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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

OR

☐ **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 001-34579

Cobalt International Energy, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**27-0821169**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Two Post Oak Central
1980 Post Oak Boulevard, Suite 1200
Houston, TX 77056
(Address of principal executive offices, including zip code)

(713) 579-9100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common stock, $0.01 par value	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Securities Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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. (Check one):

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

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

As of June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $1.63 billion.

As of January 31, 2012, the registrant had 392,303,969 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement relating to the 2012 Annual Meeting of Shareholders, to be filed within 120 days of the end of the fiscal year covered by this report, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Cobalt International Energy, Inc.

PART I

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains estimates and forward-looking statements, principally in "Business," "Risk Factors" and "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 this Annual Report on Form 10-K, may adversely affect our results as indicated in forward-looking statements. You should read this Annual Report on Form 10-K and the documents that we have filed as exhibits hereto 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 discovery and development of oil and gas reserves;
- to what extent the implementation of our and our partners' prospect development and drilling plans is successful;
- projected and targeted capital expenditures and other costs and commitments;
- the availability, cost and reliability of drilling rigs, containment resources, production equipment and facilities, supplies, personnel and oilfield services;
- our and our partners' ability to obtain permits and licenses and drill in the U.S. Gulf of Mexico and offshore West Africa;
- current and future government regulation of the oil and gas industry and our operations;
- changes in environmental laws or the implementation or interpretation of those laws;
- the costs and delays associated with complying with additional legislation and regulation of the oil and gas industry;
- our ability to obtain financing;
- uncertainties inherent in making estimates of our oil and natural gas data;
- our dependence on our key management personnel and our ability to attract and retain qualified personnel;
- termination of or intervention in concessions, licenses, permits, rights or authorizations granted by the United States, Angolan and Gabonese governments to us;
- competition;
- the volatility of oil prices;
- our ability to successfully develop our current prospects and to find, acquire or gain access to other prospects;
- the ability of the containment resources we have under contract to perform as designed or contain or cap any oil spill, blow-out or uncontrolled flow of hydrocarbons;

- the availability and cost of developing appropriate infrastructure around and transportation to our prospects;
- military operations, terrorist acts, wars or embargoes;
- our vulnerability to severe weather events, especially tropical storms and hurricanes in the U.S. Gulf of Mexico;
- the cost and availability of adequate insurance coverage; and
- other risk factors discussed in the "Risk Factors" section of this 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 Annual Report on Form 10-K 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 1. *Business*

Overview

We are an independent, oil-focused exploration and production company with a world-class below salt prospect inventory in the deepwater of the U.S. Gulf of Mexico and offshore Angola and Gabon in West Africa. All of our prospects are oil-focused. In the U.S. Gulf of Mexico, we have drilled as operator two exploratory wells (Ligurian #1 and Criollo #1) and participated as non-operator in three exploratory wells (Heidelberg #1, Shenandoah #1 and Firefox #1) and two appraisal wells (Heidelberg #2 and Heidelberg #3). These drilling efforts have resulted in the Heidelberg and Shenandoah oil discoveries. We are currently drilling as operator the Ligurian #2 exploratory well. Offshore Angola, we have drilled as operator the Cameia #1 exploratory well on Block 21 which resulted in the Cameia pre-salt oil discovery. We continue to mature high impact prospects in our portfolio for upcoming exploratory drilling in both the deepwater of the U.S. Gulf of Mexico and the deepwater offshore Angola and Gabon. In addition, we will progress our existing discoveries toward development and production through follow-on appraisal drilling and pre-development planning activities.

Cameia Pre-Salt Oil Discovery Offshore Angola

On December 20, 2011, we announced that we were evaluating the results of the Cameia #1 exploratory well and that the results at that point in time confirmed the existence of hydrocarbons and were very encouraging. On January 10, 2012, we announced that, through further analysis, the Cameia #1 exploratory well results confirmed (i) our West Africa pre-salt geologic model, (ii) a significant oil column with high quality volatile oil, (iii) anticipated net pay estimates that were better than we originally expected, (iv) a high quality carbonate reservoir, and (v) that our drilling had not encountered an oil-to-water contact. On February 9, 2012, we announced that the Cameia #1 exploratory well was drilled in 5,518 feet (1,682 meters) of water to a total depth of 16,030 feet (4,886 meters), at which point an extensive wire-line evaluation program was conducted. The results of this wire-line evaluation program confirmed the presence of a 1,180 foot (360 meter) gross continuous oil column with over a 75% net to gross pay estimate. No gas/oil or oil/water contact was evident on the wire line logs. An extended Drill Stem Test ("DST") was performed on the Cameia #1 exploratory well to provide additional information. The DST flowed at an un-stimulated sustained rate of 5,010 barrels per day of 44-degree API gravity oil and 14.3 million cubic feet per day of associated gas (approximately 7,400 BOEPD) with minimal bottom-hole pressure drawdown. Upon shut-in, the bottom-hole pressure reverted to its initial state in less than one minute. The well bore used in the DST had a perforated interval of less than one-third of the reservoir section. The flow rate, which was restricted by surface equipment, facility and safety precautions, confirmed the presence of a very thick, continuous, high quality reservoir saturated with light oil. We believe the well, without such restrictions, would have the potential to produce in excess of 20,000 barrels of oil per day. As the Cameia #1 exploratory well only tested the pre-salt carbonate section and did not drill the entire pre-salt interval,

we believe upside potential exists for additional oil in deeper pre-salt intervals. We are the operator of and hold a 40% working interest in the Cameia #1 pre-salt oil discovery.

Our Cameia #1 pre-salt oil discovery confirms our West Africa pre-salt geologic model, including a working pre-salt petroleum system, significantly de-risks the geologic uncertainty associated with the deepwater Angolan pre-salt play, and increases the likelihood of geologic success on our adjacent undrilled prospects offshore Angola and Gabon. In addition, the results of the Cameia #1 exploratory well confirmed or exceeded our pre-drill estimates of oil quality and the reservoir quality and thickness. Such results also lead us to believe that the aerial extent of the Cameia #1 pre-salt oil discovery is between 7,500 and 25,000 acres (30 to 100 square kilometers). Although the results of the Cameia #1 exploratory well support our pre-drill expectations of the prospective area of the Cameia prospect, appraisal wells need to be drilled in order to determine and confirm its aerial extent as well as to test potential deeper pre-salt intervals.

Heidelberg #3. We participated as a non-operator in the Heidelberg #3 appraisal well which was spud in late 2011 in Green Canyon block 903. The Heidelberg #3 well appraised the Heidelberg Miocene oil discovery where more than 200 feet of net oil pay was discovered in February 2009. On February 16, 2012, the operator of the well announced the successful results of the well, which encountered approximately 250 feet of net pay thickness in high-quality Miocene sands. The appraisal well was drilled to a total depth of 31,030 feet in approximately 5,000 feet of water, about 1.5 miles south and 550 feet structurally updip from the Heidelberg #1 well. Log and pressure data from the Heidelberg #1 exploratory well and Heidelberg #3 appraisal well indicate excellent quality, continuous and pressure-connected reservoirs with high-quality oil. The operator announced that it plans to immediately sidetrack the well to determine the down-dip extent of the field and also plans to initiate pre-FEED (front-end engineering and design) activities to prepare for sanctioning and a development project. We have a 9.375% working interest in the Heidelberg prospect.

West Africa Operational Update and Drilling Schedule

2011 Angolan Pre-Salt Licensing Round. On December 20, 2011, the national oil company of Angola, Sociedade Nacional de Combustíveis de Angola—Empresa Pública ("Sonangol") concluded the highly anticipated 2011 Pre-Salt Licensing Round in Angola. As part of this licensing round, Sonangol finalized the awards of eleven pre-salt exploration blocks offshore Angola, including our award of a 40% interest in and operatorship of Block 20. Other operators awarded blocks include ConocoPhillips, BP, Total, Eni and Statoil. The high degree of interest by some of the world's largest and most experienced deepwater oil companies confirms that the industry now shares our long-held belief in the prospectivity of the pre-salt play offshore Angola. With the addition of Block 20 to our existing licenses on Blocks 9 and 21, we believe we have now established the pre-eminent position in offshore Angola's pre-salt play. We have a 40% working interest in and are the operator of each of our three blocks, something no other company has achieved in offshore Angola's pre-salt play. This leading position is a direct result of our early investment in the seismic data and technology necessary to image and understand the pre-salt geology in West Africa. Our analysis of the data led to our early identification and licensing of what we consider to be the most prospective blocks. Our West Africa strategy has achieved a significant milestone with the announcement of our Cameia #1 pre-salt oil discovery in Block 21.

Block 21 Offshore Angola. Given the results obtained from the Cameia #1 exploratory well, plans are underway to immediately drill the Cameia #2 appraisal well prior to drilling the Bicuar #1 exploratory well. The Bicuar #1 exploratory well remains a very attractive opportunity and a high priority in our Angola pre-salt exploration program. The Cameia #2 appraisal well is expected to spud in February 2012 and will be drilled to a planned total depth of up to 18,000 feet. The Cameia #2 appraisal well is expected to take 100-120 days to drill, followed by an evaluation period based on the well's results. The Cameia #2 appraisal well will help to determine the extent of the Cameia pre-salt

oil discovery as well as test the upside potential in the deeper intervals not tested by the Cameia #1 exploratory well. We have elected to pursue the Cameia #2 appraisal well prior to drilling our Bicuar #1 exploratory well in order to accelerate the evaluation of a phased approach for developing the Cameia pre-salt oil discovery. Our current plans are to implement an early production system incorporating a floating, production, storage and offloading ("FPSO") system for the Cameia development. We believe this phased development approach will help us better understand and quantify the pre-salt reservoir performance as well as deliver earlier cash flow than would be possible starting with a comprehensive full field development strategy. We are currently preparing the development schedule and do not have an estimate of first oil and cash flow from the Cameia discovery at this time.

Block 20 Offshore Angola. On December 20, 2011, we executed a Production Sharing Contract (the "PSC") with Sonangol, as well as Sonangol Pesquisa e Produção, S.A. ("Sonangol P&P"), BP Exploration Angola (Kwanza Benguela) Limited ("BP") and China Sonangol International Holding Limited ("China Sonangol"). The PSC forms the basis of our exploration, development and production operations on Block 20 offshore Angola. We are the operator of and have a 40% working interest in Block 20 offshore Angola. See "—Material Agreements—Production Sharing Contract for Block 20 Offshore Angola." As operator, we have initiated over a one million acre (4,200 square kilometer) 3-D seismic acquisition and processing program on Block 20 offshore Angola. This program will enable the prospect maturation of our extensive pre-salt portfolio on Block 20, including the maturation of our Lontra pre-salt prospect, which we believe displays similar characteristics as our Cameia #1 pre-salt oil discovery. Following the completion of the 3-D acquisition and processing program, we will further mature our Lontra prospect with plans to drill the Lontra #1 exploratory well in 2013.

Block 9 Offshore Angola. As operator, we continue to process and evaluate the approximate 600,000 acre (2,500 square kilometer) 3-D seismic survey we acquired on Block 9 in 2011. This 3-D seismic survey has further confirmed the presence of pre-salt prospects and structures on the block. We are currently in the process of maturing a number of pre-salt prospects, including our Loengo pre-salt prospect. Loengo is a pre-salt prospect that we have high-graded as a result of the 3-D seismic survey. Loengo is adjacent to the Azul #1 discovery announced by Maersk Oil in January 2012. Azul #1 gives us confidence that there is a working hydrocarbon system in the immediate area. Following the processing of our 3-D seismic survey, we will further mature our Loengo prospect with plans to drill the Loengo #1 pre-salt exploratory well in early 2013.

Diaba Block Offshore Gabon. We are currently participating as a non-operator with a 21.25% working interest in the deepwater Diaba block offshore Gabon. The operator continues to process and evaluate the approximate 1.5 million acre (6,000 square kilometer) 3-D seismic survey completed on the Diaba block in 2010. This 3-D seismic survey has further confirmed the presence of pre-salt prospects and structures on the block. The Diaba block is in close proximity to both onshore and offshore pre-salt oil discoveries such as the Rabi-Kounga field and the Maruba #2 discovery. The operator is currently in the process of maturing a number of pre-salt prospects, including the Mango and Mango South pre-salt prospects. These prospects were identified as two bifurcated prospects as a result of the 3-D seismic survey. Previously, they comprised our Longhorn prospect. We anticipate that the operator will drill the first pre-salt exploratory well in Diaba in early 2013.

U.S. Gulf of Mexico Operational Update and Drilling Schedule

Return to Continuous Operations in U.S. Gulf of Mexico. The legislative and regulatory response to the Deepwater Horizon drilling rig incident and oil spill significantly impacted our and our partners' ability to obtain permits and drill in the U.S. Gulf of Mexico. As a result of this period of drilling suspension and delay, the Ensco 8503 drilling rig, under contract to us, was directly sublet from its owner, Ensco Offshore Company, to a subsidiary of Tullow Oil plc. The term of this sublet was longer than originally anticipated, however, the Ensco 8503 drilling rig returned to the U.S. Gulf of Mexico late in the fourth quarter of 2011. Shortly after its return, we received the required U.S. Coast Guard

Certificate of Compliance and subsequently received Application for Permit to Drill ("APD") approval from the Bureau of Safety and Environmental Enforcement ("BSEE") for our Ligurian #2 exploratory well. While we were unable to drill any wells in the U.S. Gulf of Mexico in 2011, we expect to maintain a continuous drilling program in the U.S. Gulf of Mexico for the foreseeable future.

Ligurian #2. On January 1, 2012, we spud the Ligurian #2 exploratory well on Green Canyon Block 814. We believe the Ligurian blocks (Green Canyon 813, 814 and 858) and the Heidelberg blocks (Green Canyon 859 and 903) cover a common structural accumulation and we therefore refer to them as a joint prospect. On February 2, 2009, we announced that the Heidelberg #1 exploratory well had encountered more than 200 feet of net pay thickness in the Miocene horizons. The Ligurian #2 exploratory well will test the northwest flank of the Ligurian/Heidelberg interval discovered by the Heidelberg #1 exploratory well structure and evaluate a deeper Miocene formation. We anticipate announcing the results of the Ligurian #2 exploratory well in mid-2012. We are the named operator of and own a 45% working interest in the Ligurian blocks.

North Platte #1. After drilling and evaluating the Ligurian #2 exploratory well, we plan to move the Ensco 8503 drilling rig to our North Platte prospect to drill and evaluate the North Platte #1 exploratory well, for which we have an approved APD. The North Platte #1 exploratory well is located in the heart of the emerging inboard Lower Tertiary play in which we believe we hold a dominant position with numerous follow-on inboard Lower Tertiary exploratory prospects. We anticipate that the North Platte #1 exploratory well will take approximately six months to drill and evaluate. We are the operator of North Platte #1 and have a 60% working interest in the prospect.

Shenandoah #2. We will participate as a non-operator in the Shenandoah #2 appraisal well. This well will appraise the Shenandoah inboard Lower Tertiary oil discovery, made in 2009, where more than 300 feet of net oil pay was discovered. We expect well results in late 2012 or early 2013. We have a 20% working interest in the Shenandoah prospect.

Rum Ramsey #1. We expect to participate as a non-operator in the Rum Ramsey #1 exploratory well, which will test Miocene formations. We expect that the operator will spud the Rum Ramsey #1 exploratory well in the fourth quarter of 2012, with results anticipated in the second quarter of 2013. We have a 24% working interest in the Rum Ramsey prospect.

Drilling Rigs

We currently have two drilling rigs under contract: the Ensco 8503 drilling rig and the Diamond Offshore Ocean Confidence drilling rig.

Ensco 8503 Drilling Rig. On December 21, 2011, we announced that the Ensco 8503 drilling rig had returned to the U.S. Gulf of Mexico following a sublet of the rig to an operator in French Guiana. The Ensco 8503 is a newly-built, fifth generation semi-submersible drilling rig. Our contract for the Ensco 8503 has a two year term, which commenced on January 1, 2012, and may be extended to up to four years at our option. The contract for the Ensco 8503 provides for an aggregate rate for the first two years of the contract of approximately $372 million, representing a base operating rate of $510,000 per day, subject to adjustment. We expect to utilize the Ensco 8503 continuously for at least the entire initial two-year term.

Diamond Offshore Ocean Confidence Drilling Rig. We executed a drilling contract with an affiliate of Diamond Offshore Company on November 8, 2010, for the use of the Ocean Confidence drilling rig to drill two firm wells, with options for two additional wells. Following the one-well assignment we made to Total Angola and the drilling of our Cameia #1 exploratory well on Block 21 offshore Angola, we have the right under this contract to use the Ocean Confidence to drill two additional wells at a base operating rate of $360,000 per day for the first well and a base operating rate of $375,000 per day for the second well. We are currently pursuing an additional drilling rig for our operations offshore

Angola. See "Risk Factors—The high cost or unavailability of drilling rigs, equipment, personnel, oil field services and infrastructure could adversely affect our ability to execute our exploration and development plans on a timely basis and within budget".

Prior Drilling Results

Since our formation, we have drilled as operator three exploratory wells (Cameia #1, Ligurian #1 and Criollo #1) and participated as non-operator in three exploratory wells (Heidelberg #1, Shenandoah #1 and Firefox #1) and two appraisal wells (Heidelberg #2 and Heidelberg #3). We have successfully made discoveries in both the U.S. Gulf of Mexico and offshore West Africa.

Cameia #1. On February 9, 2012, we announced that the Cameia #1 exploratory well was drilled in 5,518 feet (1,682 meters) of water to a total depth of 16,030 feet (4,886 meters), at which point an extensive wire-line evaluation program was conducted. The results of this wire-line evaluation program confirmed the presence of a 1,180 foot (360 meter) gross continuous oil column with over a 75% net to gross pay estimate. No gas/oil or oil/water contact was evident on the wire line logs. An extended DST was performed on the Cameia #1 exploratory well to provide additional information. The DST flowed at an un-stimulated sustained rate of 5,010 barrels per day of 44-degree API gravity oil and 14.3 million cubic feet per day of associated gas (approximately 7,400 BOEPD) with limited drawdown. The flow rate, which was restricted by surface equipment, facility and safety precautions, confirmed the presence of a very thick, continuous, high quality reservoir saturated with light oil. See "—Cameia Pre-Salt Oil Discovery Offshore Angola."

Heidelberg #1, Ligurian #1, Heidelberg #2 and Heidelberg #3. On February 2, 2009, we announced that the Heidelberg #1 well had encountered more than 200 feet of net pay thickness in the Miocene horizons. Located in approximately 5,200 feet of water in Green Canyon 859 within the Tahiti Basin Miocene trend, this well was drilled to approximately 30,000 feet. Anadarko operates the block and we hold a 9.375% working interest. We purchased our interest in Green Canyon 859 and 903 (the "Heidelberg blocks") from an existing owner in May 2008 after we successfully acquired 100% of the working interest in the adjacent blocks of Green Canyon 813, 814 and 858 (the "Ligurian blocks") in the 2008 Central Gulf of Mexico Lease Sale.

On July 16, 2009, we spud Ligurian #1 on Green Canyon 858 to target the upper- and middle-Miocene horizons. On October 28, 2009, we and our partners decided to cease drilling operations on Ligurian #1 having encountered operational difficulties when drilling below salt through an unforeseen geologic formation before reaching total depth or drilling to the targeted horizons. We did encounter oil in the wellbore above the targeted horizons, but believe further drilling operations will be required to adequately test the prospect. See "—U.S. Gulf of Mexico Operational Update and Drilling Schedule—Ligurian #2."

On February 17, 2010, the Heidelberg #2 appraisal well was spud by the operator in approximately 5,300 feet of water in Green Canyon 903. On April 29, 2010, we announced that the operator had notified us that Heidelberg #2 would be permanently plugged and abandoned due to mechanical problems. Heidelberg #2 did not reach the depth necessary to test any targeted objectives because of these mechanical problems.

The operator spud the Heidelberg #3 appraisal well in late 2011, thereby resuming the Heidelberg appraisal drilling program. On February 16, 2012, the operator of the well announced the successful results of the well, which encountered approximately 250 feet of net pay thickness in high-quality Miocene sands. The appraisal well was drilled to a total depth of 31,030 feet in approximately 5,000 feet of water, about 1.5 miles south and 550 feet structurally updip from the Heidelberg #1 well. Log and pressure data from the Heidelberg #1 exploratory well and Heidelberg #3 appraisal well indicate excellent quality, continuous and pressure-connected reservoirs with high-quality oil. The operator announced that it plans to immediately sidetrack the well to determine the down-dip extent of

the field and also plans to initiate pre-FEED (front-end engineering and design) activities to prepare for sanctioning and a development project.

Shenandoah #1. On February 4, 2009, we announced that the Shenandoah #1 well had been drilled into inboard Lower Tertiary horizons. The operator has stated that this well encountered approximately 300 feet of net pay thickness. This well, located in approximately 5,750 feet of water in Walker Ridge 52, was drilled to approximately 30,000 feet. We hold a 20% working interest in this prospect. We strategically purchased our interest in Shenandoah #1 to test our hypothesis that targeting the previously undrilled inboard Lower Tertiary, which we regard as an emerging trend located to the northwest of existing outboard Lower Tertiary fields such as St. Malo, Jack and Cascade, would lead to discoveries that exhibit meaningfully better reservoir characteristics than had previously been encountered by the industry in the outboard Lower Tertiary. We believe the successful results of the Shenandoah #1 well support our hypothesis. We expect the results of the Shenandoah #2 appraisal well, which will appraise the Shenandoah #1 discovery, in late 2012 or early 2013. See "—U.S. Gulf of Mexico Operational Update and Drilling Schedule—Shenandoah #2."

Criollo #1. On January 29, 2010, we announced that we had reached a planned total depth of approximately 31,000 feet in the Criollo exploratory sidetrack well located in approximately 4,200 feet of water in Green Canyon 685 within the Tahiti Basin Miocene trend. The original well encountered 55 feet of net pay thickness in Miocene horizons and the sidetrack encountered 73 feet of net pay thickness in correlative reservoirs. Both the original well and the sidetrack encountered structural complexities associated with salt, which prevented the drilling of the entire target interval. We refer to the sidetrack well and the original well as the Criollo #1 exploratory well. We hold a 60% working interest in this prospect.

