UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

o 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)

Bermuda (State or other jurisdiction of incorporation or organization)	**98-0686001** (I.R.S. Employer Identification No.)
Clarendon House **2 Church Street** **Hamilton, Bermuda** (Address of principal executive offices)	**HM 11** (Zip Code)

Registrant s telephone number, including area code: **+1 441 295 5950**

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 x No o

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 x No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Class	Outstanding at July 27, 2015
Common Shares, $0.01 par value	387,407,506

Table of Contents

TABLE OF CONTENTS

Unless otherwise stated in this report, references to Kosmos, we, us or the company refer to Kosmos Energy Ltd. and its 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.

Table of Contents

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.
API	A specific gravity scale, expressed in degrees, that denotes the relative density of various petroleum liquids. The scale increases inversely with density. Thus lighter petroleum liquids will have a higher API than heavier ones.
ASC	Financial Accounting Standards Board Accounting Standards Codification.
ASU	Financial Accounting Standards Board Accounting Standards Update.
Barrel or Bbl	A standard measure of volume for petroleum corresponding to approximately 42 gallons at 60 degrees Fahrenheit.
BBbl	Billion barrels of oil.
BBoe	Billion barrels of oil equivalent.
Bcf	Billion cubic feet.
Boe	Barrels of oil equivalent. Volumes of natural gas converted to barrels of oil using a conversion factor of 6,000 cubic feet of natural gas to one barrel of oil.
Boepd	Barrels of oil equivalent per day.
Bopd	Barrels of oil per day.
Bwpd	Barrels of water per day.
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.
Dry hole	

	A well that has not encountered a hydrocarbon bearing reservoir expected to produce in commercial quantities.
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, (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.
E&P	Exploration and production.
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 for taking on a portion of the drilling costs of one or more specific wells or other performance by the assignee as a condition of the assignment.

Table of Contents

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 the drilling costs of one or more specific wells and/or other work as a condition of the assignment.
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 the depletion of the Jubilee Field plus the net present value of the forecast of certain capital expenditures incurred in relation to the Jubilee Field and certain other fields in Ghana, to (y) the aggregate loan amounts outstanding under the Facility less the Resource Bridge, as applicable.
FPSO	Floating production, storage and offloading vessel.
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.
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 Jubilee Field and certain other fields in Ghana, to (y) the aggregate loan amounts outstanding under the Facility less the Resource Bridge, as applicable.
Make-whole redemption price	The make-whole redemption price is equal to the outstanding principal amount of such notes plus the greater of 1) 1% of the then outstanding principal amount of such notes and 2) the present value of the notes at 103.9% and required interest payments thereon through August 1, 2017 at such redemption date.
MBbl	Thousand barrels of oil.
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.
MMcf	Million cubic feet of natural gas.
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.
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.

Table of Contents

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.
Reconnaissance contract	A contract in which the owner of hydrocarbons gives an E&P company rights to perform evaluation of existing data or potentially acquire additional data but may not convey an exclusive option to explore for, develop, and/or produce hydrocarbons from the lease area.
Resource Bridge	Borrowing Base availability attributable to probable reserves and contingent resources from Jubilee Field Future Phases, Tweneboa, Enyenra and Ntomme fields and potentially Mahogany, Teak and Akasa fields.
Shelf margin	The path created by the change in direction of the shoreline in reaction to the filling of a sedimentary basin.
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 and/or natural gas 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 natural 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.
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.
Trap	A configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate.
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 oil and/or natural gas regardless of whether such acreage contains discovered resources.

Table of Contents

KOSMOS ENERGY LTD.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 252,611	$ 554,831
Restricted cash	31,500	15,926
Receivables:		
Joint interest billings	54,569	60,592
Oil sales	59,338	61,731
Other	30,515	41,221
Inventories	70,078	55,354
Prepaid expenses and other	19,024	25,278
Deferred tax assets	8,160	32,268
Derivatives	110,674	163,275
Total current assets	636,469	1,010,476
Property and equipment:		
Oil and gas properties, net	1,950,873	1,773,186
Other property, net	9,808	11,660
Property and equipment, net	1,960,681	1,784,846
Other assets:		
Restricted cash	10,125	16,125
Long-term receivables joint interest billings	24,922	14,174
Deferred financing costs, net of accumulated amortization of $37,788 and $33,389 at June 30, 2015 and December 31, 2014, respectively	52,300	48,753
Long-term deferred tax assets	12,515	9,182
Derivatives	44,251	89,210
Total assets	$ 2,741,263	$ 2,972,766
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	$ 149,719	$ 184,400
Accrued liabilities	110,006	201,967
Deferred tax liability	43,316	61,683
Derivatives	924	721
Total current liabilities	303,965	448,771
Long-term liabilities:		
Long-term debt	798,543	794,269
Derivatives	7,574	68
Asset retirement obligations	47,854	44,023
Deferred tax liability	358,569	337,961
Other long-term liabilities	9,565	8,715
Total long-term liabilities	1,222,105	1,185,036
Shareholders equity:		

Preference shares, $0.01 par value; 200,000,000 authorized shares; zero issued at June 30, 2015 and December 31, 2014				
Common shares, $0.01 par value; 2,000,000,000 authorized shares; 393,742,864 and 392,443,048 issued at June 30, 2015 and December 31, 2014, respectively		3,937		3,924
Additional paid-in capital		1,906,718		1,860,190
Accumulated deficit		(648,951)		(494,850)
Accumulated other comprehensive income		378		767
Treasury stock, at cost, 8,797,511 and 5,555,088 shares at June 30, 2015 and December 31, 2014, respectively		(46,889)		(31,072)
Total shareholders equity		1,215,193		1,338,959
Total liabilities and shareholders equity	$	2,741,263	$	2,972,766

See accompanying notes.

