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 March 31, 2021

☐ **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 May 5, 2021
Common Shares, $0.01 par value	408,048,315

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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.
"Asset Coverage Ratio"	The "Asset Coverage Ratio" as defined in the GoM Term Loan means, as of each March 31, June 30, September 30 and December 31 of each Fiscal Year, commencing December 31, 2020, the ratio of (a) Total PDP PV-10 (as defined in the GoM Term Loan) as of such date to (b) outstanding principal amount of Loans (as defined in the GoM Term Loan) as of such date.
“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.
“Debt cover ratio”	The “debt cover ratio” is broadly defined, for each applicable calculation date, as the ratio of (x) total long-term debt less cash and cash equivalents and restricted cash, to (y) the aggregate EBITDAX (see below) of the Company for the previous twelve months.
“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.
"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.
"Field life cover ratio"	The "field life cover ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) the forecasted net present value of net cash flow through depletion plus the net present value of the forecast of certain capital expenditures incurred in relation to the Ghana and Equatorial Guinea assets, to (y) the aggregate loan amounts outstanding under the Facility.
"FLNG"	Floating liquefied natural gas.
"FPS"	Floating production system.
"FPSO"	Floating production, storage and offloading vessel.
"GAAP"	Generally Accepted Accounting Principles in the United States of America.
"GEPetrol"	Guinea Equatorial De Petroleos.
"GHG"	Greenhouse gas.
"GJFFDP"	Greater Jubilee Full Field Development Plan.
"GNPC"	Ghana National Petroleum Corporation.
"GoM Term Loan"	Senior Secured Term Loan Credit Agreement dated September 30, 2020.
"Greater Tortue Ahmeyim"	Ahmeyim and Guembeul discoveries.
"GTA UUOA"	Unitization and Unit Operating Agreement covering the Greater Tortue Ahmeyim Unit.
"HLS"	Heavy Louisiana Sweet.
"H&M"	Hull and Machinery insurance.
"Jubilee UUOA"	Unitization and Unit Operating Agreement covering the Jubilee Unit.
"Interest cover ratio"	The "interest cover ratio" is broadly defined, for each applicable calculation date, as the ratio of (x) the aggregate EBITDAX (see above) of the Company for the previous twelve months, to (y) interest expense less interest income for the Company for the previous twelve months.
"LNG"	Liquefied natural gas.
"Loan life cover ratio"	The "loan life cover ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) net present value of forecasted net cash flow through the final maturity date of the Facility plus the net present value of forecasted capital expenditures incurred in relation to the Ghana and Equatorial Guinea assets, to (y) the aggregate loan amounts outstanding under the Facility.
"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.
“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.
“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.
“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.
"7.125% Senior Notes"	7.125% Senior Notes due 2026.
"7.500% Senior Notes	7.500% Senior Notes due 2028.
“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.
“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.
"WCTP"	West Cape Three Points.

KOSMOS ENERGY LTD.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	March 31, 2021 (Unaudited)	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 95,242	$ 149,027
Restricted cash	48,660	195
Receivables:		
Joint interest billings, net	25,305	26,002
Oil sales	51,236	44,491
Other	15,866	8,320
Inventories	153,650	128,972
Prepaid expenses and other	30,268	27,870
Derivatives	—	15,414
Total current assets	420,227	400,291
Property and equipment:		
Oil and gas properties, net	3,359,670	3,310,276
Other property, net	9,778	10,637
Property and equipment, net	3,369,448	3,320,913
Other assets:		
Restricted cash	542	542
Long-term receivables	142,220	117,497
Deferred financing costs, net of accumulated amortization of $17,951 and $17,296 at March 31, 2021 and December 31, 2020, respectively	3,051	3,706
Derivatives	—	964
Other	23,598	23,680
Total assets	$ 3,959,086	$ 3,867,593
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 188,704	$ 221,430
Accrued liabilities	174,147	203,260
Current maturities of long-term debt	35,000	7,500
Derivatives	83,293	28,009
Total current liabilities	481,144	460,199
Long-term liabilities:		
Long-term debt, net	2,271,112	2,103,931
Derivatives	10,244	8,069
Asset retirement obligations	252,208	244,166
Deferred tax liabilities	551,540	573,619
Other long-term liabilities	36,053	37,455
Total long-term liabilities	3,121,157	2,967,240
Stockholders' equity:		
Preference shares, $0.01 par value; 200,000,000 authorized shares; zero issued at March 31, 2021 and December 31, 2020	—	—
Common stock, $0.01 par value; 2,000,000,000 authorized shares; 452,125,539 and 449,718,317 issued at March 31, 2021 and December 31, 2020, respectively	4,521	4,497
Additional paid-in capital	2,314,595	2,307,220
Accumulated deficit	(1,725,324)	(1,634,556)
Treasury stock, at cost, 44,263,269 shares at March 31, 2021 and December 31, 2020, respectively	(237,007)	(237,007)
Total stockholders' equity	356,785	440,154
Total liabilities and stockholders' equity	$ 3,959,086	$ 3,867,593

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenues and other income:		
Oil and gas revenue	$ 176,474	$ 177,780
Gain on sale of assets	26	—
Other income, net	70	1
Total revenues and other income	176,570	177,781
Costs and expenses:		
Oil and gas production	45,752	61,603
Facilities insurance modifications, net	671	8,038
Exploration expenses	8,181	44,605
General and administrative	22,441	20,911
Depletion, depreciation and amortization	76,541	93,302
Impairment of long-lived assets	—	150,820
Interest and other financing costs, net	24,528	27,835
Derivatives, net	102,461	(136,038)
Other expenses, net	3,468	23,929
Total costs and expenses	284,043	295,005
Loss before income taxes	(107,473)	(117,224)
Income tax expense (benefit)	(16,705)	65,543
Net loss	$ (90,768)	$ (182,767)
Net loss per share:		
Basic	$ (0.22)	$ (0.45)
Diluted	$ (0.22)	$ (0.45)
Weighted average number of shares used to compute net loss per share:		
Basic	407,365	404,759
Diluted	407,365	404,759
Dividends declared per common share	$ —	$ 0.0452

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total
	Shares	Amount				
2021:						
Balance as of December 31, 2020	449,718	$ 4,497	$ 2,307,220	$ (1,634,556)	$ (237,007)	$ 440,154
Dividends	—	—	90	—	—	90
Equity-based compensation	—	—	8,327	—	—	8,327
Restricted stock units	2,408	24	(24)	—	—	—
Tax withholdings on restricted stock units	—	—	(1,018)	—	—	(1,018)
Net loss	—	—	—	(90,768)	—	(90,768)
Balance as of March 31, 2021	452,126	$ 4,521	$ 2,314,595	$ (1,725,324)	$ (237,007)	$ 356,785
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 units	3,590	36	(36)	—	—	—
Tax withholdings on restricted stock units	—	—	(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

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Operating activities		
Net loss	$ (90,768)	$ (182,767)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depletion, depreciation and amortization (including deferred financing costs)	79,112	95,585
Deferred income taxes	(22,079)	72,177
Unsuccessful well costs and leasehold impairments	1,469	19,228
Impairment of long-lived assets	—	150,820
Change in fair value of derivatives	106,158	(136,322)
Cash settlements on derivatives, net (including $(28.6) million and $12.0 million on commodity hedges during 2021 and 2020)	(32,998)	9,016
Equity-based compensation	8,281	9,346
Gain on sale of assets	(26)	—
Other	(890)	3,974
Changes in assets and liabilities:		
Increase in receivables	(13,278)	(26,932)
Increase in inventories	(25,045)	(27,123)
(Increase) decrease in prepaid expenses and other	(2,409)	6,344
Increase (decrease) in accounts payable	(32,726)	79,009
Decrease in accrued liabilities	(21,427)	(89,318)
Net cash used in operating activities	(46,626)	(16,963)
Investing activities		
Oil and gas assets	(128,448)	(83,716)
Other property	(354)	(1,537)
Proceeds on sale of assets	631	1,713
Notes receivable from partners	(22,416)	(23,983)
Net cash used in investing activities	(150,587)	(107,523)
Financing activities		
Borrowings under long-term debt	100,000	50,000
Payments on long-term debt	(350,000)	—
Net proceeds from issuance of senior notes	444,375	—
Tax withholdings on restricted stock units	(1,018)	(4,947)
Dividends	(430)	(19,156)
Deferred financing costs	(1,034)	—
Net cash provided by financing activities	191,893	25,897
Net decrease in cash, cash equivalents and restricted cash	(5,320)	(98,589)
Cash, cash equivalents and restricted cash at beginning of period	149,764	229,346
Cash, cash equivalents and restricted cash at end of period	$ 144,444	$ 130,757
Supplemental cash flow information		
Cash paid for:		
Interest, net of capitalized interest	$ 33,587	$ 54,694
Income taxes, net of refund received	$ 12,947	$ 26,874

See accompanying notes.

KOSMOS ENERGY LTD.

Notes to Consolidated Financial Statements
(Unaudited)

1. Organization

Kosmos Energy Ltd. was originally incorporated pursuant to the laws of Bermuda in January 2011 to become a holding company for Kosmos Energy Holdings. Kosmos Energy Ltd. changed its jurisdiction of incorporation from Bermuda to the State of Delaware in December 2018 and transferred all of our equity interests in Kosmos Energy Holdings to a new, wholly-owned subsidiary, Kosmos Energy Delaware Holdings, LLC, a Delaware limited liability company. 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 proven basin exploration program in Equatorial Guinea, Ghana and U.S. Gulf of Mexico. 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.

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 SEC for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by 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, 2020, included in our annual report on Form 10-K.