Firefox #1. On February 10, 2010, the Firefox #1 exploratory well was spud by its operator in approximately 4,400 feet of water in Green Canyon 817 within the Tahiti Basin Miocene trend and approximately six miles northeast of the Heidelberg discovery. On May 6, 2010, we announced that the Firefox #1 exploratory well would be plugged and abandoned, having been drilled to approximately 34,000 feet. Based on the well results, we believe that undrilled potential lies below the total depth reached on the Firefox #1 exploratory well. We have named this prospect Firefox Deep. We hold a 30% working interest in this prospect.

Strategic Relationships

On April 6, 2009, we announced a long-term alliance with TOTAL E&P USA, INC. ("Total") in which, through a series of transactions, we combined our respective U.S. Gulf of Mexico exploratory lease inventory (which excludes the Heidelberg portion of our Ligurian/Heidelberg prospect, our Shenandoah prospect, and all developed or producing properties held by Total in the U.S. Gulf of Mexico) through the exchange of a 40% interest in our leases for a 60% interest in Total's leases, resulting in a current combined alliance portfolio covering 224 blocks. We will act as operator on behalf of the alliance through the exploration and appraisal phases of development. As part of the alliance, Total committed, among other things, to (i) provide a 5th generation deepwater rig to drill a mandatory five-well program on our existing operated blocks, (ii) pay up to $300 million to carry a substantial share of our costs with respect to this five-well program (above the amounts Total has agreed to pay as owner of a 40% interest), (iii) pay an initial amount of approximately $280 million primarily as reimbursement of our share of historical costs in our contributed properties and consideration under purchase and sale agreements, (iv) pay 40% of the general and administrative costs relating to our operations in the U.S. Gulf of Mexico during the 10-year alliance term, and (v) award us up to $180 million based on the success of the alliance's initial five-well program, in all cases subject to certain conditions and limitations. Additionally, as part of the alliance, we formed a U.S. Gulf of Mexico-wide area of mutual interest with Total, whereby each party has the right to participate in any oil and natural gas lease interest acquired by the other party within this area. Total has paid us the initial amount of

approximately $280 million as reimbursement of our share of historical costs in our contributed properties and consideration under purchase and sale agreements. As of December 31, 2011, approximately $193 million of the $300 million that Total is obligated to carry us remains available to us, as does the potential award of up to $180 million based on the success of the alliance.

On April 22, 2009, we announced a partnership in the U.S. Gulf of Mexico with Sonangol pursuant to an agreement we had entered into with Sonangol immediately following the 2008 Central Gulf of Mexico Lease Sale, whereby Sonangol acquired a 25% non-operated interest of our pre-Total alliance interests in 11 of our U.S. Gulf of Mexico leases. The price Sonangol paid us for this interest was calculated using the price we paid for these leases plus $10 million to cover our historical seismic and exploration costs. Sonangol has since acquired its proportionate non-operated interest in four additional U.S. Gulf of Mexico leases pursuant to this partnership bringing the total partnership portfolio to 15 U.S. Gulf of Mexico leases. This transaction is notable as it represents Sonangol's initial entry into the North American exploration and production sector.

How We Identify and Analyze Prospects

Our prospect identification and analysis approach is based on a thorough, basin-wide understanding of the geologic trends within our focus areas. From our inception, we have been focused on acquiring and reprocessing the highest quality seismic data available, including the application of advanced imaging technology, such as wide-azimuth seismic. This approach differs considerably from often-followed industry practice of acquiring more narrowly focused, prospect-specific data on a block-by-block basis. In the U.S. Gulf of Mexico, we have licenses covering approximately 18.3 million acres (74,000 square kilometers) of processed 3-D depth-migrated seismic data and approximately 2.8 million acres (11,400 square kilometers) of wide-azimuth 3-D depth data. In addition, we have performed proprietary reprocessing on approximately 4.2 million acres (17,000 square kilometers) of 3-D seismic data to enhance image quality and velocity model confidence. Our proprietary seismic reprocessing was performed by third-party geophysical providers using leading-edge technologies, including reverse time migration algorithms for pre-stack depth migration and 3-D surface related multiple elimination (SRME) for multiple attenuation. We also have licensed approximately 78,000 line miles (125,530 kilometers) of 2-D pre-stack depth-migrated seismic data in the U.S. Gulf of Mexico. In West Africa, we have acquired approximately 125,000 line miles (200,000 line kilometers) of 2-D seismic data and, as of January 15, 2012, approximately 6,100 square miles (15,800 square kilometers) of 3-D seismic data. Our approach to data acquisition entails analyzing regional data, including industry well results, to understand a given trend's specific geology and defining those areas that offer the highest potential for large hydrocarbon deposits. After these areas are identified, we seek to acquire and reprocess the highest resolution subsurface data available in the potential prospect's direct vicinity. This includes advanced imaging information, such as wide-azimuth studies, to further our understanding of a particular reservoir's characteristics, including both trapping mechanics and fluid migration patterns. Reprocessing is accomplished through a series of model building steps that incorporate the geometry of the salt and below salt geology to optimize the final image. In addition, we gather publicly available information, such as well logs, press releases and industry intelligence, which we use to evaluate industry results and activities in order to understand the relationships between industry-drilled prospects and our portfolio of undrilled prospects. As part of our prospect identification and analysis approach, we estimate, among other things, the "mean net area" of our prospects. To determine the aerial extent of a hydrocarbon-bearing section of a prospect, or the prospect area, we use our seismic data and all available geologic data to map the aerial extent of the closures or trapping geometries that can hold hydrocarbons. Because it is not possible to directly detect the presence of hydrocarbons prior to drilling the prospect, we use statistical methods to define the amount of the closure that can be filled with hydrocarbons. We use a lognormal distribution to define the probabilities of the size of the prospect area. The prospect area may extend across multiple lease blocks or license areas, including on lease blocks and license areas in which we do not own an interest. For each block or license area, our

ownership percentage is referred to as our working interest. For those prospects which extend beyond our leasehold acreage, we include only the portion of prospect acreage for which we hold leasehold title. We refer to this as the mean net area of the prospect. Depending on the terms of our lease or license agreement, we may be required to pay royalties on our oil and gas production.

The accuracy of our estimates is subject to a number of risks and uncertainties as described under the heading "Risk Factors—We face substantial uncertainties in estimating the characteristics of our prospects, so you should not place undue reliance on any of our estimates."

How We Acquire Prospects

Once a prospect is identified and analyzed, we may seek to acquire leasehold title to the lease blocks (in the U.S. Gulf of Mexico) or license area (offshore Angola and Gabon) that include the prospect. The leasehold acquisition typically occurs from one of two sources: from governments through lease sales, licensing rounds or direct negotiations, or from other oil and gas companies through direct purchases, trades or farm-in arrangements. The leasehold acquisition provides us with title to specific blocks or license areas that we believe includes the entire prospect or a portion thereof.

Deepwater U.S. Gulf of Mexico

Our oil-focused exploration efforts primarily target subsalt Miocene and Lower Tertiary horizons in the deepwater U.S. Gulf of Mexico. The deepwater subsalt petroleum provinces are the least explored of the accessible regions of the U.S. Gulf of Mexico. Advances in technology over the past 10 years have led to significant discoveries and increased the hydrocarbon assessment in the deepwater U.S. Gulf of Mexico. These horizons are characterized by well-defined hydrocarbon systems, comprised primarily of high-quality source rock and crude oil, and contain several of the most significant hydrocarbon discoveries in the deepwater U.S. Gulf of Mexico, including Tahiti (Green Canyon 640), Knotty Head (Green Canyon 512), Kaskida (Keathley Canyon 292) and Tiber (Keathley Canyon 102).

Miocene. The subsalt Miocene trend is an established play in the deepwater U.S. Gulf of Mexico. Major discoveries in this trend include Thunder Horse, Atlantis, Tahiti, Mad Dog, Knotty Head and Heidelberg. This trend is characterized by high quality reservoirs and fluid properties, resulting in high production well rates and recovery factors. We believe the primary geologic risk in this trend is the seal capacity required to trap hydrocarbons. To address this risk, we have conducted extensive regional studies, including proprietary seismic processing, proprietary pore pressure modeling, as well as other geological and geophysical predictive techniques, to better define the seal capacity for each prospect in the trend. Based on these studies, we have identified two trends located primarily in the Green Canyon protraction area, which we refer to as the Tahiti Basin Miocene trend and the Adjacent Miocene trend. The Tahiti Basin Miocene trend is in one of the most successful hydrocarbon bearing basins within the deepwater U.S. Gulf of Mexico. Major discoveries in this area include Tahiti, Caesar, Tonga, Knotty Head, Pony and the discovery at Heidelberg #1. Because many fields have been discovered in this area, a network of facility and pipeline infrastructure may be available for commercializing potential discoveries. The Adjacent Miocene trend is located adjacent to the Tahiti Basin Miocene trend. We believe our prospects within the Adjacent Miocene trend offer substantial, commercially viable resource potential due to similarities in the geologic profile to that of the Tahiti Basin Miocene trend. Our prospect inventory in this trend benefits from significant seismic delineation via proprietary 3-D reprocessing that indicates large, well-defined subsalt closures. In much of the trend there is limited facility and pipeline infrastructure. As such, we anticipate that free-standing, independent facilities may be required to develop discoveries in this area.

Lower Tertiary. The Lower Tertiary horizon is an older formation than the Miocene, and, as such, is generally deeper, with greater geologic complexity, than the Miocene play. These reservoirs are generally located in water depths of 5,000 feet to 8,000 feet, and have shown net pay thickness zones of up to 800 feet. In 2006, the discovery at Kaskida (Keathley Canyon 292) encountered 800 feet of net pay thickness. A more recent discovery in the Lower Tertiary, Shenandoah, has encountered approximately 300 feet of net pay thickness. Although to date there has been limited commercial production from the Lower Tertiary horizon, the industry has been successful in terms of locating and drilling large hydrocarbon-bearing structures in this horizon. The reservoir quality of the Lower Tertiary has proven to be highly variable.

Some regions, including those areas in which many of the historical Lower Tertiary discoveries have been made, exhibit lower permeability and generally lower natural gas content compared to the Miocene horizon. However, a sub-region in the Lower Tertiary that has exhibited reservoir characteristics very similar to that of existing Miocene discoveries is the inboard Lower Tertiary trend, which includes the Shenandoah discovery. The inboard Lower Tertiary is an emerging trend located to the northwest of existing outboard Lower Tertiary fields such as St. Malo, Jack and Cascade. We were an early mover in the inboard Lower Tertiary trend, targeting specific lease blocks as early as 2006. Our technical team's hypothesis regarding the region's potentially higher-quality reservoir properties was supported by the result of the Shenandoah #1 well in which we participated. This discovery had reservoir characteristics more similar to Miocene reservoirs. We believe our inboard Lower Tertiary blocks are characterized by large, well-defined structures of a similar size to historic outboard Lower Tertiary discoveries, but are differentiated by what we believe to be potentially superior reservoir quality. Because the inboard Lower Tertiary is an emerging trend, there is limited facility and pipeline infrastructure in the area. As such, we anticipate that free-standing, independent facilities may be required to develop discoveries in this area. To date, the inboard Lower Tertiary trend remains largely undrilled.

U.S. Gulf of Mexico Geologic Overview

Deepwater U.S. Gulf of Mexico exploration plays rely on hydrocarbons generated from several rich oil-prone source rocks. Rivers draining the North American continent provided vast quantities of sand, silt and mud to the Gulf of Mexico through major deltas similar to the present-day Mississippi and Rio Grande deltas. Sandstone reservoirs in two main geological formations, the Miocene and Lower Tertiary horizons, were ultimately transported and deposited by gravity flows in slope minibasins and on the paleo-basin floor. Hydrocarbon seals are provided by salts and the muds integral to the depositional system.

One of the most important aspects of the deepwater U.S. Gulf of Mexico is the presence of salt. Deposited early in the basin's history, the salt is key to both the region's complexity and its longevity as an exploration province. The upward movement of salt, through the surrounding rock, formed most of the structures in the present-day deepwater U.S. Gulf of Mexico. The interaction of sediment load and salt movement partitioned the hydrocarbons into numerous moderate-size accumulations rather than just a few super-giant fields.

Much of the deepwater province is covered by a salt canopy, which has historically prevented the oil and gas industry from effectively exploring the region's potential. This region has recently garnered interest from the industry with recent advances in seismic technology, which has provided clearer imaging beneath the salt canopy. Regional geologic reconstructions postulated the presence of mature source rock, reservoir, and trapping configurations in the subsalt region, but only since the advent of 3-D depth-migrated seismic data have geoscientists been able to identify exploration prospects beneath the extensive salt canopy.

U.S. Gulf of Mexico Prospects

As of December 31, 2011, we owned working interests in 231 blocks within the deepwater U.S. Gulf of Mexico coveringapproximately 1.3 million gross acres (0.6 million net acres). We are the operator of approximately 75% of our U.S. Gulf of Mexico blocks. Most of our U.S. Gulf of Mexico blocks have a 10-year primary term, expiring between 2016 and 2020. Assuming we are able to commence exploration and production activities or successfully exploit our properties during the primary lease term, our leases would extend beyond the primary term, generally for the life of production. In the U.S. Gulf of Mexico, the royalties on our lease blocks range from 12.5% to 18.75% with an average of 15.4%.

As of December 31, 2010, we identified the 47 prospects on our blocks that are discussed below, comprised of 20 Miocene trend prospects, 22 inboard Lower Tertiary trend prospects and 5 dual Miocene and inboard Lower Tertiary trend prospects. The legislative and regulatory response to the Deepwater Horizon drilling rig incident and oil spill significantly impacted our and our partners' ability to obtain permits and drill in the U.S. Gulf of Mexico. As a result of this period of drilling suspension and delay, the Ensco 8503 drilling rig, under contract to us, was directly sublet from its owner, Ensco Offshore Company, to a subsidiary of Tullow Oil plc. The term of this sublet was longer than originally anticipated, however, the Ensco 8503 drilling rig returned to the U.S. Gulf of Mexico late in the fourth quarter of 2011. Because we did not drill any wells in the U.S. Gulf of Mexico in 2011, we have no basis to change our number of identified prospects or our estimates regarding the net mean area associated with those prospects. As we continue to drill exploratory and appraisal wells in the U.S. Gulf of Mexico, our estimates associated with our prospects could change. In interpreting this information, specific reference should be made to the subsections of this Annual Report on Form 10-K titled "Risk Factors—We face substantial uncertainties in estimating the characteristics of our prospects, so you should not place undue reliance on any of our estimates" and "Business—How We Identify and Analyze Prospects."

Miocene Prospects

Ligurian/Heidelberg. The undrilled deeper portion of the Ligurian/Heidelberg prospect is a 3-way structure targeting deep Miocene horizons below the Miocene reservoir discovered by the Heidelberg #1 exploratory well. We believe the Ligurian blocks and the Heidelberg blocks cover a common structure accumulation, and we therefore refer to them as a joint prospect. We are the named operator and own a 45% working interest in the Ligurian blocks, and we have a 9.375% working interest in the Anadarko-operated Heidelberg blocks. We purchased our interest in the Heidelberg blocks from an existing owner in May 2008 after we successfully acquired 100% of the working interest in the adjacent Ligurian blocks in the 2008 Central Gulf of Mexico Lease Sale. This prospect was mapped using proprietarily processed, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. The undrilled Miocene horizons of this prospect have an estimated mean net area of 5,400 acres. For prior drilling results on Ligurian/Heidelberg, see "—Prior Drilling Results—Heidelberg #1, Ligurian #1, Heidelberg #2 and Heidelberg #3." For information on our current drilling plans see "—U.S. Gulf of Mexico Operational Update and Drilling Schedule—Ligurian #2."

Ardennes. Ardennes is a 3-way prospect targeting Miocene and Lower Tertiary horizons located in Green Canyon blocks 895, 896 and 939, where we are the named operator and own a 42% working interest. This prospect was acquired through a 2007 direct purchase, a trade in 2008, and in the 2007 and 2008 Central Gulf of Mexico Lease Sales. Ardennes was mapped using our processed, pre-stack, depth-migrated, narrow-azimuth 3-D seismic data and, most recently, proprietary, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. The Miocene horizons of this prospect have an estimated mean net area of 3,300 acres. In addition to the Miocene horizons, the Lower Tertiary horizons of this prospect have an estimated mean net area of 3,600 acres. We expect that we will spud the Ardennes #1 exploratory well in 2013.

Rum Ramsey. Rum Ramsey is a 3-way prospect targeting Miocene horizons located in Green Canyon blocks 632, 633 and 676, where BHP is the named operator and we own a 24% working interest. This prospect was acquired in the 2008 Central Gulf of Mexico Lease Sale and through a 2008 trade. Rum Ramsey was mapped using our proprietarily processed, pre-stack, depth-migrated, narrow-azimuth 3-D seismic data and non-proprietary, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. This prospect has an estimated mean net area of 4,500 acres. For information on our current drilling plans, see "—U.S. Gulf of Mexico Operational Update and Drilling Schedule—Rum Ramsey #1."

Lyell. Lyell is a 4-way prospect targeting Miocene horizons located in Green Canyon blocks 550 and 551, where Anadarko is the named operator and we own a 15% working interest. This prospect was acquired through a 2006 farm-in agreement and 2009 direct purchase. Lyell was mapped using non-proprietary, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. This prospect has an estimated mean net area of 1,100 acres.

Racer. Racer is a 3-way prospect targeting Miocene and Lower Tertiary horizons located in Green Canyon blocks 762 and 806, where BHP is the named operator and we own a 24% working interest. This prospect was acquired in the 2007 Central Gulf of Mexico Lease Sale and through a trade in 2008. Racer was mapped using our proprietarily processed, pre-stack, depth-migrated, narrow-azimuth 3-D seismic data and non-proprietary wide-azimuth 3-D depth data. The Miocene horizons of this prospect have an estimated mean net area of 4,800 acres. In addition to the Miocene horizons, the Lower Tertiary horizons of this prospect have an estimated mean net area of 5,200 acres. We expect that the operator will spud the Racer #1 exploratory well in 2013.

Rocky Mountain. Rocky Mountain is a 3-way prospect targeting Miocene horizons located in Mississippi Canyon blocks 649, 693 and 737, where we are the named operator and own a 45% working interest. This prospect was acquired in the 2008 Central Gulf of Mexico Lease Sale and is syncline separated from the Blind Faith field. Rocky Mountain was mapped using our proprietarily processed, pre-stack, depth-migrated, narrow-azimuth 3-D seismic data. This prospect has an estimated mean net area of 2,400 acres.

Saddelbred. Saddelbred is a 3-way prospect targeting Miocene horizons located in Green Canyon blocks 414, 457 and 458, where we are the named operator and own a 60% working interest. This prospect was acquired in the 2007 and 2010 Central Gulf of Mexico Lease Sales. Saddelbred was mapped using our proprietarily processed, wave-equation, pre-stack, depth-migrated, narrow-azimuth 3-D seismic data. This prospect has an estimated mean net area of 7,900 acres.

Additional Miocene Prospects. We have 18 additional prospects targeting Miocene horizons, in which we have an average working interest of 40%. Three of these prospects are dual Miocene and Lower Tertiary prospects. These prospects are operated by either us or various other companies. Each of these additional prospects was acquired in various Gulf of Mexico Lease Sales or through direct purchases or trades. We mapped these prospects using a variety of 3-D seismic data. These prospects have an average estimated mean net area of 1,400 acres.

Lower Tertiary Prospects

North Platte. North Platte is a 4-way prospect targeting Lower Tertiary horizons located in Garden Banks blocks 915, 958, 959, 1002 and 1003, where we are the named operator and own a 60% working interest. This prospect was acquired in the 2006 Western Gulf of Mexico Lease Sale and the 2007 and 2008 Central Gulf of Mexico Lease Sales. North Platte was mapped using our proprietarily processed, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. This prospect has an estimated mean net area of 5,600 acres. For information on our current drilling plans see "—U.S. Gulf of Mexico Operational Update and Drilling Schedule—North Platte #1."

Aegean. Aegean is a 3-way prospect targeting Lower Tertiary horizons located in Keathley Canyon blocks 162, 163 and 207, where we are the named operator and own a 37.5% working interest. This prospect was acquired in the 2008 Central Gulf of Mexico Lease Sale and through a 2010 trade. Aegean was mapped using proprietarily processed, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. This prospect has an estimated mean net area of 6,700 acres. We expect that we will spud the Ardennes #1 exploratory well in 2013.

Shenandoah. The deeper undrilled portion of the Shenandoah prospect is a 3-way structure targeting Lower Tertiary horizons not penetrated by the Shenandoah #1 exploratory well. This prospect is located in Walker Ridge blocks 51 and 52, where Anadarko is the named operator and we own a 20% working interest. This prospect was acquired through a 2008 purchase. Shenandoah was mapped using non-proprietarily processed pre-stack, depth-migrated, wide-azimuth 3-D seismic data. The undrilled Lower Tertiary horizons of this prospect have an estimated mean net area of 5,700 acres. These estimates exclude the net pay encountered in certain Lower Tertiary horizons that were drilled by Shenandoah #1. For prior drilling results on Shenandoah, see "—Prior Drilling Results—Shenandoah #1." For information on our current drilling plans see "—U.S. Gulf of Mexico Operational Update and Drilling Schedule—Shenandoah #2."

Goodfellow (formerly Catalan). Goodfellow is a 3-way prospect targeting Lower Tertiary horizons located in Keathley Canyon block 129 and Walker Ridge blocks 89, 90 and 133, where Eni is the operator and we own a 29% working interest. This prospect was primarily acquired in the 2008 and 2009 Central Gulf of Mexico Lease Sales and in a 2009 trade. Goodfellow was mapped using our proprietarily processed, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. This prospect has an estimated mean net area of 5,100 acres.