Table of Contents

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Revenues and other income:				
Oil and gas revenue	$ 119,200	$ 328,297	$ 228,364	$ 541,150
Gain on sale of assets	1,900		24,651	23,769
Other income	713	869	1,355	1,308
Total revenues and other income	121,813	329,166	254,370	566,227
Costs and expenses:				
Oil and gas production	20,224	22,946	52,324	39,269
Exploration expenses	14,539	23,509	113,480	36,318
General and administrative	41,179	32,480	79,846	59,893
Depletion and depreciation	37,532	69,546	74,539	115,924
Interest and other financing costs, net	8,998	9,998	19,749	19,135
Derivatives, net	44,877	21,566	12,550	19,538
Restructuring charges		11,804		11,804
Other expenses, net	4,266	26	4,894	1,303
Total costs and expenses	171,615	191,875	357,382	303,184
Income (loss) before income taxes	(49,802)	137,291	(103,012)	263,043
Income tax expense	25,390	80,784	51,089	131,567
Net income (loss)	$ (75,192)	$ 56,507	$ (154,101)	$ 131,476
Net income (loss) per share:				
Basic	$ (0.20)	$ 0.15	$ (0.40)	$ 0.34
Diluted	$ (0.20)	$ 0.15	$ (0.40)	$ 0.34
Weighted average number of shares used to compute net income (loss) per share:				
Basic	382,138	378,820	381,238	378,327
Diluted	382,138	381,818	381,238	381,157

See accompanying notes.

7

Table of Contents

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net income (loss)	$ (75,192)	$ 56,507	$ (154,101)	$ 131,476
Other comprehensive loss:				
Reclassification adjustments for derivative gains included in net income (loss)	(195)	(405)	(389)	(811)
Other comprehensive loss	(195)	(405)	(389)	(811)
Comprehensive income (loss)	$ (75,387)	$ 56,102	$ (154,490)	$ 130,665

See accompanying notes.

Table of Contents

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(In thousands)

(Unaudited)

	Common Shares Shares	Common Shares Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance as of December 31, 2014	392,443	$ 3,924	$ 1,860,190	$ (494,850)	$ 767	$ (31,072)	$ 1,338,959
Equity-based compensation			48,679				48,679
Derivatives, net					(389)		(389)
Restricted stock awards and units	1,300	13	(13)				
Restricted stock forfeitures			15			(15)	
Purchase of treasury stock			(2,153)			(15,802)	(17,955)
Net loss				(154,101)			(154,101)
Balance as of June 30, 2015	393,743	$ 3,937	$ 1,906,718	$ (648,951)	$ 378	$ (46,889)	$ 1,215,193

See accompanying notes.

Table of Contents

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2015	2014
Operating activities		
Net income (loss)	$ (154,101)	$ 131,476
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depletion, depreciation and amortization	79,758	121,269
Deferred income taxes	23,015	55,817
Unsuccessful well costs	86,603	2,815
Change in fair value of derivatives	11,605	22,301
Cash settlements on derivatives (including $93.5 million and $(0.2) million on commodity hedges)	93,275	(1,510)
Equity-based compensation	48,527	40,898
Gain on sale of assets	(24,651)	(23,769)
Loss on extinguishment of debt	165	2,898
Other	5,977	(4,132)
Changes in assets and liabilities:		
(Increase) decrease in receivables	8,615	(135,631)
(Increase) decrease in inventories	(14,754)	7,519
(Increase) decrease in prepaid expenses and other	6,254	(24,696)
Decrease in accounts payable	(34,681)	(5,444)
Increase (decrease) in accrued liabilities	(52,154)	96,250
Net cash provided by operating activities	83,453	286,061
Investing activities		
Oil and gas assets	(384,194)	(186,463)
Other property	(536)	(914)
Proceeds on sale of assets	28,603	58,315
Restricted cash	(9,574)	(1,827)
Net cash used in investing activities	(365,701)	(130,889)
Financing activities		
Payments on long-term debt	(200,000)	(100,000)
Net proceeds from issuance of senior secured notes	206,774	
Purchase of treasury stock	(17,955)	(10,940)
Deferred financing costs	(8,791)	(20,709)
Net cash used in financing activities	(19,972)	(131,649)
Net increase (decrease) in cash and cash equivalents	(302,220)	23,523
Cash and cash equivalents at beginning of period	554,831	598,108

Cash and cash equivalents at end of period	$	252,611	$	621,631
Supplemental cash flow information				
Cash paid for:				
Interest	$	28,335	$	15,302
Income taxes	$	17,119	$	44,367

See accompanying notes.

Table of Contents

KOSMOS ENERGY LTD.

Notes to Consolidated Financial Statements

(Unaudited)

1. Organization

Kosmos Energy Ltd. was incorporated pursuant to the laws of Bermuda in January 2011 to become a holding company for Kosmos Energy Holdings. Kosmos Energy Holdings is a privately held Cayman Islands company that was formed in March 2004. 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 leading independent oil and gas exploration and production company focused on frontier and emerging areas along the Atlantic Margin. Our assets include existing production and other major development projects offshore Ghana, as well as exploration licenses with significant hydrocarbon potential offshore Ireland, Mauritania, Portugal, Senegal, Suriname, Morocco and Western Sahara. Kosmos is listed on the New York Stock Exchange and is traded under the ticker symbol KOS.

We have one reportable segment, which is the exploration and production of oil and natural gas. Substantially all of our long-lived assets and product sales are currently related to production located offshore Ghana.

2. Accounting Policies

General

The interim-period financial information presented in the consolidated financial statements included in this report is unaudited and, in the opinion of management, includes all adjustments of a normal recurring nature necessary to present fairly the consolidated financial position as of June 30, 2015, the changes in the consolidated statements of shareholders equity for the six months ended June 30, 2015, the consolidated results of operations for the three months and six ended June 30, 2015 and 2014, and consolidated cash flows for the six months ended June 30, 2015 and 2014. The results of the interim periods shown in this report are not necessarily indicative of the final results to be expected for the full year. The consolidated financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by Generally Accepted Accounting Principles in the United States of America (GAAP) have been condensed or omitted from these interim consolidated financial statements. These consolidated financial statements and the accompanying notes should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2014, included in our annual report on Form 10-K.

