						
	Total	**2020(6)**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
	(In thousands)						
Principal debt repayments(1)	$ 2,200,000	$ —	$ 56,000	$ 422,571	$ 428,571	$ 428,572	$ 864,286
Production prepayment agreement(2)	57,500	$ 2,741	$ 18,729	$ 32,397	$ 3,633	—	—
Interest payments on long-term debt(3)	475,459	55,254	104,801	96,546	80,561	66,159	72,138
Operating leases(4)	34,278	2,061	4,174	4,237	4,301	3,464	16,041

(1) Includes the scheduled principal maturities for the $650.0 million aggregate principal amount of Senior Notes issued in April 2019, and borrowings under the Facility and the Corporate Revolver. The scheduled maturities of debt related to the Facility are based on, as of June 30, 2020, our level of borrowings and our estimated future available borrowing base commitment levels in future periods. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter.

(2) Represents estimated value of crude oil to be delivered based on quoted future market prices, including $7.5 million of financing costs to be paid under the Production Prepayment Agreement. Volumes delivered prior to July 2021 are associated with financing costs. Any increases or decreases in future market prices would impact the scheduled maturities during the next five years and thereafter.

(3) Based on outstanding borrowings as noted in (1) above and the LIBOR yield curves at the reporting date and commitment fees related to the Facility and Corporate Revolver and the interest on the Senior Notes.

(4) Primarily relates to corporate office and foreign office leases.

(5) Does not include purchase commitments for jointly owned fields and facilities where we are not the operator and excludes commitments for exploration activities, including well commitments and seismic obligations, in our petroleum contracts. The Company's liabilities for asset retirement obligations associated with the dismantlement, abandonment and restoration costs of oil and gas properties are not included. See Note 16 — Additional Financial Information for additional information regarding these liabilities.

(6) Represents the period from July 1, 2020 through December 31, 2020.

We currently have a commitment to drill one exploration well in each of Sao Tome and Principe and Namibia and two exploration wells in Mauritania. In Sao Tome and Principe, we also have 3D seismic acquisition requirements of approximately 8,800 square kilometers, and in Mauritania we have 100 line km requirement for controlled source electromagnetic data acquisition. In South Africa we have 2D seismic acquisition requirements of approximately 500 line kilometers.

The following table presents maturities by expected maturity dates, the weighted average interest rates expected to be paid on the Facility, Corporate Revolver and Production Prepayment Agreement given current contractual terms and market conditions, and the instrument's estimated fair value. Weighted-average interest rates are based on implied forward rates in the yield curve at the reporting date. This table does not include amortization of deferred financing costs.

	Years Ending December 31,						Asset (Liability) Fair Value at June 30,
	2020(4)	2021	2022	2023	2024	Thereafter	2020
	(In thousands, except percentages)						
Fixed rate debt:							
Senior Secured Notes	$ —	$ —	$ —	$ —	$ —	$ 650,000	$ (580,554)
Fixed interest rate	7.13%	7.13%	7.13%	7.13%	7.13%	7.13%	
Variable rate debt:							
Facility(1)	$ —	$ 56,000	$ 322,571	$ 428,571	$ 428,572	$ 214,286	$ (1,450,000)
Corporate Revolver	—	—	100,000	—	—	—	(100,000)
Weighted average interest rate(2)	3.73%	3.48%	3.74%	3.94%	4.56%	4.98%	
Production Prepayment Agreement:							
Production Prepayment Agreement(3)	$ —	$ 15,729	$ 30,799	$ 3,472	$ —	$ —	$ (57,500)
Weighted average interest rate(2)	5.18%	5.12%	5.12%	5.15%	—%	—%	

(1) The amounts included in the table represent principal maturities only. The scheduled maturities of debt are based on the level of borrowings and the available borrowing base as of June 30, 2020. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter.

(2) Based on outstanding borrowings as noted in (1) above and the LIBOR yield curves plus applicable margin at the reporting date. Excludes commitment fees related to the Facility and Corporate Revolver.

(3) Represents estimated value of crude oil to be delivered as principal repayment based on quoted future market prices. Any increases or decreases in future market prices would impact the scheduled maturities during the next five years and thereafter.

(4) Represents the period July 1, 2020 through December 31, 2020.

Off-Balance Sheet Arrangements

We may enter into off-balance sheet arrangements and transactions that can give rise to material off-balance sheet obligations. As of June 30, 2020, our off-balance sheet arrangements and transactions include short-term operating leases and undrawn letters of credit. There are no other transactions, arrangements, or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect Kosmos' liquidity or availability of or requirements for capital resources.

Critical Accounting Policies

We consider accounting policies related to our revenue recognition, exploration and development costs, receivables, income taxes, derivative instruments and hedging activities, estimates of proved oil and natural gas reserves, asset retirement obligations, leases and impairment of long-lived assets as critical accounting policies. The policies include significant estimates made by management using information available at the time the estimates are made. However, these estimates could change materially if different information or assumptions were used. There have been no changes to our critical accounting policies which are summarized in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” section in our annual report on Form 10-K, for the year ended December 31, 2019 and in the "Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations" section in our quarterly report on Form 10-Q for the quarter ended March 31, 2020.

Cautionary Note Regarding Forward-looking Statements

This quarterly report on Form 10-Q contains estimates and forward-looking statements, principally in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in our quarterly report on Form 10-Q and our annual report on Form 10-K, may adversely affect our results as indicated in forward-looking statements. You should read this quarterly report on Form 10-Q, the annual report on Form 10-K and the documents that we have filed with the Securities and Exchange Commission completely and with the understanding that our actual future results may be materially different from what we expect. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- the impact of the COVID-19 pandemic on the Company and the overall business environment;
- our ability to find, acquire or gain access to other discoveries and prospects and to successfully develop and produce from our current discoveries and prospects;
- uncertainties inherent in making estimates of our oil and natural gas data;
- the successful implementation of our and our block partners’ prospect discovery and development and drilling plans;
- projected and targeted capital expenditures and other costs, commitments and revenues;
- termination of or intervention in concessions, rights or authorizations granted to us by the governments of the countries in which we operate (or their respective national oil companies) or any other federal, state or local governments or authorities;
- our dependence on our key management personnel and our ability to attract and retain qualified technical personnel;
- the ability to obtain financing and to comply with the terms under which such financing may be available;
- the volatility of oil, natural gas and NGL prices;
- the availability, cost, function and reliability of developing appropriate infrastructure around and transportation to our discoveries and prospects;
- the availability and cost of drilling rigs, production equipment, supplies, personnel and oilfield services;
- other competitive pressures;
- potential liabilities inherent in oil and natural gas operations, including drilling and production risks and other operational and environmental risks and hazards;
- current and future government regulation of the oil and gas industry or regulation of the investment in or ability to do business with certain countries or regimes;
- cost of compliance with laws and regulations;
- changes in environmental, health and safety or climate change or greenhouse gas (“GHG”) laws and regulations or the implementation, or interpretation, of those laws and regulations;
- adverse effects of sovereign boundary disputes in the jurisdictions in which we operate;
- environmental liabilities;
- geological, geophysical and other technical and operations problems, including drilling and oil and gas production and processing;
- military operations, civil unrest, outbreaks of disease, terrorist acts, wars or embargoes;
- the cost and availability of adequate insurance coverage and whether such coverage is enough to sufficiently mitigate potential losses and whether our insurers comply with their obligations under our coverage agreements;
- our vulnerability to severe weather events, including tropical storms and hurricanes in the Gulf of Mexico;
- our ability to meet our obligations under the agreements governing our indebtedness;

- the availability and cost of financing and refinancing our indebtedness;
- the amount of collateral required to be posted from time to time in our hedging transactions, letters of credit, performance bonds and other secured debt;
- the result of any legal proceedings, arbitrations, or investigations we may be subject to or involved in;
- our success in risk management activities, including the use of derivative financial instruments to hedge commodity and interest rate risks; and
- other risk factors discussed in the "Item 1A. Risk Factors" section of our quarterly reports on Form 10-Q and our annual report on Form 10-K.

The words "believe," "may," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect," "plan" and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this quarterly report on Form 10-Q might not occur, and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, including, but not limited to, the factors mentioned above. Because of these uncertainties, you should not place undue reliance on these forward-looking statements.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The term "market risks" as it relates to our currently anticipated transactions refers to the risk of loss arising from changes in commodity prices and interest rates. These disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage ongoing market risk exposures. We enter into market-risk sensitive instruments for purposes other than to speculate.

We manage market and counterparty credit risk in accordance with our policies. In accordance with these policies and guidelines, our management determines the appropriate timing and extent of derivative transactions. See "Item 8. Financial Statements and Supplementary Data — Note 2 — Accounting Policies, Note 10 — Derivative Financial Instruments and Note 11 — Fair Value Measurements" section of our annual report on Form 10-K for a description of the accounting procedures we follow relative to our derivative financial instruments.

The following table reconciles the changes that occurred in fair values of our open derivative contracts during the six months ended June 30, 2020:

	Derivative Contracts Assets (Liabilities)	
	Commodities	
	(In thousands)	
Fair value of contracts outstanding as of December 31, 2019	$	(8,521)
Changes in contract fair value		31,615
Contract maturities		(34,814)
Fair value of contracts outstanding as of June 30, 2020	$	(11,720)

Commodity Price Risk

The Company's revenues, earnings, cash flows, capital investments and, ultimately, future rate of growth are highly dependent on the prices we receive for our crude oil, which have historically been very volatile. Substantially all of our oil sales are indexed against Dated Brent, and Heavy Louisiana Sweet. Oil prices in the first half of 2020 ranged between $13.24 and $69.96 per Bbl for Dated Brent, with Heavy Louisiana Sweet experiencing similar volatility during the first half of 2020.

Commodity Derivative Instruments

We enter into various oil derivative contracts to mitigate our exposure to commodity price risk associated with anticipated future oil production. These contracts currently consist of collars, put options, call options and swaps. In regards to our obligations under our various commodity derivative instruments, if our production does not exceed our existing hedged positions, our exposure to our commodity derivative instruments would increase.

Commodity Price Sensitivity

The following table provides information about our oil derivative financial instruments that were sensitive to changes in oil prices as of June 30, 2020. Volumes and weighted average prices are net of any offsetting derivatives entered into.

				Weighted Average Price per Bbl						Asset (Liability)
Term	Type of Contract	Index	MBbl	Net Deferred Premium Payable/(Receivable)	Swap	Sold Put	Floor	Ceiling	Purchased Call	Fair Value at June 30, 2020(3)
										(In thousands)
2020:										
Jul — Dec	Swaps	Dated Brent	5,275	$ —	$ 42.67	$ —	$ —	$ —	$ —	$ 9,856
Jul — Dec	Swaps	Argus LLS	3,000	—	29.98	—	—	—	—	(32,420)
Jul — Dec	Call spreads	NYMEX WTI	(1)	1.20	—	—	—	45.00	35.00	3,551
Jul — Dec	Swaps with sold puts	Dated Brent	333	—	35.00	25.00	—	—	—	(2,040)
Jul — Dec	Three-way collars	Dated Brent	1,000	—	—	25.00	32.50	40.00	—	(3,251)
Jul — Dec	Sold calls(2)	Dated Brent	4,750	(0.19)	—	—	—	80.83	—	673
2021:										
Jan — Dec	Swaps with sold puts	Dated Brent	5,000	$ —	$ 54.70	$43.50	$ —	$ —	—	$ 21,981
Jan — Dec	Three-way collars	Dated Brent	1,000	1.00	—	30.00	40.00	55.40	—	(126)
Jan — Dec	Sold calls(2)	Dated Brent	7,000	—	—	—	—	70.09	—	(5,044)
2022:										
Jan — Dec	Sold calls(2)	Dated Brent	1,581	—	—	—	—	60.00	—	(4,900)

(1) Added call spreads on 1.0 million barrels to open upside for U.S. Gulf of Mexico production.

(2) Represents call option contracts sold to counterparties to enhance other derivative positions.

(3) Fair values are based on the average forward oil prices on June 30, 2020.

In April 2020, we restructured the majority of our May 2020 through December 2020 derivative contracts, whereby we converted the existing hedges into 7.0 MMBbls of Dated Brent swap contracts with an average fixed price of $42.67 per barrel. In July 2020, we entered into Dated Brent costless three-way collar contracts for 1.0 MMBbl from January 2021 through December 2021 with a sold put price of $30.00 per barrel, a floor price of $40.00 per barrel and a ceiling price of $55.00 per barrel.

At June 30, 2020, our open commodity derivative instruments were in a net liability position of $11.7 million. Future fluctuations in oil prices could have a material impact on the valuation of our derivative financial instruments. As of June 30, 2020, a hypothetical 10% price increase in the commodity futures price curves would decrease future pre-tax earnings by approximately $59.5 million. Similarly, a hypothetical 10% price decrease would increase future pre-tax earnings by approximately $53.8 million.

Interest Rate Sensitivity

At June 30, 2020, we had indebtedness outstanding under the Facility of $1.45 billion and the Corporate Revolver of $100.0 million, which bore interest at floating rates. The interest rate on this indebtedness as of June 30, 2020 was approximately 3.8% and 5.2% respectively. If LIBOR increased by 10% at this level of floating rate debt, we would pay an additional $0.3 million in interest expense per year. The commitment fees on the undrawn availability under the Facility and the Corporate Revolver are not subject to changes in interest rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer. This evaluation considered the various processes carried out under the direction of our disclosure committee in an effort to ensure that information required to be disclosed in the SEC reports we file or submit under the Exchange Act is accurate, complete and timely. However, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Consequently, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2020, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes from the information concerning legal proceedings discussed in the "Item 3. Legal Proceedings" section of our annual report on Form 10-K.

Item 1A. Risk Factors

There have been no material changes from the risks discussed in the "Item 1A. Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2019 and in the "Item 1A. Risk Factors" section of our quarterly report on form 10-Q for the quarter ended March 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

There have been no material changes required to be reported under this Item that have not previously been disclosed in the annual report on Form 10-K.

Item 6. Exhibits

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this quarterly report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		Kosmos Energy Ltd. (Registrant)
Date	August 3, 2020	/s/ Neal D. Shah
		Neal D. Shah Senior Vice President and Chief Financial Officer (Principal Financial Officer)

INDEX OF EXHIBITS

Exhibit Number	Description of Document
10.1	Offer Letter, dated November 12, 2019, between Kosmos Energy, LLC and Neal D. Shah
10.2	Deed of Release related to the Multi-Currency Revolving Letter of Credit Facility Agreement, dated June 19, 2020, among Kosmos Energy Credit International, as the Original Borrower, Kosmos Energy Ltd., as the Original Guarantor, and Societe Generale, London Branch, as the Original Lender, Facility Agent, Security Agent and Account Bank.
10.3†	Prepayment Agreement dated June 26, 2020 between Kosmos Energy Gulf of Mexico Operations, LLC and Trafigura Trading LLC.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

† Certain confidential portions of this Exhibit have been omitted pursuant to Item 601(b) of Regulation S-K because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.

November 12, 2019

Neal Shah
In person

Re: Promotion

Dear Neal,

Congratulations! I am pleased to offer you a promotion from Senior Vice President, EG and Finance to Senior Vice President and Deputy CFO, effective November 16, 2019.

Your new annual pay is $460,000 and your annual bonus target will remain at 75%.

Your new annual pay will continue to be paid on a semi-monthly basis and you will continue to report to me in this position.

All other terms and conditions of employment will remain unchanged.

Neal, you are a valuable part of our team. Thank you for your contribution to Kosmos and congratulations on the promotion.

Please let me know if you have any questions.

Sincerely,

/s/ Andy Inglis

Andy Inglis
Chairman and CEO

cc: Human Resources

Dated 19 June 2020

Kosmos Energy Credit International

and

Kosmos Energy Ltd

and

Societe Generale, London Branch

DEED OF RELEASE

Slaughter and May
One Bunhill Row
London EC1Y 8YY
(SNLH/PQT)

THIS DEED OF RELEASE is made on 19 June 2020

PARTIES:

(1) **KOSMOS ENERGY CREDIT INTERNATIONAL** incorporated in the Cayman Islands whose registered number is 256364 and whose registered office is at PO Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1-1209, Cayman Islands (the "**Company**");

(2) **KOSMOS ENERGY LTD.** incorporated under the laws of Delaware with registration number 211582 and having its registered office at The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801 (the "**Guarantor**");

(3) **SOCIETE GENERALE, LONDON BRANCH** located at One Bank Street, Canary Wharf, London E14 4SG (the "**Original Lender**", "**Security Agent**", "**Account Bank**" or "**Facility Agent**").

BACKGROUND

(A) The Company, the Guarantor, the Original Lender, the Security Agent, the Account Bank and the Facility Agent entered into a letter of credit facility agreement dated 3 July 2013 as amended and/or amended or restated from time to time (the "**Facility Agreement**").