Latvian. Latvian is a 3-way prospect targeting Lower Tertiary horizons located in Garden Banks blocks 874, 917, 918 and 919, where we are the named operator and own a 60% working interest. This prospect was acquired in the 2006 Western Gulf of Mexico Lease Sale and the 2007 and 2008 Central Gulf of Mexico Lease Sales. Latvian was mapped using our proprietarily processed, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. This prospect has an estimated mean net area of 1,800 acres.

Williams Fork. Williams Fork is a 3-way prospect targeting Lower Tertiary horizons located in Garden Banks blocks 821, 823, 865, 866 and 867, where Nexen is the named operator except for Garden Banks block 821 for which we are the operator. We have a 60% working interest in Garden Banks block 821 and a 30% working interest in the remaining blocks. This prospect was acquired in the 2006 Western Gulf of Mexico Lease Sale and the 2007 and 2008 Central Gulf of Mexico Lease Sales. Williams Fork was mapped using non-proprietarily processed, pre-stack, depth-migrated wide-azimuth 3-D seismic data. This prospect has an estimated mean net area of 5,200 acres.

Caspian. Caspian is a 4-way prospect targeting Lower Tertiary horizons located in Garden Banks blocks 495, 496, 497, 539, 540 and 541, where we are the named operator and own a 60% working interest. This prospect was acquired in the 2008 Western Gulf of Mexico Lease Sale, the 2009 Central Gulf of Mexico Lease Sale and a 2009 trade. Caspian was mapped using our non-proprietarily processed, pre-stack, depth-migrated, narrow-azimuth 3-D seismic data. This prospect has an estimated mean net area of 7,200 acres.

South Platte. South Platte is a 3-way prospect targeting Lower Tertiary horizons located in Garden Banks blocks 1003 and 1004 and Keathley Canyon blocks 35 and 36, where we are the named operator and own a 60% working interest. This prospect was acquired in the 2006 Western Gulf of Mexico Lease Sale, the 2008 Central Gulf of Mexico Lease Sale and through a 2009 trade. South Platte was mapped using our proprietarily processed, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. This prospect has an estimated mean net area of 3,800 acres.

Baffin Bay. Baffin Bay is a 3-way prospect targeting Lower Tertiary horizons located in Garden Banks blocks 956 and 957, where we are the named operator and own a 60% working interest. This prospect was acquired in the 2008 Central Gulf of Mexico Lease Sale. Baffin Bay was mapped using our proprietarily processed, pre-stack, depth-migrated, wide-azimuth 3-D seismic data. This prospect has an estimated mean net area of 4,600 acres.

Additional Inboard Lower Tertiary Prospects. We have 16 additional prospects targeting inboard Lower Tertiary horizons, in which we have an average working interest of 41%. Three of these prospects are dual Miocene and Lower Tertiary prospects. These prospects are operated by either us or various other companies. Each of these additional prospects was acquired in various Gulf of Mexico Lease Sales or through trades. We mapped these prospects using a variety of 3-D seismic data. These prospects have an average estimated mean net area of 1,900 acres.

Plans for Exploration and Development of U.S. Gulf of Mexico Prospects

The initial well drilled to test a prospect is referred to as an exploratory well. If a discovery is made by the initial exploratory well, the operator may choose to drill one or more appraisal wells to delineate the size and other characteristics of the discovered field. This information is used to create a plan of development, which may include the construction of offshore facilities and drilling of development wells designed to efficiently produce hydrocarbons from the field. Any oil resources, if developed, would use either newly constructed processing facilities owned by the working-interest partnership or processing facilities leased from third-party providers. In general, we expect our development wells will be produced through subsea templates tied back to the processing facilities.

Prior to the Deepwater Horizon incident, we estimated that the average gross cost to drill and evaluate an exploratory well would be approximately $100 to $130 million for Miocene prospects and approximately $140 to $170 million for inboard Lower Tertiary prospects, that the average gross cost to drill and evaluate an appraisal well would be approximately $110 to $140 million for Miocene prospects and approximately $150 to $180 million for inboard Lower Tertiary prospects and that the average gross cost to drill and complete a development well would be approximately $140 to $170 million for Miocene fields and approximately $180 to $210 million for inboard Lower Tertiary fields. We initially estimate that compliance with new regulations will increase these costs by approximately 20%, however, as we conduct drilling operations under these new regulations, we may be able achieve operational efficiencies which could offset some of these projected cost increases.

West Africa Deepwater

We have licenses with pre-salt and above salt exploration potential offshore Angola (Blocks 9, 20 and 21) and Gabon (Diaba block). We obtained our licenses offshore Angola and Gabon after a multi-year assessment of global deepwater hydrocarbon trends and resource potential. Our assessment was driven by our interpretation of seismic data, the international operating experience of our management and technical teams and an in-depth evaluation of regional political risk and economic conditions. The emerging offshore West African pre-salt exploration trend has geologic characteristics similar to the pre-salt basins offshore Brazil, which includes the Lula (formerly Tupi) and Jupiter fields in the Santos Basin and the Whale Park (Jubarte) complex in the Campos Basin. Our Cameia #1 pre-salt oil discovery, along with Maersk's Azul pre-salt oil discovery, confirms our West Africa pre-salt geologic model, significantly de-risks the geologic uncertainty associated with the deepwater Angolan pre-salt play, and increases the likelihood of geologic success on our adjacent undrilled prospects offshore Angola and Gabon. For more information regarding our Cameia discovery, see "—Cameia Pre-Salt Oil Discovery Offshore Angola." We do not have contractual rights to sell natural gas on our Angola blocks, but we have the right to use the natural gas during lease operations. We do, however, have contractual rights to any natural gas from our Gabon license area.

Offshore Angola, we have executed Risk Services Agreements ("RSAs") for Blocks 9 and 21 with Sonangol, as well as Sonangol P&P, Nazaki Oil and Gáz, S.A. ("Nazaki") and Alper Oil, Limitada ("Alper"). The RSAs govern our 40% working interest in and operatorship of Blocks 9 and 21 offshore Angola and form the basis of our exploration, development and production operations on these blocks. On December 20, 2011, we executed the PSC with Sonangol, as well as Sonangol P&P, BP, and China Sonangol for Block 20 offshore Angola. The PSC governs our 40% working interest in and operatorship of Block 20 offshore Angola and forms the basis of our exploration, development and production operations on Block 20 offshore Angola.

Block 9 is approximately 1 million acres (4,000 square kilometers) in size or approximately 167 U.S. Gulf of Mexico blocks and is located immediately offshore in the southeastern-most portion of the Kwanza basin. Water depth ranges from zero to more than 3,200 feet (1,000 meters). Block 21 is approximately 1.2 million acres (4,900 square kilometers) in size or approximately 200 U.S. Gulf of Mexico blocks. The block is 30 to 90 miles (50 to 140 kilometers) offshore in water depths of 1,300 to 5,900 feet (400 to 1,800 meters) in the central portion of the Kwanza basin. Block 20 is approximately 1.2 million acres (4,900 square kilometers) in size or approximately 200 U.S. Gulf of Mexico blocks and is centered approximately 75 miles west of Luanda in the deepwater Kwanza Basin. It is immediately to the north of Block 21.

Offshore Gabon, we entered into an assignment agreement in February 2008 with Total Gabon and acquired a 21.25% working interest in the Diaba Block. Through the assignment we became a party to the Production Sharing Agreement ("PSA") between the operator Total Gabon and the Republic of Gabon. The PSA gives us the right to recover costs incurred and receive a share of the remaining profit from any commercial discoveries made on the block. The Diaba Block is approximately 2.2 million acres (9,100 square kilometers) in size or approximately 370 U.S. Gulf of Mexico blocks. The block is 40 to 120 miles (60 to 200 kilometers) offshore in water depths of 300 to 10,500 feet (100 to 3,200 meters) in the central portion of the offshore South Gabon Coastal basin.

West Africa Geologic Overview

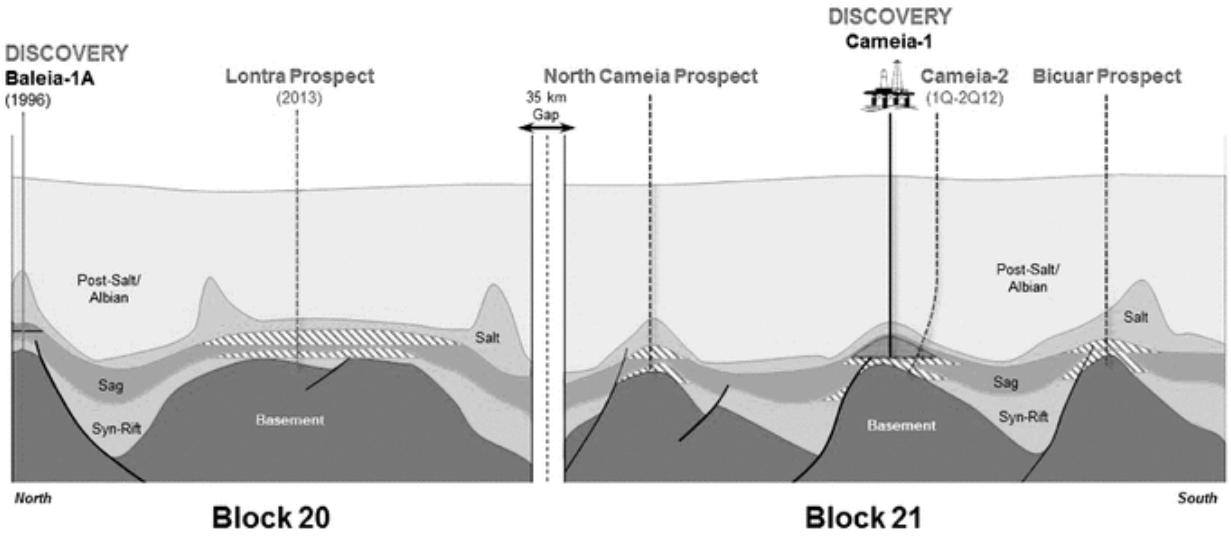
Offshore Angola and Gabon are characterized by the presence of salt formations and oil-bearing sediments located in pre-salt and above salt (Albian) horizons. Given the rifting that occurred when plate tectonics separated the South American and African continents, we believe the geology offshore Angola (Kwanza Basin) and Gabon (South Gabon Coastal Basin) is a direct analog to the geology offshore Brazil (Campos and Santos Basins) where recent pre-salt discoveries, such as Lula and Jubarte, are located. The basis for this hypothesis is that 150 million years ago, current day South America and Africa were part of a larger continent that broke apart. As these land masses slowly drifted away from each other, rift basins formed. These basins were filled with organic rich material and sediments, which in time became hydrocarbon source rocks and reservoirs. A thick salt layer was subsequently deposited, forming a seal over the reservoirs. Finally the continents continued to drift apart, forming two symmetric geologic areas separated by the Atlantic Ocean. This symmetry in geology is particularly notable in the deepwater areas offshore Gabon, Angola and the Campos Basin offshore Brazil. From an exploration perspective, we believe this similarity is very meaningful, particularly in the context of recent pre-salt Brazilian discoveries, our recent pre-salt Cameia discovery and the recent Azul pre-salt discovery by Maersk. See "Item 1A. Risk Factors—We have n proved reserves and areas that we decide to drill may not yield oil in commercial quantities or quality, or at all."

Given the evidence of large structural closures and widespread sealing salt and rich source rocks, the primary geologic risk of the deepwater West Africa pre-salt play was the presence of quality reservoirs. Our Cameia #1 pre-salt oil discovery, along with Maersk's Azul pre-salt oil discovery, confirmed our West Africa pre-salt geologic model and rift basin hypothesis, including a working pre-salt petroleum system, significantly de-risked the geologic uncertainty associated with the deepwater Angolan pre-salt play, and increased the likelihood of geologic success on our adjacent undrilled

prospects offshore Angola and Gabon. In addition, the results of the Cameia #1 exploratory well confirmed or exceeded our pre-drill estimates of reservoir quality and thickness. Given the results obtained from the Cameia #1 exploratory well, for the foreseeable future we plan to focus our exploratory and appraisal drilling activities offshore West Africa exclusively on the pre-salt play. For more information regarding our Cameia discovery, see "—Cameia Pre-Salt Oil Discovery Offshore Angola."

Our Prospects Offshore West Africa

As of December 31, 2010, we had identified 122 prospects, 79 within our license areas offshore Angola (Blocks 9, 20, and 21) and 43 within our license area offshore Gabon (Diaba block). During 2011, we continued to process and evaluate the 3-D seismic surveys we completed on Blocks 9 and 21, and we initiated over a one million acre (4,000 square kilometer) 3-D seismic acquisition and processing program on Block 20. In addition, we drilled the Cameia #1 exploratory well on Block 21, which resulted in our Cameia pre-salt oil discovery. As a result of these activities, we have high-graded the 41 pre-salt prospects (31 offshore Angola and 10 offshore Gabon) discussed below. In addition, given our Cameia pre-salt oil discovery, for the foreseeable future we plan to focus our exploratory and appraisal drilling activities offshore West Africa exclusively on the pre-salt play and do not currently have plans to drill any of our prospects targeting Albian horizons. We are continuing to mature our prospect inventory. As we continue to drill exploratory and appraisal wells offshore West Africa and acquire and process additional seismic data, our estimates associated with and numbers of our prospects could change. In interpreting this information, specific reference should be made to the subsections of this Annual Report on Form 10-K titled "Risk Factors—We face substantial uncertainties in estimating the characteristics of our prospects, so you should not place undue reliance on any of our estimates" and "Business—How We Identify and Analyze Prospects."



Offshore Angola Prospects (Blocks 9, 20 and 21)

Cameia. On February 9, 2012, we announced that the Cameia #1 exploratory well was drilled in 5,518 feet (1,682 meters) of water to a total depth of 16,030 feet (4,886 meters), at which point an extensive wire-line evaluation program was conducted. The results of this wire-line evaluation program confirmed the presence of a 1,180 foot (360 meter) gross continuous oil column with over a 75% net to gross pay estimate. No gas/oil or oil/water contact was evident on the wire line logs. An extended DST was performed on the Cameia #1 exploratory well to provide additional information. The DST flowed at an un-stimulated sustained rate of 5,010 barrels per day of 44-degree API gravity oil and 14.3 million cubic feet per day of associated gas (approximately 7,400 BOEPD) with minimal bottom-hole pressure drawdown. The flow rate, which was restricted by surface equipment, facility and safety precautions, confirmed the presence of a very thick, continuous, high quality reservoir saturated with light oil. We believe the well, without such restrictions, would have the potential to produce in excess of 20,000 barrels of oil per day. As the Cameia #1 exploratory well only tested the pre-salt carbonate section and did not drill the entire pre-salt interval, we believe upside potential exists for additional oil in deeper pre-salt intervals. Given the results obtained from the Cameia #1 exploratory well, plans are underway to immediately drill the Cameia #2 appraisal well prior to drilling the Bicuar #1 exploratory well. The Bicuar #1 exploratory well remains a very attractive opportunity and a high priority in our Angola pre-salt exploration program. The Cameia #2 appraisal well is expected to spud in February 2012 and will be drilled to a planned total depth of up to 18,000 feet. The Cameia #2 appraisal well is expected to take 100-120 days to drill, followed by an evaluation period based on the well's results. The Cameia #2 appraisal well will help to determine the extent of the Cameia pre-salt oil discovery as well as test the upside potential in the deeper intervals not tested by the Cameia #1 exploratory well. We have elected to pursue the Cameia #2 appraisal well prior to drilling our Bicuar #1 exploratory well in order to accelerate the evaluation of a phased approach for developing the Cameia pre-salt oil discovery. Our current plans are to implement an early production system incorporating an FPSO system for the Cameia development. We believe this phased development approach will help us better understand and quantify the pre-salt reservoir performance as well as deliver earlier cash flow than would be possible starting with a comprehensive full field development strategy. We are currently preparing the development schedule and do not have an estimate of first oil and cash flow from the Cameia discovery at this time. We are the operator of and hold a 40% working interest in the Cameia prospect. For more information regarding the Cameia prospect, see "—Cameia Pre-Salt Oil Discovery Offshore Angola."

Bicuar. Bicuar is a prospect targeting pre-salt horizons in Block 21, where we are the named operator and have a 40% working interest. Bicuar was mapped using our pre-stack, depth-migrated 3-D seismic data. This prospect has an estimated mean net area of 21,000 acres. On July 19, 2011, we spud the surface hole of the Bicuar #1 exploratory well. On July 20, 2011, after setting the 36" conductor casing and drilling approximately 210 meters of surface hole, we encountered an over pressured water sand resulting in a water flow. No safety or environmental issues resulted from the incident. We abandoned the Bicuar #1 exploratory well and moved the drilling rig to and drilled the Cameia #1 exploratory well so we could reexamine our shallow hazard analysis before respudding the Bicuar #1 exploratory well. We have completed this work and we plan to drill the Bicuar #1 pre-salt exploratory well at a different surface hole location from the location in which we originally spud the Bicuar #1 exploratory well. See "—West Africa Operational Update and Drilling Schedule—Block 21 Offshore Angola."

Lontra. Lontra is a prospect targeting pre-salt horizons in Block 20, where we are the named operator with a 40% working interest. Lontra was mapped using our 2-D seismic data. This prospect has an estimated mean net area of 61,700 acres. See "—West Africa Operational Update and Drilling Schedule—Block 20 Offshore Angola."

North Cameia. North Cameia is a prospect targeting pre-salt horizons in Block 21, where we are the named operator and have a 40% working interest. North Cameia was mapped using our pre-stack, depth-migrated 3-D seismic data. This prospect has an estimated mean net area of 6,500 acres and is located approximately 10 kilometers northwest of the Cameia #1 exploratory well location. We expect to spud North Cameia in 2013.

Loengo. Loengo is a prospect targeting pre-salt horizons in Block 9, where we are the named operator and have a 40% working interest. Loengo was mapped using our 3-D seismic data. This prospect has an estimated mean net area of 19,700 acres.

Monte Carlo. Monte Carlo is a prospect targeting pre-salt horizons in Block 21, where we are the named operator and have a 40% working interest. Monte Carlo was mapped using our 2-D seismic data. This prospect has an estimated mean net area of 31,200 acres.

Elstar. Elstar is a prospect targeting pre-salt horizons in Block 20, where we are the named operator with a 40% working interest. Elstar was mapped using our 2-D seismic data. This prospect has an estimated mean net area of 17,400 acres.

Haas. Haas is a prospect targeting pre-salt horizons in Block 20, where we are the named operator with a 40% working interest. Haas was mapped using our 2-D seismic data. This prospect has an estimated mean net area of 12,600 acres.

Additional Angola Prospects (Blocks 9, 20 and 21). We currently have 23 additional prospects targeting pre-salt horizons, in which we have a 40% working interest. We are the named operator for all of these prospects. In addition, we have identified 43 prospects targeting Albian horizons on Blocks 9, 20 and 21 offshore Angola. However, as a result of our Cameia pre-salt oil discovery, for the foreseeable future we plan to focus our exploratory and appraisal drilling activities offshore Angola exclusively on the pre-salt play and do not currently have plans to drill any of our prospects targeting Albian horizons.

Offshore Gabon Prospects (Diaba)

Mango and Mango South. As a result of our 3-D seismic acquisition and processing we completed in 2011, Mango and Mango South were identified as two bifurcated prospects which previously comprised our Longhorn prospect. Mango and Mango South are both prospects targeting pre-salt horizons, where Total Gabon is the named operator and we have a 21.25% working interest. Mango has an estimated mean net area of 25,000 acres and Mango South has an estimated mean net area of 20,000 acres.

Pioneer. Pioneer is a prospect targeting pre-salt horizons, where Total Gabon is the named operator and we have a 21.25% working interest. Pioneer was mapped using our 2-D seismic data. This prospect has an estimated mean net area of 35,000 acres.

Rainbow. Rainbow is a prospect targeting pre-salt horizons, where Total Gabon is the named operator and we have a 21.25% working interest. Rainbow was mapped using our 2-D seismic data. This prospect has an estimated mean net area of 61,500 acres.

Additional Gabon Prospects. We currently have 6 additional prospects targeting pre-salt horizons offshore Gabon, in which we have a 21.25% working interest. These prospects have been mapped using our 3-D seismic data. Total Gabon is the named operator for all of these prospects. In addition, we have identified 15 prospects targeting Albian horizons on the Diaba block offshore Gabon. However, as a result of our Cameia pre-salt oil discovery, for the foreseeable future we plan to participate in exploratory and appraisal drilling activities offshore Gabon that exclusively focus on the pre-salt play and do not currently have plans to participate in the drilling of any prospects targeting Albian horizons.

Plans for Exploration and Development of West Africa Prospects

In Angola, we work in a contractor relationship to the national oil company, Sonangol, with terms and conditions established by the RSAs for Blocks 9 and 21 and the PSC for Block 20. In Gabon, we work in a contractor relationship to the Republic of Gabon with terms and conditions established by the PSA. The PSC, PSA and RSAs, as the case may be, define contractual terms, including fiscal terms, minimum contractor work, investment obligations, the carry of local partners' capital investments, and required progress milestones.

The drilling of exploratory and appraisal wells in both Angola and Gabon is well within known technological boundaries. The marine and subsurface conditions are anticipated to be normally pressured thus enabling standardization and simplification of well design. Offshore Angola and Gabon, we estimate that the gross cost to drill and evaluate exploratory and appraisal wells is approximately $100 to $140 million per well for pre-salt prospects. The timing of our exploratory and appraisal wells included herein represents our current expectations as to the priority in which prospects will be drilled. Actual timing decisions may differ significantly due to availability of critical equipment such as drilling rigs, material and staff, drilling results from offset or nearby prospects, government approvals, and funding priorities.

As an operator in Angola, we expect that our primary development concept for any discovery, including our Cameia pre-salt oil discovery, will be standardized phased developments to enhance understanding of reservoir performance and optimize development planning. For each discovery, we expect that an early production system incorporating a FPSO system will be implemented, to then be followed by a further standardized FPSO system depending on the size of the discovery and associated development. All FPSOs offshore Angola are expected to be leased.