Reclassifications

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

Cash, Cash Equivalents and Restricted Cash

	March 31, 2021	December 31, 2020
	(In thousands)	
Cash and cash equivalents	$ 95,242	$ 149,027
Restricted cash - current	48,660	195
Restricted cash - long-term	542	542
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 144,444	$ 149,764

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. When our net leverage ratio exceeds 2.50x, we are required under the

Facility to maintain a restricted cash balance that is sufficient to meet the payment of interest and fees for the next six-month period on the 7.125% Senior Notes and the 7.500% Senior Notes plus the Corporate Revolver or the Facility, whichever is greater. In January 2021, we restricted cash of approximately $28.5 million and expect to restrict cash of an additional $15.0 million in the second quarter of 2021 to meet our requirements. In February 2021, we amended certain terms of the GoM Term Loan agreement, and as a result we restricted cash of $20.0 million which we expect to be released or be used to paydown the GoM Term Loan in the third quarter of 2021.

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 $128.5 million and $127.5 million of materials and supplies and $25.2 million and $1.5 million of hydrocarbons as of March 31, 2021 and December 31, 2020, 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 March 31,	
	2021	2020
	(In thousands)	
Revenues from contract with customer - Equatorial Guinea	$ 26,431	$ 24,370
Revenues from contract with customer - Ghana	59,351	49,672
Revenues from contract with customers - U.S. Gulf of Mexico	94,389	103,453
Provisional oil sales contracts	(3,697)	285
Oil and gas revenue	$ 176,474	$ 177,780

Concentration of Credit Risk

Our revenue can be materially affected by current economic conditions and the price of oil and natural gas. However, based on the current demand for crude oil and natural gas and the fact that alternative purchasers are available, we believe that the loss of our marketing agents and/or any of the purchasers identified by our marketing agents 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.

Recent Accounting Standards

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes". Our adoption of ASU 2019-12 on January 1, 2021, did not have a material impact on our income tax expense.

3. Acquisitions and Divestitures

During the third quarter of 2020, Kosmos entered into an agreement with Shell to farm down interests in a portfolio of frontier exploration assets for cash consideration of $96.0 million and future contingent consideration of up to $100.0 million. Under the terms of the agreement, Shell acquired Kosmos' participating interest in blocks offshore Sao Tome and Principe, (excluding Block 5 offshore Sao Tome and Principe), Suriname and Namibia, and will acquire our participating interest in South Africa. Kosmos received proceeds totaling $95.0 million during the fourth quarter of 2020 resulting in gain on sale of assets of $92.1 million, with the remaining proceeds of $1.0 million related to Kosmos' participating interest in South Africa expected to be received in 2021 upon customary approval by the government of The Republic of South Africa. The future contingent consideration is payable by Shell upon approval of the relevant operating committee of an appraisal plan for submission to the relevant governmental authority for any of the first four exploration wells it elects to drill in the purchased assets, excluding South Africa. Shell will pay us $50.0 million for each appraisal plan approved by the relevant operating committee to be submitted, subject to an aggregate cap of $100.0 million, or two $50.0 million payments.

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

Joint Interest Billings

The Company's joint interest billings 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 face of the consolidated balance sheets as current and long-term receivables based on when collection is expected to occur.

In Ghana, the foreign contractor group funded GNPC's 5% share of the TEN development costs. The foreign contractor group is being reimbursed for such costs plus interest out of a portion of GNPC's TEN production revenues. As of March 31, 2021 and December 31, 2020, the current portions of the joint interest billing receivables due from GNPC for the TEN fields development costs were $5.8 million and $5.8 million, respectively, and the long-term portions were $21.9 million and $21.2 million, respectively.

Notes Receivables

In February 2019, Kosmos and BP signed Carry Advance Agreements with the national oil companies of Mauritania and Senegal obligating 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 March 31, 2021 and December 31, 2020, the balance due from the national oil companies was $120.3 million and $96.3 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:

	March 31, 2021	December 31, 2020
	(In thousands)	
Oil and gas properties:		
Proved properties	$ 5,479,875	$ 5,369,737
Unproved properties	505,254	495,390
Total oil and gas properties	5,985,129	5,865,127
Accumulated depletion	(2,625,459)	(2,554,851)
Oil and gas properties, net	3,359,670	3,310,276
Other property	59,952	59,949
Accumulated depreciation	(50,174)	(49,312)
Other property, net	9,778	10,637
Property and equipment, net	$ 3,369,448	$ 3,320,913

We recorded depletion expense of $70.6 million and $87.2 million for the three months ended March 31, 2021 and 2020, respectively. During the three months ended March 31, 2021 and 2020, we recorded asset impairments totaling zero and $150.8 million, respectively, in our consolidated statement of operations in connection with fair value assessments for oil and gas proved properties.

6. Suspended Well Costs

The following table reflects the Company’s capitalized exploratory well costs on drilled wells as of and during the three months ended March 31, 2021.

	March 31, 2021
	(In thousands)
Beginning balance	$ 186,289
Additions to capitalized exploratory well costs pending the determination of proved reserves	11,330
Reclassification due to determination of proved reserves	—
Capitalized exploratory well costs charged to expense	—
Ending balance	$ 197,619

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:

	March 31, 2021	December 31, 2020
	(In thousands, except well counts)	
Exploratory well costs capitalized for a period of one year or less	$ 8,841	$ —
Exploratory well costs capitalized for a period of one to two years	29,110	28,692
Exploratory well costs capitalized for a period of three years or greater	159,668	157,597
Ending balance	$ 197,619	$ 186,289
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	3	3

As of March 31, 2021, 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, the Yakaar and Teranga discoveries in the Cayar Offshore Profond block offshore Senegal and the Asam discovery in Block S offshore Equatorial Guinea.

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.

Asam Discovery — In October 2019, we completed the S-5 exploration well offshore Equatorial Guinea, which encountered hydrocarbon pay. In July 2020, an appraisal plan was approved by the government of Equatorial Guinea. The well is located within tieback range of the Ceiba FPSO and work is currently ongoing to integrate all available data into models to establish the scale of the discovered resource. Additionally, engineering is progressing concepts around required subsea infrastructure necessary for a subsea tieback. Once the appraisal plan involving this work is complete, a decision regarding commerciality will be made.

7. Debt

	March 31, 2021	December 31, 2020
	(In thousands)	
Outstanding debt principal balances:		
Facility	$ 1,000,000	$ 1,200,000
Corporate Revolver	50,000	100,000
7.125% Senior Notes	650,000	650,000
7.500% Senior Notes	450,000	—
GoM Term Loan	200,000	200,000
Total	2,350,000	2,150,000
Unamortized deferred financing costs and discounts	(43,888)	(38,569)
Total debt, net	2,306,112	2,111,431
Less: Current maturities of long-term debt	(35,000)	(7,500)
Long-term debt, net	$ 2,271,112	$ 2,103,931

Facility

The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities. As of March 31, 2021, borrowings under the Facility totaled $1.0 billion and the undrawn availability under the facility was $320.0 million. In April 2020, following the lenders' annual redetermination, the available borrowing base and Facility size were both reduced from $1.6 billion to approximately $1.5 billion. In October 2020, as a result of the September 2020 redetermination, the available borrowing base was reduced to approximately $1.32 billion. Additionally, the Company agreed to conduct semi-annual redeterminations every March and September, beginning with March 2021. When our net leverage ratio exceeds 2.50x, we are required under the Facility to maintain a restricted cash balance that is sufficient to meet the payment of interest and fees for the next six-month period on the 7.125% Senior Notes and the 7.500% Senior Notes plus the Corporate Revolver or the

Facility, whichever is greater. In January 2021, we restricted approximately $28.5 million in cash and expect to restrict an additional $15.0 million in the second quarter of 2021 to meet our requirements.

As a 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. We were in compliance with the financial covenants as of the most recent assessment date. The Facility contains customary cross default provisions.

In May 2021, in conjunction with the spring borrowing base redetermination, the Company agreed to an amendment and restatement of the Facility. The amendment includes the following material changes: a reduction in the facility size to $1.25 billion (from $1.5 billion), an increase in the interest margin by 0.5% (applicable interest margin for the first three years is now LIBOR + 3.75%) and an extension in the tenor by two years (final maturity date now occurs in March 2027). The amendment also includes a mechanism for two ESG key performance indicators ("KPIs") to impact the interest margin either positively or negatively based upon delivering emissions targets and achieving certain third party ESG ratings. The KPIs are expected to be agreed upon at the September 2021 redetermination. As amended, the Facility has an available borrowing base of $1.24 billion and total commitments of approximately $1.21 billion. As part of the amendment, Kosmos estimates approximately $15 million for loss on extinguishment of debt during the second quarter of 2021.

Corporate Revolver

In August 2018, we amended and restated the Corporate Revolver maintaining the borrowing capacity at $400.0 million, extending the maturity date from November 2018 to May 2022 and lowering the margin 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 March 31, 2021, there were $50.0 million in outstanding borrowings under the Corporate Revolver and the undrawn availability was $350.0 million.

As a 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. We were in compliance with the financial covenants as of the most recent assessment date. The Corporate Revolver 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 fees and other expenses. We used the net proceeds to redeem all of the previously issued 7.875% Senior Secured Notes due 2021, 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 7.125% Senior Notes.

The 7.125% Senior Notes mature on April 4, 2026. Interest is payable in arrears each April 4 and October 4, commencing on October 4, 2019. The 7.125% 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 the 7.500% Senior Notes) and rank effectively junior in right of payment to all of its existing and future secured indebtedness (including all borrowings under the Facility) and all borrowings under the GoM Term Loan. The 7.125% Senior Notes are guaranteed on a senior, unsecured basis by certain subsidiaries owning the Company's U.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 7.125% Senior Notes as of March 31, 2021. The 7.125% Senior Notes contain customary cross default provisions.

7.500% Senior Notes due 2028

In March 2021, the Company issued $450.0 million of 7.500% Senior Notes and received net proceeds of approximately 444.4 million after deducting fees. We used the net proceeds to repay outstanding indebtedness under the

Corporate Revolver and the Facility, to pay expenses related to the issuance of the 7.500% Senior Notes and for general corporate purposes.