(B) The Company and the Security Agent entered into a charge on cash deposits and account bank agreement dated 3 July 2013 (the "**Charge Agreement**") pursuant to which the Company granted a Charge (as defined in the Charge Agreement) in favour of the Security Agent.

(C) The Company has requested that the Facility Agreement be terminated and the Original Lender, the Security Agent, the Account Bank and the Facility Agent have each agreed to do so on the terms and conditions of this Deed.

(D) Pursuant to Clause 8.1 (*Release of deposit*) of the Charge Agreement, the Company has also requested that the Security Agent release the Deposit and Accounts (the "**Released Property**") from the Charge and the Security Agent has agreed to do so on the terms and conditions of this Deed.

IT IS AGREED as follows:

1. INTERPRETATION

(a) Terms defined in the Charge Agreement (including by incorporation from the Facility Agreement) shall, unless otherwise defined in this Deed, have the same meaning in this Deed.

(b) The provisions of Clause 1.3 (*Construction of Particular Terms*), Clause 1.4 (*Interpretation of this Deed*), Clause 28 (*Jurisdiction*) and Clause 30 (*Service of Process*) of the Charge Agreement apply to this Deed as though they were set out in full in this Deed (irrespective of whether the Charge Agreement remains in full force and effect).

2. TERMINATION OF FACILITY AGREEMENT

The parties agree that with effect from and including the date of this Deed, the Facility Agreement and each other Finance Document (other than the Charge Agreement (the termination of which shall be in accordance with Clause 3 (*Release*)) shall terminate.

3. RELEASE

With effect from and including the date of this Deed but subject to Clause 4 (*Reinstatement*):

(a) the Security Agent, without recourse, representation or warranty of title, hereby unconditionally and irrevocably releases the Released Property from the Charge in accordance with Clause 8.1 (*Release of deposit*) of the Charge Agreement; and

(b) the Charge Agreement shall terminate.

4. REINSTATEMENT

If the Security Agent reasonably considers, on the basis of independent legal advice, that any payment to, or security or guarantee provided in relation to the Secured Obligations to it is capable of being avoided, reduced or invalidated by virtue of applicable law, notwithstanding any re-assignment or discharge of the Deposit, the liability of the Company under the Charge Agreement and the Charge shall continue as if such amounts had not been paid or as if any such security or guarantee had not been provided.

5. FURTHER ASSURANCE

The Original Lender, Security Agent, Account Bank and Facility Agent will, as soon as reasonably practicable after the date of this Deed and subject to the Company having complied with Clause 6 (*Expenses*), do all things and execute all documents which the Company may reasonably specify, and which are within its control to give effect to this Deed and the release of the Released Property from the Charge in accordance with Clause 3 (*Release*).

6. EXPENSES

The Company shall within 15 Business Days of demand, pay to the Security Agent (or other relevant Finance Party) all costs and expenses (including legal fees) reasonably incurred by the Security Agent (or such other relevant Finance Party) in connection with the negotiation, preparation, printing and execution of this Deed and/or the release of the Released Property from the Charge.

7. PARTIAL INVALIDITY

If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

8. EXECUTION AS A DEED

Each of the parties intends this Deed to be a deed and confirms that it is executed and delivered as a deed, notwithstanding the fact that any one or more of the parties may only execute it under hand.

9. COUNTERPARTS

This Deed may be executed in any number of counterparts, and by the parties to this Deed on separate counterparts, but will not be effective until each such party has executed at least one counterpart. Each counterpart shall constitute an original of this Deed, but all the counterparts will together constitute one and the same instrument.

10. GOVERNING LAW

This Deed and any non-contractual obligations arising out of it or in connection with it shall be governed by, and construed in accordance with, English law.

IN WITNESS of which this document has been executed as a deed and is delivered on the date stated at the beginning of this Deed.

The Original Lender, Security Agent, Account Bank and Facility Agent

Executed and Delivered as a Deed by **SOCIETE GENERALE, LONDON BRANCH**, a company incorporated in France by Vikram Gulati))	_/s/ Vikram Gulati_______________
who, in accordance with the laws of France, is acting under the authority of the company.))	(Authorised signatory)
_/s/ C Roux_____________ __ Witness' signature)	
Name: C Roux	
Address: E14 4SG, 1 Bank Street, London	
Occupation: Banker	

The Company

Executed and Delivered as a Deed by **KOSMOS ENERGY CREDIT INTERNATIONAL** acting by Neal Shah expressly authorised in accordance with a power of attorney dated June 28, 2013,))))	Per:_/s/ Neal Shah _______________

in the presence of:

_/s/ Brittney Meeks _______________

Witness' signature

Name: Brittney Meeks

Address: 8176 Park Lane, Suite 500, Dallas, TX 75231

Occupation: Executive Assistant

Guarantor

Executed and Delivered as a Deed by **KOSMOS ENERGY LTD** acting by Neal Shah expressly authorised in accordance with a power of attorney dated June 28, 2013,	))))	Per:_/s/ Neal Shah _______________

in the presence of:

_/s/ Brittney Meeks _______________

Witness' signature

Name: Brittney Meeks

Address: 8176 Park Lane, Suite 500, Dallas, TX 75231

Occupation: Executive Assistant

***** INDICATES CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT THAT HAVE BEEN OMITTED PURSUANT TO ITEM 601(B) OF REGULATION S-K BECAUSE THE IDENTIFIED CONFIDENTIAL PORTIONS (I) ARE NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.**

PREPAYMENT AGREEMENT

For an Amount of up to US$200,000,000

between

KOSMOS ENERGY GULF OF MEXICO OPERATIONS, LLC

(as the Seller)

and

TRAFIGURA TRADING LLC

(as the Buyer)

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PREPAYMENT AGREEMENT

This PREPAYMENT AGREEMENT (this "**Agreement**") is entered into on June 26, 2020 (the "**Signing Date**") by and between **Kosmos Energy Gulf of Mexico Operations, LLC,** a Delaware limited liability company ("**Seller**") and **Trafigura Trading LLC**, a Delaware limited liability company ("**Buyer**"), and any of Seller or Buyer, a "**Party**", and, collectively, the "**Parties**".

WHEREAS:

(A) Seller is engaged in the exploration and production of Crude Oil in the U.S. Gulf of Mexico. Buyer is willing to prepay Seller for the purchase of certain quantities of such Crude Oil in accordance with the terms of this Agreement.

(B) Seller and Buyer will enter into the Commercial Contracts for the purchase and sale of Crude Oil.

(C) This Agreement will govern the amount of such prepayments and the determination of the volume of Crude Oil that will be sold in consideration for such prepayments.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the promises and the representations, warranties, covenants and agreements contained herein, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the Parties agree as follows:

1. INTERPRETATION

1.1. Definitions

"**Accounting Consultant**" is defined in Section 2.6.

"**Accounting Principles**" means generally accepted accounting principles and applicable accounting standards as in effect in the United States of America from time to time.

"**Accounting Reference Date**" means December 31 or such other date as may be approved by Buyer.

"**Additional Prepayments**" means collectively the First Additional Prepayment and the Second Additional Prepayment.

"**Additional Prepayment Volumes**" means collectively, the First Additional Prepayment Volumes and the Second Additional Prepayment Volumes.

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"**Agreed Price Deck**" means, (a) with respect to the Seller's assets, the lower of (i) the applicable forward curve for Light Louisiana Sweet prices as published by Argus or (ii) crude oil pricing assumptions as set forth in the most recent borrowing base redetermination model for that certain Amended and Restated Facility Agreement originally dated 28 March 2011 between, among others, Kosmos Energy Finance International as the Original Borrower and Standard Chartered Bank as the Facility Agent as amended and / or amended and restated from time to time (the "**RBL**"), adjusted by the differential between Dated Brent and Light Louisiana Sweet prices as published by Argus, and (b) with respect to the Group's Non-Gulf of Mexico assets, the lower of (i) the applicable forward curve for Dated Brent prices as published by S&P Global Platts or (ii) crude oil pricing assumptions as set forth in the most recent borrowing base redetermination model for the RBL.

"**Agreement**" has the meaning given to it in the Preamble hereto.

"**Alabama Mortgage**" has the meaning given to it in definition of Mortgages.

"**Announcement**" has the meaning given to it in Section 15.2(b).

"**Anti-Corruption Controls**" has the meaning given to it Section 10.18.

"**Assignments**" means assignment and novation agreements by Seller in favor of Buyer, each in a form to be mutually agreed.

"**Authorization**" means an authorization, consent, approval, resolution, license, exemption, filing, notarization or registration.

"**Barrel**" means an amount of volume equal to 42 US gallons.

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in New York, New York and Dallas, Texas.

"**Buyer**" has the meaning given to it in the Preamble hereto.

"**Buyer Guarantor**" means Trafigura Group Pte. Ltd., a company incorporated in Singapore.

"**Change of Control**" means the occurrence of any of the following:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of 50% or more of the equity securities of Guarantor entitled to vote for members of the board of directors, board of managers or equivalent governing body of Guarantor on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(b) any change (either directly or indirectly) in the ownership of the equity interests in Seller that results in Seller having a different Holding Company other than the Holding Company of Seller as of the Signing Date; provided, however, that changes in the ownership structure of Guarantor unless it results in Change of Control as provided in the foregoing clause (a shall not give rise to a Change of Control pursuant to this clause (b); or

(c) Guarantor or any permitted successor and/or assign of Guarantor fails to directly or indirectly own at least 50% of the issued and outstanding equity interests in Seller; or

(d) During the term of this Agreement, the Seller divests of more than 25% of its 1P reserves allocated to the Fields as set forth in its most recent independent petroleum engineer reserve report, such percentage test to be made as the date of the most recent Divestiture.

"**Collateral**" means the "Collateral" as defined in the Mortgages.

"**Commercial Contracts**" means, the Crude Oil sales agreements between Seller and Buyer to be effective as of October 1, 2020, which shall be in the form of the Final Commercial Contracts and otherwise in form and substance satisfactory to Buyer in its sole discretion, provided (i) that the seller under the Commercial Contracts will be the Seller and the buyer under the Commercial Contracts will be the Buyer and (ii) that each Commercial Contract shall provide that Buyer shall provide Seller with copies of each relevant Final Buyer's volume and payment statements under the Final Commercial Contracts relating to such Commercial Contract upon receipt.

"**Compliance Certificate**" has the meaning given to it in Section 13.2.1.

"**Control**" means:

(i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

(A) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of Seller; or

(B) appoint or remove all, or the majority of the directors or other equivalent officers of Seller; or

(C) give directions with respect to the operating and financial policies of Seller with which the directors or other equivalent officers of Seller are obliged to comply; and/or

(ii) the holding, directly or beneficially, of more than 50% of the issued share capital of Seller.

"**Crude Oil**" means the crude or a blend of crude comprising part or all of the production of the volumes of crude belonging to Seller coming from the Fields or delivered to Buyer from other sources that are subject to sale in accordance with the Commercial Contracts or the Final Commercial Contracts, as applicable.

"**Debt**" means, with respect to Seller, "Debt" as defined in the Senior Notes Indenture referred to in clause (c) of the definition of Guarantor Debt Documents except that references to the "Company" shall be deemed to be references to the Seller and references to sections of such indenture shall be deemed to be references, if applicable, to analogous provisions of this Agreement.

"**Default**" means an Event of Default or any event or circumstance specified in Section 14, which, with the giving of notice or passage of time, would constitute an Event of Default.

"Delivered Volumes" means on any date, the total amount of Crude Oil actually delivered by Seller or its Affiliates to Buyer pursuant hereto.

"**Delta House Commercial Contracts"** has the meaning given to it in Section 4.1.13.

"**Divest**" or "**Divestiture**" means the sale, assignment (other than a collateral assignment), lease or transfer of any asset or any part of any asset.

"**Dollars**" or "**$**" means the lawful currency of the United States of America.

"**Effective Date**" means the date when the Conditions Precedent in Section 4.1 have been met.

"**Environment**" means humans, animals, plants and all other living organisms including the ecological systems of which they form part and the following media:

(a) air (including air within natural or man-made structures, whether above or below ground);

(b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and

(c) land (including land under water).

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

"**Environmental Law**" means any applicable law, regulation, or convention, which relates to: (a) the pollution or protection of the Environment; (b) harm to or the protection of human health; or (c) any emission or substance capable of causing harm to any living organism or the Environment.

“**Environmental Permits**” means any permit and other Authorization and the filing of any notification, report or assessment required under any Environmental Law for the operation of the business of Seller conducted on or from the properties owned or used by Seller.

“**Event of Default**” means any event or circumstance specified as such in Section 14.

“Field Allocation Factor” means, with respect to a specific Field and for any calendar month, a fraction with the Delivered Volumes from such Field as the numerator and the Delivered Volumes for all the Fields as the denominator. For example, if Seller delivered to Buyer 2,000 Barrels of Crude Oil in a calendar month and 500 of those Barrels came from a specific Field, then the Field Allocation Factor for such Field for such calendar month would be 500/2,000 or 25%. For the purpose of this definition, Field shall include all the Fields and any other locations from which Seller or its Affiliates may deliver to Buyer during the term of this Agreement.

“**Fields**” are the oil and gas producing fields set forth on Schedule 4.

“**Final Buyer(s)**” means, collectively, such persons determined by Seller to purchase portions of the Crude Oil sold to Buyer pursuant to the Commercial Contracts, which persons shall be subject solely to satisfaction of Buyer’s customary compliance and credit policies, which persons or their credit support providers have a credit rating of at least BBB- by S&P or Baa3 by Moody’s.

“**Final Commercial Contracts**” means, collectively, (i) those certain sales contracts described on Schedule 1 hereto that will be assigned to Buyer from Seller pursuant to the Assignments and (ii) any replacements for the contracts set forth in (i) that are entered into pursuant to Section 6.3.

“**Final Delivery Date**” has the meaning given thereto in Section 6.2.

“**First Additional Maximum Valuation Threshold**” has the meaning given to it in Section 2.3.

“**First Additional Maximum Valuation Threshold Termination**” has the meaning given to it in Section 2.2.

“**First Additional Prepayment**” has the meaning given to it in Section 2.2.

“**First Additional Prepayment Calculation**” has the meaning given to it in Section 2.3.

“**First Additional Prepayment Crude Oil**” means Crude Oil to be delivered by Seller to Buyer pursuant to the Commercial Contracts related to the First Additional Prepayment.

“**First Additional Prepayment Funding**” means the funding by Buyer of the First Additional Prepayment.

“**First Additional Prepayment Funding Date**” means the date of the First Additional Prepayment Funding.

“**First Additional Prepayment Market Value**” means a dollar amount of the value received by Buyer related to the cumulative First Additional Prepayment Volumes delivered to Buyer from Seller under the Commercial Contracts, as determined by the Volume Model Calculations.

“**First Additional Prepayment Volumes**” means the volume of the First Additional Prepayment Crude Oil in Barrels as set forth on Schedule 2.2.

“**First Prepayment Conditions Subsequent**” has the meaning given to it in Section 4.2.

“**GoM Liquidity Ratio**” means at any time the ratio of:

(a) the net cash flow available to Seller over the immediately succeeding six (6) months from the sale of Crude Oil as determined by the Liquidity Model (established and agreed in writing (including email) by the Seller and Buyer on or prior to the Effective Date) (on row 33 of the Prepay tab) and using the Agreed Price Deck adjusted for applicable differentials and hedges, and production profiles not to exceed the forecasts for proved reserves in the most recent Reserve Report and taking into account historical lease operating expense and budgeted and committed capital expenditures; to

(b) the portion of the Prepaid Value to be delivered by Seller to Buyer for the immediately succeeding six (6) months.

“**Governmental Agency**” means any government or any governmental agency, semi-governmental or judicial entity or authority (including any stock exchange or federal bank or any self-regulatory body).

“**Group**” means the Seller, the Guarantor and any of their respective Subsidiaries.

“**Group’s Non-Gulf of Mexico Assets**” means the assets of the Obligors other than oil and gas assets located in the Gulf of Mexico.

“**Guarantor**” means Kosmos Energy Ltd., a Delaware corporation, together with its permitted successors and/or assigns.