Material Agreements

TOTAL Alliance

On April 6, 2009, we announced that we had entered into a long-term alliance with Total. This alliance transaction principally consisted of:

- A simultaneous exchange agreement, between Total and ourselves, dated April 6, 2009 (the "Exchange Agreement"), whereby both Total and ourselves agreed to combine each company's respective U.S. Gulf of Mexico exploratory lease inventories except as to certain leases which were purchased by us and Total under separate purchase and sale agreements. This was achieved through the transfer of a 40% interest in our leases to Total in return for a 60% interest in Total's leases, and resulted in a current combined alliance portfolio covering 224 U.S. Gulf of Mexico blocks. As the Exchange Agreement contemplates the combination of Total and our U.S. Gulf of Mexico exploratory lease inventories, it excludes the Heidelberg portion of our Ligurian/Heidelberg prospect, our Shenandoah prospect, and all developed or producing properties held by Total in the U.S. Gulf of Mexico. The terms of the exchange agreement mandate the alliance, with Cobalt as operator, to drill an initial five-well program on existing Cobalt-operated blocks. This well program is expected to be drilled on the prospects of Ligurian, Criollo, North Platte, Aegean and Ardennes. In order to drill this initial program, Total committed to provide us with the use of a drilling rig to drill the well program. Furthermore, pursuant to the terms of the Exchange Agreement, Total has also committed, among other things, to (i) pay up to $300 million to carry a substantial share of costs first allocable to us based on our 60% ownership interest in the combined alliance properties with respect to this five-well program and certain other exploration and development activities (above the amounts Total has agreed to pay as owner of a 40% interest in such properties), (ii) pay an initial amount of approximately $280 million primarily as reimbursement of our share of historical costs in our contributed properties and consideration under purchase and sale agreements covering leases not included in

the Exchange Agreement, and (iii) based on the success of the alliance's five-well program (primarily defined as discoveries of petroleum accumulations of at least 100 feet of net pay thickness for Miocene objectives and 250 feet of net pay thickness for Lower Tertiary objectives), pay up to $180 million to carry a substantial share of costs first allocable to Cobalt based on its 60% ownership interest in combined alliance properties with respect to additional wells and certain other exploration and development activities outside of the five-well program, in all cases subject to certain conditions and limitations. Any additional carry owed to us based on the success of the alliance's five-well program will increase the commitment by Total to pay a disproportionate share of the costs of additional wells drilled and certain other exploration and development activities incurred outside of the five-well program. To date, Total has paid us the initial amount of approximately $280 million as reimbursement of our share of historical costs in our contributed properties and consideration under purchase and sale agreements. As of December 31, 2011, approximately $193 million of the $300 million that Total is obligated to carry us remains available to us, as does the potential award of up to $180 million based on the success of the alliance.

- A management and area of mutual interest agreement, between Total and ourselves, dated April 6, 2009 (the "Total AMI Agreement"), whereby both Total and ourselves agreed to participate in an area of mutual interest covering the whole U.S. Gulf of Mexico. The Total AMI Agreement is for a term of ten years, and grants each party the right and option, but not the obligation, to acquire a share of any oil and natural gas leasehold interest acquired by the other party within the designated area. The Total AMI Agreement excludes the Heidelberg portion of our Ligurian/Heidelberg prospect, our Shenandoah prospect, and all developed or producing properties held by Total in the U.S. Gulf of Mexico. For the duration of the term of the Total AMI Agreement, Total will pay 40% of the general and administrative costs relating to our operations in the U.S. Gulf of Mexico. Furthermore, this agreement designates us as the operator for all exploratory and appraisal operations. Upon completion of appraisal operations, operatorship will be determined by Total and ourselves, with the greatest importance being placed on majority (or largest) working interest ownership and the respective experience of each party in developments which have required the design, construction and ownership of a permanently anchored host facility to collect and transport oil or natural gas from such development.

Sonangol Partnership

On May 15, 2008, we entered into a participation agreement with Sonangol, which established the terms of our U.S. Gulf of Mexico partnership with Sonangol. This partnership currently consists of an agreement for Sonangol to participate in the development of certain prospects on 15 of our U.S. Gulf of Mexico leases. In this regard, Sonangol purchased a 25% non-operated interest in the blocks containing our Sulu, Ligurian and Rocky Mountain prospects, among others. Furthermore, in connection with the partnership, Sonangol purchased their interests in our leases for the price we paid for such leases in the 2007 and 2008 Central Gulf of Mexico Lease Sales, reimbursed us $10 million for our share of historical seismic and exploration costs in the subject properties and allow us to act as the operator on all of the subject properties.

ENSCO Rig

We entered into a base drilling contract related to the Ensco 8503 drilling rig with Ensco on May 8, 2008. This contract has a two year term, which commenced on January 1, 2012, at a base operating rate of $510,000 per day, subject to adjustment, which aggregates to approximately $372 million over the two years of the base contract. See "—Drilling Rigs—Ensco 8503 Drilling Rig."

Production Sharing Contract for Block 20 Offshore Angola

On December 15, 2011, the Council of Ministers of Angola published Decree Law No. 303/11 which granted the mining rights for the prospecting, research, development and production of hydrocarbons on Block 20 offshore Angola to Sonangol, as the national concessionaire, and appointed Cobalt as the operator of Block 20. On December 20, 2011, CIE Angola Block 20 Ltd., our wholly-owned subsidiary, executed the PSC with Sonangol, as well as Sonangol P&P, BP and China Sonangol. The PSC forms the basis of our exploration, development and production operations on Block 20 offshore Angola. We are the operator of and have a 40% working interest in Block 20 offshore Angola. Under the PSC, in order to preserve our rights in Block 20, we will be required to drill four exploratory wells (with at least one of these wells having a pre-salt objective), acquire approximately 1,500 square kilometers of 3-D seismic data, and make at least one commercial discovery, all within five years of the signing of the PSC, subject to certain extensions. We have the right to a 30-year production period. In order to guarantee these exploration work obligations under the PSC, we, BP and China Sonangol are required to post a financial guarantee of $360 million. Our share of this financial guarantee is 57.14%, or approximately $206 million. We have delivered a letter of credit to Sonangol for such amount. As we complete our work obligations under the PSC, the amount of this letter of credit will be reduced accordingly. On January 20, 2012, we notified Sonangol that we had satisfied our obligations with respect to the acquisition of 1,500 square kilometers of 3-D seismic data and requested Sonangol to approve that our letter of credit be reduced by approximately $17 million (net). In addition, pursuant to the PSC, we, BP, and China Sonangol are required to make certain contributions for bonus, scholarships and for social projects such as the Sonangol Research and Technology Center aggregating $607.5 million, comprised of $242.5 million in the first year after the signing of the PSC, $85 million on each of the first, second and third anniversaries of the signing of the PSC, and $110 million on the fourth anniversary of the signing of the PSC. We are obligated to pay 57.14% of the foregoing costs, less $10 million previously paid or approximately $337 million. On January 6, 2012, we funded our share of the social contributions due upon the signing of the PSC. We shall recover all exploration, development, production, administration and services expenditures incurred under the PSC by taking up to a maximum amount of 50% of all oil produced from Block 20. In addition, proportionate with our working interest in Block 20, we will receive 40% of a variable revenue stream that the Contractor Group (as defined below) will be allocated from Sonangol based on the Contractor Group's rate of return, reduced by applicable Angolan taxes, calculated on a quarterly basis. The variable revenue stream paid by Sonangol to the Contractor Group ranges from 10% to 70%, and is inversely related to the size of the applicable rate of return. We do not have contractual rights to sell natural gas on our Angola blocks, but we have the right to use the natural gas during lease operations.

Risk Services Agreements for Blocks 9 and 21 Offshore Angola

On June 11, 2009, the Council of Ministers of Angola published Decree Law No. 15/09 and Decree Law No. 14/09 which granted the mining rights for the prospecting, exploration, development and production of hydrocarbons on Blocks 9 and 21 offshore Angola, respectively, to Sonangol, as the national concessionaire, and appointed Cobalt as the operator of Blocks 9 and 21, respectively. Pursuant to these Decree Laws, in October 2009, we completed negotiations with Sonangol and initialed the finalized RSAs for Blocks 9 and 21 offshore Angola. On December 16, 2009, the Council of Ministers of Angola approved the terms of the finalized RSAs. On February 24, 2010, we executed RSAs for Blocks 9 and 21 offshore Angola with Sonangol, as well as Sonangol P&P, Nazaki and Alper. Cobalt, Sonangol P&P, Nazaki and Alper comprise the "Contractor Group" under the RSAs. The RSAs govern our 40% working interest in and operatorship of Blocks 9 and 21 offshore Angola and form the basis of our exploration, development and production operations on these blocks.

- Under the RSA for Block 9, in order to preserve our rights in the block, we will be required to drill three wells, as well as acquire approximately 10,764 million square feet (1,000 square kilometers) of seismic data, and find at least one commercial discovery, within four years of its signing. This four year period may be extended by one extension of three years if we notify Sonangol in writing of such extension at least thirty days before the end of the four year period and if we have otherwise fulfilled our obligations under the agreement. After this initial four or seven year period ends, our rights in the block are only preserved with respect to the development areas on the block on which discoveries have been made and all other portions of the block will be forfeited. After this initial four or seven year period ends, we will also be required to commence production within four years of the date of the commercial discovery, subject to certain extensions. We have the right to a 20 year production period. In order to guarantee our exploration work obligations under the Risk Services Agreement for Block 9, we and Nazaki are required to post a financial guarantee in the amount of approximately $87.5 million. Our share of this financial guarantee is approximately $54.7 million. In March 2010, we delivered a letter of credit to Sonangol for such amount. As we complete our work obligations under the Risk Services Agreement, the amount of this letter of credit will be reduced accordingly. We acquired approximately 2,500 square kilometers of 3-D seismic data on Block 9 in 2011, and, accordingly, our letter of credit was reduced by approximately $9.375 million on April 25, 2011. As is customary in Angola, we are required to make contributions for Angolan social projects and academic scholarships for Angolan citizens. We made such an initial contribution in March 2010 after the signing of the Risk Services Agreement and will make additional contributions upon each commercial discovery, upon project development sanction and each year after the commencement of production. We have a 40% working interest in Block 9, with Nazaki, Alper and Sonangol P&P holding lesser working interests in the block and sharing in the exploration, development and production costs associated with such block. Proportionate with our working interest in Block 9, we will receive 40% of a variable revenue stream that the Contractor Group will be allocated from Sonangol based on the Contractor Group's rate of return, calculated on a quarterly basis, and then reduced by applicable Angolan taxes and royalties. The Contractor Group's rate of return for each quarter will be determined by the Contractor Group's variable revenue stream from oil production less expenditures and Angolan taxes and royalties from the block. The variable revenue stream paid by Sonangol to the Contractor Group ranges from 72% to 95%, and is inversely related to the size of the applicable rate of return. The Angolan taxes and royalties applicable to the variable revenue stream include the petroleum production tax (at a current tax rate of 20% applied to the Contractor Group's variable revenue stream), the petroleum transaction tax (at a current tax rate of 70% applied to the Contractor Group's variable revenue stream less expenditures less the Contractor Group's specified production allowance, which ranges from 55% to 95% of the Contractor Group's variable revenue stream depending inversely on the Contractor Group's rate of return) and the petroleum income tax (at a current tax rate of 65.75% applied to the Contractor Group's variable revenue stream less expenditures and less petroleum production and petroleum transaction taxes paid). We do not have contractual rights to sell natural gas on our Angola blocks, but we have the right to use the natural gas during lease operations.

- Under the RSA for Block 21, in order to preserve our rights in the block, we will be required to drill four wells and find at least one commercial discovery, within five years of its signing. This five year period may be extended by one extension of three years if we notify Sonangol in writing of such extension at least thirty days before the end of the five year period and if we have otherwise fulfilled our obligations under the agreement. After this initial five or eight year period ends, our rights in the block are only preserved with respect to the development areas on the block on which discoveries have been made made and all other portions of the block will be

forfeited. After this initial five or eight year period ends, we will also be required to commence production within four years of the date of the commercial discovery, subject to certain extensions. We have the right to a 25 year production period. In order to guarantee these exploration work obligations under the Risk Services Agreement for Block 21, we and Nazaki are required to post a financial guarantee in the amount approximately $147.5 million. Our share of this financial guarantee is approximately $92.2 million. In March 2010, we delivered a letter of credit to Sonangol for such amount. As we complete our work obligations under the Risk Services Agreement, the amount of this letter of credit will be reduced accordingly. On January 20, 2012, we requested Sonangol to approve that our letter of credit be reduced by approximately $31 million as a result of the drilling of the Cameia #1 exploratory well. As is customary in Angola, we are required to make contributions for Angolan social projects and academic scholarships for Angolan citizens. We made such an initial contribution in March 2010 after the signing of the Risk Services Agreement and will make additional contributions upon each commercial discovery, upon project development sanction and each year after the commencement of production. We have a 40% working interest in Block 21, with Nazaki, Alper and Sonangol P&P holding lesser working interests in the block and sharing in the exploration, development and production costs associated with such block. Proportionate with our working interest in Block 21, we will receive 40% of a variable revenue stream that the Contractor Group will be allocated from Sonangol based on the Contractor Group's rate of return, calculated on a quarterly basis, and then reduced by applicable Angolan taxes and royalties. The Contractor Group's rate of return for each quarter will be determined by the Contractor Group's variable revenue stream from oil production less expenditures and Angolan taxes and royalties from the block. The variable revenue stream paid by Sonangol to the Contractor Group ranges from 60% to 96%, and is inversely related to the size of the applicable rate of return. The Angolan taxes and royalties applicable to the variable revenue stream include the petroleum production tax (at a current tax rate of 20% applied to the Contractor Group's variable revenue stream), the petroleum transaction tax (at a current tax rate of 70% applied to the Contractor Group's variable revenue stream less expenditures less the Contractor Group's specified production allowance, which ranges from 35% to 90% of the Contractor Group's variable revenue stream depending inversely on the Contractor Group's rate of return) and the petroleum income tax (at a current tax rate of 65.75% applied to the Contractor Group's variable revenue stream less expenditures and less petroleum production and petroleum transaction taxes paid). We do not have contractual rights to sell natural gas on our Angola blocks, but we have the right to use the natural gas during lease operations.

Competition

The oil and gas industry is highly competitive. We encounter strong competition from other independent and major oil and gas companies in acquiring properties and securing trained personnel. Many of these competitors have financial and technical resources and staffs substantially larger than ours. As a result, our competitors may be able to pay more for desirable oil and gas properties, or to evaluate, bid for and purchase a greater number of properties than our financial or personnel resources will permit. Furthermore, these companies may also be better able to withstand the financial pressures of unsuccessful drill attempts, delays, sustained periods of volatility in financial markets and generally adverse global and industry-wide economic conditions, and may be better able to absorb the burdens resulting from changes in relevant laws and regulations, which would adversely affect our competitive position.

We are also affected by competition for drilling rigs and the availability of related equipment and personnel. Our recent Cameia pre-salt oil discovery, which significantly de-risked the geologic uncertainty associated with the offshore Angola pre-salt play, could increase the demand for drilling rigs and related equipment and personnel offshore West Africa which, in turn, could increase the

competition for drilling rigs or related oilfield equipment and personnel on favorable terms. Furthermore, higher commodity prices generally increase the demand for drilling rigs, supplies, services, equipment and crews, and can lead to shortages of, and increasing costs for, drilling equipment, services and personnel. Over the past three years, oil and gas companies have experienced higher drilling and operating costs. Shortages of, or increasing costs for, experienced drilling crews and equipment and services could restrict our ability to drill wells and conduct our operations.

Competition is also strong for attractive oil and gas producing properties, undeveloped leases and drilling rights, and we cannot assure you that we will be able to compete satisfactorily when attempting to make further acquisitions.

Title to Property

We believe that we have satisfactory title to our prospect interests in accordance with standards generally accepted in the oil and gas industry. We currently have federal oil and gas leases in 231 blocks within the deepwater U.S. Gulf of Mexico covering approximately 1.3 million gross acres (0.6 million net acres). In West Africa, we currently have a license on the Diaba Block offshore Gabon, and licenses for Blocks 9, 20 and 21 offshore Angola. We do not have contractual rights to sell natural gas on our Angola blocks, but we have the right to use the natural gas during lease operations. We do, however, have contractual rights to any natural gas from our Gabon license area. Our prospect interests are subject to customary royalty and other interests, liens under operating agreements, liens for current taxes, and other burdens, easements, restrictions and encumbrances customary in the oil and gas industry that we believe do not materially interfere with the use of or affect our carrying value of the prospect interests.

Containment Resources

We are a member of several industry groups that provide general and specific oil spill and well containment resources in the U.S. Gulf of Mexico, including the Helix Well Containment Group ("HWCG"), Clean Gulf Associates ("CGA"), the Marine Preservation Association ("MPA"), and National Response Corporation ("NRC").

HWCG has a contract with Helix Energy Services Group which provides us access to the Helix Producer 1, a production handling vessel, and the Helix Q4000, a multi-purpose field intervention and construction vessel. Together with various elements of relevant hardware such as hoses, connectors, risers, and similar equipment, the Helix Producer and the Helix Q4000 form the "Helix Fast Response System". The Helix Fast Response System is currently capable of facilitating control and containment of spills in water depths up to 10,000 feet and has capturing and processing capabilities of 55,000 barrels of oil per day and 95 million cubic feet of gas per day. HWCG has two capping stacks, a 15,000 psig capping stack and a 10,000 psig capping stack. The capping stacks are designed to handle deep, higher-pressure wells and would be used in the event a blowout preventer is ineffective. Members of HWCG include Anadarko Petroleum Corporation, Apache Deepwater LLC, ATP Oil & Gas Corporation, BHP Billiton (Americas), Inc., Hess Corporation, Marathon Oil Company, Murphy Oil Corporation, Newfield Exploration Company, Noble Energy, Inc., Plains Exploration & Production Company, and Statoil Gulf of Mexico LLC, among others.

CGA administers the HWCG membership agreements and also provides us with access to a wide variety of surface spill response equipment, such as skimmers, dispersant and containment boom. As a member of MPA, we have access to the resources of the Marine Spill Response Corporation ("MSRC"). MSRC provides a wide variety of surface spill equipment, including approximately 75% of the existing dispersant material in the U.S. Gulf of Mexico region. NRC is an umbrella response corporation that provides us access to a wide variety of surface spill response equipment as well as a wide group of surface response contractors that can address a surface response as well as play a

support role in addressing a subsea well containment event. In addition, we have existing contracts with a number of contractors which have equipment that could assist in well containment efforts as well as with the surface effects of a subsea blowout or in addressing a concurrent surface spill. Examples of such equipment include, but are not limited to, anchor and supply vessels, subsea transponders and communication equipment, subsea cutting equipment, debris removal equipment, air and water monitoring and scientific support vessels, remote-operated vehicles, storage and shuttle vessels, and subsea dispersant equipment.

For our operations offshore West Africa, we have contracts in place for the provision of oil spill management, equipment and response services. Specifically, we have contracted with (i) Braemer-Howells, a U.K.-based company with staff in Angola, which provides us access to oil spill response management, equipment and services, (ii) the West and Central African Aerial Surveillance and Dispersant Service, a non-profit organization which provides aerial surveillance and chemical dispersant services offshore Angola utilizing aircraft based in Ghana, and (iii) Oil Spill Response Limited, a U.K.-based company which is wholly owned by exploration and production companies and provides us access to personnel and equipment for oil spill events. In addition, we have developed an Oil Spill Response Plan to address any potential spill, and we have access to equipment which is pre-staged in Angola, including containment boom, skimming systems, chemical dispersant systems, and temporary oil storage systems.

Furthermore, we also have contracts in place with O'Brien's Response Management and J. Connor Consulting for the provision of additional emergency response management services to help us address an incident in either the U.S. Gulf of Mexico or West Africa.

In considering the information above, specific reference should be made to the subsection of this Annual Report on Form 10-K titled "Risk Factors—We are subject to drilling and other operational hazards."

Insurance Coverage

We have insurance coverage in place for our U.S. Gulf of Mexico operations, consisting of a $500 million policy for operator's extra expense, which covers well control, re-drill and pollution clean-up expenses, a $450 million policy for third-party liability, and a $50 million policy for liabilities incurred under the Oil Pollution Act of 1990. In addition, we have identified certain unencumbered assets in the U.S. Gulf of Mexico to the Bureau of Ocean Energy Management ("BOEM") in order to demonstrate $100 million of Oil Spill Financial Responsibility through self-insurance under the Oil Pollution Act of 1990. In West Africa, we have insurance coverage in place for our operations, consisting of a $500 million policy for operator's extra expense and up to $450 million for third party liability. Our stated policy limits scale down to our working interest based on the working interest in the prospect being drilled. We believe that these coverage amounts are sufficient and are consistent with what is held by our competitors operating in the deepwater U.S. Gulf of Mexico and West Africa.

In considering the information above, specific reference should be made to the subsection of this Annual Report on Form 10-K titled "Risk Factors—We may incur substantial losses and become subject to liability claims as a result of future oil and natural gas operations, for which we may not have adequate insurance coverage" and "Risk Factors—We are subject to drilling and other operational hazards."

Environmental Matters and Regulation

General

We are, and our future operations will be, subject to various stringent and complex international, foreign, federal, state and local environmental, health and safety laws and regulations governing matters

including the emission and discharge of pollutants into the ground, air or water; the generation, storage, handling, use and transportation of regulated materials; and the health and safety of our employees. These laws and regulations may, among other things:

- require the acquisition of various permits before drilling commences;
- enjoin some or all of the operations of facilities deemed not in compliance with such laws and regulations or permits issued thereunder;
- restrict the types, quantities and concentration of various substances that can be released into the environment in connection with oil and natural gas exploration, drilling, production and transportation activities;
- limit or prohibit drilling activities in certain locations lying within protected or otherwise sensitive areas; and
- require remedial measures to mitigate pollution from our operations.

These laws and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible. Compliance with these laws can be costly; the regulatory burden on the oil and gas industry increases the cost of doing business in the industry and consequently affects profitability.