The 7.500% Senior Notes mature on March 1, 2028. Interest is payable in arrears each March 1 and September 1, commencing on September 1, 2021. The 7.500% 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 the 7.125% Senior Notes) and rank effectively junior in right of payment to all of its existing and future secured indebtedness (including all borrowings under the Facility) and all borrowings under the GoM Term Loan. The 7.500% Senior Notes are guaranteed on a senior, unsecured basis by certain subsidiaries owning the Company's U.S. Gulf of Mexico assets, and on a subordinated, unsecured basis by certain subsidiaries that borrow under, or guarantee, the Facility and, on a subordinated basis, guarantee the Corporate Revolver and the 7.125% Senior Notes.

At any time prior to March 1, 2024, and subject to certain conditions, the Company may, on one or more occasions, redeem up to 40% of the original principal amount of the 7.500% Senior Notes with an amount not to exceed the net cash proceeds of certain equity offerings at a redemption price of 107.500% of the outstanding principal amount of the 7.500% Senior Notes, together with accrued and unpaid interest and premium, if any, to, but excluding, the date of redemption. Additionally, at any time prior to March 1, 2024 the Company may, on any one or more occasions, redeem all or a part of the 7.500% Senior Notes at a redemption price equal to 100%, plus any accrued and unpaid interest, and plus a “make-whole” premium. On or after March 1, 2024, the Company may redeem all or a part of the 7.500% Senior Notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest:

Year	Percentage
On or after March 1, 2024, but before February 28, 2025	103.750 %
On or after March 1, 2025, but before February 28, 2026	101.875 %
On or after March 1, 2026 and thereafter	100.000 %

We may also redeem the 7.500% Senior Notes in whole, but not in part, at any time if changes in tax laws impose certain withholding taxes on amounts payable on the 7.500% Senior Notes at a price equal to the principal amount of the 7.500% Senior Notes plus accrued interest and additional amounts, if any, as may be necessary so that the net amount received by each holder after any withholding or deduction on payments of the 7.500% Senior Notes will not be less than the amount such holder would have received if such taxes had not been withheld or deducted.

Upon the occurrence of a change of control triggering event as defined under the 7.500% Senior Notes indenture, the Company will be required to make an offer to repurchase the 7.500% Senior Notes at a repurchase price equal to 101% of the principal amount, plus accrued and unpaid interest to, but excluding, the date of repurchase.

If we sell assets, under certain circumstances outlined in the 7.500% Senior Notes indenture, we will be required to use the net proceeds to make an offer to purchase the 7.500% Senior Notes at an offer price in cash in an amount equal to 100% of the principal amount of the 7.500% Senior Notes, plus accrued and unpaid interest to, but excluding, the repurchase date.

The 7.500% Senior Notes indenture restricts the ability of the Company and its restricted subsidiaries to, among other things: incur or guarantee additional indebtedness, create liens, pay dividends or make distributions in respect of capital stock, purchase or redeem capital stock, make investments or certain other restricted payments, sell assets, enter into agreements that restrict the ability of the Company's subsidiaries to make dividends or other payments to the Company, enter into transactions with affiliates, or effect certain consolidations, mergers or amalgamations. Certain of these covenants will be terminated if the 7.500% Senior Notes are assigned an investment grade rating by both Standard & Poor’s Rating Services and Fitch Ratings Inc. and no default or event of default has occurred and is continuing. We were in compliance with the financial covenants contained in the 7.500% Senior Notes as of March 31, 2021. The 7.500% Senior Notes contain customary cross default provisions.

Production Prepayment Agreement

In June 2020, the Company received $50.0 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 Company terminated the Production Prepayment Agreement and the initial prepayment of $50.0 million advanced under the Production Prepayment Agreement by Trafigura in the second quarter of 2020 was extinguished and converted into the GoM Term Loan as of September 30, 2020.

GoM Term Loan

In September 2020, the Company entered into a five-year $200.0 million senior secured term-loan credit agreement secured against the Company's U.S. Gulf of Mexico assets with net proceeds received of $197.7 million after deducting fees and other expenses. The GoM Term Loan also includes an accordion feature providing for incremental commitments of up to $100.0 million subject to certain conditions. The GoM Term Loan bears interest at an effective rate of approximately 6% per annum and matures in 2025, with principal repayments beginning in the fourth quarter of 2021. We were in compliance with the covenants, representations and warranties contained in the GoM Term Loan as of as of March 31, 2021 (the most recent assessment date). The GoM Term Loan contains customary cross default provisions.

Principal Debt Repayments

At March 31, 2021, the estimated repayments of debt during the five fiscal year periods and thereafter are as follows:

	Payments Due by Year						
	Total	2021(2)	2022	2023	2024	2025	Thereafter
	(In thousands)						
Principal debt repayments(1)	$ 2,350,000	$ 27,500	$ 80,000	$ 387,143	$ 458,571	$ 296,786	$ 1,100,000

(1) Includes the scheduled principal maturities for the $650.0 million aggregate principal amount of the 7.125% Senior Notes, the $450.0 million aggregate principal amount of the 7.500% Senior Notes and borrowings under the Facility, Corporate Revolver and GoM Term Loan. The scheduled maturities of debt related to the Facility as of March 31, 2021 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 April 1, 2021 through December 31, 2021.

Interest and other financing costs, net

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

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Interest expense	$ 31,435	$ 31,766
Amortization—deferred financing costs	2,571	2,283
Capitalized interest	(8,641)	(6,527)
Deferred interest	(194)	314
Interest income	(1,825)	(1,079)
Other, net	1,182	1,078
Interest and other financing costs, net	$ 24,528	$ 27,835

8. 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 March 31, 2021. 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**
2021:								
Apr — Dec	Swaps with sold puts	Dated Brent	4,500	$ —	$ 53.96	$ 42.92	$ —	$ —
Apr — Jun	Swaps with sold puts	NYMEX WTI	500	—	47.75	37.50	—	—
Apr — Dec	Three-way collars	Dated Brent	2,750	0.37	—	32.95	40.45	52.84
Apr — Dec	Three-way collars	NYMEX WTI	750	1.00	—	37.50	45.00	55.00
Apr — Dec	Sold calls(1)	Dated Brent	5,250	—	—	—	—	70.09
2022:								
Jan — Dec	Three-way collars	Dated Brent	1,500	1.05	—	40.00	50.00	70.00
Jan — Dec	Sold calls(1)	Dated Brent	1,581	—	—	—	—	60.00

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

The following tables disclose the Company's derivative instruments as of March 31, 2021 and December 31, 2020, and gain/(loss) from derivatives during the three months ended March 31, 2021 and 2020, respectively:

		Estimated Fair Value Asset (Liability)	
Type of Contract	**Balance Sheet Location**	**March 31, 2021**	**December 31, 2020**
		(In thousands)	
Derivatives not designated as hedging instruments:			
Derivative assets:			
Commodity	Derivatives assets—current	$ —	$ 15,414
Provisional oil sales	Receivables: Oil Sales	—	(677)
Commodity	Derivatives assets—long-term	—	964
Derivative liabilities:			
Commodity	Derivatives liabilities—current	(83,293)	(28,009)
Commodity	Derivatives liabilities—long-term	(10,244)	(8,069)
Total derivatives not designated as hedging instruments		$ (93,537)	$ (20,377)

		Amount of Gain/(Loss) Three Months Ended March 31,	
Type of Contract	**Location of Gain/(Loss)**	**2021**	**2020**
		(In thousands)	
Derivatives not designated as hedging instruments:			
Provisional oil sales	Oil and gas revenue	$ (3,697)	$ 284
Commodity	Derivatives, net	(102,461)	136,038
Total derivatives not designated as hedging instruments		$ (106,158)	$ 136,322

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 March 31, 2021 and December 31, 2020, 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.

9. 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 March 31, 2021 and December 31, 2020, 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)			
March 31, 2021				
Assets:				
Commodity derivatives	$ —	$ —	$ —	$ —
Provisional oil sales	—	—	—	—
Liabilities:				
Commodity derivatives	—	(93,537)	—	(93,537)
Total	$ —	$ (93,537)	$ —	$ (93,537)
December 31, 2020				
Assets:				
Commodity derivatives	$ —	$ 16,378	$ —	$ 16,378
Provisional oil sales	—	(677)	—	(677)
Liabilities:				
Commodity derivatives	—	(36,078)	—	(36,078)
Total	$ —	$ (20,377)	$ —	$ (20,377)

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 credit losses, 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 8 — 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

The following table presents the carrying values and fair values at March 31, 2021 and December 31, 2020:

	March 31, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
7.125% Senior Notes	$ 643,778	$ 629,792	$ 643,524	$ 613,412
7.500% Senior Notes	444,421	425,066	—	—
GoM Term Loan	200,000	200,000	200,000	200,000
Corporate Revolver	50,000	50,000	100,000	100,000
Facility	1,000,000	1,000,000	1,200,000	1,200,000
Total	$ 2,338,199	$ 2,304,858	$ 2,143,524	$ 2,113,412

The carrying values of our 7.125% Senior Notes and 7.500% Senior Notes represent the principal amounts outstanding less unamortized discounts. The fair values of our 7.125% Senior Notes and 7.500% Senior Notes are based on quoted market prices, which results in a Level 1 fair value measurement. The carrying values of the GoM Term Loan, Corporate Revolver and Facility approximate fair value since they are 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 of $150.8 million, reducing the carrying value of the properties to their estimated fair values of $243.7 million. During the fourth quarter of 2020 the Company recorded additional impairment charges totaling approximately $3.2 million resulting in impairment charges totaling $154.0 million for the year ended December 31, 2020. During the first quarter of 2021, the Company did not recognize impairment of proved oil and gas properties 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.