Reclassifications

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

Restricted Cash

In accordance with our commercial debt facility (the Facility), we are required 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 7.875% Senior Secured Notes due 2021 (Senior Notes) plus the Corporate Revolver or the Facility, whichever is greater. As of June 30, 2015 and December 31, 2014, we had $24.3 million and $15.9 million, respectively, in current restricted cash to meet this requirement.

In addition, in accordance with certain of our petroleum contracts, we have posted letters of credit related to performance guarantees for our minimum work obligations. 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 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. As of June 30, 2015 and December 31, 2014, we had $7.2 million and zero, respectively, of short-term restricted cash and $10.1 million and $16.1 million, respectively, of long-term restricted cash used to collateralize performance guarantees related to our petroleum contracts.

Table of Contents

Inventories

Inventories consisted of $68.1 million and $55.3 million of materials and supplies and $2.0 million and $0.1 million of hydrocarbons as of June 30, 2015 and December 31, 2014, 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 market.

Hydrocarbon inventory is carried at the lower of cost, using the weighted average cost method, or market. 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.

Recent Accounting Standards

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 modifies existing guidance related to the presentation of debt issuance costs which are currently capitalized and presented on the balance sheet as an asset. ASU 2015-03 requires these costs to be presented as a direct deduction from the face amount of the related debt. This guidance is effective for public companies for fiscal years beginning after December 15, 2015 and will be applied retrospectively for all periods presented. The adoption of this standard is not expected to have a material impact on the Company s consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis. ASU 2015-02 modifies existing consolidation guidance related to limited partnerships and similar legal entities, eliminates the presumption that a general partner should consolidate a limited partnership, affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, and provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. This guidance is effective for public companies for fiscal years beginning after December 15, 2015 with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company s consolidated financial statements.

3. Acquisitions and Divestitures

In March 2015, we closed a farm-in agreement with Repsol Exploración, S.A. (Repsol), acquiring a non-operated interest in the Camarao, Ameijoa, Mexilhao and Ostra blocks in the Peniche Basin offshore Portugal. As part of the agreement, we will reimburse a portion of Repsol s previously incurred exploration costs, as well as partially carry Repsol s share of the costs of a planned 3D seismic program. After giving effect to the farm-in agreement, our participating interest is 31% in each of the blocks.

In March 2015, we closed a farm-out agreement with Chevron Mauritania Exploration Limited, a wholly owned subsidiary of Chevron Corporation (Chevron), covering the C8, C12 and C13 petroleum contracts offshore Mauritania. Under the terms of the farm-out agreement, Chevron acquired a 30% non-operated working interest in each of the contract areas. Chevron will pay a disproportionate share of the costs of one exploration well and a second contingent exploration well, subject to maximum expenditure caps. In addition, Chevron paid its proportionate share of certain previously incurred exploration costs. Chevron did not fund drilling of the Tortue prospect, but retains the option to elect to participate in this prospect subject to Chevron paying a disproportionate share of its costs related to the Tortue prospect. After giving effect to the farm-out agreements, Kosmos, Chevron and Société Mauritanienne des Hydrocarbures et de Patrimoine Minier s (SMHPM) (Mauritania s national oil company) participating interest in Block C8, Block C12 and Block C13 is 60%, 30% and 10%, respectively, and we remain as operator. The final allocation resulted in sales proceeds of $28.7 million, which exceeded our book basis in the assets, resulting in a $24.7 million gain on the transaction.

4. 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. 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 2014, the Ghana National Petroleum Corporation (GNPC) notified us and our block partners that it would exercise its right for the contractor group to pay its 5% share of the Tweneboa, Enyenra and Ntomme (TEN) development costs. We will be reimbursed for our portion of such costs plus interest from GNPC s TEN production revenues under the terms of the Deepwater Tano (DT) petroleum contract. As of June 30, 2015 and December 31, 2014, the joint interest billing receivables due from GNPC for the TEN development costs were $24.9 million and $14.2 million, respectively, which are classified as long-term on the consolidated balance sheets.

Table of Contents

5. Property and Equipment

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

	June 30, 2015	December 31, 2014
	(In thousands)	
Oil and gas properties:		
Proved properties	$ 1,223,514	$ 1,156,868
Unproved properties	441,368	363,717
Support equipment and facilities	1,067,690	968,722
Total oil and gas properties	2,732,572	2,489,307
Less: accumulated depletion	(781,699)	(716,121)
Oil and gas properties, net	1,950,873	1,773,186
Other property	34,146	33,718
Less: accumulated depreciation	(24,338)	(22,058)
Other property, net	9,808	11,660
Property and equipment, net	$ 1,960,681	$ 1,784,846

We recorded depletion expense of $35.2 million and $67.2 million for the three months ended June 30, 2015 and 2014, respectively, and $69.8 million and $111.2 million for the six months ended June 30, 2014 and 2015, respectively.

6. Suspended Well Costs

The following table reflects the Company s capitalized exploratory well costs on completed wells as of and during the six months ended June 30, 2015. The table excludes $63.2 million in costs that were capitalized and subsequently expensed during the same period.

	Six Months Ended June 30, 2015 (In thousands)
Beginning balance	$ 226,714
Additions to capitalized exploratory well costs pending the determination of proved reserves	149,450
Reclassification due to determination of proved reserves	
Capitalized exploratory well costs charged to expense	(23,375)
Ending balance	$ 352,789

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

	June 30, 2015	December 31, 2014
	(In thousands, except well counts)	
Exploratory well costs capitalized for a period of one year or less	$ 138,882	$ 16,814
Exploratory well costs capitalized for a period of one to two years	33,843	40,865
Exploratory well costs capitalized for a period of three to six years	180,064	169,035
Ending balance	$ 352,789	$ 226,714
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	4	5

Table of Contents

As of June 30, 2015, the projects with exploratory well costs capitalized for more than one year since the completion of drilling are related to the Mahogany, Teak (formerly Teak-1 and Teak-2) and Akasa discoveries in the West Cape Three Points (WCTP) Block and the Wawa discovery in the DT Block, which are all in Ghana.

Mahogany In March 2015, we submitted a declaration of commerciality to Ghana s Ministry of Petroleum (formerly Ghana s Ministry of Energy and Petroleum) and expect to submit a PoD concerning the Mahogany discovery later this year.