Moreover, particularly in light of the Deepwater Horizon incident in the U.S. Gulf of Mexico, public interest in the protection of the environment has increased. Offshore drilling in some areas has been opposed by environmental groups and, in other areas, has been restricted. Our operations could be adversely affected to the extent laws are enacted or other governmental action is taken that prohibits or restricts offshore drilling or imposes environmental requirements that result in increased costs to the oil and gas industry in general, such as more stringent or costly waste handling, disposal, cleanup requirements or financial responsibility and assurance requirements.

Accidental spills or releases may occur in the course of our operations, and we cannot assure you that we will not incur substantial costs and liabilities as a result, including costs relating to claims for damage to natural resources, property and persons. Moreover, environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. Accordingly, we cannot assure you that we have been or will be at all times in compliance with such laws, or that environmental laws and regulations will not change or become more stringent in the future in a manner that could have a material adverse effect on our financial condition and results of operations.

The following is a summary of some of the existing laws or regulatory issues to which we and our business operations are or may be subject to in the future.

Impact of the U.S. Gulf of Mexico Oil Spill

On April 20, 2010, the Transocean Deepwater Horizon, a semi-submersible offshore drilling rig operating in the deepwater U.S. Gulf of Mexico under contract to BP plc exploded, burned for two days and sank, resulting in loss of life, injuries and a large oil spill. The U.S. government and its regulatory agencies with jurisdiction over oil and gas exploration, including the U.S. Department of the Interior ("DOI") and two of its agencies, the BOEM and the Bureau of Safety and Environmental Enforcement ("BSEE"), which together formerly comprised the Bureau of Ocean Energy Management, Regulation and Enforcement ("BOEMRE"), responded to this incident by imposing moratoria on drilling operations. These agencies also required operators to reapply for exploration plans and drilling permits which had previously been approved and adopted numerous new regulations and new interpretations of existing regulations regarding operations in the U.S. Gulf of Mexico that are applicable to us and with which our new applications for exploration plans and drilling permits must prove compliant. These regulations include (i) the Increased Safety Measures for Energy Development

on the Outer Continental Shelf—Interim Final Rule, which sets forth increased safety measures for offshore energy development and requires, among other things, that all offshore operators submit written certifications as to compliance with the rules and regulations for operations occurring in the Outer Continental Shelf including the submission of independent third party written certifications as to the capabilities of certain safety devices, such as blowout preventers and their components, (ii) the workplace safety rule, which requires operators to develop and implement a comprehensive Safety and Environmental Management System, or SEMS, for oil and gas operations and codifies and makes mandatory the American Petroleum Institute's Recommended Practice 75, (iii) NTL No 2010-N06, which sets forth requirements for exploration plans, development and production plans and development operations coordination documents to include a blowout scenario, the assumptions and calculations that are used to determine the volume of the worst case discharge scenario, and proposed measures to prevent and mitigate a blowout and (iv) NTL No. 2010-N10, which requires that each operator submit adequate information demonstrating that it has access to and can deploy containment resources that would be adequate to promptly respond to a blowout or other loss of well control, adds additional requirements to oil spill response plans and requires that operators submit written certifications stating that the operator will conduct all authorized activities in compliance with all applicable regulations. In September 2011, the BOEMRE issued proposed amendments to the workplace safety rule which would, among other things, expand required safety procedures and revise third party auditing procedures of a company's SEMS. We believe that the extensive new regulations and changes proposed thereto, increased regulatory scrutiny including the requirement to conduct a site specific environmental assessment for every proposed well location has and may continue to result in substantial delays to the historical timing of the permitting process.

Compliance with the new regulations and new interpretations of existing regulations may materially increase the cost of and time required to conduct our drilling operations in the U.S. Gulf of Mexico. Substantial costs associated with compliance with these regulations and substantial increases in the time and effort required to obtain drilling permits may adversely affect our business, financial position or future results of operations.

Oil Pollution Act of 1990

The U.S. Oil Pollution Act of 1990 ("OPA") and regulations thereunder impose liability on responsible parties for damages resulting from oil spills into or upon navigable waters or in the exclusive economic zone of the U.S. Liability under the OPA is strict, joint and several and potentially unlimited. A "responsible party" under the OPA includes the lessee or permittee of the area in which an offshore facility is located. The OPA also requires the lessee or permittee of the offshore area in which a covered offshore facility is located to establish and maintain evidence of financial responsibility to cover potential liabilities related to an oil spill for which such person would be statutorily responsible in an amount that depends on the risk represented by the quantity or quality of oil handled by such facility. The BSEE has promulgated regulations that implement the financial responsibility requirements of the OPA. A failure to comply with the OPA's requirements or inadequate cooperation during a spill response action may subject a responsible party to civil, administrative and/or criminal enforcement actions. There has also been a call from public interest groups, certain governmental officials and the National Commission on the BP Deepwater Horizon Spill and Offshore Drilling for, among other things, increased government oversight of the offshore oil and gas industry, to require more comprehensive financial assurance requirements, to raise or eliminate the economic damages liability cap under OPA, significantly raise daily penalties for OPA infractions and make the environmental review process more stringent. If adopted, certain of these proposals have the potential to adversely affect our operations by restricting areas in which we may carry out development and/or causing us to incur increased operating expenses. We have identified certain unencumbered assets in the U.S. Gulf of Mexico to the BOEM in order to demonstrate $100 million of Oil Spill Financial Responsibility through self-insurance under the Oil Pollution Act of 1990.

Clean Water Act

The U.S. Federal Water Pollution Control Act of 1972, or Clean Water Act, as amended ("CWA"), imposes restrictions and controls on the discharge of pollutants, produced waters and other oil and natural gas wastes into waters of the U.S. These controls have become more stringent over the years, and it is possible that additional restrictions will be imposed in the future. Under the CWA, permits must be obtained to discharge pollutants into regulated waters. In addition, certain state regulations and the general permits issued under the federal National Pollutant Discharge Elimination System program prohibit discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the oil and gas industry into certain coastal and offshore waters. The CWA provides for civil, criminal and administrative penalties for unauthorized discharges of oil and other hazardous substances and imposes liability on parties responsible for those discharges for the costs of cleaning up related damage and for natural resource damages resulting from the release. Comparable state statutes impose liabilities and authorize penalties in the case of an unauthorized discharge of petroleum or its derivatives, or other hazardous substances, into state waters.

Marine Protected Areas

Executive Order 13158, issued in 2000, directs federal agencies to safeguard existing Marine Protected Areas ("MPAs") in the U.S. and establish new MPAs. The order requires federal agencies to avoid harm to MPAs to the extent permitted by law and to the maximum extent practicable. It also directs the U.S. Environmental Protection Agency ("EPA") to propose regulations under the CWA to ensure appropriate levels of protection for the marine environment. This order and related CWA regulations have the potential to adversely affect our operations by restricting areas in which we may carry out future development and exploration projects and/or causing us to incur increased operating expenses.

Consideration of Environmental Issues in Connection with Governmental Approvals

Our operations frequently require licenses, permits and other governmental approvals. Several federal statutes, including the Outer Continental Shelf Lands Act ("OCSLA"), the National Environmental Policy Act ("NEPA"), and the Coastal Zone Management Act ("CZMA") require federal agencies to evaluate environmental issues in connection with granting such approvals or taking other major agency actions. OCSLA, for instance, requires the DOI to evaluate whether certain proposed activities would cause serious harm or damage to the marine, coastal or human environment, and gives the DOI authority to refuse to issue, suspend or revoke permits and licenses allowing such activities in certain circumstances, including when there is a threat of serious harm or damage to the marine, coastal or human environment. Similarly, NEPA requires DOI and other federal agencies to evaluate major agency actions having the potential to significantly impact the environment. In the course of such evaluations, an agency must prepare an environmental assessment and, potentially, an environmental impact statement. If such NEPA documents are required, the preparation of such could significantly delay the permitting process and involve increased costs. CZMA, on the other hand, aids states in developing a coastal management program to protect the coastal environment from growing demands associated with various uses, including offshore oil and natural gas development. In obtaining various approvals from the DOI, we will have to certify that we will conduct our activities in a manner consistent with any applicable CZMA program. Violation of these foregoing requirements may result in civil, administrative or criminal penalties.

Naturally Occurring Radioactive Materials

Wastes containing naturally occurring radioactive materials ("NORM"), may also be generated in connection with our operations. Certain oil and natural gas exploration and production activities may enhance the radioactivity, or the concentration, of NORM. In the U.S., NORM is subject primarily to

regulation under individual state radiation control regulations. In addition, NORM handling and management activities are governed by regulations promulgated by the Occupational Safety and Health Administration. These regulations impose certain requirements concerning worker protection; the treatment, storage and disposal of NORM waste; the management of waste piles, containers and tanks containing NORM; and restrictions on the uses of land with NORM contamination.

Resource Conservation and Recovery Act

The U.S. Resource Conservation and Recovery Act ("RCRA"), and comparable state statutes regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Under the auspices of the EPA, individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own more stringent requirements. Drilling fluids, produced waters, and most of the other wastes associated with the exploration, development and production of crude oil or natural gas are currently exempt from RCRA's requirements pertaining to hazardous waste and are regulated under RCRA's non-hazardous waste and other regulatory provisions. A similar exemption is contained in many of the state counterparts to RCRA. At various times in the past, proposals have been made to amend RCRA to rescind the exemption that excludes oil and natural gas exploration and production wastes from regulation as hazardous waste. Accordingly, it is possible that certain oil and natural gas exploration and production wastes now classified as non-hazardous could be classified as hazardous wastes in the future. Any such change could result in an increase in our costs to manage and dispose of wastes, which could have a material adverse effect on our results of operations and financial position. Also, in the course of our operations, we expect to generate some amounts of ordinary industrial wastes, such as waste solvents and waste oils, that may be regulated as hazardous wastes.

Air Pollution Control

The U.S. Clean Air Act ("CAA") and state air pollution laws adopted to fulfill its mandates provide a framework for national, state, regional and local efforts to protect air quality. Our operations utilize equipment that emits air pollutants subject to the CAA and other pollution control laws. These laws require utilization of air emissions abatement equipment to achieve prescribed emissions limitations and ambient air quality standards, as well as operating permits for existing equipment and construction permits for new and modified equipment. Regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the CAA or other air pollution laws and regulations, including the suspension or termination of permits and monetary fines. Recently, the EPA also proposed new air regulations for oil and gas exploration, production, transmission and storage. These include new source performance standards for volatile organic compounds and sulfur dioxide and air toxics standards that may be issued in final form by April 2012. These regulations could require us to incur additional expenses to control air emissions by installing emissions control technologies and adhering to a variety of work practice and other requirements.

Superfund

The U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), also known as "Superfund," imposes joint and several liability for response costs at certain contaminated properties and damages to natural resources, without regard to fault or the legality of the original act, on some classes of persons who are considered to be responsible for the release of a hazardous substance into the environment. These persons include the current or past owner or operator of the site where the release occurred and anyone who transported, disposed or arranged for the disposal of a hazardous substance at the site. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment

and to seek to recover from the responsible classes of persons the costs they incur and seek natural resource damages.

Protected Species and Habitats

The federal U.S. Endangered Species Act, the federal Marine Mammal Protection Act, and similar federal and state wildlife protection laws prohibit or restrict activities that could adversely impact protected plant and animal species or habitats. Oil and natural gas exploration and production activities could be prohibited or delayed in areas where protected species or habitats may be located, or expensive mitigation may be required to accommodate such activities.

Climate Change

Our operations and the combustion of petroleum and natural gas-based products results in the emission of greenhouse gases ("GHG") that could contribute to global climate change. Climate change regulation has gained momentum in recent years internationally and domestically at the federal, regional, state and local levels. Various U.S. regions and states have already adopted binding climate change legislation. In addition, the U.S. Congress has at times considered the passage of laws to limit the emission of GHGs. In 2009, the U.S. House of Representatives passed, and the U.S. Senate considered but did not pass, legislation that proposed, among other things, a nationwide cap on carbon dioxide and other GHG emissions and a requirement that certain emitters of GHGs, including certain electricity generators and producers and importers of specified fuels, obtain "emission allowances" to meet that cap. It is possible that federal legislation related to GHG emissions will be considered by Congress in the future.

The EPA has proposed using the CAA to limit carbon dioxide and other GHG emissions. Under EPA regulations finalized in May 2010 (referred to as the "Tailoring Rule"), the EPA began regulating GHG emissions from certain stationary sources in January 2011. Additionally, on April 1, 2010, the EPA and National Highway Traffic Safety Administration finalized GHG emissions standards for light-duty vehicles. On August 9, 2011, these two agencies also announced national efficiency and emissions standards for medium- and heavy-duty engines and vehicles.

On September 22, 2009, the EPA issued a "Mandatory Reporting of Greenhouse Gases" final rule ("Reporting Rule"). The Reporting Rule establishes a new comprehensive scheme requiring operators of stationary sources emitting more than established annual thresholds of carbon dioxide-equivalent GHGs to inventory and report their GHG emissions annually on a facility-by-facility basis. On November 9, 2010, the EPA expanded the Reporting Rule to certain oil and natural gas facilities, including producers and offshore exploration and production operations. Each of these binding and proposed laws could adversely affect us directly as well as indirectly, as they could decrease the demand for oil and natural gas.

On the international level, various nations, including Angola and Gabon, have committed to reducing their GHG emissions pursuant to the Kyoto Protocol. The Kyoto Protocol is set to expire in 2012. Passage of a successor international agreement or scheme aimed at the reduction of GHGs is uncertain. In late 2011, however, an international climate change conference in Durban, South Africa resulted in, among other things, an agreement to negotiate a new climate change regime by 2015 that would aim to cover all major greenhouse gas emitters worldwide, including the U.S., and take effect by 2020. In addition, the Durban conference resulted in the relevant parties agreeing to extend the Kyoto Protocol for a second commitment period. U.S. federal climate change regulation or laws or climate change regulation in other regions in which we conduct business could have an adverse effect on our results of operations, financial condition and demand for oil and natural gas.

Health and Safety

Our operations are and will be subject to the requirements of the federal U.S. Occupational Safety and Health Act ("OSH Act") and comparable foreign and state statutes. These laws and their implementing regulations strictly govern the protection of the health and safety of employees. In particular, the OSH Act hazard communication standard, EPA community right-to-know regulations under Title III of the Superfund Amendments and Reauthorization Act of 1986 and similar state statutes require that we organize and/or disclose information about hazardous materials used or produced in our operations. Such laws and regulations also require us to ensure our workplaces meet minimum safety standards and provide for compensation to employees injured as a result of our failure to meet these standards as well as civil and/or criminal penalties in certain circumstances.

Other Regulation of the Oil and Gas Industry

The oil and gas industry is regulated by numerous federal, state and local authorities. Legislation affecting the oil and gas industry is under constant review for amendment or expansion, frequently increasing the regulatory burden. Also, numerous departments and agencies, both federal and state, are authorized by statute to issue rules and regulations binding on the oil and gas industry and its individual members, some of which carry substantial penalties for failure to comply. Although the regulatory burden on the oil and gas industry may increase our cost of doing business by increasing the future cost of transporting our production to market, these burdens generally do not affect us any differently or to any greater or lesser extent than they affect other companies in the industry with similar types, quantities and locations of production.

Homeland Security Regulations

The Department of Homeland Security Appropriations Act of 2007 requires the Department of Homeland Security ("DHS") to issue regulations establishing risk-based performance standards for the security of chemical and industrial facilities, including oil and natural gas facilities that are deemed to present "high levels of security risk." The DHS is currently in the process of adopting regulations that will determine whether our operations may in the future be subject to DHS-mandated security requirements. Presently, it is not possible to accurately estimate the costs we could incur, directly or indirectly, to comply with any such facility security laws or regulations, but such expenditures could be substantial.

Development and Production

Development and production operations are subject to various types of regulation at federal, state and local levels. These types of regulation include requiring permits for the drilling of wells, the posting of bonds in connection with various types of activities and filing reports concerning operations. U.S. laws under which we operate may also regulate one or more of the following:

- the location of wells;
- the method of drilling and casing wells;
- the surface use and restoration of properties upon which wells are drilled;
- the plugging and abandoning of wells; and
- notice to surface owners and other third parties.

Regulation of Transportation and Sale of Natural Gas

The availability, terms and cost of transportation significantly affect sales of natural gas. Federal and state regulations govern the price and terms for access to natural gas pipeline transportation. The

interstate transportation and sale for resale of natural gas is subject to federal regulation, including regulation of the terms, conditions and rates for interstate transportation, storage and various other matters, primarily by the Federal Energy Regulatory Commission, or FERC. The FERC's regulations for interstate natural gas transmission in some circumstances may also affect the intrastate transportation of natural gas. Upon us reaching the production stage of our business model, such regulations will be applicable to us.

Although gas prices are currently unregulated, Congress historically has been active in the area of gas regulation. We cannot predict whether new legislation to regulate natural gas might be proposed, what proposals, if any, might actually be enacted by Congress or the various state legislatures, and what effect, if any, the proposals might have on the operations of the underlying properties. Sales of condensate and natural gas liquids are not currently regulated and are made at market prices.

U.S. Coast Guard and the U.S. Customs Service

The transportation of drilling rigs to the sites of our prospects in the U.S. Gulf of Mexico and our operation of such drilling rigs is subject to the rules and regulations of the U.S. Coast Guard and the U.S. Customs Service. Such regulation sets safety standards, authorizes investigations into vessel operations and accidents and governs the passage of vessels into U.S. territory. We are required by these agencies to obtain various permits, licenses and certificates with respect to our operations.

Laws and Regulations of Angola and Gabon

Our exploration and production activities offshore Angola and Gabon are subject to Angolan and Gabonese regulation, respectively. These regulations govern licensing for drilling operations, mandatory involvement of local partners in our operations, taxation of our revenues, safety and environmental matters and our ability to operate in such jurisdictions as a foreign participant. Failure to comply with these laws and regulations also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws and regulations could change in ways that could substantially increase our costs. We have engaged third party consultants to assist us with our compliance efforts in Angola.

Employees

As of December 31, 2011, we had 75 employees. None of these employees are represented by labor unions or covered by anycollective bargaining agreement. We believe that relations with our employees are satisfactory. In addition, as of December 31, 2011, we had 90 consultants and secondees working in our offices and field locations.

Corporate Information

We were incorporated pursuant to the laws of the State of Delaware as Cobalt International Energy, Inc. in August 2009 to become a holding company for Cobalt International Energy, L.P. Cobalt International Energy, L.P. was formed as a limited partnership on November 10, 2005 pursuant to the laws of the State of Delaware. Pursuant to the terms of a corporate reorganization that we completed in connection with our initial public offering, all of the interests in Cobalt International Energy, L.P. were exchanged for common stock of Cobalt International Energy, Inc. and, as a result, Cobalt International Energy, L.P. is wholly-owned by Cobalt International Energy, Inc.

Available Information

We make certain filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports. We make such filings available free of charge through our

website, *http://www.cobaltintl.com*, as soon as reasonably practicable after they are filed with the SEC. The filings are also available through the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330. Also, these filings are available on the internet at http://www.sec.gov. Our press releases and recent analyst presentations are also available on our website. The information on our website does not constitute a part of this Annual Report on Form 10-K.

Executive Officers

The following table sets forth certain information concerning our executive officers as of the date of this Annual Report.

Name	Age	Position
Joseph H. Bryant	56	Chairman of the Board of Directors and Chief Executive Officer
Van P. Whitfield	60	Chief Operating Officer
John P. Wilkirson	54	Chief Financial Officer and Executive Vice President
James H. Painter	54	Executive Vice President, Gulf of Mexico
Michael D. Drennon	56	Executive Vice President and General Manager, Cobalt Angola
James W. Farnsworth	56	Chief Exploration Officer
Jeffrey A. Starzec	35	Senior Vice President and General Counsel
Lynne L. Hackedorn	53	Vice President, Government and Public Affairs
Richard A. Smith	52	Vice President, Investor Relations and Planning

Biographical information

Joseph H. Bryant has served as Chief Executive Officer and Chairman of our Board of Directors since our inception in November 2005. Mr. Bryant has 34 years of experience in the oil and gas industry. Prior to joining Cobalt, from September 2004 to September 2005, he was President and Chief Operating Officer of Unocal Corporation, an oil and gas exploration and production company. From May 2000 to August 2004, Mr. Bryant was President of BP Exploration (Angola) Limited, from January 1997 to May 2000, Mr. Bryant was President of BP Canada Energy Company (including serving as President of Amoco Canada Petroleum Co. between January 1997 and May 2000, prior to its merger with BP Canada), and from 1993 to 1996, Mr. Bryant served as President of a joint venture between Amoco Orient Petroleum Company and the China National Offshore Oil Corporation focused on developing the offshore Liuhua fields. Prior to 1993, Mr. Bryant held executive leadership positions in Amoco Production Company's business units in The Netherlands and the Gulf of Mexico, serving in many executive capacities and in numerous engineering, financial and operational roles throughout the continental United States. Mr. Bryant served on the board of directors of Berry Petroleum Company from October 2005 until May 2011. Mr. Bryant currently also serves on the board of directors of the American Petroleum Institute. Mr. Bryant holds a Bachelor of Science in Mechanical Engineering from the University of Nebraska.

Van P. Whitfield has served as Chief Operating Officer since September 2011. Mr. Whitfield served as our Executive Vice President, Operations and Development from May 2006 until September 2011. Mr. Whitfield has over 37 years of experience leading oil and gas production operations and marketing activities in North America, the United Kingdom and Europe, the Middle East and Asia. Prior to joining Cobalt, from May 2003 to May 2005, Mr. Whitfield served as Senior Vice President, Western Operations of CDX Gas LLC, an independent oil and gas company. From October 2002 to April 2003 he served as Production Unit Leader for the Angola Liquid Natural Gas Project, BP Exploration (Angola) Limited and from June 2001 to October 2002, he held the position of Vice President, Power and Water of ExxonMobil Saudi Arabia (Southern Ghawar) Ltd, an exploration and production company. Mr. Whitfield has also held the positions of Senior Vice President of BP Global Power,

President and General Manager of Amoco Netherlands BV and Production Manager of Amoco (U.K.) Exploration Company, both exploration and production companies. In addition, he has held numerous operational and technical leadership positions in various Amoco Production Company locations, including: the position of Production Manager, West Texas and Engineering Manager, Worldwide. Mr. Whitfield has a Bachelor of Science Degree—Petroleum Engineering from Louisiana State University and is a graduate of the Executive Program at Stanford University.