“**Guarantor Debt Documents**” means, collectively, (a) that certain Amended and Restated up to US$400,000,000 Revolving Credit Facility Agreement dated as of November 23, 2012 by and among Performance Guarantor, as original borrower, the “Guarantors” party thereto from time to time, HSBC Bank PLC, Société Generale, London Branch, The Standard Bank of South Africa Limited and Standard Chartered Bank, as “Mandated Lead Arrangers”, ING Bank N.V., as Facility Agent, Crédit Agricole Corporate and Investment Bank, as Security and Intercreditor Agent and the Lenders party thereto from time to time, as amended and restated on March 14, 2014, as amended on June 8, 2015, as amended and restated on August

6, 2018, as further amended on December 20, 2018, as further amended on April 4, 2019, as may be further amended, amended and restated or otherwise modified from time to time in accordance with this Agreement (the "**Revolving Credit Agreement**"); (b) the Finance Documents (as defined in the Revolving Credit Agreement, and as may be further amended, amended and restated or otherwise modified from time to time in accordance with this Agreement); (c) that certain Senior Notes Indenture for 7.125% Senior Notes due 2026 dated as of April 4, 2019 by and among Performance Guarantor, the Guarantors party thereto from time to time, Wilmington Trust, National Association, as Trustee, Paying Agent, Registrar and Transfer Agent and Banque Internationale à Luxembourg S.A., as Luxembourg listing agent, Luxembourg paying agent and Luxembourg transfer agent, as may be amended, amended and restated or otherwise modified from time to time in accordance with this Agreement (the "**Indenture**"), and (d) the Notes, Security Documents and Note Guarantees (each as defined in the Indenture, and as may be further amended, amended and restated or otherwise modified from time to time in accordance with this Agreement).

"**Guarantor Liquidity Ratio**" means the following ratio, with each component based on the Group's corporate forecast reviewed by the Board of Directors of Guarantor (using the Agreed Price Deck for each asset, adjusted for the applicable differentials, the total net production profile representing management's latest forecast not to exceed the most recent reserve report delivered pursuant hereto):

(a) the sum of (i) the projected revenues of the Group from the sale of hydrocarbons over the four quarters commencing immediately on or after the calculation date, (ii) the expected income from hedges in effect during such period but not less than zero, (iii) the cash balance as at the calculation date and (iv) the availability of Prepayments under this Agreement and any other committed source of capital, the conditions to which Commitments for such availability Seller reasonably believes it will be able to satisfy; to

(b) the sum of all the forecast cash costs of the Group, including operating expenses (taking into account historical lease operating expenses), selling expenses, structure costs, budgeted and committed capital expenditures, taxes, hedge payments and debt service over the four quarters commencing immediately on or after the calculation date.

"**Holding Company**" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"**Indenture**" has the meaning given to it in the definition of Guarantor Debt Documents.

"**Initial Maximum Valuation Threshold Termination**" has the meaning given to it in Section 2.1.

"**Initial Prepayment**" means a prepayment for Crude Oil by Buyer to Seller in the amount of $50,000,000.

"**Initial Prepayment Crude Oil**" means Crude Oil to be delivered by Seller to Buyer pursuant to the Commercial Contracts related to the Initial Prepayment.

“**Initial Prepayment Market Value**” means a dollar amount of the value received by Buyer related to the Initial Prepayment Volumes delivered by Seller under the Commercial Contracts, as determined by the Volume Model Calculations.

“**Initial Prepayment Volumes**” means the volume of the Initial Prepayment Crude Oil in Barrels as set forth on Schedule 2.1.

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“**Jubilee Marketing Agreement**” has the meaning given to it in Section 3.1.

“**Jubilee Term**” has the meaning given to it in Section 3.1.

“**Lien**” means a mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Liquidity Model**” means the model established and agreed in writing (including email) by Seller and Buyer on or prior to the effective date as described in definition of GoM Liquidity Ratio.

“**Louisiana Mortgage**” has the meaning given to it in the definition of Mortgages.

“**Marketing Agreements**” collectively, the Jubilee Marketing Agreement and the TEN Marketing Agreement.

“**Margin Stock**” means margin stock or “margin security” within the meaning of Regulations T, U and X of the Board of Governors of the Federal Reserve System of the United States of America.

“**Material Adverse Effect**” means, in relation to any event (or series of events) or circumstance which occurs or arises, that event (or events) or circumstance (or any effect or consequence thereof), which would reasonably be expected materially and adversely to affect (a) the financial condition, operations, or business of the Obligors, taken as a whole, and Seller, individually, (b) the ability of Obligors to perform their obligations under the Prepayment Documents in full and on the basis contemplated therein, (c) the validity or enforceability of or the effectiveness of any Prepayment Document or the rights or remedies of the Buyer under any Prepayment Document or (d) results in the Obligors, taken as a whole, and Seller, individually being unable to deliver all of the Crude Oil as and when required under the Prepayment Documents.

“Material Contracts and Licenses” means

(a) the contracts, licenses, concessions and any other authorization required for the lawful exploration, development or operation of any of the Fields or the production, transportation or sale of hydrocarbons from any of the Fields including any transportation agreements, storage agreements, interconnect agreements, processing agreements and exchange agreements the absence of which could reasonably be expected to result in a Material Adverse Effect; and

(b) Environmental Permits.

"Material Indebtedness" means (a) any indebtedness under or in respect of any of the Guarantor Debt Documents and (b) any other indebtedness with an outstanding principal amount in excess of $30,000,000.

"**Measurement Period**" means in respect of any date of determination, a period of 12 months ending on the last day of the most recent fiscal quarter then ended.

"**Minimum GoM Liquidity Ratio** ˉ means 1.50 to 1.00.

"**Minimum Guarantor Liquidity Ratio**" means 1.20 to 1.00.

"**Mississippi Mortgage**" has the meaning given to it in the definition of Mortgages.

"**Mortgages**" means, collectively, those certain mortgages, deeds of trust or substantially similar documents to be executed by Seller in favor of Buyer with respect to the Outstanding Prepayment Volumes, as applicable, as recorded with the applicable real estate records and the Bureau of Ocean Management, which shall be substantially in the applicable forms attached as Exhibit A-1, which shall be filed in certain parishes located in Louisiana (the "Louisiana Mortgage"), Exhibit A-2, which shall be filed in certain counties located in Alabama (the "Alabama Mortgage") and Exhibit A-3, which shall be filed in certain counties located in Mississippi (the "Mississippi Mortgage").

"**Obligors**" means, collectively, Seller and Guarantor.

"**Original Financial Statements**" means in relation to Guarantor, its audited financial statements for the financial year ended December 31, 2019.

"**Outstanding Prepayment Volume**" means, as of any date of determination, the total volume of Crude Oil to be delivered to Buyer under this Agreement as determined by the Volume Model.

"**Parent Performance Guaranty**" means that certain On Demand Guarantee dated as of the Effective Date made by the Buyer Guarantor in favor of Seller, supporting Buyer's obligation to make the First Additional Prepayment.

"**Party(ies)**" has the meaning given to it in the Preamble hereto.

"**Performance Guaranty**" means that certain Guaranty Agreement dated as of the Effective Date executed by Guarantor in favor of Buyer.

"**Permitted Disposals**" means, collectively, any Divestiture (including Divestitures of royalty interests, production payments, net profit interests and term overriding royalty interests) of any of Seller's interest in any of the Fields include:

(a) made in the ordinary course of business of the disposing entity;

(b) made pursuant to any other Transaction Document;

(c) of obsolete or redundant assets or waste;

(d) made with the prior written consent of Buyer;

(e) permitted in accordance with the terms of the Guarantor Debt Documents as in effect on the Signing Date;

(f) of trading stock or cash made by it in the ordinary course of trading;

(g) which constitutes a Permitted Encumbrance or Permitted Lien;

(h) which does not result in a Change of Control pursuant to clause (d) of the definition thereof; provided, however, that prior to the consummation of any disposal pursuant to this clause (h), Seller has delivered to Buyer an updated Compliance Certificate demonstrating that, as of the last day of the most recently ended fiscal month and fiscal quarter (whichever is more recent), Seller would have been in compliance with the liquidity ratios set forth in Section 12.1 and Section 12.2 as if such disposal had occurred on the first day of such fiscal month or fiscal quarter (whichever is more recent); or

(i) made pursuant to joint venture agreements, partnership agreements, oil and gas leases or subleases, assignments, purchase and sale agreements, division orders, contracts for the sale, purchasing, processing, transportation or exchange of oil or natural gas, unitization and pooling declarations and agreements, development agreements, technical evaluation agreements, area of mutual interest agreements, rights of first refusal, rights of first offer, licenses, sublicenses, net profits interests, participation agreements, farm-out agreements, farm-in agreements, carried working interest, joint operating, unitization, royalty, sales and similar agreements or arrangements relating to the exploration or development of, or production from, the Fields entered into in the ordinary course of business and which do not and could not reasonably be expected to materially impair Seller’s ability to perform its obligations under the Prepayment Documents.

“**Permitted Encumbrances**” means:

(a) existing burdens on production as reflected in the net revenue interest for the Fields set forth on Schedule 4;

(b) any depths not owned in the Fields as described on Schedule 4;

(c) defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of municipal or zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of Seller;

(d) any Lien arising under operating agreements, unit agreements, gathering and transportation agreements, processing agreements, gas, oil or liquids purchase, sale and exchange agreements and other similar agreements (or any memoranda of the foregoing) presently existing or hereafter amended or entered into in the ordinary course of business and which do not and could not be reasonably expected to materially impair Seller's ability to perform its obligations under the Prepayment Documents;

(e) joint venture agreements, partnership agreements, oil and gas leases or subleases, assignments, purchase and sale agreements, division orders, contracts for the sale, purchasing, processing, production handling, transportation or exchange of oil or natural gas, unitization and pooling declarations and agreements, development agreements, technical evaluation agreements, area of mutual interest agreements, rights of first refusal, rights of first offer, licenses, sublicenses, net profits interests, participation agreements, farm-out agreements, farm-in agreements, carried working interest, joint operating, unitization, royalty, sales and similar agreements or arrangements or memoranda of any of the foregoing relating to the exploration or development of, or production from, the Fields entered into in the ordinary course of business and which do not and could not be reasonably expected to impair Seller's ability to perform its obligations under the Prepayment Documents;

(f) any Lien reserved in oil and gas mineral leases or licenses (or any memoranda of the foregoing) for bonus (including, without limitation, social bonus), royalty or rental payments and for compliance with the terms of such leases or licenses;

(g) any Lien on properties or assets to secure all or part of the costs incurred in the ordinary course of business (but not securing debt for borrowed money) for exploration, drilling, development, production, processing, transportation, marketing, storage, abandonment or operation of such properties and assets and which do not and will not impair Seller's ability to perform its obligations under the Prepayment Documents;

(h) leases or subleases (or memoranda of the foregoing) granted to others that do not materially interfere with the ordinary course of business of Seller and which do not and will not impair Seller's ability to perform its obligations under the Prepayment Documents; and

(i) any Lien which (i) is expressly subordinate to the Liens granted to Buyer pursuant to the Mortgages and (ii) secures indebtedness with no amortization or sinking fund payments prior to ninety (90) days after the Final Delivery Date, bearing interest not in excess of 15% per annum.

"**Permitted Liens**" means:

(a) Permitted Encumbrances;

(b) any Lien created by Seller in favor of Buyer pursuant to the Transaction Documents;

(c) any Lien or right of set-off arising by operation of law and in the ordinary course of business (including pursuant to the counterparty's standard terms of business);

(d) any Lien arising under any retention of title, hire, purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to Seller in the ordinary course of business;

(e) any set-off arrangement entered into by Seller in the ordinary course of its banking or financing arrangements for the purpose of netting debit and credit balances;

(f) any Lien over or affecting any asset permitted to be acquired by Seller after the date of this Agreement so long as: (i) the Lien was not created in contemplation of the acquisition of such asset by Seller; (ii) the principal amount secured has not been increased in contemplation of, or since the acquisition of, such asset by Seller; and (iii) the Lien is removed or discharged within six months of the date of acquisition of such asset;

(g) any Lien over or affecting goods (or documents of title or contracts of insurance relating to such goods) arising in the ordinary course of business or receivables financing (other than receivables constituting Collateral) in the ordinary course of business;

(h) any Lien provided in substitution for any Permitted Lien over the same assets;

(i) any Lien arising as a result of a Permitted Disposal;

(j) any Lien created or permitted to subsist with the prior written consent of Buyer;

(k) any Lien arising pursuant to or permitted in accordance with the terms of the Guarantor Debt Documents;

(l) any Lien securing obligations no more than 90 days (or such longer period to the extent the same is being contested in good faith with appropriate reserves set aside by Seller) overdue arising by operation of law or, except in the case of Liens on the Collateral, arising in the ordinary course of Seller's business;

(m) any title retention provisions in a supplier's standard conditions of supply of goods; and

(n) all matters disclosed on Schedule 4;

provided that Seller shall not expressly grant to any holder of any such Lien otherwise permitted under the forgoing clauses (d), (g), and (k) on any Collateral priority to the Liens in favor of the Buyer.

"**Prepaid Value**" has the meaning given to it in the definition of Volume Model Computation.

"**Prepaid Volumes**" has the meaning given to it in the definition of Volume Model Computation.

“**Prepayment**” means either the Initial Prepayment, the Additional Prepayments or both together, as the context requires.

“**Prepayment Documents**” means, collectively, this Agreement, the Performance Guaranty, the Mortgages, the Parent Performance Guaranty, the Commercial Contracts, and the Final Commercial Contracts.

“**Prepayment Request**” means a notice substantially in the relevant form set out in Schedule 3 *(Form of Prepayment Request)*.

“**RBL**” has the meaning defined in the definition of Agreed Price Deck.

“**Repeating Representations**” means each of the representations and warranties set out in Section 10.1, Section 10.2, Section 10.3, Section 10.4, Section 10.6, Section 10.7 Section 10.8, Section 10.9, Section 10.10(a), Section 10.10(b), Section 10.11, Section 10.12, Section 10.13, Section 10.14, Section 10.15, Section 10.18, and Section 10.22.

“**Required Approvals**” means all material approvals, licenses, consents and authorizations necessary in connection with the execution, delivery, performance or enforcement of any Prepayment Document.

“**Reserve Report**” has the meaning specified in Section 13.6.

“**Restricted Party**” means a person that is: (a) listed on, or (directly or indirectly) owned or controlled (as such terms are defined by the relevant Sanctions Authority) by one or more persons listed on, or acting on behalf of a person listed on, any Sanctions List; (b) located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions; or (c) otherwise a target of Sanctions (“**target of Sanctions**” signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities)).

“**Revolving Credit Agreement**” has the meaning specified in the definition of Guarantor Debt Documents.

“**Sanctions**” means, collectively, any sanctions administered or enforced by a Sanctions Authority.

“**Sanctions Authority**” means any of: (a) the United States government; (b) the United Nations; (c) the European Union (or any of its members’ states); (d) the United Kingdom; (e) the State Secretariat for Economic Affairs of Switzerland; or (f) the respective governmental institutions and agencies of any of the foregoing, including OFAC, the United States Department of State and Her Majesty’s Treasury.

“**Sanctions List**” means the “Specially Designated Nationals and Blocked Persons” list maintained by OFAC, the Consolidated List of Financial Sanctions Targets and the

Investments Ban List maintained by Her Majesty's Treasury, or any similar lists maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

"Scheduled Volumes" means the specified amount of the Initial Prepayment Volumes or the Additional Prepayment Volumes, if applicable, for a given calendar month to be delivered pursuant to this Agreement.

"**Second Additional Maximum Valuation Threshold**" has the meaning given to it in Section 2.5.

"**Second Additional Maximum Valuation Threshold Termination**" has the meaning given to it in Section 2.4.

"**Second Additional Prepayment**" has the meaning given to it in Section 2.4.

"**Second Additional Prepayment Calculation**" has the meaning given to it in Section 2.4.

"**Second Additional Prepayment Crude Oil**" means Crude Oil to be delivered by Seller to Buyer pursuant to the Commercial Contracts related to the Second Additional Prepayment.

"**Second Additional Prepayment Funding**" means the funding by Buyer of the Second Additional Prepayment.

"**Second Additional Prepayment Funding Date**" means the date of the Second Additional Prepayment Funding.

"**Second Additional Prepayment Market Value**" means a dollar amount of the value received by Buyer related to the Second Additional Prepayment Volumes delivered by Buyer from Seller under the Commercial Contracts, as determined by the Volume Model Calculations.

"**Second Additional Prepayment Volumes**" means the volume of the Second Additional Prepayment Crude Oil in Barrels as set forth on Schedule 2.4.

"**Second Prepayment Conditions Subsequent**" has the meaning given to it in Section 4.3.

"**Seller**" has the meaning given to it in the Preamble hereto.

"**Seller Group**" means Seller and its Affiliates that are party to any of the Transaction Documents.

"**Signing Date**" has the meaning given to it in the Preamble hereto.

"**Solvent**" means, with respect to any person on a particular date, that on such date: (a) the fair value of the property of such person is greater than the total amount of liabilities, including contingent liabilities, of such person; (b) the present fair salable value of the assets of such person is not less than the amount that will be required to pay the probable liability of such person on its debts as they become absolute and matured, (c) such person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (d) such person does not intend to, and does not believe that it will, incur debts or liabilities beyond such person's ability to pay as such debts and liabilities mature; and (e) such person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"**Subsidiary**" of a company or corporation means any company or corporation:

(a) which is Controlled, directly or indirectly by the first-mentioned company or corporation;

(b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or

(c) which is a subsidiary of another subsidiary of the first mentioned company or corporation.