10. 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 $9.3 million during the three months ended March 31, 2021 and 2020, respectively. The total tax benefit was $1.4 million and $2.1 million during the three months ended March 31, 2021 and 2020, respectively. Additionally, we recorded a net tax shortfall (windfall) related to equity-based compensation of $4.8 million and $0.9 million during the three months ended March 31, 2021 and 2020, respectively. The fair value of awards vested was $6.6 million and $25.5 million during the three months ended March 31, 2021 and 2020, 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 of 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 March 31, 2021:

	Service Vesting Restricted Stock Units (In thousands)	Weighted-Average Grant-Date Fair Value	Market / Service Vesting Restricted Stock Units (In thousands)	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2020	4,840	$ 5.34	7,859	$ 8.11
Granted(1)	2,489	2.44	6,710	3.91
Forfeited(1)	(21)	6.08	(1,388)	9.12
Vested	(1,803)	5.91	(1,036)	8.41
Outstanding at March 31, 2021	5,505	3.85	12,145	5.50

(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 March 31, 2021, total equity-based compensation to be recognized on unvested restricted stock units is $46.6 million over a weighted average period of 2.07 years. In April 2021, the board of directors approved an amendment to the LTIP to add 11.0 million shares to the plan. The amendment will be submitted for approval by our stockholders at the Annual Stockholders Meeting in June 2021. The LTIP currently provides for the issuance of 50.5 million shares pursuant to awards under the plan, and would be increased to 61.5 million shares if the amendment to the LTIP is approved by stockholders. At March 31, 2021, the Company had zero 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 $9.52 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 50.0% 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 0.2% 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 $0.000 to $0.050.

11. Income Taxes

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.

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

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
United States	$ (21,842)	$ (190,137)
Foreign	(85,631)	72,913
Income (loss) before income taxes	$ (107,473)	$ (117,224)

For the three months ended, March 31, 2021 and 2020, our effective tax rate was 16% and 56%, respectively. For the three months ended March 31, 2021 and 2020, 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,
- Jurisdictions that have a 0% statutory rate or where we have incurred losses and have recorded valuation allowances against the corresponding net deferred tax assets, and
- Other non-deductible expenses primarily in the U.S.

Additionally, for the three months ended, March 31, 2020, our overall effective tax rate was impacted by:

- $30.9 million deferred tax expense related valuation allowances on U.S. deferred tax assets recognized in prior periods, and
- $4.9 million tax benefit associated with a 2018 U.S. tax loss carry back, pursuant to the Coronavirus Aid, Relief, and Economic Security ACT (“CARES ACT”), to an earlier tax year with a higher statutory tax rate.

12. Net Loss Per Share

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(In thousands, except per share data)	
Numerator:		
Net loss allocable to common stockholders	$ (90,768)	$ (182,767)
Denominator:		
Weighted average number of shares outstanding:		
Basic	407,365	404,759
Restricted stock awards and units(1)	—	—
Diluted	407,365	404,759
Net loss per share:		
Basic	$ (0.22)	$ (0.45)
Diluted	$ (0.22)	$ (0.45)

(1) We excluded outstanding restricted stock units of 13.1 million and 11.0 million for the three months ended March 31, 2021 and 2020, respectively, from the computations of diluted net loss per share because the effect would have been anti-dilutive.

13. 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 two exploration wells and acquire approximately 1,000 square kilometers of 3D seismic in Mauritania.

Performance Obligations

As of March 31, 2021 and December 31, 2020, the Company had performance bonds totaling $195.5 million and $195.5 million, respectively, for our supplemental bonding requirements stipulated by the BOEM and $3.5 million and $7.1 million, respectively, 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 March 31, 2021 and December 31, 2020, 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 the COVID-19 pandemic, the Board of Directors decided to suspend the dividend.

14. Additional Financial Information

Accrued Liabilities

Accrued liabilities consisted of the following:

	March 31, 2021	December 31, 2020
	(In thousands)	
Accrued liabilities:		
Exploration, development and production	$ 68,464	$ 89,162
Revenue payable	21,191	15,079
Current asset retirement obligations	7,282	7,255
General and administrative expenses	11,012	4,988
Interest	12,671	23,725
Income taxes	29,701	37,344
Taxes other than income	2,684	2,815
Derivatives	15,139	17,475
Other	6,003	5,417
	$ 174,147	$ 203,260

Asset Retirement Obligations

The following table summarizes the changes in the Company's asset retirement obligations as of and during the three months ended March 31, 2021:

	March 31, 2021
	(In thousands)
Asset retirement obligations:	
Beginning asset retirement obligations	$ 251,421
Liabilities incurred during period	3,255
Liabilities settled during period	(87)
Revisions in estimated retirement obligations	30
Accretion expense	4,871
Ending asset retirement obligations	$ 259,490

Other Expenses, Net

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

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Loss on disposal of inventory	$ 367	$ 1,467
Loss on asset retirement obligations liability settlements	29	2,150
Restructuring charges	819	13,915
Other, net	2,253	6,397
Other expenses, net	$ 3,468	$ 23,929

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

15. Business Segment Information

Kosmos is engaged in a single line of business, which is the exploration, development and production of oil and gas. At March 31, 2021, 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 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 March 31, 2021							
Revenues and other income:							
Oil and gas revenue	$ 54,053	$ 28,032	$ —	$ 94,389	$ —	$ —	$ 176,474
Gain on sale of assets	—	—	—	—	26	—	26
Other income, net	—	—	—	329	137,499	(137,758)	70
Total revenues and other income	54,053	28,032	—	94,718	137,525	(137,758)	176,570
Costs and expenses:							
Oil and gas production	12,386	11,629	—	21,737	—	—	45,752
Facilities insurance modifications, net	671	—	—	—	—	—	671
Exploration expenses	32	1,893	2,174	1,148	2,934	—	8,181
General and administrative	2,587	1,051	1,973	5,239	45,105	(33,514)	22,441
Depletion, depreciation and amortization	23,635	9,191	15	43,251	449	—	76,541
Impairment of long-lived assets	—	—	—	—	—	—	—
Interest and other financing costs, net(1)	11,916	(369)	(9,816)	4,566	20,015	(1,784)	24,528
Derivatives, net	—	—	—	—	102,461	—	102,461
Other expenses, net	71,121	17,069	784	14,489	2,466	(102,461)	3,468
Total costs and expenses	122,348	40,464	(4,870)	90,430	173,430	(137,759)	284,043
Loss before income taxes	(68,295)	(12,432)	4,870	4,288	(35,905)	1	(107,473)
Income tax expense (benefit)	(23,868)	2,634	—	—	4,529	—	(16,705)
Net loss	$ (44,427)	$ (15,066)	$ 4,870	$ 4,288	$ (40,434)	$ 1	$ (90,768)
Consolidated capital expenditures	$ 4,624	$ 11,424	$ 72,752	$ 24,267	$ 3,482	$ —	$ 116,549
As of March 31, 2021							
Property and equipment, net	$ 1,275,156	$ 429,494	$ 659,659	$ 983,208	$ 21,931	$ —	$ 3,369,448
Total assets	$ 1,351,071	$ 726,427	$ 981,710	$ 3,246,891	$ 13,825,435	$ (16,172,448)	$ 3,959,086

(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 March 31, 2020							
Revenues and other income:							
Oil and gas revenue	$ 49,708	$ 24,619	$ —	$ 103,453	$ —	$ —	$ 177,780
Other income, net	1	—	—	447	(112,009)	111,562	1
Total revenues and other income	49,709	24,619	—	103,900	(112,009)	111,562	177,781
Costs and expenses:							
Oil and gas production	18,042	11,475	—	32,086	—	—	61,603
Facilities insurance modifications, net	8,038	—	—	—	—	—	8,038
Exploration expenses	85	2,719	3,474	13,967	24,360	—	44,605
General and administrative	3,890	1,738	2,109	4,004	31,862	(22,692)	20,911
Depletion, depreciation and amortization	19,731	8,894	15	63,834	828	—	93,302
Impairment of long-lived assets	—	—	—	150,820	—	—	150,820
Interest and other financing costs, net(1)	14,831	(369)	(6,626)	4,689	17,094	(1,784)	27,835
Derivatives, net	—	—	—	—	(136,038)	—	(136,038)
Other expenses, net	(116,372)	(15,756)	2,793	3,652	13,574	136,038	23,929
Total costs and expenses	(51,755)	8,701	1,765	273,052	(48,320)	111,562	295,005
Income (loss) before income taxes	101,464	15,918	(1,765)	(169,152)	(63,689)	—	(117,224)
Income tax expense (benefit)	38,221	4,588	—	30,903	(8,169)	—	65,543
Net income (loss)	$ 63,243	$ 11,330	$ (1,765)	$ (200,055)	$ (55,520)	$ —	$ (182,767)
Consolidated capital expenditures	$ 16,486	$ 6,770	$ 3,121	$ 38,654	$ 19,434	$ —	$ 84,465
As of March 31, 2020							
Property and equipment, net	$ 1,484,630	$ 462,472	$ 444,561	$ 1,024,179	$ 27,095	$ —	$ 3,442,937
Total assets	$ 1,724,154	$ 626,511	$ 611,081	$ 3,078,851	$ 12,235,030	$ (14,091,665)	$ 4,183,962

(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.

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Consolidated capital expenditures:		
Consolidated Statements of Cash Flows - Investing activities:		
Oil and gas assets	$ 128,448	$ 83,716
Other property	354	1,537
Adjustments:		
Changes in capital accruals	(10,409)	(23,310)
Exploration expense, excluding unsuccessful well costs and leasehold impairments(1)	6,712	25,377
Capitalized interest	(8,641)	(6,527)
Other	85	3,672
Total consolidated capital expenditures	$ 116,549	$ 84,465

(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, 2020, 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 proven basin exploration program in Equatorial Guinea, Ghana and U.S. Gulf of Mexico.

The ongoing COVID-19 pandemic that emerged at the beginning of 2020 has resulted in 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 also resulted in significant declines in oil prices. The Company's revenues, earnings, cash flows, capital investments, debt capacity and, ultimately, future rate of growth are highly dependent on oil prices.

Recent Developments

Corporate

In March 2021, the Company issued $450.0 million of 7.500% Senior Notes due 2028 and received net proceeds of approximately $444.4 million after deducting fees. We used the net proceeds to repay outstanding indebtedness under the Corporate Revolver and the Facility, to pay expenses related to the issuance of the 7.500% Senior Notes and for general corporate purposes.