John P. Wilkirson has served as Executive Vice President and Chief Financial Officer since June 2010. From 2007 until June 2010, Mr. Wilkirson served as our Vice President, Strategic Planning and Investor Relations. Mr. Wilkirson has 31 years of experience in the energy industry. Prior to joining Cobalt, from 1998 to 2005, Mr. Wilkirson was Vice President, Strategic Planning and Economics of Unocal Corporation, where his primary responsibilities included identifying and addressing major strategic issues, managing the global asset and investment portfolio, leading the economic analysis and evaluations function and overseeing performance management. He played an instrumental role as the integration executive for Unocal Corporation's merger into Chevron Corporation. Prior to Unocal Corporation, from 1992 to 1997, Mr. Wilkirson was an Engagement Manager at McKinsey & Company, Inc., a management consulting firm, serving energy clients on strategy and performance improvement engagements. Additional industry experience includes positions at Exxon Company USA from 1980 to 1984 and Sohio Petroleum Company and BP from 1984 to 1991, in petroleum engineering and commercial assignments. Mr. Wilkirson has a Bachelor of Science with Highest Honors in Petroleum Engineering and a Master of Business Administration from the University of Texas at Austin.

James H. Painter has served as Executive Vice President, Gulf of Mexico since our inception in November 2005. Mr. Painter has more than 32 years of experience in the oil and gas industry. Prior to joining Cobalt, from February 2004 to September 2005, Mr. Painter was the Senior Vice President of Exploration and Technology at Unocal Corporation. Prior to his position at Unocal Corporation (following the merger between Ocean Energy Inc. and Devon Energy Corporation), from April 2003 to October 2003, Mr. Painter served as the Vice President of Exploration at Devon Energy Corporation, an oil and gas exploration and production company. From January 1995 to April 2003, Mr. Painter served in various manager and executive positions at Ocean Energy Inc. (and its predecessor Flores and Rucks, Inc.) with his final position as Senior Vice President of Gulf of Mexico and International Exploration. Additional industry experience includes positions at Forest Oil Corporation, an independent oil and gas exploration and production company, Mobil Oil Corporation and Superior Oil Company, Inc. Mr. Painter holds a Bachelor of Science in Geology from Louisiana State University.

Michael D. Drennon has served as Executive Vice President and General Manager, Cobalt Angola since April 2010 and has 35 years of industry experience. Prior to joining Cobalt, Mr. Drennon served as Vice President, Operations for Parker Drilling Company from 2005 until April 2010. Mr. Drennon's additional industry experience includes various executive positions at BP and Amoco in the United States, United Kingdom, China, Trinidad, Norway and Angola. Mr. Drennon received a Bachelor of Science Degree in Petroleum Engineering from Texas Tech University in 1977.

James W. Farnsworth has served as Chief Exploration Officer since our inception in November 2005. Mr. Farnsworth has had more than 27 years of experience in the oil and gas industry. From 2003 to 2005, Mr. Farnsworth held the position of Vice President of World-Wide Exploration and Technology, at BP p.l.c., a global energy company, responsible for BP p.l.c.'s global exploration business inclusive of North America, West Africa, North Africa, South America, Russia and the Far East. His prior positions at BP p.l.c., from 1983 to 2003, include: Vice President of North America Exploration; Vice President of Gulf of Mexico Exploration; Exploration Manager for Alaska; Deepwater Gulf of Mexico Production Manager for Non-operated Fields. Mr. Farnsworth has a Bachelor of Science Degree in Geology from Indiana University and a Masters of Science Degree in Geophysics from Western Michigan University.

Jeffrey A. Starzec has served as Senior Vice President and General Counsel since January 2012. Mr. Starzec also serves as our Corporate Secretary. From June 2009 until December 2011, Mr. Starzec served as our Associate General Counsel and Corporate Secretary. Prior to joining Cobalt, Mr. Starzec practiced corporate and securities law at Vinson & Elkins LLP from July 2006 until June 2009, where he represented a variety of energy companies, including Cobalt in connection with its strategic alliance with Total in the U.S. Gulf of Mexico. Mr. Starzec began his legal career at Baker Botts LLP in 2002 and holds a Bachelor of Science in Economics from Duke University and a J.D. from Harvard Law School.

Lynne L. Hackedorn has served as Vice President, Government and Public Affairs since October 2011. Ms. Hackedorn served as our Vice President, Government, Public Affairs and Land from September 2010 until October 2011. From April 2006 until September 2010, Ms. Hackedorn served as our Vice President, Land. Ms. Hackedorn has over 27 years of experience in the oil and gas industry. Prior to joining Cobalt, from 2001 to 2006, Ms. Hackedorn served as Senior Landman at Hydro Gulf of Mexico, L.L.C., formerly Spinnaker Exploration Company, L.L.C., an oil and gas exploration and production company, handling a variety of land functions within both the shelf and deepwater areas of the Gulf of Mexico. From 1998 to 2001, Ms. Hackedorn held management positions within the offshore Gulf of Mexico regions of Sonat Exploration GOM, Inc. and El Paso Production GOM, Inc., both oil and gas exploration and production companies. From 1994 to 1998, Ms. Hackedorn was a Landman with Zilkha Energy Company, also an oil and gas exploration and production company. Ms. Hackedorn began her career as a Landman in 1984 at ARCO Oil and Gas Company, where she worked in the onshore South Texas region from 1984 until 1990, and then in the offshore Gulf of Mexico region from 1990 until 1994. Ms. Hackedorn currently also serves on the board of directors of National Ocean Industries Association. Ms. Hackedorn earned her Bachelor of Science in Petroleum Land Management from the University of Houston, graduating Magna Cum Laude.

Richard A. Smith has served as Vice President, Investor Relations and Planning since October 2011. Mr. Smith served as Vice President, International Business Development, Commercial and Finance from September 2010 until October 2011. From October 2007 until September 2010, Mr. Smith served as our Vice President. Mr. Smith has over 29 years of oil and gas industry experience in North American and international markets. Prior to joining Cobalt, from September 2005 to September 2007, Mr. Smith was Vice President, Joint Venture Development Corporate Affairs for the BP Russia Offshore Strategic Performance Unit, an oil and gas exploration and production unit of BP. From February 2002 to August 2005, he held the position of Vice President and then Executive Director for BP Exploration (Angola) Limited, an oil and gas exploration and production company operating in Angola. Mr. Smith's additional industry experience includes leadership positions at various companies in the oil and gas industry operating in Azerbaijan, Georgia, Turkey, the United Kingdom, the United States and Canada. Mr. Smith holds a Bachelor of Commerce from the University of Calgary.

Item 1A. ***Risk Factors***

You should consider and read carefully all of the risks and uncertainties described below, together with all of the other information contained in this Annual Report on Form 10-K, including the consolidated financial statements and the related notes appearing at the end of this Annual Report on Form 10-K. If any of the following risks actually occurs, our business, business prospects, stock price, financial condition, results of operations or cash flows could be materially adversely affected. The risks below are not the only ones facing our company. Additional risks not currently known to us or that we currently deem immaterial may also adversely affect us. This Annual Report on Form 10-K also contains forward-looking statements, estimates and projections that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks described below.

Risks Relating to Our Business

We have no proved reserves and areas that we decide to drill may not yield oil in commercial quantities or quality, or at all.

We have no proved reserves. Our asset portfolio consists of identified yet unproven prospects based on available seismic and geological information that indicates the potential presence of oil and discoveries with limited appraisal drilling or other well penetrations. However, the areas we decide to drill may not yield oil in commercial quantities or quality, or at all. Our current discoveries and many of our prospects are in various stages of evaluation that will require substantial additional analysis and interpretation. Even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. Exploratory wells have been drilled on a limited number of our prospects. Undue reliance should not be placed on our limited drilling results or any estimates of the characteristics of our prospects, including any derived calculations of our potential resources or reserves based on these limited results and estimates. Additional appraisal wells, other testing and production data from completed and producing wells will be required to fully appraise our discoveries, to better estimate their characteristics and potential resources and reserves and to ultimately understand the commerciality of our prospects. Accordingly, we do not know how many of our prospects will contain oil in sufficient quantities or quality to recover drilling and completion costs or to be economically viable. Even if oil is found on our prospects in commercial quantities, construction costs of oil pipelines or FPSO systems, as applicable, and transportation costs may prevent such prospects from being economically viable. Additionally, we will require various regulatory approvals in order to develop and produce from any of our discoveries, which may not be forthcoming.

Additionally, the analogies drawn by us from available data from other wells, more fully explored prospects or producing fields may not prove valid in respect of our drilling prospects. We may terminate our drilling program for a prospect if data, information, studies and previous reports indicate that the possible development of our prospect is not commercially viable and, therefore, does not merit further investment. If a significant number of our prospects do not prove to be successful, our business, financial condition and results of operations will be materially adversely affected.

To date, there has been limited drilling which has targeted the pre-salt horizon in the deepwater offshore West Africa and the inboard Lower Tertiary trend in the deepwater U.S. Gulf of Mexico, areas in which we intend to focus a substantial amount of our exploration efforts.

We face substantial uncertainties in estimating the characteristics of our prospects, so you should not place undue reliance on any of our estimates.

In this Annual Report on Form 10-K we provide estimates of the numerical characteristics of our prospects, including with regard to the size and quality of our discoveries and prospects. These estimates may be incorrect, as the accuracy of these estimates is a function of the available data, geological interpretation and judgment. To date, only a limited number of our prospects have been drilled. Any analogies drawn by us from other wells, prospects or producing fields may not prove to be accurate indicators of the success of developing reserves from our prospects. Furthermore, we have no way of evaluating the accuracy of the data from analog wells or prospects produced by other parties which we may use.

It is possible that few or none of our wells to be drilled will find accumulations of hydrocarbons in commercial quantities or qualities. Any significant variance between actual results and our assumptions could materially affect the quantities of oil attributable to any particular group of properties. In this Annual Report on Form 10-K, we refer to the "mean" of the estimated data. This measurement is statistically calculated based on a range of possible values of such estimates, with such ranges being particularly large in scope. Therefore, there may be large discrepancies between the mean estimate provided in this Annual Report on Form 10-K and our actual results.

Drilling wells is speculative, often involving significant costs that may be more than our estimates, and may not result in any discoveries or additions to our future production or reserves. Any material inaccuracies in drilling costs, estimates or underlying assumptions will materially affect our business.

Exploring for and developing oil reserves involves a high degree of operational and financial risk, which precludes definitive statements as to the time required and costs involved in reaching certain objectives. The budgeted costs of drilling, completing and operating wells are often exceeded and can increase significantly when drilling costs rise due to a tightening in the supply of various types of oilfield equipment and related services. Drilling may be unsuccessful for many reasons, including geological conditions, weather, cost overruns, equipment shortages and mechanical difficulties. Exploratory wells bear a much greater risk of financial loss than development wells. In the past we have experienced unsuccessful drilling efforts. Moreover, the successful drilling of an oil well does not necessarily result in a profit on investment. Most of the wells we plan to operate or participate in in the near term are exploratory wells. A variety of factors, both geological and market-related, can cause a well to become uneconomic or only marginally economic. Our initial drilling sites, and any potential additional sites that may be developed, require significant additional exploration and development, regulatory approval and commitments of resources prior to commercial development. Due to a general lack of infrastructure and, in the case of offshore Angola and Gabon, underdeveloped oil and gas industries and increased transportation expenses due to geographic remoteness, which either require a single well to be exceptionally productive, or the existence of multiple successful wells, to allow for the development of a commercially viable field we face additional risks in the Lower Tertiary Trend in the U.S. Gulf of Mexico and offshore Angola and Gabon. If our actual drilling and development costs are significantly more than our estimated costs, we may not be able to continue our business operations as proposed and would be forced to modify our plan of operation.

New regulations enacted as a result of the Deepwater Horizon drilling rig accident and resulting oil spill may have significantly increased certain of the risks we face and increased the cost of operations in the U.S. Gulf of Mexico.

On April 20, 2010, the Transocean Deepwater Horizon, a semi-submersible offshore drilling rig operating in the deepwater U.S. Gulf of Mexico under contract to BP plc exploded, burned for two days and sank, resulting in loss of life, injuries and a large oil spill. The U.S. government and its regulatory agencies with jurisdiction over oil and gas exploration, including the DOI, BOEM and

BSEE, responded to this incident by imposing moratoria on drilling operations and adopting numerous new regulations and new interpretations of existing regulations regarding operations in the U.S. Gulf of Mexico. Compliance with these new regulations has increased the cost of our drilling operations in the U.S. Gulf of Mexico.

We believe that extensive new regulations, increased regulatory and legal scrutiny, the restructuring of the BOEM and BSEE as successors to each of the BOEMRE and the Minerals Management Service, and ongoing and potential third party legal challenges to industry drilling operations in the U.S. Gulf of Mexico could result in substantial delays to and adversely affect our exploration and appraisal drilling operations in the U.S. Gulf of Mexico, including the timing of the permitting process.

The successful execution of our U.S. Gulf of Mexico business plan depends on our ability to continue our exploration and appraisal efforts. A prolonged suspension of or delay in our drilling operations would adversely affect our business, financial position or future results of operations.

In addition, we cannot predict how federal and state authorities will further respond to the Deepwater Horizon incident or whether additional changes in laws and regulations governing oil and gas operations in the U.S. Gulf of Mexico will result or how the DOI, BOEM, or BSEE will interpret or enforce the rules and regulations issued in response to the Deepwater Horizon incident. It is possible that additional laws, regulations or limitations may be imposed on us. Such regulations may require a change in the way we conduct our business, increase our costs of doing business, or delay our business plans. We cannot predict with any certainty what form any additional laws or regulations will take, how they will be interpreted or enforced, or the extent to which they may impact our business, financial position or future results of operations.

Furthermore, the Deepwater Horizon incident may have increased certain of the risks we face, including, without limitation, the following:

- increased governmental regulation and enforcement of our and our industry's operations in a number of areas, including health and safety, financial responsibility, environmental, licensing, taxation, equipment specifications and inspections and training requirements;
- increased difficulty in obtaining leases and permits to drill offshore wells, including as a result of any bans or moratoria placed on offshore drilling;
- potential legal challenges to the issuance of permits and the conducting of our operations;
- higher drilling and operating costs;
- higher royalty rates and fees on leases acquired in the future;
- higher insurance costs and increased potential liability thresholds under proposed amendments to environmental regulations;
- decreased partner participation in wells we operate;
- higher capital costs as a result of any increase to the risks we or our industry face; and
- less favorable investor perception of the risk-adjusted benefits of deepwater offshore drilling.

The occurrence of any of these factors, or their continuation, could have a material adverse effect on our business, financial position or future results of operations.

We face various risks associated with increased activism against oil and gas exploration and development activities.

Opposition toward oil and gas drilling and development activity has been growing globally and is particularly pronounced in the United States. Companies in the oil and gas industry are often the

target of activist efforts from both individuals and non-governmental organizations regarding safety, human rights, environmental compliance and business practices. Anti-development activists are working to, among other things, reduce access to federal and state government lands and delay or cancel certain operations such as offshore drilling and development. For example, environmental activists have recently challenged lease sales and decisions to grant air-quality permits in the U.S. Gulf of Mexico for offshore drilling.

Future activist efforts could result in the following:

- delay or denial of drilling permits;
- shortening of lease terms or reduction in lease size;
- restrictions on installation or operation of gathering or processing facilities;
- restrictions on the use of certain operating practices;
- legal challenges or lawsuits;
- damaging publicity about us;
- increased costs of doing business;
- reduction in demand for our products; and
- other adverse effects on our ability to develop our properties.

Our need to incur costs associated with responding to these initiatives or complying with any resulting new legal or regulatory requirements resulting from these activities that are substantial and not adequately provided for, could have a material adverse effect on our business, financial condition and results of operations.

The high cost or unavailability of drilling rigs, equipment, personnel, oil field services and infrastructure could adversely affect our ability to execute our exploration and development plans on a timely basis and within budget.

Our industry is cyclical and, from time to time, there is a shortage of drilling rigs, equipment, supplies or qualified personnel, often during periods of higher oil prices or in emerging areas of exploration. During these periods and within these areas, the costs of drilling rigs, equipment, supplies and personnel are substantially greater and their availability may be limited. Additionally, these services may not be available on commercially reasonable terms. The high cost or unavailability of drilling rigs, equipment, supplies, personnel and other oil field services could adversely affect our ability to execute our exploration and development plans on a timely basis and within budget, which could have a material adverse effect on our business, financial condition or results of operations.

Our ability to market our oil production will depend substantially on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Additionally, such infrastructure may not be available on commercially reasonable terms. We may be required to shut in oil wells because of the absence of a market or because access to pipelines, gathering systems or processing facilities may be limited or unavailable. If that were to occur, then we would be unable to realize revenue from those wells until arrangements were made to deliver the production to market, which could have a material adverse effect on our business, financial condition or results of operations.

Our identified drilling locations are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.

Our management team has identified and scheduled drilling locations on our acreage over a multi-year period. Our ability to drill and develop these locations depends on a number of factors, including the availability of equipment, qualified personnel and capital, seasonal conditions, regulatory approvals, oil prices, costs and drilling results. The final determination on whether to drill any of these drilling locations will be dependent upon the factors described elsewhere in this Annual Report on Form 10-K as well as, to some degree, the results of our drilling activities with respect to our established drilling locations. Because of these uncertainties, we do not know if the drilling locations we have identified will be drilled within our expected timeframe or at all or if we will be able to economically produce oil from these or any other potential drilling locations. As such, our actual drilling activities may be materially different from our current expectations, which could adversely affect our results of operations and financial condition.

We are not, and may not be in the future, the operator on all of our prospects, and do not, and may not in the future, hold all of the working interests in our prospects. Therefore, we will not be able to control the timing of exploration or development efforts, associated costs, or the rate of production of any non-operated and to an extent, any non-wholly owned, assets.

Currently, we are not the operator on approximately 25% of our U.S. Gulf of Mexico blocks, and we are not the operator on the Diaba Block offshore Gabon. As we carry out our exploration and development programs, we may enter into arrangements with respect to existing or future prospects that result in a greater proportion of our prospects being operated by others. In addition, the terms of our current or future licenses or leases may require at least the majority of working interests to approve certain actions. As a result, we may have limited ability to exercise influence over the operations of the prospects operated by our partners or which are not wholly-owned by us, as the case may be. Dependence on the operator could prevent us from realizing our target returns for those prospects. Further, it may be difficult for us to pursue one of our key business strategies of minimizing the cycle time between discovery and initial production with respect to prospects for which we do not operate or wholly-own. The success and timing of exploration and development activities operated by our partners will depend on a number of factors that will be largely outside of our control, including:

- the timing and amount of capital expenditures;
- the operator's expertise and financial resources;
- approval of other participants in drilling wells;
- selection of technology; and
- the rate of production of reserves, if any.

Furthermore, even though we are the operator of Blocks 9, 20 and 21 offshore Angola, we are required to obtain the prior approval of Sonangol for most of our operational activities. This limited ability to exercise control over the operations of some of our prospects may cause a material adverse effect on our results of operations and financial condition.

The inability of one or more third parties who contract with us to meet their obligations to us may adversely affect our financial results.

We may be liable for certain costs if third parties who contract with us are unable to meet their commitments under such agreements. We are currently exposed to credit risk through joint interest receivables from our block and/or lease partners. If any of our partners in the blocks or leases in which we hold interests are unable to fund their share of the exploration and development expenses, we may be liable for such costs. In addition, if any of the service providers we contract with to mature our prospects or develop our discoveries file for bankruptcy or are otherwise unable to fulfill their obligations to us, we may face increased costs and delays in locating replacement vendors. The inability or failure of third parties we contract with to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results.

We have a limited operating history and our future performance is uncertain.

We are a development stage enterprise and will continue to be so until commencement of substantial production from our oil properties, which will depend upon our ability to conduct drilling operations, successful drilling results, additional and timely capital funding, and access to suitable infrastructure and adequate personnel. We do not expect to commence production for at least several years, and therefore we do not expect to generate any revenue from production for a long time. Companies in their initial stages of development face substantial business risks and may suffer significant losses. We have generated substantial net losses and negative cash flows from operating activities since our inception and expect to continue to incur substantial net losses as we continue our drilling program. We face challenges and uncertainties in financial planning as a result of the unavailability of historical data and uncertainties regarding the nature, scope and results of our future activities. New companies must develop successful business relationships, establish operating procedures, hire staff, install management information and other systems, establish facilities and obtain licenses, as well as take other measures necessary to conduct their intended business activities. We may not be successful in implementing our business strategies, in establishing necessary staffing or personnel levels, or in completing the development of the infrastructure necessary to conduct our business as planned. In the event that our drilling schedules are not completed, delayed or terminated, our operating results will be adversely affected and our operations will differ materially from the activities described in this Annual Report on Form 10-K. As a result of industry factors or factors relating specifically to us, we may have to change our methods of conducting business, which may cause a material adverse effect on our results of operations and financial condition.

We are dependent on certain members of our management and technical team.

Investors in our common stock must rely upon the ability, expertise, judgment and discretion of our management and the success of our technical team in identifying, discovering and developing oil reserves. Our performance and success are dependent, in part, upon key members of our management and technical team, and their loss or departure could be detrimental to our future success. In making a decision to invest in our common stock, you must be willing to rely to a significant extent on our management's discretion and judgment. A significant portion of our senior management and technical team's equity in us will vest in coming years or pursuant to their employment agreements. In addition, a significant portion of our employee base is at or near retirement age. Furthermore, we utilize the services of a number of individual consultants for contractually fixed periods of time. If we are unable to retain or replace our employees and individual consultants as we grow our business, their loss could have a material adverse effect on our results of operations and financial condition, as well as on the market price of our common stock.

Our business plan requires substantial additional capital, which we may be unable to raise on acceptable terms in the future, which may in turn limit our ability to develop our exploration and production plans.