"**Tax(es)**" has the meaning given to it in <u>Section 9.1</u>.

[***]

"**Transaction Documents**" means the Prepayment Documents, the Marketing Agreements, the Final Commercial Contracts and any other agreements and documents that entered into and delivered by the Parties related to this Agreement and the Prepayments.

"**Volume Model**" has the meaning given to it in <u>Section 2.1</u> hereto.

"**Volume Model Calculations**" means the on-going calculations that the Volume Model will make as inputs are entered into the Volume Models at various points in time as set forth in this Agreement.

"**Volume Model Computations**" means that the Volume Model will compute:

the volumes of Crude Oil that are strictly necessary, using the then prevailing assumptions set forth in <u>Section 2</u>, to ensure that the Prepayments and any related costs are fully extinguished as expected (the "**Prepaid Volumes**", and the value of those Prepaid Volumes at closing of the Initial Prepayment and Additional Prepayments, as applicable, being the "**Prepaid Value**").

1.2. **<u>Interpretation</u>**

(a) Unless a contrary indication appears, a reference in this Agreement to:

(i) "**Seller**" and "**Buyer**" or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees;

(ii) "**including**" or "**includes**" means including or includes without limitation;

(iii) "**Agreement**," "**Commercial Contract**," "**Final Commercial Contract**," "**Mortgage**," "**Parent Performance Guaranty**," "**Performance Guaranty**," or any other agreement or instrument is a reference to that Agreement, Commercial Contract, Final Commercial Contract, Mortgage, Parent Performance Guaranty, Performance Guaranty, or other agreement or instrument as amended, supplemented, extended, restated, novated and/or replaced in any manner from time to time in accordance with the terms of this Agreement;

(iv) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(v) A "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

(vi) A "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law, but if not having force of law being one with which companies operating in the same industry and jurisdiction of the applicable Obligor also customarily comply) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organization;

(vii) a provision of law is a reference to that provision as amended or re-enacted; the singular includes the plural and *vice versa*; and

(viii) a time of day is a reference to Dallas, Texas time, unless expressly provided otherwise.

(b) Exhibit, Section, and Schedule headings are for ease of reference only and shall not affect the construction of this Agreement.

(c) References to Exhibits, Sections, paragraphs and Schedules are references to Exhibits, Sections, paragraphs and Schedules of this Agreement unless otherwise stated and references to this Agreement include its Schedules.

(d) Unless a contrary indication appears, a term used in any other Transaction Document or in any notice given under or in connection with any Transaction Document has the same meaning in that Transaction Document or notice as in this Agreement.

(e) A Default (other than an Event of Default) is "**continuing**" if it has not been remedied or waived in writing and an Event of Default is "**continuing**" if it has not been waived in writing.

2. THE PREPAYMENTS

2.1. **Initial Prepayment**. Subject to the other terms of this Agreement, Buyer shall pay to Seller on the Effective Date, the Initial Prepayment in exchange for Seller agreeing to deliver Initial Prepayment Volumes in such amounts within such calendar months as set forth on Schedule 2.1; provided, however, that if the Initial Prepayment Market Value of the Initial Prepayment Volumes delivered to Buyer equals or exceeds $57,500,000 prior to the Final Delivery Date, then as of such date, Seller obligation to deliver any additional volumes of Crude Oil in connection with the Initial Prepayment shall terminate effective immediately (the "**Initial Maximum Valuation Threshold Termination**"). Seller and Buyer have agreed to and electronically exchanged a financial model, which will determine the final volumes subject to the Initial Prepayment and the Additional Prepayments, which shall include the Volume Model Computations (the "**Volume Model**"). Within thirty (30) days of the Effective Date with respect to the Initial Prepayment, Seller and Buyer will obtain all other information necessary in addition to the Agreed Price Deck to mutually agree upon and insert the necessary inputs into the Volume Model, which will determine the Initial Prepayment Volumes (the "**Initial Prepayment Calculation**"). The Initial Prepayment Calculation will be inserted into Schedule 2.1, subject to the Initial Maximum Valuation Threshold Termination.

2.2. **First Additional Prepayment**. On September 30, 2020, upon the satisfaction of the First Prepayment Conditions Subsequent and following delivery of a Prepayment Request from Seller, the Buyer shall pay to Seller an additional prepayment of Crude Oil up to an amount not exceeding $100,000,000 (the "**First Additional Prepayment**") in exchange for Seller agreeing to deliver the First Additional Prepayment Volumes in such amounts within such calendar months as set forth on Schedule 2.2; provided, however, that if the First Additional Prepayment Market Value of the First Additional Prepayment Volumes that has been delivered to Buyer equals or exceeds the First Additional Maximum Valuation Threshold prior to the Final Delivery Date, then as of such date, Seller's obligation to deliver any additional volumes of Crude Oil in connection with the First Additional Prepayment shall terminate effective immediately (the "**First Additional Maximum Valuation Threshold Termination**").

2.3. **Determination of First Additional Prepayment Volumes**. On the First Additional Prepayment Funding Date, Seller and Buyer will obtain all other information necessary in addition to the Agreed Price Deck to mutually agree upon and insert the necessary inputs into the Volume Model, which will determine the volumes of Crude Oil that must be delivered to Buyer associated with the First Additional Prepayment and the First Additional Maximum Valuation Threshold (the "**First Additional Prepayment Calculation**"). The volumes from the First Additional Prepayment

Calculation will then be inserted into Schedule 2.2, subject to the First Additional Maximum Valuation Threshold. The "**First Additional Maximum Valuation Threshold**" means a dollar amount equal to the First Additional Maximum Valuation Threshold as calculated and determined by the Volume Model. The First Additional Maximum Valuation Threshold shall be set forth on Schedule 2.2 following the First Additional Prepayment Calculation.

2.4. **Second Additional Prepayment**. On or before March 31, 2021, upon the mutual agreement of both Buyer and Seller to enter into the Second Prepayment, satisfaction of the Second Prepayment Conditions Subsequent and following delivery of a Prepayment Request from Seller, the Buyer shall pay to Seller an additional prepayment of Crude Oil up to an amount not exceeding $50,000,000 (the "**Second Additional Prepayment**") in exchange for Seller agreeing to deliver the Second Additional Prepayment Volumes in such amounts within such calendar months as set forth on Schedule 2.4; provided, however, that if the Second Additional Prepayment Market Value of the Second Additional Prepayment Volumes that has been delivered to Buyer equals or exceeds the Second Additional Maximum Valuation Threshold prior to the Final Delivery Date, then as of such date, Seller's obligation to deliver any additional volumes of Crude Oil in connection with the Second Additional Prepayment shall terminate effective immediately (the "**Second Additional Maximum Valuation Threshold Termination**").

2.5. **Determination of Second Additional Prepayment Volumes**. On the Second Additional Prepayment Funding Date, Seller and Buyer will obtain all other information necessary in addition to the Agreed Price Deck to mutually agree upon and insert the necessary inputs into the Volume Model, which will determine the volumes of Crude Oil that must be delivered to Buyer associated with the Second Additional Prepayment and the Second Additional Maximum Valuation Threshold (the "**Second Additional Prepayment Calculation**"). The volumes from the Second Additional Prepayment Calculation will then be inserted into Schedule 2.4, subject to the Second Additional Maximum Valuation Threshold. The "**Second Additional Maximum Valuation Threshold**" means a dollar amount equal to the Second Additional Maximum Valuation Threshold as calculated and determined by the Volume Model. The Second Additional Maximum Valuation Threshold shall be set forth on Schedule 2.4 following the Second Additional Prepayment Calculation.

2.6. **Volume Model Calculations**. No later than the 25th Day following any calendar month during the term of this Agreement, Seller shall deliver to Buyer an updated version of the Volume Model after it has performed the Volume Model Calculations. No later than five (5) Business Days following Buyer's receipt of the updated Volume Model, Buyer shall either accept or reject such calendar month's Volume Model Calculations; provided however that if Buyer fails to respond to receipt of the Volume Model, then Buyer is deemed to have accepted such Volume Model Calculations for such calendar month. If Buyer approves the Volume Model for such calendar month, then the Parties shall take no further action. If Buyer timely rejects the Volume Model Calculations for a calendar month, then Parties shall cooperate in good faith to resolve any differences for ten (10) Business Days. If the Parties cannot resolve their differences with such ten (10) Business Days' time period, then disputed items shall be exclusively and finally resolved by arbitration to be conducted in Houston, Texas, by an independent accounting firm selected by: (i) mutual agreement of Buyer and Seller; or (ii) absent such agreement, by the Houston office of the American Arbitration Association (the "**Accounting Consultant**"). The Accounting Consultant shall agree to be bound by the provisions and timeframes set forth in this Section 2.6 and shall not have been employed by any Party or its Affiliates within the three (3) year period preceding the arbitration. The Accounting Consultant, once appointed, shall have no ex parte communications with any of the Parties concerning the determination required hereunder. All communications between any Party or its Affiliates and the Accounting Consultant shall be conducted in writing, with copies sent simultaneously to the other Party in the same manner, or at a meeting or conference call to which the representatives of both Parties have been invited and of which such Parties have been provided at least five (5) days' notice. Within ten (10) days of appointment of the Accounting Consultant, each of Seller and Buyer shall present the Accounting Consultant with its position with respect to the disputed items, and all other supporting information that it desires, with a copy to the other Party. The Accounting Consultant shall also be provided with a copy of this Agreement. Within twenty (20) days after receipt of such materials and after receipt of any additional information required by the Accounting Consultant, the Accounting Consultant shall make its determination, which shall be final and binding upon all Parties, without right of appeal, absent manifest error. In making its determination, the Accounting Consultant may consult with and engage disinterested third parties to advise the Accounting Consultant and may consider such other matters as in the opinion of the Accountant Consultant are necessary or helpful in making a proper determination with respect to the disputed matters. The Accounting Consultant may not award damages, interest or penalties to either Party with respect to any matter. Seller and Buyer shall each bear its own legal fees and other costs of presenting its case. Seller shall bear one-half (1/2) and Buyer shall bear one-half (1/2) of the costs and expenses of the Accounting Consultant.

2.7. **Threshold Terminations**. Following each of the Initial Maximum Valuation Threshold Termination, the First Additional Maximum Valuation Threshold Termination (as applicable), and the Second Additional Maximum Valuation Threshold Termination (as applicable), if Buyer received more proceeds from the Initial Prepayment Volumes or the Additional Prepayment Volumes (as applicable) than the Initial Prepayment Market Value, First Additional Prepayment Market Value (as applicable) or the Second Additional Prepayment Market Value (as applicable), then Buyer shall pay such additional proceeds to Seller within twenty (20) days of receipt of such proceeds in accordance with the payment provisions for the Commercial Contracts.

2.8. **Commercial Contracts**. Seller's delivery obligations for the Initial Prepayment Volumes or the Additional Prepayment Volumes, as applicable, shall be satisfied and governed by the terms of the Commercial Contracts as further set forth in Section 6.1. To the extent a term of the Commercial Contracts conflicts with the terms of this Agreement, the terms of this Agreement shall control. Buyer and Seller will cooperate to properly handle nominations under the Commercial Contracts in order to allow Seller to deliver the Initial Prepayment Volumes or the Additional Prepayment Volumes, as applicable.

3. <u>MARKETING AGREEMENTS</u>

3.1. **<u>Jubilee Marketing Agreement</u>**. Prior to the Effective Date, Affiliates of Buyer and of Seller shall execute a crude marketing agreement relating to the Group's "Jubilee" producing oil and gas assets located offshore Ghana (the "**Jubilee Marketing Agreement**"), which is attached hereto as <u>Exhibit C</u> to be effective on [***] (or such later date as may be agreed to by the Parties). The initial term of the Jubilee Marketing Agreement shall be [***] (the "**Jubilee Term**"), [***].

3.1.1. Notwithstanding <u>Section 3.1</u>, in the event that Seller delivers a Prepayment Request for the First Additional Prepayment, but Buyer is unwilling to make the First Additional Prepayment or the First Prepayment Conditions Subsequent are not satisfied due to the fault, actions or omissions of Buyer, then the Jubilee Term shall automatically be reduced to [***].

3.1.2. In the event that the Parties close on the Additional Prepayments, regardless of the amount of the Additional Prepayments requested by Seller, and such amount of the Additional Prepayments made available by Buyer equals $150,000,000, then the Jubilee Term shall be automatically extended to be [***].

3.1.3. Buyer and Seller shall cause their respective Affiliates to amend the agreed form of Jubilee Marketing Agreement to reflect such amendments to the Jubilee Term and the [***] in accordance with this <u>Section 3.1</u> on or before October 16, 2020; provided however, that if the Affiliates of Buyer or Seller refuse to agree to or execute such amendment, such automatic amendments of the Jubilee Term and the [***] shall still be in effect.

3.1.4. For the avoidance of doubt, if Seller does not deliver the Prepayment Request for the First Additional Prepayment, then the Jubilee Term [***] will remain unchanged.

3.2. [***]

3.2.1. Affiliates of Buyer and Seller shall, on or before the thirtieth day following the Effective Date, execute a crude marketing agreement relating to the Group's "TEN" producing assets located offshore of Ghana (the "**TEN Marketing Agreement**") substantially in the form of the Jubilee Marketing Agreement, to be effective on January 1, 2021 (or such later date as may be agreed to by the Parties); provided, however, (i) the TEN Marketing Agreement shall not contain [***] and (ii) the benchmark differentials applicable to the TEN Marketing Agreement shall be agreed by the Parties.

3.2.2. The term of the TEN Marketing Agreement (the "**TEN Term**") shall be [***] from January 1, 2021 (or such later date as may be agreed to by the Parties), regardless of whether Seller makes any Additional Prepayments requests. If the Parties close on the First Additional Prepayment, the TEN Term shall be extended to equal the same number of months as the term of the Jubilee Marketing Agreement as determined in accordance with <u>Section 3.1</u> above.

4. CONDITIONS PRECEDENT AND CONDITIONS SUBSEQUENT

4.1. **Conditions Precedent**. The funding of the Initial Prepayment under this Agreement is subject to the satisfaction of the following conditions by Seller and Buyer:

4.1.1. Transaction Documents. The following Transaction Documents shall have been duly executed on terms and conditions acceptable to the Seller and Buyer:

(a) this Agreement;

(b) the Performance Guaranty;

(c) the Parent Performance Guaranty; and

(d) the Jubilee Marketing Agreement.

4.1.2. Legal Opinions. Capacity and enforceability legal opinions in forms to be mutually agreed and from counsel to Seller shall have been delivered to Buyer and addressed to Buyer and any persons designated by Buyer as possible assignees pursuant to Section 20.2.

4.1.3. Corporate Authorizations. Receipt by each of the Parties of the corporate authorizations of the other Party with respect to the Transaction Documents and the transactions contemplated thereby, including but not limited to shareholder or board approvals, where appropriate.

4.1.4. Compliance with Guarantor Debt Documents. No "Event of Default", as defined in the Guarantor Debt Documents shall have occurred and be continuing.

4.1.5. Representations and Warranties. The representations and warranties made by the Parties in this Agreement or the other Transaction Documents executed on or about the Effective Date shall be true and correct in all material respects as of the Effective Date (except to the extent such representations and warranties expressly (i) relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date or (ii) contain a materiality or Material Adverse Effect qualifier, in which case such representations and warranties shall be in true and correct in all respects).

4.1.6. No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing or shall result from the Initial Prepayment.

4.1.7. Know Your Customer. Provision of all information from the Obligors as required by the Buyer to enable it to comply with all "know your customer" or similar identification procedures under all applicable laws and regulations. The Seller shall notify the details of such information at least three (3) Business Days before the Effective Date.

4.1.8. Certificate. Receipt by the Parties of a certificate (i) setting forth the other Party's officers who are authorized to execute Transaction Documents to which such Party is a party and who will, until replaced by another officer or officers duly authorized for that purpose and for the purpose of signing documents and agreements and giving notices, together with specimen signatures of such authorized officers, and (ii) attaching the limited liability company agreement and the bylaws or other applicable organizational documents of such Party certified as being true and complete.

4.1.9. Good Standing. Receipt by Buyer of a certificate of the appropriate state agencies with respect to the existence, qualification and good standing of Seller in the States of Delaware, Louisiana and Alabama.

4.1.10. Insurance. Receipt by Buyer of a certificate of insurance coverage evidencing that Seller is carrying insurance in accordance with Section 11.8.

4.1.11. Lien Searches. Buyer shall have received (i) UCC and other lien searches reflecting no prior liens encumbering the Collateral from the States of Delaware, Louisiana, Mississippi, and Alabama, and (ii) evidence (which is not required to be title opinions) such as report and/or run sheets from a land man satisfactory to Buyer reflecting that, except for Permitted Liens, no Liens encumber the Seller's interest in the Fields.