Ghana

During the first quarter of 2021, Ghana production averaged approximately 109,200 Bopd gross (22,400 Bopd net). Jubilee production averaged approximately 70,400 Bopd gross (16,100 Bopd net) with consistent water injection and gas offtake and TEN production averaged approximately 38,800 Bopd gross (6,300 Bopd net). The Ghana Jubilee catenary anchor leg mooring ("CALM") buoy, which was delayed during 2020, was installed and commissioned in February 2021. In April 2021, the Company re-commenced a multi-year development drilling program, which is expected to include the drilling and completion of two production wells and one water-injection well in Jubilee and drilling and completion of one gas-injection well in TEN during 2021.

U.S. Gulf of Mexico

Production from the U.S. Gulf of Mexico averaged approximately 20,500 Boepd (net) (~81% oil) for the first quarter of 2021. As a result of subsea operational issues, in December 2020 the Kodiak #2 well located in Mississippi Canyon Block 771 was temporarily shut-in. The shut-in was limited to approximately two months, and the well was brought back online in February 2021.

During the first quarter of 2021, the Company completed the Kodiak #3 development well located in Mississippi Canyon Block 727 (29.1% working interest), which was initially drilled in the first half of 2020. The well is a subsea tieback and was brought online through existing infrastructure to the Devils Tower SPAR in April 2021. After the encouraging results from the Tornado-4 water injection well last year, drilling of the Tornado-5 infill well located in the Green Canyon Block 281 (35.0% working interest) is now planned by the operator in the second quarter of 2021 and expected online in the third quarter of 2021.

The Winterfell (formerly known as Monarch) exploration prospect was spud in the fourth quarter of 2020, re-commencing our ILX program in the U.S. Gulf of Mexico. Winterfell was designed to test a sub-salt Upper Miocene prospect located in Green Canyon Block 944. In January 2021, we announced the well encountered approximately 26 meters (85 feet) of net oil pay in two intervals. We are working with our partners on an appraisal plan, including the planned drilling of an appraisal well in the third quarter of 2021, and development options for the discovery.

Equatorial Guinea

Production in Equatorial Guinea averaged approximately 30,200 Bopd gross (10,200 Bopd net) in the first quarter of 2021. In April 2021, we completed one ESP conversion and expect to complete two more conversions during 2021. The Company expects to commence the Equatorial Guinea drilling program around the end of the second quarter of 2021.

Mauritania and Senegal

During the first quarter of 2021, BP, as the operator of the Cayar block offshore Senegal, provided notice to the Government of Senegal extending the current license phase in order to provide the block owners additional time to evaluate the natural gas market for the natural gas discovery at Yakaar Teranga.

Greater Tortue Ahmeyim Unit

Phase 1 of the Greater Tortue project is approximately 58% complete at March 31, 2021 with first gas for the project expected in the first half of 2023.

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 months ended March 31, 2021 and 2020 are included in the following tables:

	Three Months Ended March 31,	
	2021	2020
	(In thousands, except per volume data)	
Sales volumes:		
Oil (MBbl)	2,941	3,450
Gas (MMcf)	1,325	1,982
NGL (MBbl)	127	193
Total (MBoe)	3,289	3,973
Total (Boepd)	36,543	43,659
Revenues:		
Oil sales	$ 169,150	$ 171,916
Gas sales	4,540	3,719
NGL sales	2,784	2,145
Total revenues	$ 176,474	$ 177,780
Average oil sales price per Bbl	$ 57.51	$ 49.83
Average gas sales price per Mcf	3.43	1.88
Average NGL sales price per Bbl	21.92	11.11
Average total sales price per Boe	53.66	44.74
Costs:		
Oil and gas production, excluding workovers	$ 42,492	$ 57,417
Oil and gas production, workovers	3,260	4,186
Total oil and gas production costs	$ 45,752	$ 61,603
Depletion, depreciation and amortization	$ 76,541	$ 93,302
Average cost per Boe:		
Oil and gas production, excluding workovers	$ 12.92	$ 14.45
Oil and gas production, workovers	0.99	1.05
Total oil and gas production costs	13.91	15.50
Depletion, depreciation and amortization	23.27	23.48
Total	$ 37.18	$ 38.98

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 March 31, 2021:

	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	—	—	—	—	—	—	5	0.85
Equatorial Guinea								
Block S	—	—	—	—	1	0.40	—	—
U.S. Gulf of Mexico								
Winterfell	—	—	—	—	1	0.18	—	—
Mauritania / Senegal								
Mauritania C8	—	—	—	—	2	0.56	—	—
Greater Tortue Ahmeyim Unit	—	—	—	—	3	0.80	1	0.27
Senegal Cayar Profond	—	—	—	—	3	0.90	—	—
Total	—	—	—	—	10	2.84	15	3.29

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 March 31, 2021 compared to three months ended March 31, 2020

	Three Months Ended March 31,		Increase (Decrease)
	2021	2020	
	(In thousands)		
Revenues and other income:			
Oil and gas revenue	$ 176,474	$ 177,780	$ (1,306)
Gain on sale of assets	26	—	26
Other income, net	70	1	69
Total revenues and other income	176,570	177,781	(1,211)
Costs and expenses:			
Oil and gas production	45,752	61,603	(15,851)
Facilities insurance modifications, net	671	8,038	(7,367)
Exploration expenses	8,181	44,605	(36,424)
General and administrative	22,441	20,911	1,530
Depletion, depreciation and amortization	76,541	93,302	(16,761)
Impairment of long-lived assets	—	150,820	(150,820)
Interest and other financing costs, net	24,528	27,835	(3,307)
Derivatives, net	102,461	(136,038)	238,499
Other expenses, net	3,468	23,929	(20,461)
Total costs and expenses	284,043	295,005	(10,962)
Loss before income taxes	(107,473)	(117,224)	9,751
Income tax expense (benefit)	(16,705)	65,543	(82,248)
Net loss	$ (90,768)	$ (182,767)	$ 91,999

Oil and gas revenue. Oil and gas revenue decreased by $1.3 million as a result of lower sales volumes offset by higher oil prices. We sold 3,289 MBoe at an average realized price per barrel equivalent of $53.66 during the three months ended March 31, 2021 and 3,973 MBoe at an average realized price per barrel equivalent of $44.74 during the three months ended March 31, 2020.

Oil and gas production. Oil and gas production costs decreased by $15.9 million during the three months ended March 31, 2021, as compared to the three months ended March 31, 2020 primarily as a result of cost reductions and lower sales volumes in the U.S. Gulf of Mexico business unit due to facilities downtime.

Facilities insurance modifications, net. During the three months ended March 31, 2021, we incurred $0.7 million of facilities insurance modifications costs associated with the long-term solution to the Jubilee turret bearing issue versus $8.0 million during the three months ended March 31, 2020. During the three months ended March 31, 2021 and 2020, there were no offsetting hull and machinery insurance proceeds.

Exploration expenses. Exploration expenses decreased by $36.4 million during the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The decrease is primarily a result of lower geological, geophysical, seismic, and unsuccessful well costs incurred in 2021 versus the prior period related to the U.S. Gulf of Mexico business unit and other exploration license areas sold to Shell in 2020.

Depletion, depreciation and amortization. Depletion, depreciation and amortization decreased $16.8 million during the three months ended March 31, 2021, as compared with the three months ended March 31, 2020 primarily as a result of lower sales volumes during the current period in the U.S. Gulf of Mexico due to the impact of facilities downtime.

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 three months ended March 31, 2020 for oil and gas proved properties in the U.S. Gulf of Mexico. We did not recognize impairment of proved oil and gas properties during the first quarter of 2021 as no impairment indicators were identified.

Interest and other financing costs, net. Interest and other financing costs, net decreased $3.3 million primarily as a result of increased capitalized interest and interest income during the current period.

Derivatives, net. During the three months ended March 31, 2021 and 2020, we recorded a loss of $102.5 million and a gain of $136.0 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 March 31, 2021 and 2020, 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, jurisdictions that have a 0% statutory tax rate or where we have incurred losses and have recorded valuation allowances against the corresponding deferred tax assets, and other non-deductible expenses, primarily in the U.S.. Additionally for March 31, 2020, our overall effective tax rate was impacted by $30.9 million deferred tax expense related to valuation allowances on U.S. deferred tax assets recognized in prior periods and by a $4.9 million tax benefit associated with a 2018 U.S. tax loss carry back, pursuant to the Coronavirus Aid, Relief and Economic Security ACT ("CARES ACT"), to an earlier tax year with a higher statutory tax rate.

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. Current commodity prices, combined with our hedging program, partner carries and our current liquidity position support our remaining capital program for 2021.

Sources and Uses of Cash

The following table presents the sources and uses of our cash and cash equivalents and restricted cash for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(In thousands)	
Sources of cash, cash equivalents and restricted cash:		
Net cash used in operating activities	$ (46,626)	$ (16,963)
Net proceeds from issuance of senior notes	444,375	—
Borrowings under long-term debt	100,000	50,000
Proceeds on sale of assets	631	1,713
	498,380	34,750
Uses of cash, cash equivalents and restricted cash:		
Oil and gas assets	128,448	83,716
Other property	354	1,537
Notes receivable from partners	22,416	23,983
Payments on long-term debt	350,000	—
Purchase of treasury stock	1,018	4,947
Dividends	430	19,156
Deferred financing costs	1,034	—
	503,700	133,339
Decrease in cash, cash equivalents and restricted cash	$ (5,320)	$ (98,589)

Net cash used in operating activities. Net cash used in operating activities for the three months ended March 31, 2021 was $46.6 million compared with net cash used in operating activities for the three months ended March 31, 2020 of $17.0 million. The increase in cash used in operating activities in the three months ended March 31, 2021 when compared to the same period in 2020 is primarily a result of lower production across our assets and a negative change in working capital items.