We expect our capital outlays and operating expenditures to increase substantially over at least the next several years as we expand our operations. Exploration and production plans and obtaining additional leases or concessional licenses and seismic data are very expensive, and we expect that we will need to raise substantial additional capital, through future private or public equity offerings, strategic alliances or debt financing, before we achieve commercialization of any of our properties.

Our future capital requirements will depend on many factors, including:

- the scope, rate of progress and cost of our exploration and production activities;
- the extent to which we invest in additional oil leases or concessional licenses;
- oil and natural gas prices;
- our ability to locate and acquire hydrocarbon reserves;
- our ability to produce oil or natural gas from those reserves;
- the terms and timing of any drilling and other production-related arrangements that we may enter into;
- the cost and timing of governmental approvals and/or concessions; and
- the effects of competition by larger companies operating in the oil and gas industry.

While we believe our operations will be adequately funded at least through 2013, we do not currently have any commitments for future external funding and we do not expect to generate any revenue from production for several years. Additional financing may not be available on favorable terms, or at all. Even if we succeed in selling additional securities to raise funds, at such time the ownership percentage of our existing stockholders would be diluted, and new investors may demand rights, preferences or privileges senior to those of existing stockholders. If we raise additional capital through debt financing, the financing may involve covenants that restrict our business activities. If we choose to farm-out interests in our leases or licenses, we would dilute our ownership interest subject to the farm-out and any potential value resulting therefrom, and we may lose operating control over such prospects.

In order to protect our exploration and production rights in our license areas, we must meet various drilling and declaration requirements. Assuming we are able to commence exploration and production activities or successfully exploit our properties during the primary license term, our licenses over the developed areas of a prospect could extend beyond the primary term, generally for the life of production. However, unless we make and declare discoveries within certain time periods specified in the documents governing our licenses, our interests in either the undeveloped parts of our license areas (as is the case in Angola and Gabon) or the whole block (as is the case in the U.S. Gulf of Mexico) may be forfeited, we may be subject to significant penalties or be required to make additional payments in order to maintain such licenses. The costs to maintain licenses may fluctuate and may increase significantly since the original term, and we may not be able to renew or extend such licenses on commercially reasonable terms or at all. If we are not successful in raising additional capital, we may be unable to continue our exploration and production activities or successfully exploit our properties, and we may lose the rights to develop these properties upon the expiration of our licenses.

Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects.

In order to protect our exploration and production rights in our license areas, we must meet various drilling and declaration requirements. In general, unless we make and declare discoveries within certain time periods specified in our various license agreements and leases, our interests in the undeveloped parts of our license (as is the case in Angola and Gabon) or the whole block (as is the case in the U.S. Gulf of Mexico) areas may lapse and we may be subject to significant penalties or be required to make additional payments in order to maintain such licenses. For example, under the Risk Services Agreements for Blocks 9 and 21 offshore Angola, in order to preserve our rights in these blocks, we will be required to drill three and four wells, respectively, within four years of the signing of the Risk Services Agreements, or early 2014, subject to certain extensions. Under the PSC for Block 20 offshore Angola, in order to preserve our rights in the block, we will be required to drill four exploratory wells within five years of the signing of the PSC, subject to certain extensions. In addition, most of our U.S. Gulf of Mexico blocks have a 10-year primary term, expiring between 2016 and 2020. Generally, we are required to commence exploration and production activities or successfully exploit our properties during the primary lease term in order for these leases to extend beyond the primary lease term. Should the prospects we have identified in this Annual Report on Form 10-K under the licenses currently in place yield discoveries, we cannot assure you that we will not face delays in drilling these prospects or otherwise have to relinquish these prospects. The costs to maintain licenses over such areas may fluctuate and may increase significantly since the original term, and we may not be able to renew or extend such licenses on commercially reasonable terms or at all. Our actual drilling activities may therefore materially differ from our current expectations, which could adversely affect our business. For each of our blocks and license areas, we cannot assure you that any renewals or extensions will be granted or whether any new agreements or leases will be available on commercially reasonable terms, or, in some cases, at all.

A substantial or extended decline in oil prices may adversely affect our business, financial condition and results of operations.

The price that we will receive for our oil production will significantly affect our revenue, profitability, access to capital and future growth rate. Historically, the oil markets have been volatile and will likely continue to be volatile in the future. The prices that we will receive for our production and the levels of our production depend on numerous factors. These factors include, but are not limited to, the following:

- changes in supply and demand for oil and natural gas;
- the actions of the Organization of the Petroleum Exporting Countries;
- the price and quantity of imports of foreign oil and natural gas;
- speculation as to the future price of oil and the speculative trading of oil futures contracts;
- global economic conditions;
- political and economic conditions, including embargoes, in oil-producing countries or affecting other oil-producing activities, particularly in the Middle East, Africa, Russia and South America;
- the continued threat of terrorism and the impact of military and other action, including U.S. military operations in the Middle East;
- the level of global oil exploration and production activity;

- the level of global oil inventories and oil refining capacities;
- weather conditions and other natural disasters;
- technological advances affecting energy consumption;
- domestic and foreign governmental regulations;
- proximity and capacity of oil pipelines and other transportation facilities;
- the price and availability of competitors' supplies of oil; and
- the price and availability of alternative fuels.

Oil prices have fluctuated dramatically in recent times and will likely continue to be volatile in the future. Lower oil prices may not only decrease our revenues on a per unit basis but also may reduce the amount of oil that we can produce economically. A substantial or extended decline in oil prices may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures.

We are subject to numerous risks inherent to the exploration and production of oil.

Oil exploration and production activities involve many risks that a combination of experience, knowledge and careful evaluation may not be able to overcome. Our future success will depend on the success of our exploration and production activities and on the future existence of the infrastructure that will allow us to take advantage of our findings. Additionally, our oil properties are located in deepwater, which generally increases the capital and operating costs, technical challenges and risks associated with oil exploration and production activities. As a result, our oil exploration and production activities are subject to numerous risks, including the risk that drilling will not result in commercially viable oil production. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of seismic data through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations.

Furthermore, the marketability of expected oil production from our prospects will also be affected by numerous factors. These factors include, but are not limited to, market fluctuations of prices, proximity, capacity and availability of pipelines, the availability of processing facilities, equipment availability and government regulations (including, without limitation, regulations relating to prices, taxes, royalties, allowable production, importing and exporting of oil, environmental protection and climate change). The effect of these factors, individually or jointly, may result in us not receiving an adequate return on invested capital.

In the event that our drilling programs are developed and become operational, they may not produce oil in commercial quantities or at the costs anticipated, and our projects may cease production, in part or entirely, in certain circumstances. Drilling programs may become uneconomic as a result of an increase in operating costs to produce oil. Our actual operating costs may differ materially from our current estimates. Moreover, it is possible that other developments, such as increasingly strict environmental, health and safety laws and regulations and enforcement policies thereunder and claims for damages to natural resources, property or persons resulting from our operations, could result in substantial costs and liabilities, delays, an inability to complete our drilling programs or the abandonment of such drilling programs, which could cause a material adverse effect on our results of operations and financial condition.

We are subject to drilling and other operational hazards.

The exploration and production business involves a variety of operating risks, including, but not limited to:

- blowouts, cratering and explosions;
- mechanical and equipment problems;
- uncontrolled flows or leaks of oil or well fluids, natural gas or other pollution;
- fires and gas flaring operations;
- marine hazards with respect to offshore operations;
- formations with abnormal pressures;
- pollution, other environmental risks and geological problems; and
- weather conditions and natural disasters.

These risks are particularly acute in deepwater drilling and exploration for natural resources. Any of these events could result in loss of human life, significant damage to property, environmental damage, impairment of our operations and substantial losses. In accordance with customary industry practice, we expect to maintain insurance against some, but not all, of these risks and losses. We do not carry business interruption insurance. The occurrence of any of these events, whether or not covered by insurance, could have a material adverse effect on our results of operations and financial condition, as well as on the market price of our common stock.

We are members of several industry groups that provide general and specific oil spill and well containment resources in the U.S. Gulf of Mexico and offshore West Africa, including, but not limited to, the Helix Well Containment Group, Clean Gulf Associates, the Marine Preservation Association, and the National Response Corporation. Through these industry groups, as described under "Business—Containment Resources", we have contractual rights to access certain oil spill and well containment resources. We can make no assurance that these resources will perform as designed or be able to fully contain or cap any oil spill, blow-out or uncontrolled flow of hydrocarbons. Furthermore, our contracts for the use of oil spill and well containment resources contain strict indemnity provisions that generally require us to indemnify the contractor for all losses incurred as a result of assisting us in our oil spill and well containment efforts, subject to certain exceptions and limitations. In the event we experience a subsea blowout, explosion, fire, uncontrolled flow of hydrocarbons or any of the other operational risks identified above, the oil spill and well containment resources which we have contractual rights to will not prevent us from incurring losses or shield us from liability, which could be substantial and have a material adverse effect on our results of operations and financial condition, as well as on the market price of our common stock.

Our operations will involve special risks that could adversely affect operations.

Offshore operations are subject to a variety of operating risks specific to the marine environment, such as capsizing, collisions and damage or loss from hurricanes or other adverse weather conditions. These conditions can cause substantial damage to facilities and interrupt our operations. As a result, we could incur substantial expenses that could reduce or eliminate the funds available for exploration, development or leasehold acquisitions, or result in loss of equipment and properties. In particular, we do not carry, and have no plans to carry, business interruption insurance due to the fact that this is not economically viable, and therefore we may not be able to rely on insurance coverage in the event of such natural phenomena.

Deepwater exploration generally involves greater operational and financial risks than exploration on the shelf. Deepwater drilling generally requires more time and more advanced drilling technologies, involving a higher risk of technological failure and usually higher drilling costs. Such risks are particularly applicable to our deepwater exploration efforts in the Lower Tertiary trend and pre-salt offshore Angola and Gabon, as there has been limited drilling activity in these areas. In addition, there may be production risks of which we are currently unaware. Whether we use existing pipeline infrastructure, participate in the development of new subsea infrastructure or use floating production systems to transport oil from producing wells, if any, these operations may require substantial time for installation, or encounter mechanical difficulties and equipment failures that could result in significant cost overruns and delays. Furthermore, deepwater operations generally, and operations in the Lower Tertiary and offshore West Africa trends in particular, lack the physical and oilfield service infrastructure present on the shelf. As a result, a significant amount of time may elapse between a deepwater discovery and the marketing of the associated oil, increasing both the financial and operational risk involved with these operations. Because of the lack and high cost of this infrastructure, reserve discoveries we make in the deepwater, if any, may never be economically producible.

Our operations in the U.S. Gulf of Mexico may be adversely impacted by tropical storms and hurricanes.

Tropical storms, hurricanes and the threat of tropical storms and hurricanes often result in the shutdown of operations in the U.S. Gulf of Mexico as well as operations within the path and the projected path of the tropical storms or hurricanes. In the future, during a shutdown period, we may be unable to access wellsites and our services may be shut down. Additionally, tropical storms or hurricanes may cause evacuation of personnel and damage to offshore drilling rigs and other equipment, which may result in suspension of our operations. The shutdowns, related evacuations and damage can create unpredictability in activity and utilization rates, as well as delays and cost overruns, which may have a material adverse effect on our results of operations and financial condition, as well as on the market price of our common stock.

The geographic concentration of our properties in the U.S. Gulf of Mexico and offshore Angola and Gabon subjects us to an increased risk of loss of revenue or curtailment of production from factors specifically affecting the U.S. Gulf of Mexico and offshore Angola and Gabon.

Our properties are concentrated in three countries: the U.S. Gulf of Mexico and offshore Angola and Gabon. Some or all of these properties could be affected should such regions experience:

- severe weather or natural disasters;
- moratoria on drilling or permitting delays;
- delays or decreases in production;
- delays or decreases in the availability of drilling rigs and related equipment, facilities, personnel or services;
- delays or decreases in the availability of capacity to transport, gather or process production; and/or
- changes in the regulatory, political and fiscal environment.

For example, in response to the Deepwater Horizon incident, the U.S. government and its regulatory agencies with jurisdiction over oil and gas exploration, including the DOI and the BSEE, imposed moratoria on drilling operations, required operators to reapply for exploration plans and drilling permits and adopted extensive new regulations, which effectively halted drilling operations in the deepwater U.S. Gulf of Mexico for a period of time. Additionally, oil properties located in the U.S. Gulf of Mexico were significantly damaged by Hurricanes Katrina and Rita, which required our

competitors to spend a significant amount of time and capital on inspections, repairs, debris removal, and the drilling of replacement wells. We maintain insurance coverage for only a portion of these risks. There also may be certain risks covered by insurance where the policy does not reimburse us for all of the costs related to a loss. We do not carry business interruption insurance.

Due to the concentrated nature of our portfolio of properties, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties.

Our operations may be adversely affected by political and economic circumstances in the countries in which we operate.

Our oil exploration, development and production activities are subject to political and economic uncertainties (including but not limited to changes, sometimes frequent or marked, in energy policies or the personnel administering them), expropriation of property, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases and other risks arising out of governmental sovereignty over the areas in which our operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection. Some of these risks may be higher in the developing countries in which we conduct our activities, namely, Angola and Gabon.

Our operations are exposed to risks of war, local economic conditions, political disruption, civil disturbance and governmental policies that may:

- disrupt our operations;
- restrict the movement of funds or limit repatriation of profits;
- in the case of our non-U.S. operations, lead to U.S. government or international sanctions; and
- limit access to markets for periods of time.

Disruptions may occur in the future, and losses caused by these disruptions may occur that will not be covered by insurance. Consequently, our exploration, development and production activities may be substantially affected by factors which could have a material adverse effect on our financial condition and results of operations. Furthermore, in the event of a dispute arising from non-U.S. operations, we may be subject to the exclusive jurisdiction of courts outside the U.S. or may not be successful in subjecting non-U.S. persons to the jurisdiction of courts in the U.S., which could adversely affect the outcome of such dispute.

Our operations may also be adversely affected by laws and policies of the jurisdictions, including Angola, Gabon, the United States, the Cayman Islands and other jurisdictions, in which we do business, that affect foreign trade and taxation. Changes in any of these laws or policies or the implementation thereof, could have a material adverse effect on our results of operations and financial position, as well as on the market price of our common stock.

The oil and gas industry, including the acquisition of exploratory acreage in the U.S. Gulf of Mexico and offshore West Africa, is intensely competitive.

The international oil and gas industry, including in the U.S. Gulf of Mexico and West Africa, is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply. We operate in a highly competitive environment for acquiring exploratory acreage and hiring and retaining trained personnel. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than us, which can be particularly important in the areas in which we operate. These companies may be able to pay more for productive oil properties and

prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. Furthermore, these companies may also be better able to withstand the financial pressures of unsuccessful drill attempts, delays, sustained periods of volatility in financial markets and generally adverse global and industry-wide economic conditions, and may be better able to absorb the burdens resulting from changes in relevant laws and regulations, which would adversely affect our competitive position. Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Also, there is substantial competition for available capital for investment in the oil and gas industry. As a result of these and other factors, we may not be able to compete successfully in an intensely competitive industry, which could have a material adverse effect on our results of operations and financial condition, as well as on the market price of our common stock.

Participants in the oil and gas industry are subject to complex laws that can affect the cost, manner or feasibility of doing business.

Exploration and production activities in the oil and gas industry are subject to extensive local, state, federal and international regulations. We may be required to make large expenditures to comply with governmental regulations, particularly in respect of the following matters:

- licenses for drilling operations;
- royalty increases, including retroactive claims;
- drilling and development bonds and social payment obligations;
- reports concerning operations;
- the spacing of wells;
- unitization of oil accumulations;
- remediation or investigation activities for environmental purposes; and
- taxation.

Under these and other laws and regulations, we could be liable for personal injuries, property damage and other types of damages. Failure to comply with these laws and regulations also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws and regulations could change in ways that could substantially increase our costs. Any such liabilities, penalties, suspensions, terminations or regulatory changes could have a material adverse effect on our results of operations and financial condition, as well as on the market price of our common stock.

We and our operations are subject to numerous environmental, health and safety regulations which may result in material liabilities and costs.

We are, and our future operations will be, subject to various international, foreign, federal, state and local environmental, health and safety laws and regulations governing, among other things, the emission and discharge of pollutants into the ground, air or water, the generation, storage, handling, use and transportation of regulated materials and the health and safety of our employees. We are required to obtain various environmental permits from governmental authorities for our operations, including drilling permits for our wells. There is a risk that we have not been or will not be at all times in complete compliance with these permits and the environmental laws and regulations to which we are subject. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators, including through the revocation of our permits or the suspension

or termination of our operations. If we fail to obtain permits in a timely manner or at all (due to opposition from community or environmental interest groups, governmental delays, changes in laws or the interpretation thereof or any other reasons), such failure could impede our operations, which could have a material adverse effect on our results of operations and our financial condition.

We, as the named lessee or as the designated operator under our current and future oil leases, could be held liable for all environmental, health and safety costs and liabilities arising out of our actions and omissions as well as those of our third-party contractors. To the extent we do not address these costs and liabilities or if we are otherwise in breach of our lease requirements, our leases could be suspended or terminated. We have contracted with and intend to continue to hire third parties to perform the majority of the drilling and other services related to our operations. There is a risk that we may contract with third parties with unsatisfactory environmental, health and safety records or that our contractors may be unwilling or unable to cover any losses associated with their acts and omissions. Accordingly, we could be held liable for all costs and liabilities arising out of the acts or omissions of our contractors, which could have a material adverse effect on our results of operations and financial condition.

As the designated operator of certain of our leases, we are required to maintain bonding or insurance coverage for certain risks relating to our operations, including environmental risks. We maintain insurance at levels that we believe are consistent with current industry practices, but we are not fully insured against all risks. Our insurance may not cover any or all environmental claims that might arise from our operations or those of our third-party contractors. If a significant accident or other event occurs and is not fully covered by our insurance, or our third-party contractors have not agreed to bear responsibility, such accident or event could have a material adverse effect on our results of operations and our financial condition. In addition, we may not be able to obtain required bonding or insurance coverage at all or in time to meet our anticipated startup schedule for each well, and if we fail to obtain this bonding or coverage, such failure could have a material adverse effect on our results of operations and financial condition.

Releases to deepwater of regulated substances are common, and under certain environmental laws, we could be held responsible for all of the costs relating to any contamination caused by us or our contractors, at our facilities and at any third party waste disposal sites used by us or on our behalf. These costs could be material. In addition, offshore oil exploration and production involves various hazards, including human exposure to regulated substances, including naturally occurring radioactive materials. As such, we could be held liable for any and all consequences arising out of human exposure to such substances or other damage resulting from the release of regulated substances to the environment, endangered species, property or to natural resources.

Particularly since the Deepwater Horizon event in the U.S. Gulf of Mexico, there has been an increased interest in making regulation of deepwater oil and gas exploration and production more stringent in the U.S. If adopted, certain proposals such as to increase significantly or eliminate financial liability caps for economic damages, significantly raise daily penalties for infractions and require significantly more comprehensive financial assurance requirements under OPA could affect our results of operations and our financial condition.

In addition, we expect continued attention to climate change issues. Various countries and U.S. states and regions have agreed to regulate emissions of greenhouse gases ("GHG"), including methane (a primary component of natural gas) and carbon dioxide, a byproduct of oil and natural gas combustion. Additionally, the U.S. Congress has in the past and may in the future consider legislation requiring reductions in GHG emissions. The EPA began regulating GHG emissions from certain stationary sources on January 2, 2011 and has enacted and proposed GHG emissions standards for certain classes of vehicles. The EPA has also adopted rules requiring the reporting of GHG emissions, including from certain offshore oil and natural gas production facilities on an annual basis. The

regulation of GHGs and the physical impacts of climate change in the areas in which we, our customers and the end-users of our products operate could adversely impact our operations and the demand for our products.

Environmental, health and safety laws are complex, change frequently and have tended to become increasingly stringent over time. Our costs of complying with current and future environmental, health and safety laws, and our liabilities arising from releases of, or exposure to, regulated substances may adversely affect our results of operations and our financial condition. See "Business—Environmental Matters and Regulation."

Non-U.S. holders of our common stock, in certain situations, could be subject to U.S. federal income tax upon the sale, exchange or other disposition of our common stock.

Our assets consist primarily of interests in U.S. oil and gas properties (which constitute U.S. real property interests for purposes of determining whether we are a U.S. real property holding corporation) and interests in non-U.S. oil and gas properties, the relative values of which at any time may be uncertain and may fluctuate significantly over time. Therefore, we may be, now or at any time while a non-U.S. investor owns our common stock, a U.S. real property holding corporation. As a result, under the Foreign Investment in Real Property Tax Act ("FIRPTA"), certain non-U.S. investors may be subject to U.S. federal income tax on gain from the disposition of shares of our common stock, in which case they would also be required to file U.S. tax returns with respect to such gain. Whether these FIRPTA provisions apply depends on the amount of our common stock that such non-U.S. investors hold and whether, at the time they dispose of their shares, our common stock is regularly traded on an established securities market (such as the NYSE) within the meaning of the applicable Treasury Regulations. So long as our common stock is listed on the NYSE, only a non-U.S. investor who has held, actually or constructively, more than 5% of our common stock may be subject to U.S. federal income tax on the disposition of our common stock under FIRPTA.

We may be exposed to liabilities under the U.S. Foreign Corrupt Practices Act, and any determination that we violated the U.S. Foreign Corrupt Practices Act could have a material adverse effect on our business.

We are subject to the U.S. Foreign Corrupt Practices Act ("FCPA") and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. We do business and may do additional business in the future in countries and regions in which we may face, directly or indirectly, corrupt demands by officials, tribal or insurgent organizations, or private entities. Thus, we face the risk of unauthorized payments or offers of payments by one of our employees or consultants, given that these parties may not always be subject to our control. Our existing safeguards and any future improvements may prove to be less than effective, and our employees and consultants may engage in conduct for which we might be held responsible.