Teak Discovery We are currently in discussions with the government of Ghana regarding the declaration of commerciality for the Teak discovery. Upon resolution of such discussions and declaration of commerciality, a PoD would be prepared and submitted to Ghana s Ministry of Petroleum, as required under the WCTP petroleum contract. The Teak-1 and Teak-2 discoveries are being treated as a single discovery area.

Akasa Discovery We are currently in discussions with the government of Ghana regarding additional technical studies and evaluation that we want to conduct before we are able to make a determination regarding commerciality of the discovery. If we determine the discovery to be commercial, a declaration of commerciality would be provided and a PoD would be prepared and submitted to Ghana s Ministry of Petroleum, as required under the WCTP petroleum contract.

Wawa Discovery In April 2015, the Special Chamber of the International Tribunal of the Law of the Sea (ITLOS) issued an order in response to the provisional measures sought by the Government of Cote d Ivoire in its pending maritime boundary dispute with the Government of Ghana. ITLOS rejected the request that Ghana suspend all ongoing exploration and development operations in the disputed area in which the Wawa Discovery is situated until ITLOS gives its decision on the maritime boundary dispute, which is expected in late 2017. ITLOS did order Ghana to suspend new drilling in the disputed area. We plan to discuss with the Government of Ghana the effects of the ITLOS order on the proposed Wawa appraisal activities so that we can more clearly define our future plans and corresponding timeline. In the meantime, we continue to reprocess seismic data and have acquired a high resolution seismic survey over the discovery area. Following additional evaluation and potential appraisal activities, a decision regarding commerciality of the Wawa discovery will be made by the DT Block partners. Within six months of a declaration of commerciality, a PoD would be prepared and submitted to Ghana s Ministry of Petroleum, as required under the DT petroleum contract.

7. Accrued Liabilities

Accrued liabilities consisted of the following:

	June 30, 2015	December 31, 2014
	(In thousands)	
Accrued liabilities:		
Exploration, development and production	$ 60,514	$ 139,393
General and administrative expenses	15,112	21,926
Income taxes	12,542	9,233
Interest	17,456	10,271

Taxes other than income		4,175		20,315
Other		207		829
	$	110,006	$	201,967

8. Debt

Debt consists of the following:

		June 30, 2015		December 31, 2014
		(In thousands)		
Outstanding debt principal balances:				
Facility	$	300,000	$	500,000
Senior Notes		525,000		300,000
Total		825,000		800,000
Unamortized issuance discounts		(26,457)		(5,731)
Long-term debt	$	798,543	$	794,269

Table of Contents

Facility

In March 2014, the Company amended and restated the Facility with a total commitment of $1.5 billion from a number of financial institutions, including the International Finance Corporation. The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities.

As part of the debt refinancing in March 2014, the repayment of borrowings under the existing facility attributable to financial institutions that did not participate in the amended Facility was accounted for as an extinguishment of debt, and existing unamortized debt issuance costs attributable to those participants were expensed. As a result, we recorded a $2.9 million loss on the extinguishment of debt. As of June 30, 2015, we have $41.0 million of net deferred financing costs related to the Facility, which will be amortized over the remaining term of the Facility, including certain costs related to the amendment.

As of June 30, 2015, borrowings under the Facility totaled $300.0 million and the undrawn availability under the Facility was $1.2 billion.

The Facility provides a revolving-credit and letter of credit facility. The availability period for the revolving-credit facility, as amended in March 2014 expires on March 31, 2018. However the Facility has a revolving-credit sublimit, which will be the lesser of $500.0 million and the total available facility at that time, that will be available for drawing until the date falling one month prior to the final maturity date. The letter of credit sublimit expires on the final maturity date. The available facility amount is subject to borrowing base constraints and, beginning on March 31, 2018, outstanding borrowings will be constrained by an amortization schedule. The Facility has a final maturity date of March 31, 2021. As of June 30, 2015, we had no letters of credit issued under the Facility.

We were in compliance with the financial covenants contained in the Facility as of March 31, 2015 (the most recent assessment date). The Facility contains customary cross default provisions.

Corporate Revolver

In June 2015, we amended and restated the Corporate Revolver from a number of financial institutions, increasing the borrowing capacity to $400.0 million, extending the maturity date to November 2018 and lowering the commitment fees on the undrawn portion of the total commitments to 30% per annum of the respective margin. The Corporate Revolver is available for all subsidiaries for general corporate purposes and for oil and gas exploration; appraisal and development programs. As of June 30, 2015, we have $9.3 million of net deferred financing costs related to the Corporate Revolver, which will be amortized over the remaining term. Additionally, a negative covenant was added that restricts our ability to incur additional indebtedness that would not be permitted by the indenture governing our 7.875% senior secured notes due 2021.

As of June 30, 2015, there were no borrowings outstanding under the Corporate Revolver and the undrawn availability under the Corporate Revolver was $400.0 million. We were in compliance with the financial covenants contained in the Corporate Revolver as of March 31, 2015 (the most recent assessment date). The Corporate Revolver contains customary cross default provisions.

Revolving Letter of Credit Facility

In July 2013, we entered into a revolving letter of credit facility agreement (LC Facility). The size of the LC Facility is $100.0 million, with additional commitments up to $50.0 million being available if the existing lender increases its commitment or if commitments from new financial institutions are added. As of June 30, 2015, there were eight outstanding letters of credit totaling $23.1 million under the LC Facility. The LC Facility contains customary cross default provisions. In July 2015, we reduced the size of our LC facility by $25.0 million to $75.0 million, with additional commitments up to $50.0 million being available if the existing lender increases its commitment or if commitments from new financial institutions are added.

7.875% Senior Secured Notes due 2021

In August 2014, the Company issued $300.0 million of Senior Notes and received net proceeds of approximately $292.5 million after deducting discounts, commissions and deferred financing costs. The Company used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes.

In April 2015, we issued an additional $225.0 million Senior Notes and received net proceeds of $206.8 million after deducting discounts, commissions and other expenses. The net proceeds were used to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes. The additional $225.0 million of Senior Notes have identical terms to the

existing $300.0 million of Senior Notes, other than the date of issue, the initial price, the first interest payment date and the first date from which interest will accrue.