The following table presents our net debt and liquidity as of March 31, 2021:

	March 31, 2021
	(In thousands)
Cash and cash equivalents	$ 95,242
Restricted cash	49,202
7.125% Senior Notes	650,000
7.500% Senior Notes	450,000
Borrowings under the Facility	1,000,000
Borrowings under the Corporate Revolver	50,000
Borrowings under the GoM Term Loan	200,000
Net debt	$ 2,205,556
Availability under the Facility	$ 320,000
Availability under the Corporate Revolver	$ 350,000
Available borrowings plus cash and cash equivalents	$ 765,242

Capital Expenditures and Investments

We expect to incur capital costs as we:

- drill additional wells and execute exploitation activities in Ghana, Equatorial Guinea and in the U.S. Gulf of Mexico;
- execute infrastructure-led exploration and appraisal efforts in the U.S. Gulf of Mexico and Equatorial Guinea; and
- execute exploration, appraisal and development activities in Mauritania and Senegal.

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.

2021 Capital Program

We estimate we will spend approximately $225 - $275 million of capital, excluding amounts related to Mauritania and Senegal, for the year ending December 31, 2021. Through March 31, 2021, we have spent approximately $43.8 million.

In Mauritania and Senegal we estimate capital expenditures of approximately $350 million for the year ending December 31, 2021, excluding the impact of the planned Greater Tortue FPSO sale. We estimate this transaction provides approximately $320 million of capital, with up to $250 million realized in 2021.

In addition, we expect to fund the remainder of this expenditure from working capital and proceeds from the refinancing of the Carry Advance Agreements with the national oil companies of Mauritania and Senegal. Through March 31, 2021, we have spent approximately $72.7 million.

The ultimate amount of capital we will spend may fluctuate materially based on market conditions and the success of our exploitation and drilling results among other factors. Our future financial condition and liquidity will be impacted by, among other factors, our level of production of oil and the prices we receive from the sale of oil, our ability to effectively hedge future production volumes, the success of our multi-faceted infrastructure-led exploration and appraisal drilling programs, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, our partners' alignment with respect to capital plans, and the actual cost of exploitation, exploration, appraisal and development of our oil and natural gas assets, and coverage of any claims under our insurance policies.

Significant Sources of Capital

Facility

The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities. As of March 31, 2021, borrowings under the Facility totaled $1.0 billion and the undrawn availability under the facility was $320.0 million. In April 2020, following the lenders' annual redetermination, the available borrowing base and Facility size were both reduced from $1.6 billion to approximately $1.5 billion. In October 2020, as a result of the September 2020 redetermination, the available borrowing base was reduced to approximately $1.32 billion. Additionally, the Company agreed to conduct semi-annual redeterminations every March and September, beginning with March 2021. When our net leverage ratio exceeds 2.50x, we are required under the Facility to maintain a restricted cash balance that is sufficient to meet the payment of interest and fees for the next six-month period on the 7.125% Senior Notes and the 7.500% Senior Notes plus the Corporate Revolver or the Facility, whichever is greater. In January 2021, we restricted approximately $28.5 million in cash and expect to restrict an additional $15.0 million in the second quarter of 2021 to meet our requirements.

As a 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. We were in compliance with the financial covenants as of the most recent assessment date. The Facility contains customary cross default provisions.

In May 2021, in conjunction with the spring borrowing base redetermination, the Company agreed to an amendment and restatement of the Facility. The amendment includes the following material changes: a reduction in the facility size to $1.25 billion (from $1.5 billion), an increase in the interest margin by 0.5% (applicable interest margin for the first three years is now LIBOR + 3.75%) and an extension in the tenor by two years (final maturity date now occurs in March 2027). The amendment also includes a mechanism for two ESG key performance indicators ("KPIs") to impact the interest margin either positively or negatively based upon delivering emissions targets and achieving certain third party ESG ratings. The KPIs are expected to be agreed upon at the September 2021 redetermination. As amended, the Facility has an available borrowing base of $1.24 billion and total commitments of approximately $1.21 billion, which Kosmos expects to increase to $1.25 billion in the second quarter of 2021 as additional lenders complete their final credit process. As part of the amendment, Kosmos estimates approximately $15 million for loss on extinguishment of debt during the second quarter of 2021.

Corporate Revolver

In August 2018, we amended and restated the Corporate Revolver maintaining the borrowing capacity at $400.0 million, extending the maturity date from November 2018 to May 2022 and lowering the margin 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 March 31, 2021, there were $50.0 million in outstanding borrowings under the Corporate Revolver and the undrawn availability was $350.0 million.

As a 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. We were in compliance with the financial covenants as of the most recent assessment date. The Corporate Revolver 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 fees and other expenses. We used the net proceeds to redeem all of the previously issued 7.875% Senior Secured Notes due 2021, 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 7.125% Senior Notes.

The 7.125% Senior Notes mature on April 4, 2026. Interest is payable in arrears each April 4 and October 4, commencing on October 4, 2019. The 7.125% 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 the 7.500% Senior Notes) and rank effectively junior in right of payment to all of its existing and future secured indebtedness (including all borrowings under the Facility) and all borrowings under the GoM Term Loan. The 7.125% Senior Notes are guaranteed on a senior, unsecured basis by certain subsidiaries owning the Company's U.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 7.125% Senior Notes as of March 31, 2021. The 7.125% Senior Notes contain customary cross default provisions.

7.500% Senior Notes due 2028

In March 2021, the Company issued $450.0 million of 7.500% Senior Notes and received net proceeds of approximately $444.4 million after deducting fees. We used the net proceeds to repay outstanding indebtedness under the Corporate Revolver and the Facility, to pay expenses related to the issuance of the 7.500% Senior Notes and for general corporate purposes.

The 7.500% Senior Notes mature on March 1, 2028. Interest is payable in arrears each March 1 and September 1, commencing on September 1, 2021. The 7.500% 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 the 7.125% Senior Notes) and rank effectively junior in right of payment to all of its existing and future secured indebtedness (including all borrowings under the Facility) and all borrowings under the GoM Term Loan. The 7.500% Senior Notes are guaranteed on a senior, unsecured basis by certain subsidiaries owning the Company's U.S. Gulf of Mexico assets, and on a subordinated, unsecured basis by certain subsidiaries that borrow under, or guarantee, the Facility and, on a subordinated basis, guarantee the Corporate Revolver and the 7.125% Senior Notes.

The 7.500% Senior Notes indenture restricts the ability of the Company and its restricted subsidiaries to, among other things: incur or guarantee additional indebtedness, create liens, pay dividends or make distributions in respect of capital stock, purchase or redeem capital stock, make investments or certain other restricted payments, sell assets, enter into agreements that restrict the ability of the Company's subsidiaries to make dividends or other payments to the Company, enter into transactions with affiliates, or effect certain consolidations, mergers or amalgamations. These covenants are subject to a number of important qualifications and exceptions. Certain of these covenants will be terminated if the 7.500% Senior Notes are assigned an investment grade rating by both Standard & Poor’s Rating Services and Fitch Ratings Inc. and no default or event of default has occurred and is continuing. We were in compliance with the financial covenants contained in the 7.500% Senior Notes as of March 31, 2021. The 7.500% Senior Notes contain customary cross default provisions.

Production Prepayment Agreement

In June 2020, the Company received $50.0 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 Company terminated the Production Prepayment Agreement and the initial prepayment of $50.0 million advanced under the Production Prepayment Agreement by Trafigura in the second quarter of 2020 was extinguished and converted into the GoM Term Loan as of September 30, 2020.

GoM Term Loan

In September 2020, the Company entered into a five-year $200.0 million senior secured term-loan credit agreement secured against the Company's U.S. Gulf of Mexico assets with net proceeds received of $197.7 million after deducting fees and other expenses. The GoM Term Loan also includes an accordion feature providing for incremental commitments of up to $100.0 million subject to certain conditions. The GoM Term Loan bears interest at an effective rate of approximately 6% per annum and matures in 2025, with principal repayments beginning in the fourth quarter of 2021. We were in compliance with the covenants, representations and warranties contained in the GoM Term Loan as of as of March 31, 2021 (the most recent assessment date). The GoM Term Loan contains customary cross default provisions.

Contractual Obligations

The following table summarizes by period the payments due for our estimated contractual obligations as of March 31, 2021 and the weighted average interest rates expected to be paid on the Facility, Corporate Revolver and GoM Term Loan 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 March 31,
	2021(2)	2022	2023	2024	2025	Thereafter	Total	2021
	(In thousands, except percentages)							
Fixed rate debt:								
7.125% Senior Notes	$ —	$ —	$ —	$ —	$ —	$ 650,000	$ 650,000	$ (629,792)
7.500% Senior Notes	—	—	—	—	—	450,000	450,000	(425,066)
Variable rate debt:								
Weighted average interest rate on variable rate debt	3.99 %	4.29 %	4.81 %	5.82 %	6.36 %	— %		
Facility(1)	$ —	$ —	$ 357,143	$ 428,571	$ 214,286	$ —	$ 1,000,000	$ (1,000,000)
Corporate Revolver	—	50,000	—	—	—	—	50,000	(50,000)
GoM Term Loan	27,500	30,000	30,000	30,000	82,500	—	200,000	(200,000)
Total principal debt repayments(1)	$ 27,500	$ 80,000	$ 387,143	$ 458,571	$ 296,786	$ 1,100,000	$ 2,350,000	
Interest & commitment fee payments on long-term debt	84,864	136,568	127,606	111,396	87,141	107,531	655,106	
Operating leases	2,478	4,211	4,282	4,353	4,424	15,464	35,212	

(1) The amounts included in the table represent principal maturities only. The scheduled maturities of debt related to the Facility are based on the level of borrowings and the available borrowing base as of March 31, 2021. 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 the period April 1, 2021 through December 31, 2021. The principal debt repayments includes $20.0 million classified as current debt in 2021 associated with an amendment of certain terms of the GoM Term Loan, as it is callable in early July 2021; if the amount is not called by a set date, the GoM Term Loan will revert to the original maturity schedule.