4.1.12. Guarantor Debt Documents. Buyer shall have received copies of the Guarantor Debt Documents certified by an officer of Seller as being true, correct and complete.

4.1.13. Additional Transaction Documents. The following Transaction Documents shall have been duly executed and delivered by the Parties within 30 days of the Effective Date (unless otherwise specified below in this Section 4.1.13 or as the Buyer may agree in its discretion):

(a) the Louisiana Mortgage and UCC financing statements covering the Collateral identified on the Louisiana Mortgage together with updated title opinions reflecting Seller's ownership interest in the Fields and that Seller's interest in the Fields are free and clear of liens other than Permitted Liens as of a current date and together with a customary mortgage enforceability and filing opinion from Louisiana counsel;

(b) to the extent not previously executed and delivered, the Commercial Contract for the Fields listed on Schedule 1 as numbers 3 and 3.a (the "**Delta House Commercial Contracts**") (and Commercial Contracts for all other Fields within 60 days of the Effective Date); provided that the failure of Seller to execute and deliver any of the Delta House Commercial Contracts on or before such 30 days or the Commercial Contracts that are not Delta House Commercial Contracts on or before such 60 days shall constitute an immediate Event of Default hereunder without the requirement of any notice or any other action and in addition to any other rights or remedies Buyer may have as a result thereof, Seller shall cause each person that is buying Crude Oil from any of the Fields from Seller to make all payments for any such Crude Oil to an account designated by Buyer, and Seller hereby grants a Lien and security interest on such account and all amounts in such account to secure Seller's obligations hereunder;

(c) an Assignment or Assignments corresponding to each Commercial Contract delivered pursuant to (b) above, each within the timelines provided in (b) for the corresponding Commercial Contract together with an opinion of counsel for the Seller covering such Commercial Contract as to matters in the Seller's opinion delivered pursuant to Section 4.1.2.;

(d) all required notices to the Final Buyers under the Final Commercial Contracts due to the Assignment;

(e) the appropriate Affiliates of Buyer and Seller shall have duly executed and delivered the TEN Marketing Agreement; and

(f) Any other ancillary documents, customary to transactions of this nature and as reasonably required by Buyer or Seller.

4.2. **First Prepayment Conditions Subsequent**. The funding of the First Additional Prepayment under this Agreement is subject to the satisfaction of the following conditions by Seller, on the one hand, and Buyer, on the other (the "**First Prepayment Conditions Subsequent**"):

4.2.1. The Initial Prepayment shall have occurred.

4.2.2. Representations. The Repeating Representations shall be true and correct in all material respects as of the funding of the Additional Prepayment (except to the extent such representations and warranties expressly (i) relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date or (ii) contain a materiality or Material Adverse Effect qualifier, in which case such representations and warranties shall be in true and correct in all respects).

4.2.3. No Default or Event of Default. No Default or Event of Default is continuing or shall result from the First Additional Prepayment as of the date of the Prepayment Request related to the First Additional Prepayment.

4.2.4. Prepayment Request. Buyer shall have received a Prepayment Request as and when required pursuant to Section 5.1.

4.2.5. Additional Diligence. Seller shall have provided Buyer with any reasonably requested information as provided in Section 13.7.

4.3. **Second Prepayment Conditions Subsequent**. The funding of the Second Additional Prepayment under this Agreement is subject to the satisfaction of the following conditions by Seller, on the one hand, and Buyer, on the other (the "**Second Prepayment Conditions Subsequent**"):

4.3.1. Additional Transaction Documents. The following Transaction Documents shall have been duly executed and delivered by the Parties:

(a) the Alabama Mortgage and UCC financing statements covering the Collateral identified on the Alabama Mortgage together with a customary mortgage enforceability and filing opinion from Alabama counsel;

(b) the Mississippi Mortgage and UCC financing statements covering the Collateral identified on the Mississippi Mortgage together with a customary mortgage enforceability and filing opinion from Alabama counsel;

(c) Amendment to the Louisiana Mortgage to account for Second Additional Prepayment Volumes;

(d) Any other ancillary documents, customary to transactions of this nature and as reasonably required by Buyer and Seller.

4.3.2. Representations. The Repeating Representations shall be true and correct in all material respects as of the funding of the Second Additional Prepayment (except to the extent such representations and warranties expressly (i) relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date or (ii) contain a materiality or Material Adverse Effect qualifier, in which case such representations and warranties shall be in true and correct in all respects).

4.3.3. No Default or Event of Default. No Default or Event of Default is continuing or shall result from the Second Additional Prepayment as of the date of the Prepayment Request related to the Second Additional Prepayment.

4.3.4. Prepayment Request. Buyer shall have received a Prepayment Request as and when required pursuant to Section 5.1.

5. ADDITIONAL PREPAYMENT

5.1. **Additional Prepayment Request**. Seller may request, at Seller’s discretion, all or a portion of the First Additional Prepayment or the Second Additional Prepayment by delivery to Buyer of a duly completed Prepayment Request not later than 6:00 PM Eastern Time at least fifteen (15) days prior to the requested date of funding of the First Additional Prepayment or the Second Additional Prepayment.

6. DELIVERY AND REIMBURSEMENT

6.1. **Delivery**. Each Prepayment shall be discharged in priority by the delivery of the Crude Oil in monthly instalments with the last delivery due on or before the Final Delivery Date, in accordance with the Commercial Contracts (which, for the avoidance of doubt provide for delivery of volumes in excess of Initial Prepayment Volumes, First Additional Prepayment Volumes and Second Additional Prepayment Volumes) and this Agreement. In the event that all the Delivered Volumes in a calendar month exceeds the Scheduled Volumes for such calendar month, the payment received by Buyer for the forward sale of such excess Crude Oil volumes to a Final Buyer shall be remitted to Seller in accordance with the terms of the relevant Commercial Contract; provided that the Scheduled Volumes for such calendar month shall be allocated to each Field (including, for this Section 6.1 any additional locations that Seller or its Affiliates may deliver from during the term of this Agreement) based on the Field Allocation Factor and the amount of the remittance to Seller shall be calculated on a Field by Field basis each calendar month based on the amount that the

Delivered Volumes on a Field by Field basis exceed the Scheduled Volumes for each such Field as determined in accordance with this Section 6.1. For example, if the Delivered Volumes for a Field was 2,000 Barrels in a month and the total Delivered Volumes from all the Fields was 12,500 Barrels and the Scheduled Volumes for such month was 5,000 Barrels, then Buyer would remit payment to Seller for 1,200 Barrels for that Field 5,000 Barrels * (2,000 Barrels /12,500 Barrels) = 800 Barrels of Scheduled Volumes allocated to such Field; 2,000 Barrels from the Field – 800 Barrels of Scheduled Volumes allocated for such Field = 1,200 Barrels; Seller should be paid for 1,200 Barrels for that Field in accordance with the Commercial Contract for such Field. The remaining 6,300 Barrels to be remitted to Seller would be paid and allocated similarly for the other Fields.

In the event that Seller fails to deliver the specified amount of the Scheduled Volumes for a given calendar month, then such undelivered volumes shall be deliverable in the next calendar month; provided that if all of such undelivered volumes are not delivered in such next calendar month, in addition to the volumes expected to be delivered in such next calendar month, then Seller shall be in default under this Agreement. Seller may deliver volumes of crude oil owned by Seller or its Affiliates from any source in its discretion, including the Crude Oil from the Fields in order to meet its obligations under this Section 6.1, provided that such volumes from such sources shall be delivered under the same terms and conditions of the applicable Commercial Contract or Final Commercial Contract, as applicable. When making nominations under a Final Commercial Contract, Buyer agrees that Buyer's nominations will match Seller's nominations under the corresponding Commercial Contract and shall provide satisfactory evidence on a reasonable basis to Seller each calendar month.

6.2. **Final Delivery Date**. Notwithstanding anything contained in this Agreement, unless extended by Buyer, the final delivery date for the Volumes shall be sixty (60) months following the Effective Date (or such later date as determined by Buyer in its sole discretion) (the "**Final Delivery Date**"); provided however that in the event that Seller fails to deliver the specified amount of the Initial Prepayment Volumes or the Additional Prepayment Volumes, if applicable, by the Final Delivery Date, the Final Delivery Date shall automatically be extended ninety (90) days in to order to allow Seller to deliver any remaining volumes of the Initial Prepayment Volumes or the Additional Prepayment Volumes that are to be delivered to Buyer; provided that if all of such Initial Prepayment Volumes or Additional Prepayment Volumes, as applicable, are not delivered in such ninety (90) days, then Seller shall be in default under this Agreement.

6.3. **Replacement Final Commercial Contracts**. In the event that either (a) Seller desires to replace a Final Buyer for any reason in Seller's sole discretion or (b) a Final Commercial Contract is terminated for any reason, (i) Seller will select a new Final Buyer with a credit rating or a credit support provider with a long term debt rating of at least Baa3 from Standard & Poor's and at least BBB- from Moody's, and Buyer will enter into a crude purchase agreement with such Final Buyer upon terms acceptable to Buyer (in the event of a termination pursuant to the foregoing (b), within 30 days), (ii) Buyer and Seller will terminate, as applicable, any Commercial Contract that was related to the previous Final Buyer's Final Commercial Contract, (iii) Buyer and Seller will enter into a new Commercial Contract based on the terms of the new Final Commercial Contract between Buyer and the new Final Buyer. Buyer agrees to use all reasonable commercial efforts to take all such actions required to enable Seller to continuously produce and sell Crude Oil from the affected Field(s). With respect to (i) above, Seller shall provide Buyer with the identity of the Final Buyer and a copy of the final draft Final Commercial Contract (in the event of a termination pursuant to the foregoing (b), within 20 days), and Buyer shall have two (2) Business Days from receipt of such information to make any reasonable specific objections to the Final Buyer or the terms of the Final Commercial Contract and if Buyer reasonably objects, Seller shall work with Buyer to address the objections and find an acceptable Final Buyer. Failure by Buyer to object within two (2) Business Days shall be deemed acceptance by Buyer of the Final Buyer and Final Commercial Contract and Seller shall enter into such Final Commercial Contract not objected to within 8 days. Seller shall promptly, and in any event within ten (10) Business Days indemnify Buyer for all reasonable out of pocket losses, costs, expenses and liabilities incurred by Buyer as a result of replacing or not replacing a Final Commercial Contract in accordance with Section 6.3, including any reasonable out of pocket losses, costs, expenses and liabilities that Buyer may suffer under any of the Final Commercial Contracts.

7. ILLEGALITY AND CHANGE OF CONTROL

7.1. Illegality

7.1.1. If, at any time, it becomes unlawful in any applicable jurisdiction for Buyer to perform any of its obligations as contemplated by this Agreement or to fund, issue or maintain the Prepayments then, upon Buyer notifying Seller in writing:

(a) This Agreement and the related Transaction Documents (other than the Final Commercial Contracts) shall be immediately terminated and Buyer shall assign the Final Commercial Contracts to Seller without recourse and Seller shall assume all obligations under the Final Commercial Contracts; and

(b) Seller will deliver such volumes of crude oil owned by Seller or its Affiliates from any source, including the Crude Oil from the Fields, as soon as available and in any event within 45 days (or such lesser number of days as Buyer shall determine in good faith is appropriate under applicable law) to cover any Outstanding Prepayment Volume; provided further that except to the extent that such volumes have already been sold pursuant to the then-existing Final Commercial Contracts, Seller shall purchase such volumes on terms identical to those in the applicable Commercial Contracts. Seller shall promptly, and in any event within ten (10) Business Days indemnify Buyer for all reasonable out of pocket losses, costs, expenses and liabilities incurred by Buyer as a result of the delivery of, or failure to deliver, such undelivered volumes in such next 45 days (or such lesser number of days as Buyer shall determine in good faith is appropriate under applicable law), including any reasonable out of pocket losses, costs, expenses and liabilities that Buyer may suffer under any of the Final Commercial Contracts.

7.1.2. The Parties agree that if the illegality of Buyer performing its obligations pursuant to this Agreement or funding, issuing or maintaining the Prepayments does not relate to any act or omission from the Seller Group, the Parties shall negotiate in good faith to execute an amendment to this Agreement to remedy such illegality and the Buyer shall take all reasonable commercial steps to mitigate the circumstances resulting in such illegality through itself or via a third party in order to attempt to maintain this Agreement in full force and effect.

7.1.3. For the avoidance of doubt:

(a) Section 7.1.2 above does not in any way limit the obligations of the Seller Group under the Transaction Documents;

(b) the Obligors shall promptly indemnify the Buyer for all reasonable out of pocket losses, costs and expenses reasonably suffered by Buyer as a result of steps taken by it under Section 7.1.2;

(c) Buyer shall not be obligated to take any steps under Section 7.1.2 if, in the opinion of outside counsel, as delivered to Seller, taking any such steps would violate any applicable law.

7.2. **Change of Control**. Upon the occurrence of a Change of Control:

7.2.1. To the extent not prohibited from doing so by the terms of any contractual provisions relating to a Change of Control (in effect and not made in contemplation of such change of control) and/or by law or regulation, Seller shall promptly (but in any event within ten (10) Business Days) notify Buyer of the identity of any new controlling person in relation to Seller.

7.2.2. After becoming aware of a Change of Control, Buyer may request such information and access to persons as it reasonably requires from Seller in order to determine whether it wishes to demand delivery of the Outstanding Prepayment Volume pursuant to Section 7.2.3 below.

7.2.3. At any time after a Change of Control, if Buyer is not satisfied (acting reasonably) with the Change of Control, upon Buyer’s first written demand (at its sole discretion), Seller, at its option, will (i) deliver such volumes of crude oil owned by Seller or its Affiliates from any source, including the Crude Oil from the Fields, as soon as available but in any event within thirty (30) days, to cover any of the Outstanding Prepayment Volume, or (ii) deliver the monetary equivalent of the Outstanding Prepayment Volume, as applicable, as determined by the Volume Model. Notwithstanding the foregoing, Seller shall immediately indemnify Buyer for all reasonable out of pocket losses, costs, expenses and liabilities incurred by Buyer as a result of such Change of Control and exercise of its rights under this Section 7.2.3, including any reasonable out of pocket losses, costs, expenses liabilities that Buyer may suffer under any Final Commercial Contract.

7.3. **Sanctions**.

7.3.1. If, at any time, as a result of, or non-compliance with or breach of, any law or sanctions applicable to or becoming applicable to Seller and/or its Affiliates) Buyer is unable to perform any of its obligations as contemplated by this Agreement or to fund, issue or maintain the Prepayments then, upon Buyer notifying Seller in writing:

(a) This Agreement and the related Transaction Documents (other than the Final Commercial Contracts) shall be immediately terminated as permitted by law and Sanctions and Buyer shall assign the Final Commercial Contracts to Seller without recourse and Seller shall assume all obligations under the Final Commercial Contracts; and

(b) Seller will deliver to Buyer such volumes of crude oil owned by Seller or its Affiliates from any source permitted by Sanctions in its discretion, including the Crude Oil from the Fields, forthwith and in any event within 45 days (or such lesser number of days as Buyer, shall determine in good faith is appropriate under applicable law) to cover any Outstanding Prepayment Volume. Notwithstanding the foregoing, Seller shall promptly, and in any event within ten (10) Business Days indemnify Buyer for all reasonable out of pocket losses, costs, expenses and liabilities suffered by Buyer as a result of the delivery of, or failure to deliver, such undelivered volumes in such next two and one-half months, including any reasonable out of pocket losses, costs, expenses and liabilities that Buyer may suffer under any of the Final Commercial Contracts.

8. COSTS, EXPENSES AND INDEMNITIES. Seller shall promptly upon demand reimburse Buyer for all reasonable, out-of-pocket legal costs and expenses incurred by Buyer in connection with the negotiation and preparation of this Agreement, subject to an aggregate maximum amount of [***] and pay all costs, expenses and taxes in connection with filing and recording of all collateral documents.

8.1. Indemnity. The Seller shall within five (5) Business Days of demand, indemnify the Buyer against any reasonable out of pocket costs, losses or liabilities incurred by it as a result of:

(a) the occurrence of any Event of Default; and/or

(b) a failure by an Obligor to pay any amount or make any delivery under the Prepayment Documents on the due date (including performance under the Commercial Contracts);

8.2. Further Indemnity. The Seller shall promptly indemnify the Buyer and its Affiliates and each officer or employee of the Buyer and its Affiliates against any reasonable out of pocket cost, loss, expense or liability incurred by it (them) in connection with, or arising out of, the enforcement or exercise or preservation of any right of the Buyer under the Prepayment Documents. Any Affiliate or any officer or employee of the Buyer may rely on this Section 8.2.

9. <u>TAXES</u>.