Table of Contents

The Senior Notes mature on August 1, 2021. Interest is payable semi-annually in arrears each February 1 and August 1 commencing on February 1, 2015 for the existing $300.0 million Senior Notes and August 1, 2015 for the additional $225.0 million Senior Notes. The Senior Notes are secured (subject to certain exceptions and permitted liens) by a first ranking fixed equitable charge on all shares held by us in our direct subsidiary, Kosmos Energy Holdings. The Senior Notes are currently guaranteed on a subordinated, unsecured basis by our existing restricted subsidiaries that guarantee the Facility and the Corporate Revolver, and, in certain circumstances, the Senior Notes will become guaranteed by certain of our other existing or future restricted subsidiaries.

At June 30, 2015, the estimated repayments of debt during the five fiscal year periods and thereafter are as follows:

	Payments Due by Year (In thousands)					
	2015(2)	2016	2017	2018	2019	Thereafter
Principal debt repayments(1)	$	$	$	$	$	$ 825,000

(1) Includes the scheduled principal maturities for the $525.0 million aggregate principal amount of Senior Notes issued in August 2014 and April 2015 and the Facility. The scheduled maturities of debt related to the Facility are based on the level of borrowings and the estimated future available borrowing base as of June 30, 2015. 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. As of June 30, 2015, there were no borrowings under the Corporate Revolver.

(2) Represents payments for the period July 1, 2015 through December 31, 2015.

Interest and other financing costs, net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest expense	$ 19,260	$ 10,998	$ 34,657	$ 21,994
Amortization deferred financing costs	2,609	2,559	5,219	5,345
Deferred interest	137	265	1,291	(3,846)
Loss on extinguishment of debt	165		165	2,898
Capitalized interest	(13,154)	(4,302)	(21,994)	(8,103)
Interest income	(172)	(196)	(340)	(254)
Other, net	153	674	751	1,101
Interest and other financing costs, net	$ 8,998	$ 9,998	$ 19,749	$ 19,135

9. 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.

Table of Contents

Oil Derivative Contracts

The following table sets forth the volumes in barrels underlying the Company s outstanding oil derivative contracts and the weighted average Dated Brent prices per Bbl for those contracts as of June 30, 2015.

				Weighted Average Dated Brent Price per Bbl				
Term	**Type of Contract**	**MBbl**	**Net Deferred Premium Payable**	**Swap**	**Put**	**Floor**	**Ceiling**	**Call**
2015:								
July December	Three-way collars	2,129	$ 0.46	$	$	$ 87.43	$ 110.00	$ 133.82
July December	Swaps with calls	1,006		93.59				115.00
2016:								
January December	Purchased puts	2,000	$ 3.41	$	$	$ 85.00	$	$
January December	Three-way collars	2,000				85.00	110.00	135.00
January December	Swaps with puts	2,000		75.00	60.00			
2017:								
January December	Sold calls	2,000	$	$	$	$	$ 85.00	$
January December	Swap with puts/calls	2,000	2.13	72.50	55.00			90.00

Interest Rate Derivative Contracts

The following table summarizes our open interest rate swaps, whereby we pay a fixed rate of interest and the counterparty pays a variable LIBOR-based rate, and our capped interest rate swaps whereby we pay a fixed rate of interest if LIBOR is below the cap, and pay the market rate less the spread between the cap (sold call) and the fixed rate of interest if LIBOR is above the cap as of June 30, 2015:

Term	**Type of Contract**	**Floating Rate**	**Notional (In thousands)**	**Weighted Average Swap**	**Sold Call**
July 2015 December 2015	Swap	6-month LIBOR	$ 25,000	2.27%	
January 2016 June 2016	Swap	6-month LIBOR	12,500	2.27%	
January 2016 December 2018	Capped swap	1-month LIBOR	200,000	1.23%	3.00%

The following tables disclose the Company s derivative instruments as of June 30, 2015 and December 31, 2014 and gain/(loss) from derivatives during the three and six months ended June 30, 2015 and 2014, respectively:

		Estimated Fair Value Asset (Liability)	
Type of Contract	**Balance Sheet Location**	**June 30, 2015**	**December 31, 2014**
		(In thousands)	
Derivatives not designated as hedging instruments:			
Derivative assets:			

Commodity(1)	Derivatives assets	current	$	110,674	$	163,275
Commodity(2)	Derivatives assets	long-term		43,335		89,210
Interest rate	Derivatives assets	long-term		916		
Derivative liabilities:						
Interest rate	Derivatives liabilities	current		(924)		(721)
Commodity	Derivatives liabilities	long-term		(7,574)		
Interest rate	Derivatives liabilities	long-term				(68)
Total derivatives not designated as hedging instruments			$	146,427	$	251,696

(1) Includes net deferred premiums payable of $3.8 million and $1.8 million related to commodity derivative contracts as of June 30, 2015 and December 31, 2014, respectively.

(2) Includes net deferred premiums payable of $8.1 million and $6.9 million related to commodity derivative contracts as of June 30, 2015 and December 31, 2014, respectively.

Table of Contents

Type of Contract	Location of Gain/(Loss)	Amount of Gain/(Loss) Three Months Ended June 30, 2015	Amount of Gain/(Loss) Three Months Ended June 30, 2014	Amount of Gain/(Loss) Six Months Ended June 30, 2015	Amount of Gain/(Loss) Six Months Ended June 30, 2014
		(In thousands)			
Derivatives in cash flow hedging relationships:					
Interest rate(1)	Interest expense	$ 195	$ 405	$ 389	$ 811
Total derivatives in cash flow hedging relationships		$ 195	$ 405	$ 389	$ 811
Derivatives not designated as hedging instruments:					
Commodity(2)	Oil and gas revenue	$ (2,336)	$ (1,841)	$ 297	$ (3,367)
Commodity	Derivatives, net	(44,877)	(21,566)	(12,550)	(19,538)
Interest rate	Interest expense	433	(109)	259	(207)
Total derivatives not designated as hedging instruments		$ (46,780)	$ (23,516)	$ (11,994)	$ (23,112)

(1) Amounts were reclassified from accumulated other comprehensive income or loss (AOCI) into earnings upon settlement.