The table above 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 14 — Additional Financial Information for additional information regarding these liabilities.

We currently have a commitment to drill two exploration wells and acquire approximately 1,000 square kilometers of 3D seismic in Mauritania.

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 March 31, 2021, 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. Other than items discussed in Note 2 — Accounting Policies, 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, 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, as well as our ability to implement hedges addressing such volatility on commercially reasonable terms;
- 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, or new, environmental, health and safety or climate change or GHG laws, regulations and executive orders, or the implementation, or interpretation, of those laws, regulations and executive orders;
- 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 9 — Derivative Financial Instruments and Note 10— 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 three months ended March 31, 2021:

	Derivative Contracts Assets (Liabilities) Commodities (In thousands)
Fair value of contracts outstanding as of December 31, 2020	$ (20,377)
Changes in contract fair value	(106,158)
Contract maturities	32,998
Fair value of contracts outstanding as of March 31, 2021	$ (93,537)

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 three months of 2021 ranged between $50.34 and $69.29 per Bbl for Dated Brent, with Heavy Louisiana Sweet experiencing similar volatility during the first three months of 2021.

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. In addition, a reduction in our ability to access credit could reduce our ability to implement derivative contracts on commercially reasonable terms.

Commodity Price Sensitivity

The following table provides information about our oil derivative financial instruments that were sensitive to changes in oil prices as of March 31, 2021. Volumes and weighted average prices are net of any offsetting derivatives entered into.

				Weighted Average Price per Bbl					Asset (Liability) Fair Value at March 31, 2021(2)
Term	Type of Contract	Index	MBbl	Net Deferred Premium Payable/ (Receivable)	Swap	Sold Put	Floor	Ceiling	
									(In thousands)
2021:									
Apr — Dec	Swaps with sold puts	Dated Brent	4,500	$ —	$ 53.96	$ 42.92	$ —	$ —	$ (33,132)
Apr — Jun	Swaps with sold puts	NYMEX WTI	500	—	47.75	37.50	—	—	(5,658)
Apr — Dec	Three-way collars	Dated Brent	2,750	0.37	—	32.95	40.45	52.84	(27,239)
Apr — Dec	Three-way collars	NYMEX WTI	750	1.00	—	37.50	45.00	55.00	(4,989)
Apr — Dec	Sold calls(1)	Dated Brent	5,250	—	—	—	—	70.09	(9,153)
2022:									
Jan — Dec	Three-way collars	Dated Brent	1,500	1.05	—	40.00	50.00	70.00	(2,808)
Jan — Dec	Sold calls(1)	Dated Brent	1,581	—	—	—	—	60.00	(10,557)

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

(2) Fair values are based on the average forward oil prices on March 31, 2021.

At March 31, 2021, our open commodity derivative instruments were in a net liability position of $93.5 million. As of March 31, 2021, a hypothetical 10% price increase in the commodity futures price curves would decrease future pre-tax earnings by approximately $65.4 million. Similarly, a hypothetical 10% price decrease would increase future pre-tax earnings by approximately $59.5 million.

Interest Rate Sensitivity

Changes in market interest rates affect the amount of interest we pay on certain of our borrowings. Outstanding borrowings under the Facility, Corporate Revolver and GoM Term Loan, which as of March 31, 2021 total $1.25 billion and have a weighted average interest rate of 4.0%, are subject to variable interest rates which expose us to the risk of earnings or cash flow loss due to potential increases in market interest rates. If the floating market rate increased 10% at this level of floating rate debt, we would pay an estimated additional $0.2 million 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. All of our other long-term indebtedness is fixed rate and does not expose us to the risk of cash flow loss due to changes in market interest rates. Additionally, a change in the market interest rates could impact interest costs associated with future debt issuances or any future borrowings.

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 March 31, 2021, 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, 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	May 10, 2021	/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	Exit Agreement between Kosmos Energy, LLC and Thomas P. Chambers dated January 4, 2021
10.2	Indenture dated March 4, 2021 among the Company, the guarantors named therein, Wilmington Trust, National Association, as trustee, paying agent, transfer agent and registrar, and Banque Internationale à Luxembourg S.A., as Luxembourg listing agent, Luxembourg paying agent and Luxembourg transfer agent. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 4, 2021 (File No. 001-35167), and incorporated herein by reference).
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

KOSMOS ENERGY

EXIT AGREEMENT

This Exit Agreement (the "Agreement") is made and entered as of the Effective Date (as defined below), between Kosmos Energy, LLC ("Company") and Thomas P. Chambers ("Retiree" and, together with Company, the "Parties"). In connection with this Agreement, the Parties acknowledge that (a) Company is a premier international oil and gas exploration and production company (the "Business"), (b) Retiree is age 60 or over, has been employed by Company for over five years, and serves as a member of Company's Senior Leadership Team, (c) Retiree timely initiated the retirement process in accordance with Company guidelines, (d) Retiree completed the transition process to Kosmos' satisfaction, and (e) the Parties desire to enter into this Agreement to protect stockholder relations, goodwill, and other legitimate interests (together, the "Interests"). Accordingly, and in consideration of the mutual promises below and for other valuable consideration, the Parties agree to the following terms:

1. **Retirement from Employment.** Retiree acknowledges that Retiree will retire from Retiree's employment with Company effective 31 December 2020 (the "Retirement Date"). Retiree will receive certain Vesting Benefits (as defined below) and incremental cash compensation (as defined below) (together, the "Post-Retirement Benefit") provided that Retiree executes this Agreement and does not revoke Retiree's acceptance.

2. **Post-Retirement Benefit.** The following benefits comprise the Post-Retirement Benefit:

   a. Vesting Benefits. Exhibit A sets forth each outstanding restricted share unit ("RSU") award and performance share unit ("PSU") award previously granted to Retiree under the Kosmos Energy Ltd. Long Term Incentive Plan (as amended from time to time, the "LTIP") and described in applicable award agreements ("Award Agreements"). With respect to each outstanding RSU award and PSU award held by Retiree that, as of the Retirement Date, has been outstanding for at least one year following the applicable grant date (collectively, the "Eligible Awards"), Company agrees to amend and waive, in accordance with the terms of the LTIP and the individual RSU and PSU Award Agreements granted to Retiree thereunder, all or any portion of the continued service-based vesting conditions applicable to such Eligible Awards (the "Vesting Benefits") and delete any forfeiture requirements based on Retiree's retirement; provided that (i) in the case of any Eligible Award that is subject to performance-vesting conditions, the vesting of such award will remain subject to the satisfaction of the applicable performance-vesting conditions, (ii) the Eligible Awards will remain subject to all other terms and conditions applicable to such Eligible Awards pursuant to the LTIP and the applicable Award Agreements, and (iii) the Eligible Awards will convert into common stock of Company in accordance with their original vesting/settlement schedule. The latest date on which any Eligible Award (or any portion thereof) will convert into common stock of Company is the "Last Full Vest Date." For the avoidance of doubt, any awards held by Retiree under the LTIP that are not Eligible Awards shall not be entitled to the Vesting Benefits, and shall, effective as of the Retirement Date, be forfeited in their entirety without the payment of any consideration to Retiree, and Retiree shall have no further rights or entitlements with respect to such awards. Any other provision of the LTIP to the contrary notwithstanding, the Vesting Benefits will apply only if Retiree complies with all terms and conditions of this Agreement. Notwithstanding the foregoing, this subparagraph (a) will not apply to any Eligible Awards to the extent such application would cause such Eligible Award to be subject to an additional tax under section 409A of the Internal Revenue Code of 1986, as amended.

b. Cash Payment. Exhibit B sets forth the incremental cash payment Retiree will receive as part of Retiree's Post-Retirement Benefit. If Retiree timely signs the Agreement without modification and does not revoke the Agreement as permitted below, Company will pay the cash portion of the Post-Retirement Benefit in a lump-sum within ten business days after the Effective Date (as defined below).

3. **General Release. In exchange for the Post-Retirement Benefit, Retiree releases, acquits, and forever discharges (i) Company, (ii) any parent, subsidiary, or affiliated entity of Company, (iii) any current or former officer, stockholder, member, director, partner, agent, manager, employee, representative, insurer, or attorney of the entities described in (i) or (ii), (iv) any employee benefit plan sponsored or administered by any person or entity described in (i), (ii), or (iii), and (v) any successor or assign of any person or entity described in (i), (ii), (iii), or (iv) (collectively, the "Company Parties") from, and waive to the maximum extent permitted by applicable law, any and all claims, liabilities, demands, and causes of action of whatever character, whether known or unknown, fixed or contingent, or vicarious, derivative, or direct, that Retiree may have or claim against Company or any of the other Company Parties. Retiree understands that this general release includes, but is not limited to, any and all claims arising under federal, state, or local laws prohibiting employment discrimination, including the Age Discrimination in Employment Act, or other claims growing out of, resulting from, or connected in any way with Retiree's employment with or retirement from Company, including any right or claim to compensation, payment, or other benefit under Company's October 16, 2014 offer-of-employment letter to Retiree. Retiree understands that this Agreement does not waive any rights or claims against Company or any of the other Company Parties that may arise after the date on which Retiree signs it. Retiree further understands that nothing in this Agreement waives (i) any benefits to which Retiree has a vested entitlement under the terms of the applicable employee benefit plans established by Company, or (ii) any right or claim to indemnification or defense of any claims for acts taken by Retiree during Retiree's employment with Company on the same terms as indemnification is made available by Company to other executive employees, officers, or directors, whether through Company's bylaws, directors and officers liability insurance, or otherwise.**

4. **Acceptance of Agreement.** Retiree understands that Retiree may accept the terms of this Agreement by signing and dating the last page and returning all pages to Amy Wynn-Steffek, Senior Vice President and Chief HR Officer, by email at awynn-steffek@kosmosenergy.com, no later than January 15, 2021, which Retiree acknowledges is at least 21 days from the date Retiree first received it, but under no circumstances may Retiree do so before the Retirement Date. Retiree further understands that if Retiree is

unable to email the signed Agreement, Retiree may mail it to Amy Wynn-Steffek at 8176 Park Lane, Suite 500, Dallas, Texas 75231, so long as it is postmarked no later than January 15, 2021. Retiree represents and warrants that, except for modifications expressly agreed to by Company, Retiree has not modified this Agreement as it was originally presented to Retiree, and that any modifications to this Agreement, whether material or immaterial, made by Company and Retiree after it was originally presented to Retiree do not extend or restart the period for Retiree to consider and accept this Agreement.