9.1. **<u>Tax Gross-Up</u>**. Buyer shall pay to Seller all federal, state and local excise taxes, sales taxes, gross receipts taxes, license fees, inspection fees, environmental taxes and fees and other similar assessments or charges, now or hereafter levied or assessed, by any governmental authority that Seller may be required to collect or pay on the importation, manufacture, sale, purchase, transportation, storage, resale or use of the Initial Prepayment Volumes or Additional Prepayment Volumes (each a "**Tax**" and collectively "**Taxes**").

9.2. **<u>Refunds</u>**. In the event that a refund opportunity arises with respect to any Tax paid by one Party as a result of the transactions governed by this Agreement, both Parties shall reasonably work together to pursue such refund and the refund shall be paid to the Party that incurred the Tax burden.

9.3. **<u>Exemptions</u>**. Notwithstanding the above, Buyer shall provide Seller with a properly completed exemption certificate or valid fuel license for any Tax from which Buyer may claim exemption. Buyer shall be responsible for the related Tax and, if applicable, any related penalty and interest if such exemption certificate or fuel license if later held, by any proper taxing authority, to be invalid.

9.4. **<u>Exceptions</u>**. Buyer shall not be liable to Seller for any of Seller's income taxes; any withholding taxes imposed on gross amounts (other than any withholding taxes due in connection with the transactions contemplated by the Final Commercial Contracts); any franchise tax measured by capital, capital stock, net worth, gross margin, gross receipt or gross profit; any minimum or alternative minimum tax; or any taxes imposed by law on Seller that are prohibited by law from being passed on to Buyer. Further, Buyer shall not be liable to Seller for any employment related tax, fee, or charge. Buyer shall not be liable for any of Seller's inventory based taxes, ad valorem taxes or property taxes. Buyer shall be responsible for filing returns and paying inventory based taxes, ad valorem taxes and property taxes on property and/or inventory that they own on the assessment date.

10. <u>REPRESENTATIONS & WARRANTIES</u>. Seller (as to itself and the Obligors only) hereby represents and warrants to Buyer as follows:

10.1. **<u>Status</u>**. Seller is duly formed and validly existing and in good standing under the laws of the jurisdiction of its formation and has the power to own its assets and carry on its business as it is being conducted.

10.2. **<u>Binding Obligations</u>**. This Agreement constitutes the valid, binding and enforceable obligation of Seller, except insofar as enforcement thereof may be limited by bankruptcy, insolvency or similar laws (including all laws relating to fraudulent transfers) and except insofar as enforcement thereof is subject to general principles of equity.

10.3. **<u>No Conflict</u>**. The entry into and performance by Seller of, and the transactions contemplated by, the Transaction Documents do not and will not conflict with: (a) any law or regulation applicable to it; (b) its governing documents; or (c) any agreement or instrument binding upon it, in each case, in a manner that has or would reasonably be expected to have a Material Adverse Effect.

10.4. **Power and Authority**. Seller has the limited liability company power to enter into, perform and deliver, and has taken all necessary limited liability company action to authorize its entry into, performance and delivery of, the Transaction Documents and the transactions contemplated thereby.

10.5. **Approvals**. All Required Approvals (except where required by any Governmental Agency in respect of any Mortgage granted (or to be granted)) *in* connection with Seller's execution, delivery, performance or enforcement of the Transaction Documents have been obtained or effected by Seller and are in full force and effect (where a failure to do so has or could reasonably be expected to have a Material Adverse Effect).

10.6. **Compliance with Laws**. Seller is in compliance with all applicable laws and regulations except where any non-compliance has or would reasonably be expected to have a Material Adverse Effect.

10.7. **Insolvency**. (a) Obligors, taken as a whole, are Solvent, and (b) and Seller is Solvent.

10.8. **No Default**. No Default or Event of Default has occurred and is continuing.

10.9. **Litigation**. Except as disclosed to Buyer in writing prior to the Signing Date, no litigation, arbitration or administrative proceeding is pending or threatened against Seller which could reasonably be expected to be adversely determined against it and which, if so determined, has, or could reasonably be expected to have, a Material Adverse Effect.

10.10. **Environmental Laws.**

(a) Seller is in compliance Environmental Laws and to best of its knowledge and belief after making all reasonable enquiries no circumstances have occurred which would prevent such compliance in a manner or to an extent which has or would reasonably be expected to have a Material Adverse Effect.

(b) No Environmental Claim which has or would reasonably be expected to have a Material Adverse Effect has been commenced or threatened against Seller or its assets or properties, including any of the Fields.

(c) All consents, licenses and approvals required under the Environmental Laws have been obtained and are currently in force where failure to do so has or would reasonably be expected to have a Material Adverse Effect.

10.11. **Taxation.**

(a) Seller is not overdue in the filing of any Tax returns and it is not overdue in the payment of any amount in respect of Tax, which has or would reasonably be expected to have a Material Adverse Effect except to the extent such payment is being contested in good faith and adequate reserves are being maintained for those Taxes and the costs required to contest them;

(b) No claims or investigations, which have or would reasonably be expected to have a Material Adverse Effect, are being, made or conducted against Seller with respect to Taxes except in connection with a payment being contested in good faith for which adequate reserves are being maintained for such Taxes and the costs required to contest them.

10.12. **Fields**. Seller has good and merchantable title (subject to Permitted Liens) to, or valid leases or licenses of, and all required Authorizations to use, the assets necessary to carry on its business as presently conducted where failure to do so would reasonably be expected to have a Material Adverse Effect and there are no Liens (other than Permitted Liens) on the assets of Seller. Seller has good and merchantable title to the oil and gas properties evaluated in the Reserve Report, and subject to Permitted Liens, owns the working interest and net revenue interest for the oil and gas properties set forth on the Reserve Report. Seller has no take or pay arrangement affecting its oil and gas properties that would cause a Material Adverse Effect. The representations and warranties in Section 4.1 of the Louisiana Mortgage and the corresponding section of the Alabama Mortgage and Mississippi Mortgage are true and correct whether or not such Mortgages are in effect.

10.13. **Federal Reserve Regulations.**

(a) Seller is not engaged, principally or as one of its important activities, in the business of purchasing or carrying Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of any Prepayment will be used, whether directly or indirectly, for any purpose that would entail a violation of Regulation U or Regulation X of the Board of Governors of the Federal Reserve System of the United States of America.

10.14. **Investment Company**. Seller (i) is not and, (ii) after giving effect to any Prepayment and the application of the proceeds thereof, will not be, an "investment company" as defined in the US Investment Company Act of 1940, as amended.

10.15. **Full Disclosure**. To Seller's knowledge after due investigation, all factual information provided by or on behalf of Seller in connection with the Transaction Documents, taken as a whole and the information in respect of the Fields, taken as a whole, was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated and no information has been given or withheld that results in the information received being untrue or misleading in any respect. The information provided by or on behalf of Seller to Ryder Scott in conjunction with Ryder Scott's preparation of the Reserve Reports is true and correct in all material respects and Seller did not give, or cause any instructions to be given, to Ryder Scott with respect to the values and amounts derived in an attempt to bias their work, and Seller is not otherwise aware of any matters that have had an impact on the objectivity of Ryder Scott.

10.16. **<u>Insurance</u>**.

There is no:

(a) outstanding insured loss or liability incurred by Seller which is not expected to be covered by collectable insurance to the full extent of that loss or liability and which has or would reasonably be expected to have a Material Adverse Effect; and

(b) non-disclosure, misrepresentation or breach of any term of any insurance contract to which it is party which would entitle any insurer to repudiate, rescind or cancel it or to treat it as avoided in whole or in part or otherwise decline any valid claim under it by or on behalf the it, which has or would reasonably be expected to have a Material Adverse Effect.

10.17. **<u>Anti-Bribery and Corruption and AML</u>**.

(a) Seller and each of its Affiliates has implemented and maintains adequate internal procedures designed to ensure that neither it, nor its directors, officers, or employees shall authorize the receiving, giving or offering of any financial or other advantage with the intention of inducing or rewarding an individual or entity to improperly perform an activity undertaken in the course of an individual's employment or connected to an entity's business activities ("**Anti-Corruption Controls**"); and

(b) in connection with the performance of the Transaction Documents, Seller and each of its Affiliates has not paid, received or authorized , and it will not pay , receive or authorize, any financial or other advantage or the offering thereof, to or for the benefit of any public official, civil servant, political party, political party official , candidate for office, or any other public or private individual or entity (including to any Buyer, its Affiliates, officers, directors and employees), where such payment, receipt or authorization would violate the Anti-Corruption Controls; and

(c) it and each Obligor and each of their Subsidiaries has instituted and maintains reasonable and relevant policies and procedures designed to promote and achieve in relation to its business activities, compliance with all anti-money-laundering laws and regulations which are applicable to it in respect of each such business activity.

10.18. **<u>No Filing or Stamp Taxes</u>**. Except for any recording fees or mortgage recording taxes, no stamp duty, filings, recordings, regulatory approvals, registrations, notarial or similar Taxes or fees are required to be paid on or in relation to any Transaction Document and it is not necessary that any Transaction Document be filed, recorded or enrolled with any court or other authority in any jurisdictions.

10.19. **Deduction of Tax**. Except for any withholding taxes on interest payments under this Agreement, Seller is not required to make any deduction for or on account of Tax from any payment it may make under the Transaction Documents.

10.20. **Material Contracts and Licenses.**

(a) None of the Material Contracts and Licenses has been terminated, cancelled, suspended or revoked or otherwise ceased to be valid, binding and enforceable and in full force and effect (whether wholly or in part) nor has it become unlawful for any person or entity to perform any of its obligations under any of the Material Contracts and Licenses unless such termination, cancellation, suspension, revocation or cessation or such becoming unlawful would not reasonably be expected to cause a Material Adverse Effect.

(b) There is no material breach of the terms of any of the Material Contracts and Licenses or there is a default (howsoever described) under any of the Material Contracts and Licenses nor has any other event or circumstance occurred entitling any person, authority or entity to terminate or give notice of termination of any of the Material Contracts and Licenses that would reasonably be expected to cause a Material Adverse Effect.

(c) No restrictions or conditions are imposed on any of the Material Contracts and Licenses that would reasonably be expected to cause a Material Adverse Effect.

(d) None of the Material Contracts and Licenses has been modified or varied in a way that would reasonably be expected to cause a Material Adverse Effect.

10.21. **Physical Delivery**. Seller is a commercial participant in the market for, and regularly makes or takes delivery in the ordinary course of its business of, crude oil. Seller intends on the date of this transaction to settle its obligations hereunder by making or taking physical delivery of Crude Oil.

10.22. **Sanctions**. Seller has not, nor has any member of the Group, received notice of, nor is aware of, any claim, action, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority.

10.23. **Buyer Representations and Warranties**. Buyer (as to itself only) hereby represents and warrants to Seller as follows:

(a) **Status**. Buyer is duly formed and validly existing and in good standing under the laws of the jurisdiction of its formation and has the power to own its assets and carry on its business as it is being conducted.

(b) **Binding Obligations**. This Agreement constitutes the valid, binding and enforceable obligation of Buyer, except insofar as enforcement thereof may be limited by bankruptcy, insolvency or similar laws (including all laws relating to fraudulent transfers) and except insofar as enforcement thereof is subject to general principles of equity.

(c) **No Conflict**. The entry into and performance by Buyer of, and the transactions contemplated by, the Transaction Documents do not and will not conflict with: (a) any law or regulation applicable to it; (b) its governing documents; or (c) any agreement or instrument binding upon it, in each case, in a manner that has or would reasonably be expected to have a Material Adverse Effect.

(d) **Power and Authority**. Buyer has the limited liability company power to enter into, perform and deliver, and has taken all necessary limited liability company action to authorize its entry into, performance and delivery of, the Transaction Documents and the transactions contemplated thereby.

(e) **Approvals**. All Required Approvals (except where required by any Governmental Agency in respect of any Mortgage granted (or to be granted)) in connection with Buyer's execution, delivery, performance or enforcement of the Transaction Documents have been obtained or effected by Buyer and are in full force and effect (where a failure to do so has or could reasonably be expected to have a Material Adverse Effect).

(f) **Litigation**. Except as disclosed to Seller in writing prior to the Signing Date, no litigation, arbitration or administrative proceeding is pending or threatened against Buyer which could reasonably be expected to be adversely determined against it and which, if so determined, has, or could reasonably be expected to have a Material Adverse Effect.

(g) **Physical Delivery**. It is a commercial participant in the market for, and regularly makes or takes delivery in the ordinary course of its business of, Crude Oil. It intends on the date of this transaction to settle is obligations hereunder by making or taking physical delivery of Crude Oil.

(h) **Anti-Bribery and Corruption and AML**.

(i) Buyer has implemented and maintains adequate Anti-Corruption Controls in connection with the Transaction Documents; and

(ii) in connection with the performance of the Transaction Documents, Buyer has not paid, received or authorized , and it will not pay , receive or authorize, any financial or other advantage or the offering thereof, to or for the benefit of any public official, civil servant, political party, political party official , candidate for office, or any other public or private individual or entity (including to any Seller, its Subsidiaries, its and their officers, directors and employees), where such payment, receipt or authorization would violate the Anti-Corruption Controls; and

(iii) it and each of its Subsidiaries has instituted and maintains reasonable and relevant policies and procedures designed to promote and achieve in relation to its business activities in connection with the Transaction Documents, compliance with all anti-money-laundering laws and regulations which are applicable to it in connection with the Transaction Documents.

(i) **Sanctions.** Buyer has not received notice of, nor is aware of, any claim, action, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority.

10.24. **Time When Representations Made**

(a) All the representations and warranties in Section 10 are made on the Signing Date and the Repeating Representations are as of the date of any Additional Prepayment and, as to the Seller only, the date of any Compliance Certificate.

(b) Each representation or warranty deemed to be made after the date of this Agreement shall, unless otherwise indicated, be deemed to be made by reference to the facts and circumstances existing at the date the representation or warranty is deemed to be made.

(c) The representations and warranties under this Section 10 shall be deemed to be made on the Signing Date and on the date of the making of the Initial Prepayment, the First Additional Prepayment and the Second Additional Prepayment under this Agreement.

11. AFFIRMATIVE AND NEGATIVE COVENANTS. For so long as any volumes of Crude Oil remain to be delivered to Buyer pursuant to this Agreement; (a) Seller hereby covenants and agrees with Buyer as set forth in Sections 11.1-11.13; and (b) Buyer hereby covenants and agrees with Seller as set forth in Section 11.14.

11.1. **Existence; Authorizations**. Seller shall maintain its corporate existence and remain in good standing in the jurisdiction of its formation. Seller shall promptly obtain and comply with Required Approvals where a failure to do so would have a Material Adverse Effect.

11.2. **Compliance with Laws**. Seller shall comply with all laws and regulations (including compliance with Environmental Laws and Environmental Permits) applicable to it where failure to do so would have a Material Adverse Effect.

11.3. **Taxation**. Seller shall, pay and discharge all Taxes imposed upon it or its assets within the time period allowed unless and only to the extent that: (a) such payment is being contested in good faith; (b) adequate reserves are being maintained for those Taxes and the costs required to contest them in accordance with relevant Accounting Principles; and (c) any failure to make any such payment does not have, or is not likely to have, a Material Adverse Effect. Seller shall promptly file all tax returns required by law within the requisite time limits except to the extent contested in good faith and subject to adequate reserve or provision.

11.4. **Assets.**

11.4.1. Condition of Assets. Seller shall maintain (or, to the extent operated by a third party operator, use commercially reasonably efforts to cause such operator to maintain) the Fields in the manner of a reasonably prudent offshore operator in the U.S. Gulf of Mexico, except where failure to do so would not have, and would not reasonably be expected to have, a Material Adverse Effect. Seller also agrees to comply with Sections 4.2 and 4.3 of the Louisiana Mortgage and the corresponding sections of the Alabama Mortgage and Mississippi Mortgage whether or not either of such Mortgages are in effect.

11.4.2. Disposition of Fields. Other than Permitted Disposals, Seller shall not, either in a single transaction or in a series of transactions and whether related or not, Dispose of any material portion of Seller's interests in the Fields without the prior written consent of Buyer.

11.5. **Change in Business**. No substantial change shall be made to the general nature of the business of Seller from that carried on by Seller as at the date of this Agreement.

11.6. **Sanctions**. Seller shall not permit or authorize any other person to (having made reasonable enquiries), directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of any Prepayment to fund or facilitate any trade, business or other activities (a) relating to, involving or for the benefit of any Restricted Party; and/or (b) in any other manner that would result in Seller or any member of the Group being in breach of any Sanctions or becoming a Restricted Party. Seller shall comply with Sanctions and maintain in effect and enforce policies and procedures designed to ensure such compliance and will not to the knowledge of such Obligor take any action or omit to take any action if the effect of such action or inaction would cause Seller or Buyer to be in breach of Sanctions applicable to Buyer in connection with the Transaction Documents, or Seller. Each Obligor shall comply in all respects with Sanctions that are applicable to it including in respect of each business activity. No Obligor shall knowingly (having undertaken relevant verifications and made reasonable enquiries) use any funds identified as derived directly from any activity or dealing with any person or entity which is a Restricted Party or listed on Sanctions List or located in a Sanctioned Country.