(2) Amounts represent the mark-to-market portion of our provisional oil sales contracts.

Offsetting of Derivative Assets and Derivative Liabilities

Our derivative instruments which are subject to master netting arrangements with our counterparties only have the right of offset when there is an event of default. As of June 30, 2015 and December 31, 2014, 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. Additionally, if an event of default occurred the offsetting amounts would be immaterial as of June 30, 2015 and December 31, 2014.

10. Fair Value Measurements

In accordance with ASC Topic 820, Fair Value Measurements and Disclosures , 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.

Table of Contents

The following tables present the Company s assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014, for each fair value hierarchy level:

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In thousands)			
June 30, 2015				
Assets:				
Commodity derivatives	$	$ 154,009	$	$ 154,009
Interest rate derivatives		916		916
Liabilities:				
Commodity derivatives		(7,574)		(7,574)
Interest rate derivatives		(924)		(924)
Total	$	$ 146,427	$	$ 146,427
December 31, 2014				
Assets:				
Commodity derivatives	$	$ 252,485	$	$ 252,485
Liabilities:				
Interest rate derivatives		(789)		(789)
Total	$	$ 251,696	$	$ 251,696

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, if any, after any allowances for doubtful accounts 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 three-way collars, put options, call options and swaps for notional barrels of oil at fixed Dated Brent oil prices. The values attributable to the our oil derivatives are based on (i) the contracted notional volumes, (ii) independent active futures price quotes for Dated Brent, (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 Dated Brent. 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 9 Derivative Financial Instruments for additional information regarding the Company s derivative instruments.

Provisional Oil Sales

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

Interest Rate Derivatives

We have interest rate swaps, whereby the Company pays a fixed rate of interest and the counterparty pays a variable LIBOR-based rate. We also have capped interest rate swaps, whereby the Company pays a fixed rate of interest if LIBOR is below the cap, and pays the market rate less the spread between the cap and the fixed rate of interest if LIBOR is above the cap. The values attributable to the Company s interest rate derivative contracts are based on (i) the contracted notional amounts, (ii) LIBOR yield curves provided by independent third parties and corroborated with forward active market-quoted LIBOR yield curves and (iii) a credit-adjusted yield curve as applicable to each counterparty by reference to the CDS market.

Table of Contents

Debt

The following table presents the carrying values and fair values of financial instruments that are not carried at fair value in the consolidated balance sheets:

	June 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Long-term debt	$ 798,543	$ 811,219	$ 794,269	$ 755,000

The carrying value of the Facility approximates fair value since it is subject to short-term floating interest rates that approximate the rates available to us for those periods. The fair value of our Senior Notes is based on quoted market prices, which results in a Level 1 fair value measurement.

11. Equity-based Compensation

Restricted Stock Awards and Restricted Stock Units

We record compensation expense equal to the fair value of share-based payments over the vesting periods of the Long-Term Incentive Plan (LTIP) awards. We recorded compensation expense from awards granted under our LTIP of $23.3 million and $18.0 million during the three months ended June 30, 2015 and 2014, respectively, and $48.5 million and $35.9 million for the six months ended June 30, 2015 and 2014, respectively. The total tax benefit for the three months ended June 30, 2015 and 2014 was $8.2 million and $8.0 million, respectively, and $17.0 million and $14.1 million for the six months ended June 30, 2015 and 2014, respectively. Additionally, we expensed a tax shortfall related to equity-based compensation of $18.3 million and $6.4 million for the three months ended June 30, 2015 and 2014 respectively, and $18.4 million and $6.5 million for the six months ended June 30, 2015 and 2014, respectively. The fair value of awards vested during the three months ended June 30, 2015 and 2014 was approximately $50.0 million and $31.9 million, respectively, and $50.8 million and $33.3 million for the six months ended June 30, 2015 and 2014, respectively. The Company granted both restricted stock awards and restricted stock units with service vesting criteria and granted both restricted stock awards and restricted stock units with a combination of market and service criteria under the LTIP. Our outstanding awards vest over a three or four year period. Restricted stock awards are issued and included in the number of outstanding shares upon the date of grant and, if such awards are forfeited, they become treasury stock. Upon vesting, restricted stock units become issued and outstanding stock.

The following table reflects the outstanding restricted stock awards as of June 30, 2015:

	Service Vesting Restricted Stock Awards (In thousands)	Weighted-Average Grant-Date Fair Value	Market / Service Vesting Restricted Stock Awards (In thousands)	Weighted-Average Grant-Date Fair Value

Outstanding at December 31, 2014	3,240	$	16.95	3,361	$	13.00
Granted	660		8.64			
Forfeited	(2)		8.85	(1,554)		13.29
Vested	(3,054)		17.27	(1,546)		13.30
Outstanding at June 30, 2015	844		9.33	261		9.44

The following table reflects the outstanding restricted stock units as of June 30, 2015:

	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, 2014	3,367	$	10.76	3,246	$	15.66
Granted	1,283		8.64	3,430		12.96
Forfeited	(89)		10.22	(67)		14.94
Vested	(884)		10.87			
Outstanding at June 30, 2015	3,677		10.00	6,609		14.27

Table of Contents

As of June 30, 2015, total equity-based compensation to be recognized on unvested restricted stock awards and restricted stock units is $73.9 million over a weighted average period of 2.03 years. In January 2015, the board of directors approved an amendment to the May 16, 2011 LTIP to add 15.0 million shares to the plan, which was approved at the Annual General Meeting in June 2015. At June 30, 2015, the Company had approximately 11.8 million shares that remain available for issuance under the LTIP.

For restricted stock awards and 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 100% of the awards granted for restricted stock awards and up to 200% of the awards granted for restricted stock units. The grant date fair value of these awards ranged from $6.70 to $13.57 per award for restricted stock awards and $12.96 to $15.81 per award for restricted stock units. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. The expected volatility utilized in the model was estimated using a combination of our historical volatility and implied volatility and the historical and implied volatilities of our peer companies and ranged from 30% to 76%. 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 0.5% to 1.1% for restricted stock awards and 0.5% to 1.2% for restricted stock units.