5. **Effective Date and Revocation Rights.** Retiree understands that the terms of this Agreement will become effective and enforceable eight days after Retiree signs it (the "Effective Date"), unless before then Retiree revokes Retiree's acceptance in writing and delivers Retiree's written revocation to Amy Wynn-Steffek at the email or address above, in which case Retiree will not be entitled to receive the Post-Retirement Benefit. Retiree acknowledges and agrees that Company has no legal obligation to provide the Post-Retirement Benefit to Retiree. Signing this Agreement constitutes Retiree's agreement to all terms and conditions set forth in it and is in consideration of Company's agreement to provide the Post-Retirement Benefit.

6. **Confidential Information.**

a. Definition of Confidential Information. "Confidential Information" includes all of Company's confidential or proprietary information, trade secrets (as defined by applicable law), and other information used in the Business that provides a competitive advantage but is not generally known by competitors, and does not include any information in the public domain and readily available to competitors through no wrongful act of Retiree. Retiree acknowledges and agrees that: (a) Company has expended, and continues to expend, significant efforts and resources to develop its Confidential Information, which increases the value of its Interests and gives it a competitive advantage; and (b) Company provided Confidential Information to Retiree before the Effective Date.

b. Agreement Not to Disclose Confidential Information. Retiree will not directly or indirectly (i) use any Confidential Information, (ii) disclose any Confidential Information in any manner to any person or entity who is not a director, manager, officer, employee, consultant, representative, agent, or legal counsel of Company or its affiliates, or (iii) disclose any Confidential Information in any manner to any other person or entity unless previously authorized in writing by Company's Chief Executive Officer or Senior Vice President and General Counsel. The restrictions set forth in this paragraph will not apply to disclosures made in compliance with the Defend Trade Secrets Act of 2016 (the "DTSA"), 18 U.S.C. § 1833(b). The DTSA provides in relevant part:

> An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for

the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Retiree acknowledges that (i) Retiree has a right to disclose in confidence trade secrets to federal, state, or local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law, (ii) Retiree has a right to disclose trade secrets in a complaint or other document filed in a lawsuit or other proceeding so long as the document is filed under seal and Retiree otherwise does not disclose such trade secrets, except pursuant to court order, and (iii) nothing in this Agreement conflicts with the DTSA or creates liability for disclosures allowed under the DTSA. Retiree acknowledges that Retiree's nondisclosure obligations survive the ending of Retiree's employment with Company.

c. Return of Confidential Information. Retiree acknowledges that Retiree has returned to Company all of its or any of the other Company Parties' Confidential Information in any form or medium. Retiree further agrees to deliver promptly to Company any such additional Confidential Information that Retiree may discover in Retiree's possession. Retiree likewise agrees not to directly or indirectly keep or deliver to anyone else any Confidential Information (including any copies of Confidential Information) or any devices storing Confidential Information.

7. Noncompetition and Nonsolicitation Restrictive Covenants.

a. Acknowledgements. Retiree acknowledges that (i) this Agreement entitles Retiree to receive Vesting Benefits designed to increase Retiree's ownership interest in Company and protect Company's goodwill, (ii) a reasonable prohibition against Retiree's competing with Company or soliciting Company's employees (the "Restricted Activities") is appropriate for the protection of Company's Confidential Information and Interests, (iii) Retiree's covenants regarding the Restricted Activities are ancillary to the otherwise enforceable agreements by Company and Retiree under paragraph 6 and Company's agreement to provide Retiree with the Vesting Benefits, and are supported by independent, valuable consideration, (iv) the restraints in the covenants regarding the Restricted Activities are reasonable and do not include any greater restraint than is reasonably necessary to protect Company's Confidential Information and Interests, and (v) Company may waive the Restricted Activities, in whole or in part, in writing at any time.

b. Noncompetition. Retiree agrees that, without the prior written consent of Company's Chief Executive Officer or Senior Vice President and General Counsel, for 12 months following the execution of this Agreement (the "Restricted Period"), Retiree will not accept any job, employment, or consulting work with, perform services for, or otherwise associate directly or indirectly as an employee, officer, director, agent, partner, stockholder, owner, member, representative, or consultant of any Competing Business. A "Competing

Business" is a business involved in oil and gas exploration, production, or development in the U.S. Gulf of Mexico, Equatorial Guinea, Ghana, Mauritania, or Senegal. Retiree will not violate this paragraph 7(b) solely as a result of Retiree's investment in stock or other securities of a Competing Business listed on a national securities exchange or actively traded in the over-the-counter market if Retiree and the members of Retiree's immediate family do not, directly or indirectly, in the aggregate hold more than one percent of all such shares of stock or other securities issued and outstanding.

c. Nonsolicitation of Company Employees. Retiree agrees that, without the prior written consent of Company's Chief Executive Officer or Senior Vice President and General Counsel, during the Restricted Period, Retiree will not directly or indirectly for Retiree's own account or for the benefit of any other person, hire, attempt to hire, employ, solicit for employment, or recruit any person whom Company employed within six months immediately preceding the Retirement Date and with whom Retiree had contact relating to the Business or about whom Retiree had access to Confidential Information, or entice, persuade, encourage, induce, advise, or recommend to any such person that he or she terminate or abandon his or her employment with Company.

d. Enforcement; Remedies. If Retiree breaches or threatens to breach Retiree's covenants with respect to the Restricted Activities, Company will be entitled to equitable relief (without the need to post a bond or prove actual damages) by temporary restraining order, temporary injunction, or permanent injunction or otherwise, in addition to all other legal and equitable relief to which it may be entitled, including any and all monetary damages that Company may incur as a result of such breach, violation, or threatened breach or violation. Retiree irrevocably waives any right to challenge the validity or enforceability of such obligations or covenants. In the event a court deems any provisions of this Agreement to exceed the limits permitted by any applicable law, such provisions will be, and are, reformed to the maximum limitations permitted by applicable law.

8. Permitted Activities. Retiree understands that nothing in this Agreement precludes Retiree from (i) voluntarily filing a charge or complaint with, providing truthful information to, or cooperating with an investigation conducted by a government agency, (ii) providing information to Retiree's attorney (if any), (iii) making statements under oath or giving truthful testimony in a legal proceeding or as required by law or valid legal process, such as by a subpoena or court order, or (iv) engaging in any other legally protected activity. Retiree further understands that Retiree is not required to notify Company before or if Retiree engages in any such permitted activities. Retiree represents that Retiree has no knowledge of any improper, unethical, or illegal conduct or activities by Company or any of the other Company Parties that Retiree has not already reported to Company.

9. Jury Waiver. Retiree irrevocably waives the right to trial by jury with respect to any claim or cause of action against Company or any of the other Company Parties

arising from Retiree's employment with or retirement from Company or from this Agreement (either for alleged breach or enforcement).

10. Voluntary Agreement. Retiree acknowledges that (i) Retiree read this Agreement, (ii) by this paragraph, Company specifically has advised Retiree to consult an attorney and Retiree has had the opportunity to consult an attorney, (iii) Retiree received this Agreement on or before December 14, 2020 and has had at least 21 days to consider and fully understand the meaning and effect of Retiree's action in signing this Agreement, (iv) Retiree's signing of this Agreement is knowing, voluntary, and based solely on Retiree's own judgment in consultation with Retiree's attorney, if any, and (v) Retiree is not relying on any written or oral statement or promise other than as set out in this Agreement or the Advisory Agreement.

11. Miscellaneous. This Agreement contains and constitutes the entire understanding and agreement between Company and Retiree with respect to its subject matter and may not be released, discharged, abandoned, supplemented, changed, or modified in any manner except by a writing of concurrent or subsequent date signed by both an authorized Company official and Retiree. This Agreement is governed by and construed in accordance with the laws of the State of Texas without regard to its rules regarding conflict of laws. Exclusive venue for purposes of any dispute, controversy, claim, or cause of action between the Parties concerning, arising out of, or related to this Agreement or Retiree's employment with or retirement from Company is in any state or federal court of competent jurisdiction presiding over Dallas County, Texas. Nothing in this Agreement, however, precludes Company or Retiree from seeking to remove a civil action from any state court to federal court. Retiree further consents to receive service of process related to any such action by any method permitted by statute or rule and—whether or not expressly authorized by statute or rule—through any email or social-media account established, maintained, or used by Retiree.

RETIREE	KOSMOS ENERGY, LLC
/s/ Thomas P. Chambers Thomas P. Chambers	/s/ Jason E. Doughty By: Jason E. Doughty Sole Manager and Vice President
Date: January 4, 2021	Date: January 4, 2021

EXHIBIT A

Type of Eligible Award	Grant Date	Vesting Date	Number of Shares
Service Award	31-Jan-18	1-Jan-21	24,375
Performance Award	31-Jan-18	3-Jan-21	146,875*
Service Award	31-Jan-19	2-Jan-21	24,374
Service Award	31-Jan-19	2-Jan-22	24,374
Performance Award	31-Jan-19	4-Jan-22	146,875*

* For PSUs, the figure reflects the target number of shares underlying the award. The actual number of shares that will vest will be determined based on achievement of the applicable performance goals and will range between 0% and 200% of the target number of shares underlying each PSU award.

EXHIBIT B

Payment Type	Value
Senior Executive Retirement Program Cash Component	$ 410,483.00

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: May 10, 2021

/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: May 10, 2021

/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 March 31, 2021, 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: May 10, 2021

/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 March 31, 2021, 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: May 10, 2021

/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.