11.7. **Negative Pledge**. Except for Permitted Liens, Seller shall not create, or permit to exist, any Lien over, or affecting, (i) the Transaction Documents, (ii) the Crude Oil being produced, stored, or delivered on account of any Commercial Contract or Final Commercial Contract (or any part thereof) or (iii) any interest of Seller in any of the Fields including any hydrocarbons produced therefrom. Except for sales pursuant to or permitted by the Transaction Documents, Seller shall not sell forward any crude oil from any of the Fields except for sales in the ordinary course of business pursuant to contracts that can be terminated by the Seller on no more than sixty (60) days' notice.

11.8. **Insurance**. Seller shall maintain insurance, with reputable independent insurance companies or underwriters, on and in relation to their respective business and assets against those risks and to the extent as is usual for similarly sized companies carrying on the same or substantially similar business in the U.S. Gulf of Mexico. Upon request by Buyer to Seller, that Seller shall provide to Buyer a certificate confirming that each applicable insurance policy has been renewed, is in full force and effect and that all insurance premiums have been paid and are up to date.

11.9. **Further Assurances; Participation**. Seller shall at its own expense promptly do, or procure, all such acts or execute, procure the execution of, all such documents (including assignments, transfers, charges, notices, acknowledgments of notices of assignments, and instructions) which Buyer reasonably determines are required for the exercise of any rights, powers and remedies of Buyer provided by or pursuant to the Transaction Documents.

11.10. **Visitation Right**. Seller shall allow Buyer and/or professional advisers, insurance providers, auditors, accountants and contractors of Buyer free access at all reasonable times and on reasonable notice and at the responsibility of Seller to the premises and assets of Seller for the purposes of enabling Buyer to monitor Seller's compliance with, and performance under, the Prepayment Documents, provided that such visits shall not interfere with the business operations of Seller. Buyer understands for assets that are not operated by Seller, the right of access to such assets shall be subject to both the prior approval of the operator and the Buyer's compliance with the operator's requirements for access.

11.11. **Material Contracts and Licenses**.

(a) Each Obligor shall comply in all material respects with each Material Contract and License to which it is a party, where it is commercially reasonable to do so and necessary to prevent the occurrence of Material Adverse Effect.

(b) Each Obligor shall take all reasonable and practical steps to preserve and enforce its rights (or the rights of any other member of the Group) and pursue any claims and remedies arising under any of the Material Contracts and Licenses to the extent necessary to prevent the occurrence of a Material Adverse Effect.

(c) Each Obligor shall obtain, maintain and ensure compliance with all requisite Material Contracts and Licenses in all material respects necessary to prevent the occurrence of a Material Adverse Effect, including seeking any necessary renewals.

11.12. **Arm's length basis**.

(a) Except as permitted by paragraph (b) below, Seller shall not enter into any transaction with any person except on arm's length terms.

(b) The payment of fees, costs and expenses payable under the Transaction Documents or agreed by the Seller and the Buyer, shall not be a breach of this Section 11.12.

11.13. **Anti-Bribery and Corruption and AML**. Each Obligor undertakes to comply at all times with the representations it makes in Section 10.17.

11.14. **Environmental Claims**.

Each Obligor shall, promptly upon becoming aware of the same, inform the Buyer in writing of:

(a) any Environmental Claim which is current or pending against Seller or its Subsidiaries and which could reasonably be expected to have a Material Adverse Effect; and

(b) any facts or circumstances which are reasonably likely to result in any Environmental Claim, which would reasonably be expected to have a Material Adverse Effect, being commenced or threatened against Seller or its Subsidiaries.

11.15. **Sanctions and Anti-Bribery and Corruption and AML**. Buyer undertakes to comply at all times with the representations it makes in Section 10.23(h).

12. LIQUIDITY RATIOS

12.1. **Guarantor Liquidity Ratio**. At all times from the Effective Date through and including the Final Delivery Date, the Guarantor Liquidity Ratio shall be at least equal to the Minimum Guarantor Liquidity Ratio. The Guarantor Liquidity Ratio shall be tested as of the last day of each calendar quarter of Guarantor.

12.2. **GoM Liquidity Ratio**. At all times from the Effective Date through and including the Final Delivery Date, the GoM Liquidity Ratio shall be at least equal to the Minimum GoM Liquidity Ratio evidenced by row 101 in the Prepay Tab of the Liquidity Model showing only a "True" output for every quarter. The GoM Liquidity Ratio shall be tested as of the Effective Date, the First Additional Prepayment Funding Date, the Second Additional Prepayment Funding Date (in each case, based upon the results of the most recently ended fiscal quarter of Guarantor for which such information is available), last day of each calendar quarter of Guarantor and upon the incurrence by Seller of any Debt owed to a third party who is not an Affiliate of Seller.

13. FINANCIAL INFORMATION. For so long as any volumes of Crude Oil remain to be delivered to Buyer pursuant to this Agreement, Seller hereby covenants and agrees with Buyer as follows:

13.1. **Financial Statements.**

13.1.1. Audited Financials. Seller shall supply to Buyer, as soon as they are available, but in any event within one hundred and eighty (180) days after the end of Guarantor's fiscal year, Guarantor's audited financial statements for that fiscal year, including footnotes presenting financial statements of Seller.

13.1.2. Requirements as to Audited Financial Statements. Each of the financial statements delivered pursuant to Section 13.1.1 shall (a) include a balance sheet, profit and loss account and cash flow statement; (b) be certified by a financial officer of each Obligor as giving a true and fair view of (in respect of audited financial statements), or fairly presenting (in other cases), such Obligor's financial condition and operations as of the date of such financial statements; (c) if Buyer so requests, be accompanied by a letter addressed to the management of Guarantor by the auditors of Guarantor, such letter accompanying those financial statements; and (d) shall be prepared in accordance with the Accounting Principles, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements, unless, in relation to any set of financial statements, Obligors notify Buyer that there has been a material change in the Accounting Principles and delivers to Buyer a description of any change necessary for those financial statements to reflect the Accounting Principles. Any reference in this Agreement to any financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

13.2. **Compliance**. Within twenty-five (25) days of the end of each calendar quarter, Seller shall deliver a certificate (each, a "**Compliance Certificate**") to Buyer certifying as to the following (a) the Group's and Seller's compliance with the Guarantor Liquidity Ratio and GOM Liquidity Ratio set forth in Section 12: for each calendar quarter, as of the last day of such calendar quarter, (b) no litigation, arbitration or administrative proceeding is pending or threatened against Seller which could reasonably be expected to be adversely determined against it and which, if so determined, has, or could reasonably be expected to have, a Material Adverse Effect; (c) no Default or Event of Default has occurred and is continuing, (d) a summary of the quantities of Crude Oil expected to be delivered in the immediately succeeding three (3) month period and (e) a report confirming the quantities of Crude Oil delivered in such quarter.

13.3. **Year-End**. Seller shall not change its Accounting Reference Date.

13.4. **Information**. Seller shall supply to Buyer:

(a) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceeding is pending or threatened against Seller or any of the Seller's assets or properties which could reasonably be expected to be adversely determined against it and which, if so determined, has, or could reasonably be expected to have, a Material Adverse Effect;

(b) promptly, such information as Buyer may reasonably require regarding any assets secured in favor of Buyer or the compliance by any Obligor with the terms of any Prepayment Document;

(c) the occurrence of any event or circumstance which has resulted or would reasonably be expected to result in a Material Adverse Effect;

(d) promptly on request, such further information regarding the financial condition, assets (including the Fields) and operations of Seller (including lease operating expenses, capital expenditures and any requested explanation of any item in the financial statements, budgets or other materials provided by Seller, any changes to senior management and an up to date copy of its shareholders' register (or equivalent in its jurisdiction of incorporation)) as Buyer may reasonably request;

(e) details of any adverse change in the terms of any insurance contract to which a Seller is party, or of any material claim under any such insurance, and

(f) promptly and in any event within ten (10) days of a responsible officer of the Seller becoming aware of any breach by any Obligor of, or any terminations, suspensions or occurrences of force majeure events under, any, Prepayment Document.

13.5. **Notification of Default**. Seller shall notify Buyer of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

13.6. **Reserve Reports**. On or before March 1 of each year, commencing March 1, 2021, Seller shall furnish to Buyer a reserve report evaluating the Fields as of the immediately preceding December 31 (each, a "**Reserve Report**"). Each Reserve Report shall be prepared by Ryder Scott Company, L.P. or another petroleum engineer reasonably acceptable to Buyer. In addition, on or before August 31, 2020, Seller shall furnish to Buyer updated profiles or a Reserves Report for the Fields prepared by Ryder Scott Company, L.P. or another petroleum engineer reasonably acceptable to Buyer reflecting relevant new information since December 31, 2019. Each Reserve Report shall set forth as of December 31 the oil and gas reserves attributable to the Fields, together with a projection of the annual production and future net income, taxes, operating expenses and capital expenditures with respect thereto as of such date, consistent with SEC reporting requirements at the time. Where applicable, Seller and Buyer shall use the information in the most recent such Reserve Report to calculate the Minimum GoM Liquidity Ratio in Section 11.19.

13.7. **Other Reporting and Access for Buyer's Technical Team**. Seller shall promptly provide to Buyer all such reports and all such information relating to the Prepayment Documents and business, financial conditions of each Obligor as Buyer may reasonably request.

14. EVENTS OF DEFAULT AND REMEDIES. Each of the events or circumstances set out in this Section 14 is an Event of Default.

14.1. **Non-Payment**. Any Obligor does not pay or reimburse on the relevant due date any amount payable or to be reimbursed pursuant to this Agreement or the other Prepayment Documents at the place at and in the currency in which it is expressed to be respectively payable unless its failure to pay is caused by administrative or technical error and payment is made within three (3) Business Days of its due date.

14.2. **Breach of Covenants or Commercial Contract**. An Obligor breaches or fails to comply with or perform any provision(s) of the Prepayment Documents (other than those referred to in Section 14.1) including non-performance of any quantity delivery for any calendar month and breach of Section 11.7, unless the same is, in the reasonable opinion of Buyer, capable of remedy and is remedied within sixty (60) days from the earlier of the date Seller has become aware of that non-compliance and the date notice of that non-compliance has been given by Buyer to Seller.

14.3. **Representations and Warranties**. Any representation or statement made or deemed to be made by an Obligor in this Agreement or any other Prepayment Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made unless the circumstances giving rise to the misrepresentation are, in the reasonable opinion of Buyer, capable of remedy and are remedied within ten (10) Business Days of the earlier of Buyer giving notice to the relevant Obligor and Obligor becoming aware of the misrepresentation.

14.4. **Insolvency**

(a) Any Obligor or any other member of the Group (where, with regards to such member of the Group, it would reasonably be expected to have a Material Adverse Effect) is unable or admits inability to pay its debts as they fall due or is deemed to or declared to be unable to pay its debts under applicable law, suspends making payments on any of its debts (except to the extent such suspension is in connection with a bona fide dispute with the relevant creditor) or, by reason of actual or imminent financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

(b) The value of the assets of any Obligor or any other member of the Group (where, with regards to such member of the Group, it would reasonably be expected to have a Material Adverse Effect) is less than its respective liabilities (taking into account contingent and prospective liabilities).

(c) A moratorium is declared in respect of any indebtedness of any Obligor or any other member of the Group (where, with regards to such member of the Group, it would reasonably be expected to have a Material Adverse Effect). If a moratorium occurs, the ending of the moratorium will remedy any Event of Default caused by that moratorium with effect from the ending of moratorium, provided that the rights of the Buyer under the Prepayment Documents do not continue to be prejudiced by the ending of such moratorium.

14.5. **Insolvency Proceedings**. Any corporate action, legal proceedings or other formal procedure or step is taken in relation to:

(a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligor or any other member of the Group (where, with regards to such member of the Group, it would reasonably be expected to have a Material Adverse Effect), save in respect of a solvent reorganization;

(b) a composition, compromise, assignment or arrangement with any creditor of any Obligor or any other member of the Group (where, with regards to such member of the Group, it would reasonably be expected to have a Material Adverse Effect);

(c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of any Obligor, or any other member of the Group (where, with regards to such member of the Group, it would reasonably be expected to have a Material Adverse Effect) or any of their respective assets; or

(d) enforcement of any Security over any assets of any Obligor or any other member of the Group (where, with regards to such member of the Group, it would reasonably be expected to have a Material Adverse Effect), or

(e) any analogous procedure or step is taken in any jurisdiction,

save, in each case, for any corporate action, legal proceedings or other formal procedure or step which is frivolous or vexatious and is discharged, stayed or dismissed within 60 days of commencement.

14.6. **Unlawfulness and Invalidity**. It is or becomes unlawful for an Obligor to perform any of its material obligations under this Agreement or the other Prepayment Documents or any Prepayment Document ceases to be in full force and effect or is alleged by a party to it (other than Buyer) to be ineffective.

14.7. **Sanctions and Anti-Corruption**. A violation of Section 11.6 or Section 11.13 occurs.

14.8. **Prepayment Documents**. An Obligor rescinds or purports in writing to rescind or repudiates or purports to repudiate any **Prepayment Document** to which it is a party, or any **Prepayment Document** is terminated for any reason prior to the Final Delivery Date.

14.9. **Litigation**. Any litigation, arbitration, administrative, governmental or regulatory proceedings are commenced in relation to any **Prepayment Document**; or in relation to any transaction contemplated in the **Prepayment Document**s, against any Obligor which have or would reasonably be expected to have a Material Adverse Effect and is not dismissed within thirty (30) days.

14.10. **Cross Default**. Any (i) Material Indebtedness is not paid when due after giving effect to any relevant cure period, (ii) Material Indebtedness of any Obligor or any other member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity, or (iii) failure by an Obligor or any Subsidiary of an Obligor to observe or perform any agreement (beyond any applicable notice, grace or cure periods) evidencing or securing any Material Indebtedness, the effect of which default or other event or condition is to cause, or to permit the holder or holders of any Material Indebtedness to cause, any Material Indebtedness to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise) prior to the stated maturity thereof.

14.11. **Material Contracts and Licenses**.

(a) Any of the Material Contracts and Licenses is terminated, cancelled, suspended or revoked or otherwise ceases to be valid, binding and enforceable and in full force and effect (whether wholly or in part) or it is or becomes unlawful for any person or entity to perform any of its obligations under any of the Material Contracts and Licenses.

(b) There is an event of default (without further possibility of cure)pursuant to the terms of any of the Material Contracts and Licenses or there is a default (howsoever described) under any of the Material Contracts and Licenses or any other event or circumstance occurs entitling any person, authority or entity to terminate or give notice of termination of any of the Material Contracts and Licenses.

(c) Any restrictions or conditions are imposed on any of the Material Contracts and Licenses that may cause a Material Adverse Effect.

(d) Any of the Material Contracts and Licenses is modified or varied in a way that is adverse in any material respect to the interests of a Seller.

(e) Any of the Material Contracts and Licenses expires and is not renewed on substantially the same (or more beneficial to the Sellers) terms.

(f) No Event of Default will occur under this Clause 14.11 (Material Contracts and Licenses) if:

(i) such Material Contract and License is replaced by a new Material Contract and License (which shall also be a Material Contract and License for the purposes of the Prepayment Documents) in all material respects similar to the Material Contracts and License which was cancelled, suspended, materially amended (in an adverse manner), revoked or terminated within ten (10) Business Days after the earlier of the Buyer giving notice to the relevant Obligor and the relevant Obligor becoming aware of such circumstances; or

(ii) the relevant Obligor demonstrates to the reasonable satisfaction of the Buyer that such circumstances do not have and are not reasonably likely to have a Material Adverse Effect.

14.12. **Material Adverse Change**. Any adverse event or circumstance occurs and is continuing, and which has, or is reasonably likely to have, a Material Adverse Effect.

14.13. **Final Commercial Contracts**.

(a) A buyer under a Final Commercial Contract breaches or fails to perform any of its obligations thereunder or fails to pay any or all amounts owing thereunder.

(b) A buyer under a Final Commercial Contract rescinds or purports in writing to rescind or repudiates or purports to repudiate such Final Commercial Contract to which it is a party or evidences an intention to rescind (with such intention evidenced in writing) or repudiate such Final Commercial Contract to which it is a party.

(c) Any Final Commercial Contract is terminated for any reason prior to its termination date.

(d) No Event of Default will occur under this Clause 14.13 (Final Commercial Contracts) if:

(i) such Final Commercial Contract is replaced by a new Final Commercial Contract in accordance with Section 6.3; or

(ii) Seller demonstrates to the reasonable satisfaction of the Buyer that such circumstances do not have and are not reasonably likely to have a Material Adverse Effect.