12. Income Taxes

Income tax expense was $25.4 million and $80.8 million for the three months ended June 30, 2015 and 2014, respectively, and $51.1 million and $131.6 million for the six months ended June 30, 2015 and 2014, respectively. The income tax provision consists of United States and Ghanaian income and Texas margin taxes.

The components of income (loss) before income taxes were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
		(In thousands)		
Bermuda	$ (17,374)	$ (6,904)	$ (31,037)	$ (12,219)
United States	3,887	4,207	8,554	7,494
Foreign other	(36,315)	139,988	(80,529)	267,768
Income (loss) before income taxes	$ (49,802)	$ 137,291	$ (103,012)	$ 263,043

Our effective tax rate for the three months ended June 30, 2015 and 2014 is (51%) and 59%, respectively. For the six months ended June 30, 2015 and 2014, our effective tax rate is (50%) and 50%, respectively. The effective tax rate for the United States is approximately 511% and 193% for the three months ended June 30, 2015 and 2014, respectively, and 256% and 128% for the six months ended June 30, 2015 and 2014, respectively. The effective tax rate in the United States is impacted by the effect of tax shortfalls related to equity-based compensation. The effective tax rate for Ghana is approximately 43% and 36% for the three months ended June 30, 2015 and 2014, respectively and 36% for the six months ended June 30, 2015 and 2014, respectively. Our other foreign jurisdictions have a 0% effective tax rate because they reside in countries with a 0% statutory rate, or we have experienced losses in those countries and have a full valuation allowance reserved against the corresponding net deferred tax assets.

A subsidiary of the Company files a U.S. federal income tax return and a Texas margin tax return. In addition to the United States, the Company files income tax returns in the countries in which we operate. The Company is open to U.S. federal income tax examinations for tax years 2012 through 2014 and to Texas margin tax examinations for the tax years 2010 through 2014. In addition, the Company is open to income tax examinations for years 2011 through 2014 in its significant other foreign jurisdictions.

As of June 30, 2015, the Company had no material uncertain tax positions. The Company s policy is to recognize interest and penalties related to income tax matters in income tax expense.

Table of Contents

13. Net Income (Loss) Per Share

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

[redacted]				
Numerator:				
[redacted]				
Less: Basic income allocable to participating securities(1)		(721)		(1,920)
[redacted]				
Diluted adjustments to income allocable to participating securities(1)		6		15
[redacted]				
Denominator:				
[redacted]				
Basic	382,138	378,820	381,238	378,327
[redacted]				
Diluted	382,138	381,818	381,238	381,157
[redacted]				
Basic	$ (0.20)	$ 0.15	$ (0.40)	$ 0.34
[redacted]				

(1) Our service vesting restricted stock awards represent participating securities because they participate in non-forfeitable dividends with common equity owners. Income allocable to participating securities represents the distributed and undistributed earnings attributable to the participating securities. Our restricted stock awards with market and service vesting criteria and all restricted stock units are not considered to be participating securities and, therefore, are excluded from the basic net income per common share calculation. Our service vesting restricted stock awards do not participate in undistributed net losses and, therefore, are excluded from the basic net income per common share calculation in periods we are in a net loss position.

(2) We excluded outstanding restricted stock awards and units of 11.4 million and 4.4 million for the three months and six months ended June 30, 2015 and 2014, respectively, from the computations of diluted net income per share because the effect would have been anti-dilutive.

14. 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.

In June 2013, we signed a long-term rig agreement with a subsidiary of Atwood Oceanics, Inc. for the new build 6th generation drillship Atwood Achiever. We took delivery of the Atwood Achiever in September 2014. The rig agreement covers an initial period of three years at a day rate of approximately $0.6 million, with an option to extend the agreement for an additional three-year term. We have entered into a rig sharing agreement, whereby one rig slot (estimated to be 51 days remaining in 2015) was assigned to a third-party.

Table of Contents

The estimated future minimum commitments as of June 30, 2015, are:

	Payments Due By Year(1)						
	Total	**2015(2)**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
				(In thousands)			
Operating leases(3)	$ 14,469	$ 1,634	$ 3,158	$ 3,223	$ 3,323	$ 3,131	$
Atwood Achiever drilling rig contract(4)	443,275	79,135	217,770	146,370			

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

(2) Represents payments for the period from July 1, 2015 through December 31, 2015.

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

(4) Commitments calculated using a day rate of $0.6 million, excluding applicable taxes. The rig commitments reflect the execution of a rig sharing agreement, whereby one rig slot (estimated to 51 days remaining in 2015) was assigned to a third-party.

Table of Contents

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, 2014, 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 information that involves 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 leading independent oil and gas exploration and production company focused on frontier and emerging areas along the Atlantic Margin. Our assets include existing production and other major development projects offshore Ghana, as well as exploration licenses with significant hydrocarbon potential offshore Ireland, Mauritania, Portugal, Senegal, Suriname, Morocco and Western Sahara.

Recent Developments

Corporate

During April 2015, we issued an additional $225.0 million of 7.875% Senior Secured Notes due 2021 (Senior Notes) and received net proceeds of $206.8 million after deducting discounts, commissions and other expenses. We used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes. The additional $225.0 million of Senior Notes have identical terms to the existing $300.0 million of Senior Notes issued in August 2014, other than the date of issue, the initial price, the first interest payment date and the first date from which interest will accrue.

In June 2015, we amended and restated the Corporate Revolver from a number of financial institutions, increasing the borrowing capacity from $300.0 million to $400.0 million, extending the maturity date to November 23, 2018 and lowering the commitment fees on the undrawn portion of the total commitments to 30% per annum of the respective margin. Additionally, a negative covenant was added that restricts our ability to incur additional indebtedness that would not be permitted by the indenture governing our 7.875% senior secured notes due 2021.

In July 2015, we reduced the size of our revolving letter of credit facility agreement (LC facility) by $25.0 million to $75.0 million, with additional commitments up to $50.0 million being available if the existing lender increases its commitment or if commitments from new financial institutions are added.