14.14. **Rights and Remedies**. Notwithstanding any other provision in this Agreement, on and at any time after the occurrence of an Event of Default which is continuing Buyer may:

(a) by notice to Seller requesting that Outstanding Prepayment Volume be made available as soon as available and in any event within thirty (30) days and/or

(b) exercise any or all of its rights, remedies, powers or discretions under the Prepayment Documents and applicable law, including the right to compel specific performance.

14.15. **Set-off**. Buyer may set off any matured obligation (whether or not arising under any of the Prepayment Documents and to the extent an Obligor has not provided Buyer with written notice that such Obligor is disputing such obligation in good faith) due from any Obligor against any matured obligation (whether or not arising under any of the Prepayment Documents), owed by Buyer to that Obligor or the other Obligor, regardless of the source, place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Buyer may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. For the avoidance of doubt, Buyer will not set-off pursuant to this Section 14.15 any amounts in respect of the Jubilee Marketing Agreement or the TEN Marketing Agreement.

15. DISCLOSURE AND CONFIDENTIALITY

15.1. **Confidential Information**. Subject to Section 15.2, each Party shall treat as strictly confidential and not disclose or use any written information received or obtained as a result of entering into or performing this Agreement which relates to:

(a) the subject matter and provisions of this Agreement or any of the Transaction Documents;

(b) the negotiations relating to this Agreement and any other Transaction Document;

(c) the other Parties (including any other members of Seller's Group or any members of Buyer's Group (as the case may be)).

15.2. **Disclosure Permitted**. A Party may disclose information which would otherwise be confidential if and to the extent disclosure is:

(a) required by the law of any relevant jurisdiction or for the purpose of any judicial or arbitral proceedings arising out of this Agreement or any Transaction Document;

(b) made in a public announcement, circular or communication (each an "**Announcement**") concerning the existence or content of this Agreement by any Party (including for these purposes any members of the Group or any members of Buyer's Group, respectively) if, and to the extent that, the Announcement in the opinion of the disclosing Party (acting reasonably), is required to be made by law or pursuant to the rules and/or regulations of any Governmental Agency to which the Party (or the relevant member of Seller's Group or Buyer's Group, as the case may be) making the Announcement is subject, whether or not any of the same has the force of law, provided that any Announcement shall, so far as is practicable, be made after consultation with the other Party in respect of the timing and content of such Announcement;

(c) required by or necessary to comply with contractual obligations existing as at the date of this Agreement (including the terms of this Agreement);

(d) made by Seller to any member of Seller's Group or Buyer to any members of Buyer's Group provided that Seller or Buyer, as the case may be, procure that such members comply with the provisions of Section 15.1 in respect of such information as if they were a Party to this Agreement;

(e) made by Buyer in relation to obtaining or seeking to obtain any financing or refinancing of, or related to, this Agreement;

(f) required, in the opinion of the Party making the disclosure, acting reasonably, by a Governmental Agency to which that Party is subject, whether or not such requirement has the force of law;

(g) made to the professional advisors, auditors or bankers of any Party where such persons need to know the same in order to carry out their duties or functions provided that Seller or Buyer, as the case may be, procure that such persons undertake to comply with the provisions of Section 15.1 in respect of such information as if they were a Party to this Agreement;

(h) required for the purpose of exercising remedies, including in any arbitral, judicial or other foreclosure proceedings arising out of this Agreement;

(i) made public through no fault of that Party; and/or

(j) made with the prior written approval of the other Parties.

16. NOTICES

16.1. **Communications in Writing**. Any communication to be made under or in connection with the Prepayment Documents shall be made in writing and, unless otherwise stated, may be made by letter or email.

16.2. **<u>Addresses</u>**. The address and email address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement is in the case of Seller and Buyer, that identified with its name below, or any substitute address, email address or department or officer as Party may notify to Buyer (or Buyer may notify to the other Party, if a change is made by Buyer) by not less than five (5) Business Days' notice.

If to Buyer:

Trafigura Trading LLC
1401 McKinney Street Suite 1500, Houston Texas 77010
Email address: houstonlawyers@trafigura.com
Attention: Legal counsel

With a copy (which shall not constitute notice) to:

Willkie Farr & Gallagher LLP

600 Travis Street | Houston, TX 77002
Email address: mniebruegge@willkie.com
Attention: Michael Niebruegge

If to Seller:

Kosmos Energy Gulf of Mexico Operations, LLC
c/o Kosmos Energy Ltd.
8176 Park Lane, Suite 500
Dallas, Texas 75234
Email address: kosmosgeneralcounsel@kosmosenergy.com
Attention: General Counsel

With a copy (which shall not constitute notice) to:

Locke Lord LLP
2200 Ross Avenue, Suite 2800
Dallas, TX 75201
Email address: jaschumacher@lockelord.com
Attention: Jason A. Schumacher, Esq.

16.3. **<u>Delivery</u>**. Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective: (a) if by personal hand delivery, if left at the address set out in <u>Section 16.2</u> before 6:00 PM Eastern Time on a Business Day the day when left, and otherwise on the next Business Day; (b) if by way of email, on receipt of an automated delivery receipt or confirmation of receipt from the relevant server if before 6:00 PM Eastern Time on a Business Day and otherwise on the next Business Day; (c) if by way of ordinary first class pre-paid post or post or prepaid recorded or special delivery, where the addressee is in the same country as that from which the notice is sent, two (2) Business Days after posting; or (d) if by way of ordinary pre-paid airmail or prepaid recorded or special delivery (or the nearest local equivalent in the jurisdiction of the sender), where the addressee is in one country and the notice is sent from another, six (6) Business Days after posting.

17. PARTIAL INVALIDITY. If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

18. REMEDIES AND WAIVERS. NO FAILURE TO EXERCISE, NOR ANY DELAY IN EXERCISING, ON THE PART OF BUYER, ANY RIGHT OR REMEDY UNDER THIS AGREEMENT AND/OR OTHER PREPAYMENT DOCUMENTS, SHALL OPERATE AS A WAIVER, NOR SHALL ANY SINGLE OR PARTIAL EXERCISE OF ANY RIGHT OR REMEDY PREVENT ANY FURTHER OR OTHER EXERCISE OR THE EXERCISE OF ANY OTHER RIGHT OR REMEDY. THE RIGHTS AND REMEDIES PROVIDED IN THIS AGREEMENT ARE CUMULATIVE AND NOT EXCLUSIVE OF ANY RIGHTS OR REMEDIES PROVIDED BY LAW.

19. COUNTERPARTS. This Agreement may be executed in one (1) or more counterparts, each of which will be deemed an original and all of which together shall constitute the same agreement, and any signature hereto delivered by a Party by facsimile or other electronic transmission (*e.g.*, email) shall be deemed an original signature hereto for all purposes.

20. CHANGES TO PARTIES.

20.1. **Consent Required**. Subject to Section 20.2, neither Buyer nor any Obligor may assign any of its rights or transfer by novation any of its rights and obligations under any Prepayment Document without the prior written consent of the other, which consent shall not be unreasonably withheld.

20.2. **Assignment by Buyer**. Buyer may assign the entirety or any part of its rights (but not its obligations) under any Prepayment Document to a bank or financial institution, without the prior consent of any Obligor. Each Obligor shall promptly acknowledge each such assignment upon request and in such form as reasonably requested by the Buyer.

21. GOVERNING LAW; DISPUTE RESOLUTION.

21.1. **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF LAWS OF ANY JURISDICTION OTHER THAN THOSE OF THE STATE OF NEW YORK.**

21.2. **ARBITRATION. ALL DISPUTES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT SHALL BE FINALLY SETTLED (WITHOUT ANY RIGHT TO APPEAL) UNDER THE RULES OF ARBITRATION OF THE AMERICAN ARBITRATION ASSOCIATION BY THREE ARBITRATORS APPOINTED IN ACCORDANCE WITH SAID RULES. THE SEAT OF ANY SUCH ARBITRATION SHALL BE HOUSTON, TEXAS.**

22. **AMENDMENT**. This Agreement may be amended only by written instrument executed by Seller, Buyer and any other person who has become a Buyer under this Agreement. In the event Buyer desires to allocate a portion of the Additional Prepayment Volumes to a third party pursuant to a separate arrangement, Seller will reasonably cooperate with Buyer to facilitate, including incorporating non-material changes, which do not create any economic impacts, into the Prepayment Agreement to accommodate such arrangement.

23. **LIMITATION ON DAMAGES**. **NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, BUYER OR SELLER SHALL NOT BE ENTITLED TO (AND EACH SUCH PARTY WAIVES) CONSEQUENTIAL, SPECIAL, INDIRECT, PUNITIVE OR EXEMPLARY DAMAGES, OR DAMAGES FOR LOST PROFITS OF ANY KIND, IN CONNECTION WITH EITHER THIS AGREEMENT OR THE TRANSACTIONAL DOCUMENTS.**

24. **WAIVER OF IMMUNITY**. To the extent that the Seller or Buyer may be entitled in any jurisdiction to claim for itself or any of its property or assets immunity in respect of its obligations under the Prepayment Documents from service of process, jurisdiction, suit, judgment, execution, attachment (whether before judgment, in aid of execution or otherwise) or legal process or to the extent that in any jurisdiction there may be attributed to it all or any of its property or assets immunity of that kind (whether or not claimed), the Seller and the Buyer irrevocably agree not to claim and irrevocably waive that immunity.

25. **FORWARD CONTRACT.**

EACH PARTY REPRESENTS AND ACKNOWLEDGES TO THE OTHER THAT:

(A) SUCH PARTY IS AN “ELIGIBLE CONTRACT PARTICIPANT” AS DEFINED IN SECTION 1A (12) OF THE COMMODITY EXCHANGE ACT, AS AMENDED;

(B) THIS AGREEMENT, INCLUDING ANY CREDIT SUPPORT AND TRANSACTIONS HEREUNDER, IS A “FORWARD CONTRACT,” AND A “MASTER NETTING AGREEMENT,” AND/OR A “SWAP AGREEMENT”;

(C) SUCH PARTY IS A “MASTER NETTING AGREEMENT PARTICIPANT” AND EITHER (i) A “FORWARD CONTRACT MERCHANT,” OR (ii) IS IN THE BUSINESS OF PRODUCING CRUDE OIL AND SELLING SUCH CRUDE OIL FOR FORWARD DELIVERY TO FORWARD CONTRACT MERCHANTS FOR PROFIT

AND/OR A “SWAP PARTICIPANT,” AND/OR A “FINANCIAL PARTICIPANT” IN RESPECT OF THERETO, AS SUCH TERMS ARE DEFINED IN THE UNITED STATES BANKRUPTCY CODE (THE “BANKRUPTCY CODE”);

(D) ALL TRANSFERS OF CASH, SECURITIES OR OTHER PROPERTY UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY CREDIT SUPPORT AND ANY TRANSACTION HEREUNDER ARE “MARGIN PAYMENTS,” “SETTLEMENT PAYMENTS” AND/OR “TRANSFERS” FOR PURPOSES OF SECTIONS 546(E), (G) AND (J) AND SECTION 548(D)(2) OF THE BANKRUPTCY CODE;

(E) EACH OBLIGATION UNDER THIS AGREEMENT, ANY CREDIT SUPPORT OR ANY TRANSACTION HEREUNDER IS A “TRANSFER OBLIGATION” OR GIVES RISE TO A “TERMINATION VALUE” OR “PAYMENT AMOUNT” UPON AN EVENT OF DEFAULT SPECIFIED IN SECTION 14.4 OR 14.5 WITHIN THE MEANING OF SECTIONS 362 AND 561 AND/OR 560 OF THE BANKRUPTCY CODE; AND

(F) THE RIGHTS OF THE PARTIES UNDER THIS AGREEMENT CONSTITUTE “CONTRACTUAL RIGHTS” TO TERMINATE AND/OR LIQUIDATE TRANSACTIONS UPON AN EVENT OF DEFAULT SPECIFIED IN SECTION 14.4 OR 14.5, AS SUCH TERM IS USED IN SECTIONS 556 AND 561 AND/OR 560 OF THE BANKRUPTCY CODE.

AS USED IN THIS SECTION 25, “AND/OR” MEANS THE INCLUSIVE MEANING OF “OR.”

(The next page is the signature page.)

IN WITNESS WHEREOF, Seller and Buyer have executed and delivered this Agreement as of the date first written above.

Seller:

KOSMOS ENERGY GULF OF MEXICO OPERATIONS, LLC

By:/s/ Neal Shah
Print Name: Neal Shah
Title: Vice President

Buyer:

TRAFIGURA TRADING LLC

By:/s/ Corey Prologo
Print Name: Corey Prologo
Title: Director

By:/s/ Rodney Malcolm
Print Name: Rodney Malcolm
Title: Director

Schedule 1

[***]

Schedule 2.1

[***]

Schedule 2.2

[***]

Schedule 2.4

[***]

Schedule 3

[***]

Schedule 4

Fields

Prospect	Block	Ownership	NRI	Operator
Barataria	Mississippi Canyon 521	22.500%	15.739%	Kosmos Energy Gulf of Mexico Operations, LLC
Gladden	Mississippi Canyon 800	20.000%	19.600%	W & T Offshore Inc
Kodiak (1)	Mississippi Canyon 727	29.063%	26.394%	Kosmos Energy Gulf of Mexico Operations, LLC
Kodiak (2)	Mississippi Canyon 771	29.063%	26.394%	Kosmos Energy Gulf of Mexico Operations, LLC
Marmalard (3)	Mississippi Canyon 255	11.399%	8.853%	Murphy Exploration & Production Company - USA
Marmalard (4)	Mississippi Canyon 300	11.399%	8.853%	Murphy Exploration & Production Company - USA
Nearly Headless Nick (5)	Mississippi Canyon 387	21.948%	19.259%	Murphy Exploration & Production Company - USA
Noonan - Danny I	Garden Banks 506	30.000%	26.250%	Talos ERT LLC
Noonan - Danny II	Garden Banks 506	50.000%	43.750%	Talos ERT LLC
Odd Job	Mississippi Canyon 214	61.057%	54.646%	Kosmos Energy Gulf of Mexico Operations, LLC
Odd Job	Mississippi Canyon 215	54.875%	49.113%	Kosmos Energy Gulf of Mexico Operations, LLC
SOB2 (6)	Mississippi Canyon 431	11.823%	10.663%	Murphy Exploration & Production Company - USA
South Santa Cruz	Mississippi Canyon 563	40.500%	33.210%	Kosmos Energy Gulf of Mexico Operations, LLC
Tornado (7)	Green Canyon 281	35.000%	24.938%	Talos ERT LLC
Tornado	Green Canyon 280	35.000%	28.438%	Talos ERT LLC

Kodiak Mississippi Canyon 727: Insofar as said lease covers S/2 and NE/4 and those depths lying between 17,500 feet TVDSS down to the depth of 99,999 feet TVDSS

[2] Kodiak Mississippi Canyon 771: Insofar as the lease covers those depths lying between 17,500 feet down TVDSS down to the depth of 99,999 feet TVDSS

[3] Marmalard Mississippi Canyon 255: Insofar as the lease covers those depths lying between the surface down to the depths of 22,000 feet TVDSS
[4] Marmalard Mississippi Canyon 300: Insofar as the lease covers those depths lying between the surface down to the depths of 22,000 feet TVDSS
[5] Nearly Headless Nick Mississippi Canyon 387: Insofar as the lease covers those depths lying between the surface down to the depths of 22,000 feet TVDSS
[6] SOB2 Mississippi Canyon 431: Insofar as the lease covers those depths lying between the surface down to the depths of 22,000 feet TVDSS
[7] Tornado Green Canyon 281: Insofar as the lease covers NE/4 NW/4 NW/4; the S/2 NW/4 NW/4; the W/2 NE/4 NW/4; the SW/4 NW/4; the W/2 SE/4 NW/4; the N/2 NW/4 SW/4 and the NW/4 NE/4 SW/4 from 19,022 feet TVDSS to 22,000 feet TVDSS

Exhibit A-1

[***]

Exhibit A-2

[***]

Exhibit A-3

[***]

Exhibit B

[***]

Exhibit 31.1

Certification of Chief Executive Officer

I, Andrew G. Inglis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kosmos Energy Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2020

/s/ ANDREW G. INGLIS

Andrew G. Inglis
Chairman of the Board of Directors and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer

I, Neal D. Shah, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kosmos Energy Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2020

/s/ Neal D. Shah

Neal D. Shah
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying quarterly report of Kosmos Energy Ltd. (the “Company”) on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Andrew G. Inglis, Chairman of the Board of Directors and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2020

/s/ ANDREW G. INGLIS
Andrew G. Inglis
Chairman of the Board of Directors and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying quarterly report of Kosmos Energy Ltd. (the “Company”) on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Neal D. Shah, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2020

/s/ Neal D. Shah

Neal D. Shah
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.