Ghana

We submitted a declaration of commerciality on the Mahogany discovery in March 2015. We expect to submit a plan of development concerning the Mahogany discovery area later this year.

We are currently in discussions with the government of Ghana regarding the declaration of commerciality for the Teak discovery. Upon resolution of such discussions and declaration of commerciality, we expect to submit a plan of development concerning the Teak discovery later this year.

We are currently in discussions with the government of Ghana regarding additional technical studies and evaluation that we want to conduct before we are able to make a determination regarding commerciality of the Akasa discovery.

In April 2015, the Special Chamber of the International Tribunal of the Law of the Sea (the ITLOS) issued an order in response to the provisional measures sought by the Government of Cote d Ivoire in its pending maritime boundary dispute with the Government of Ghana. ITLOS rejected the request that Ghana suspend all ongoing exploration and development operations in the disputed area in which the TEN project and Wawa Discovery are situated until ITLOS gives its decision on the maritime boundary dispute, which is expected in late 2017. ITLOS did order Ghana to suspend new drilling in the disputed area. On June 11, 2015, the Ghana Attorney General issued a letter to the DT Operator, which confirmed the DT Block partners may (i) continue to drill wells that had been started but not completed prior to the ITLOS order and (ii) carry out completion work on wells that have already been drilled. The TEN project is currently estimated to be approximately 65 percent complete. We expect TEN development activities will continue as planned with first oil expected in the second half of 2016. With respect to the Wawa Discovery, we plan to discuss with

the Government of Ghana the effects of the ITLOS order on the proposed Wawa appraisal activities so that we can more clearly define our future plans and corresponding timeline.

Table of Contents

Jubilee gas exports were temporarily halted in July due to an issue with the Jubilee FPSO processing facilities. The reduction in gas exports constrained Jubilee Field production to approximately 65,000 barrels (gross) of oil per day. We are now in the final stages of repairing the gas compressor and we expect to resume full production shortly.

Mauritania

In March 2015, we closed a farm-out agreement with Chevron Mauritania Exploration Limited, a wholly owned subsidiary of Chevron Corporation (Chevron), covering the C8, C12 and C13 petroleum contracts offshore Mauritania. Under the terms of the farm-out agreement, Chevron acquired a 30% non-operated working interest in each of the contract areas. Chevron will pay a disproportionate share of the costs of one exploration well and a second contingent exploration well, subject to maximum expenditure caps. In addition, Chevron paid its proportionate share of certain previously incurred exploration costs. Chevron did not fund drilling of the Tortue prospect, but retains the option to elect to participate in this prospect subject to Chevron paying a disproportionate share of its costs related to the Tortue prospect. After giving effect to the farm-out agreements, Kosmos, Chevron and Société Mauritanienne des Hydrocarbures et de Patrimoine Minier s (SMHPM) (Mauritania s national oil company) participating interest in Block C8, Block C12 and Block C13 is 60%, 30% and 10%, respectively, and we remain as operator. The final allocation resulted in sales proceeds of $28.7 million, which exceeded our book basis in the assets, resulting in a $24.7 million gain on the transaction.

In April 2015, we announced the Tortue-1 exploration well on block C8 offshore Mauritania had made a significant, play-opening gas discovery. Based on preliminary analysis of drilling results and intermediate logging, the Tortue-1 exploration well has intersected 107 meters (351 feet) of net hydrocarbon pay. A single gas pool was encountered in the Lower Cenomanian objective, which is comprised of three reservoirs totaling 88 meters (288 feet) in thickness over a gross hydrocarbon interval of 160 meters (528 feet). A fourth reservoir totaling 19 meters (62 feet) was penetrated within the Upper Cenomanian target over a gross hydrocarbon interval of 150 meters (492 feet). In May 2015, the Tortue-1 exploration well was drilled to a total depth of 5,107 meters, intersecting an additional 10 meters (32 feet) of net hydrocarbon pay in the lower Albian section, which is interpreted to be gas. The Tortue discovery area has been renamed Ahmeyim. An appraisal program is being planned to delineate the Ahmeyim discovery.

Portugal

In June 2015, we commenced a 3D seismic survey of approximately 3,200 square kilometers over the Camarao block offshore Portugal, which is expected to be completed in the third quarter of 2015.

Senegal

In June 2015, we entered the first renewal of the exploration period for the Cayar Offshore Profond and Saint Louis Profond Contract Areas, which lasts for three years. The first renewal period includes a one well commitment in each block. After the required relinquishment of acreage to enter the first renewal, the Cayar Offshore Profond and Saint Louis Profond Contract Areas comprise approximately 1.4 million acres and 1.6 million acres, respectively.

Suriname

In April 2015, we received an extension of the initial exploration phases for Block 42 and Block 45 offshore Suriname, both now expire in September 2016.

Table of Contents

Results of Operations

All of our results, as presented in the table below, represent operations from the Jubilee Field in Ghana. Certain operating results and statistics for the three and six months ended June 30, 2015 and 2014 are included in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands, except per barrel data)			
Sales volumes:				
MBbl	1,946	2,916	3,845	4,853
Revenues:				
Oil sales	$ 119,200	$ 328,297	$ 228,364	$ 541,150
Average sales price per Bbl	61.26	112.58	59.39	111.50
Costs:				
Oil production, excluding workovers	$ 20,521	$ 22,845	$ 38,737	$ 37,903
Oil production, workovers	(297)	101	13,587	1,366
Total oil production costs	$ 20,224	$ 22,946	$ 52,324	$ 39,269
Depletion and depreciation	$ 37,532	$ 69,546	$ 74,539	$ 115,924
Average cost per Bbl:				
Oil production, excluding workovers	$ 10.55	$ 7.84	$ 10.07	$ 7.81
Oil production, workovers	(0.15)	0.03	3.53	0.28
Total oil production costs	10.40	7.87	13.60	8.09
Depletion and depreciation	19.29	23.85	19.38	23.89
Oil production cost and depletion costs	$ 29.69	$ 31.72	$ 32.98	$