In connection with entering into our RSAs for Blocks 9 and 21 offshore Angola, two Angolan-based E&P companies were assigned as part of the contractor group by the Angolan government. We had not worked with either of these companies in the past, and, therefore, our familiarity with these companies was limited. In the fall of 2010, we were made aware of allegations of a connection between senior Angolan government officials and one of these companies, Nazaki Oil and Gáz, S.A. ("Nazaki"), which is a full paying member of the contractor group. Nazaki has repeatedly denied the allegations in writing. In March 2011, the SEC commenced an informal inquiry into these allegations. To avoid non-overlapping information requests, we voluntarily contacted the U.S. Department of Justice ("DOJ") with respect to the SEC's informal request and offered to respond to any requests the DOJ may have. Since such time, we have been complying with all requests from the SEC and DOJ with respect to their inquiry. In November 2011, a formal order of investigation was issued by the SEC related to our operations in Angola. We are fully cooperating with the SEC and DOJ investigations,

have conducted an extensive investigation into these allegations and believe that our activities in Angola have complied with all laws, including the FCPA. We cannot provide any assurance regarding the duration, scope, developments in, results of or consequences of these investigations.

In the future, we may be partnered with other companies with whom we are unfamiliar. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold us liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

We may incur substantial losses and become subject to liability claims as a result of future oil and natural gas operations, for which we may not have adequate insurance coverage.

We maintain insurance to protect us and our subsidiaries against losses arising out of our oil and gas operations. Our insurance includes coverage for operator's extra expense, physical damage to our offshore property, general (third party) liability, workers' compensation and employer's liability, seepage and pollution and other risks. Our insurance includes various limits and deductibles or retentions, which must be met prior to or in conjunction with recovery. Additionally, our insurance is subject to the terms, conditions and exclusions of such policies. We have various insurance coverages with individual policy limits ranging from $1.0 million to $500 million each, with most of our policy limits scaling to the working interest we have in our prospects. While we maintain insurance levels, deductibles and retentions that we believe are prudent and responsible, there is no assurance that such coverage will adequately protect us against liability from all potential consequences and damages.

In general, our current insurance policies cover physical damage to our oil and gas assets. The coverage is designed to repair or replace assets damaged by insurable events.

Our excess liability policies generally provide coverage for bodily injury and property damage, including coverage for seepage and pollution. This liability coverage covers claims for bodily injury or death brought against us by or on behalf of individuals who are not our employees.

Our energy insurance package includes coverage for operator's extra expense, which provides coverage for control of well, re-drill and pollution arising from a covered event. We have identified certain unencumbered assets in the U.S. Gulf of Mexico to the BOEM in order to demonstrate $100 million of Oil Spill Financial Responsibility through self-insurance under OPA. Additionally, as noted above, our excess liability policies provide coverage (dependent on the asset) for bodily injury and property damage, including coverage for negative environmental effects such as seepage and pollution. Legislation has been proposed to increase the limit of the Oil Spill Financial Responsibility policy required for the certificate and there is no assurance that we will be able to obtain this insurance should that happen.

The occurrence of a significant accident or other event not fully covered by our insurance could have a material adverse effect on our operations and financial condition. Our insurance does not protect us against all operational risks. We do not carry business interruption insurance. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. Because third-party contractors and other service providers are used in our offshore operations, we may not realize the full benefit of worker's compensation laws in dealing with their employees. In addition, pollution and environmental risks generally are not fully insurable.

Generally, under our contracts with drilling and other oilfield service contractors, we are obligated, subject to certain exceptions and limitations, to indemnify such contractors for all claims arising out of damage to our property, injury or death to our employees and pollution emanating from the well-bore, including pollution resulting from blow-outs and uncontrolled flows of hydrocarbons.

The adoption of The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and the rules to be promulgated thereunder, could have an adverse effect on our business.

The Dodd-Frank Act requires, no later than 270 days after the enactment of the Dodd-Frank Act, the SEC to promulgate rules requiring SEC reporting companies that engage in the commercial development of oil, natural gas or minerals, to include in their annual reports filed with the SEC disclosure about all payments (including taxes, royalties, fees and other amounts) made by the issuer or an entity controlled by the issuer to the United States or to any non-U.S. government for the purpose of commercial development of oil, natural gas or minerals. The SEC has not yet promulgated these rules. Accordingly, as these rules are yet to be released and are not yet effective, we are unable to predict what form these rules may take and whether we will be able to comply with them without adversely impacting our business, or at all. Any of these consequences could have a material adverse effect on us, our financial condition and our results of operations.

Risks Relating to our Common Stock

Our stock price may be volatile, and investors in our common stock could incur substantial losses.

Our stock price may be volatile. The stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price for our common stock may be influenced by many factors, including, but not limited to:

- the price of oil and natural gas;
- the success of our exploration and development operations, and the marketing of any oil we produce;
- regulatory developments in the United States and foreign countries where we operate;
- the recruitment or departure of key personnel;
- quarterly or annual variations in our financial results or those of companies that are perceived to be similar to us;
- market conditions in the industries in which we compete and issuance of new or changed securities;
- analysts' reports or recommendations;
- the failure of securities analysts to cover our common stock or changes in financial estimates by analysts;
- the inability to meet the financial estimates of analysts who follow our common stock;
- the issuance of any additional securities of ours;
- investor perception of our company and of the industry in which we compete; and
- general economic, political and market conditions.

A substantial portion of our total outstanding shares may be sold into the market at any time. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

All of the shares sold in our public offerings are freely tradable without restrictions or further registration under the federal securities laws, unless purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). Substantially all the remaining shares of common stock are restricted securities as defined in Rule 144 under the Securities Act. Restricted securities may be sold in the U.S. public market only if registered or if they qualify for an exemption from registration, including by reason of Rules 144 or 701 under the Securities Act. All of our restricted shares became eligible for sale in the public market in late 2010, subject in certain circumstances to the volume, manner of sale and other limitations under Rule 144. Additionally,

we have registered all shares of our common stock that we may issue under our employee and director benefit plans. These shares can be freely sold in the public market upon issuance, unless pursuant to their terms these stock awards have transfer restrictions attached to them. Sales of a substantial number of shares of our common stock, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

Ownership of our capital stock is concentrated among our largest stockholders and their affiliates.

Our four largest stockholders collectively own approximately 65% of our outstanding common stock. Consequently, these stockholders have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership will limit your ability to influence corporate matters, and as a result, actions may be taken that you may not view as beneficial.

Provisions of our certificate of incorporation and by-laws could discourage potential acquisition proposals and could deter or prevent a change in control.

Some provisions in our certificate of incorporation and by-laws, as well as Delaware statutes, may have the effect of delaying, deferring or preventing a change in control. These provisions, including those providing for the possible issuance of shares of our preferred stock and the right of the board of directors to amend the by-laws, may make it more difficult for other persons, without the approval of our board of directors, to make a tender offer or otherwise acquire a substantial number of shares of our common stock or to launch other takeover attempts that a stockholder might consider to be in his or her best interest. These provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock.

We are a "controlled company" within the meaning of the NYSE rules and, as a result, we qualify for and rely on exemptions from certain corporate governance requirements.

Funds affiliated with First Reserve Corporation, Goldman, Sachs & Co., Riverstone Holdings LLC and The Carlyle Group, and KERN Partners Ltd. and certain limited partners in such funds affiliated with KERN Partners Ltd., respectively, control a majority of the voting power of our outstanding common stock. Consequently we are a "controlled company" within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a "controlled company" and may elect not to comply with certain NYSE corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors;
- the nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- there be an annual performance evaluation of the nominating and corporate governance and compensation committees.

We are currently treated as a controlled company and utilize these exemptions, including the exemption for a board of directors composed of a majority of independent directors. In addition, although we have adopted charters for our audit, nominating and corporate governance and compensation committees and conduct annual performance evaluations for these committees, only the audit committee is presently composed entirely of independent directors. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 2. ***Properties***

Please refer to the information under the captions "Business—Deepwater U.S. Gulf of Mexico" and "Business—West Africa Deepwater" elsewhere in this Annual Report on Form 10-K.

Item 3. ***Legal Proceedings***

We are not currently party to any legal proceedings. However, from time to time we may be subject to various lawsuits, claims and proceedings that arise in the normal course of business, including employment, commercial, environmental, safety and health matters. It is not presently possible to determine whether any such matters will have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Our common stock is traded on the New York Stock Exchange under the symbol "CIE." On February 15, 2012, the last reported sale price for our common stock on New York Stock Exchange was $32.00 per share. The following table sets forth, for the periods indicated, the reported high and low sale prices for our common stock on the New York Stock Exchange.

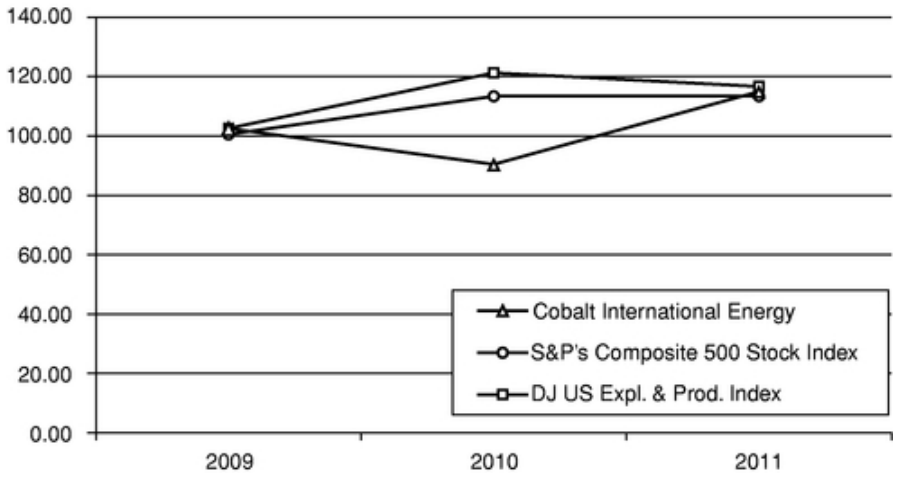
	High	Low
Year ending December 31, 2012		
First Quarter (through February 15, 2012)	$ 36.51	$ 15.63
Year ended December 31, 2011		
Fourth Quarter	$ 16.24	$ 6.30
Third Quarter	14.87	7.51
Second Quarter	17.22	12.03
First Quarter	17.14	12.39
Year ended December 31, 2010		
Fourth Quarter	$ 13.50	$ 8.99
Third Quarter	10.01	7.00
Second Quarter	14.22	6.16
First Quarter	16.07	11.85

Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following stock price performance graph is intended to allow review of stockholder returns, expressed in terms of the appreciation of our common stock relative to two broad-based stock performance indices. The information is included for historical comparative purposes only and should not be considered indicative of future stock performance. The graph compares the yearly percentage change in the cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor's Composite 500 Stock Index and of the Dow Jones U.S. Exploration &

Production Index (formerly Dow Jones Secondary Oil Stock Index) from December 16, 2009, the date we commenced trading on the New York Stock Exchange, through December 31, 2011.



An investment of $100 (with reinvestment of any dividends) is assumed to have been made in our common stock, in the S&P's Composite 500 Stock Index and in the Dow Jones U.S. Exploration & Production Index on December 16, 2009, and its relative performance is tracked through December 31, 2011:

	As of December 16, 2009	Year Ended December 31,		
		2009	2010	2011
Cobalt International Energy, Inc.	$ 100.00	$ 102.52	$ 90.44	$ 114.96
S&P's Composite 500 Stock Index	100.00	100.53	113.38	113.38
Dow Jones U.S. Exploration & Production Index	100.00	102.55	121.27	116.66

Holders

As of December 31, 2011, there were approximately 107 holders of record of our common stock. The number of record holders does not include holders of shares in "street names" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depositories.

Dividend Policy

To date, we have not paid any dividends since becoming a public company. At the present time, we intend to retain all of our future earnings, if any, generated by our operations for the development and growth of our business. The decision to pay dividends is at the discretion of our board of directors and depends on our financial condition, results of operations, capital requirements and other factors that our board of directors deems relevant.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On December 21, 2011, we withheld an aggregate amount of 13,763 shares of our common stock, at a price of $13.85 per share, to satisfy minimum tax withholding obligations of certain of our employees that arose upon the lapse of restrictions on restricted stock.

Item 6. ***Selected Financial Data***

The selected historical financial information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our financial statements and the notes to those financial statements included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations and cash flows information for the years ended December 31, 2011, 2010, 2009, 2008, and 2007 were derived from Cobalt International Energy, Inc.'s audited financial statements.

Consolidated Statement of Operations Information:

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	($ in thousands except per share data)				
Oil and gas revenue	$ —	$ —	$ —	$ —	$ —
Operating costs and expenses					
Seismic and exploration	32,239	45,030	30,666	41,274	86,813
Dry hole expense and impairment	45,732	44,178	14,486	—	—
General and administrative	59,130	48,063	35,996	31,271	23,090
Depreciation and amortization	735	787	622	683	435
Total operating costs and expenses	137,836	138,058	81,770	73,228	110,338
Operating income (loss)	(137,836)	(138,058)	(81,770)	(73,228)	(110,338)
Other income (expense):					
Interest income	4,199	1,582	513	1,632	1,384
Total other income (expense)	4,199	1,582	513	1,632	1,384
Net income (loss) before income tax	(133,637)	(136,476)	(81,257)	(71,596)	(108,954)
Income tax expense (benefit)(1)(2)	—	—	—	—	—
Net income (loss)	$ (133,637)	$ (136,476)	$ (81,257)	$ (71,596)	$ (108,954)
Basic and diluted income (loss) per common share	$ (0.35)	$ (0.39)			
Weighted average number of common shares —basic and diluted	376,603,520	349,342,050			
Pro forma net income (loss) (unaudited)(1):					
Net income (loss) as reported			$ (81,257)		
Pro forma income tax expense(2)			—		
Pro forma management fees(3)			2,872		
Pro forma net income (loss) allocable to common shareholders			$ (78,385)		

Pro forma basic and diluted income (loss) per share(4)	$ (0.33)
Pro forma weighted average number of common shares —basic and diluted(5)	236,751,219

(1) Upon completion of our initial public offering, Cobalt International Energy, L.P. became wholly-owned by Cobalt International Energy, Inc. Upon the completion of our corporate reorganization, all of Cobalt International Energy, L.P.'s outstanding limited partnership interests were exchanged for shares of Cobalt International Energy, Inc.'s common stock based on these interests' relative rights as set forth in Cobalt International Energy, L.P.'s limited partnership agreement. Additionally, we became subject to federal and state income taxes.

(2) No income tax benefit has been reflected since a full valuation allowance has been established against the deferred tax asset that would have been generated as a result of the operating results.

(3) Upon completion of the corporate reorganization the right of our former private equity owners to receive a management fee terminated.

(4) Nonvested restricted stock awards of 8,015,041 as of December 31, 2009 were excluded from the pro forma calculation of diluted income (loss) per common share because they were anti-dilutive for the applicable period.

(5) The pro forma weighted average common shares outstanding have been calculated as if the conversion of all partnership units into shares of common shares occurred as of the beginning of the year.

Consolidated Balance Sheet Information:

	As of December 31,				
	2011	2010	2009	2008	2007
	($ in thousands)				
Cash and cash equivalents(1)	$ 292,546	$ 302,720	$ 1,093,100	$ 5,103	$ 95,946
Short-term restricted cash	69,009	—	—	—	—
Short-term investments(2)	858,293	534,933	—	—	—
Total current assets	1,335,094	889,632	1,153,946	23,876	99,371
Total property, plant and equipment(3)	863,326	463,769	471,612	760,728	122,097
Long-term restricted cash	270,235	338,515	186,547	—	—
Long-term investments	47,232	40,003	—	—	—
Total assets	2,527,944	1,746,443	1,812,105	784,604	254,658
Total current liabilities(4)	238,069	24,559	70,523	44,133	10,785
Total long term liabilities(5)	210,961	2,850	—	—	—
Total partners' capital/stockholders' equity	2,078,914	1,719,034	1,741,582	740,471	243,873
Total liabilities and partners' capital/stockholders' equity	2,527,944	1,746,443	1,812,105	784,604	254,658

(1) The decrease from December 31, 2009 to December 31, 2010 was due to increases in investment in short-term and long-term investments. Cash and cash equivalents at December 31, 2009 includes the proceeds from our initial public offering.

(2) The increase from December 31, 2010 to 2011 was attributed to the investments of the proceeds of $478.2 million from our public offering of common stock in April 2011.

(3) The increase from December 31, 2010 to 2011 reflects the acquisition costs of Block 20 offshore Angola. The decrease from December 31, 2008 to December 31, 2009 reflects the farm-out of the U.S. Gulf of Mexico lease interests to Total and Sonangol. The year-to-year variances from 2007 to 2008 represent additions to our lease inventory in the U.S. Gulf of Mexico and offshore Angola and Gabon.

(4) The increase in current liabilities at December 31, 2011 consists of year-end accruals for exploration costs in the U.S. Gulf of Mexico and West Africa and the short-term portion of the social and bonus payment obligations for Blocks 9, 20 and 21.

(5) The increase in long-term liabilities at December 31, 2011 reflects the long-term portion of the social and bonus payment obligations for Blocks 9, 20 and 21.

Consolidated Statement of Cash Flows Information:

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	($ in thousands)				
Net cash provided by (used in):					
Operating activities	$ (57,795)	$ (133,264)	$ (75,486)	$ (48,420)	$ (116,050)
Investing activities	(430,391)	(758,372)	87,123	(608,876)	(103,770)
Financing activities	478,012	101,256	1,076,360	566,453	305,135

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements," "Business—How We Identify and Analyze Prospects" and the other matters set forth in this Annual Report on Form 10-K . The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K, as well as the information presented under "Selected Financial Data." Due to the fact that we have not generated any revenues, we believe that the financial information contained in this Annual Report on Form 10-K is not indicative of, or comparable to, the financial profile that we expect to have once we begin to generate revenues. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Overview

We are an independent, oil-focused exploration and production company with a world-class below salt prospect inventory in the deepwater of the U.S. Gulf of Mexico and offshore Angola and Gabon in West Africa. All of our prospects are oil-focused. In the U.S. Gulf of Mexico, we have drilled as operator two exploratory wells (Ligurian #1 and Criollo #1) and participated as non-operator in three exploratory wells (Heidelberg #1, Shenandoah #1 and Firefox #1) and two appraisal wells (Heidelberg #2 and Heidelberg #3). These drilling efforts have resulted in the Heidelberg and Shenandoah oil discoveries. We are currently drilling as operator the Ligurian #2 exploratory well. Offshore Angola, we have drilled as operator the Cameia #1 exploratory well on Block 21 which resulted in the Cameia pre-salt oil discovery. We continue to mature high impact prospects in our portfolio for upcoming exploratory drilling in both the deepwater of the U.S. Gulf of Mexico and the deepwater offshore Angola and Gabon. In addition, we will progress our existing discoveries toward development and production through follow-on appraisal drilling and pre-development planning activities.

Factors Affecting Comparability of Future Results

You should read this management's discussion and analysis of our financial condition and results of operations in conjunction with our historical financial statements included elsewhere in this Annual Report on Form 10-K. Below are the period-to-period comparisons of our historical results and the analysis of our financial condition. In addition to the impact of the matters discussed in "Risk Factors," our future results could differ materially from our historical results due to a variety of factors, including the following:

Success in the Discovery and Development of Oil Reserves. Because we have no operating history in the production of oil, our future results of operations and financial condition will be directly affected by our ability to discover and develop reserves through our drilling activities. Currently, our estimated oil asset base does not qualify as proved reserves. The calculation of our geological and petrophysical

estimates is complex and imprecise, and it is possible that our future exploration will not result in additional discoveries, and, even if we are able to successfully make such discoveries, there is no certainty that the discoveries will be commercially viable to produce. Our results of operations will be adversely affected in the event that our estimated oil asset base does not result in reserves that may eventually be commercially developed.

Oil and Gas Revenue. We have not yet commenced oil production. If and when we do commence production, we expect to generate revenue from such production. No oil and gas revenue is reflected in our historical financial statements.

Production Costs. We have not yet commenced oil production. If and when we do commence production, we will incur production costs. Production costs are the costs incurred in the operation of producing and processing our production and are primarily comprised of lease operating expense, workover costs and production and ad valorem taxes. No production costs are reflected in our historical financial statements.

General and Administrative Expenses. These costs include expenses associated with our staff costs, information technology, rent, travel, annual and quarterly reporting, investor relations, registrar and transfer agent fees, incremental insurance costs, and accounting and legal services. As a result of our corporate reorganization in connection with our initial public offering, we are no longer required to pay monitoring fees to certain limited partnership interest holders pursuant to the terms of Cobalt International Energy, L.P.'s limited partnership agreement. These differences in general and administrative expenses are not reflected in our historical financial statements other than for fiscal years 2010 and 2009.

Depreciation, Depletion and Amortization. We have not yet commenced oil or natural gas production. If and when we do commence production, we will amortize the costs of successful exploration, appraisal, drilling and field development using the unit-of-production method based on total estimated proved developed oil and gas reserves. Costs of acquiring proved and unproved leasehold properties and associated asset retirement costs will be amortized using the unit-of-production method based on total estimated proved developed and undeveloped reserves. No depletion of oil and gas properties is reflected in our historical financial statements.

Demand and Price. The demand for oil is susceptible to volatility related to, among other factors, the level of global economic activity and may also fluctuate depending on the performance of specific industries. We expect that a decrease in economic activity, in the United States and elsewhere, would adversely affect demand for oil we expect to produce. Since we have not generated revenues, these key factors will only affect our financial statements when we produce and sell hydrocarbons.

We expect to earn income from:

- domestic sales, which consist of sales of oil and natural gas;
- sales to international markets (exports); and
- other sources, including services, investment income and foreign exchange gains.

We expect that our expenses will include:

- costs of sales (which are composed of production costs, insurance, and costs associated with the operation of our wells);
- maintenance and repair of property and equipment;
- costs of acquiring seismic data;
- depreciation and amortization of fixed assets;

- depletion of oilfields;
- exploration costs;
- selling expenses (which include expenses relating to the transportation and distribution of our products) and general and administrative expenses; and
- interest expense and foreign exchange losses.

We expect that fluctuations in our financial condition and results of operations will be driven by a combination of factors, including:

- the volume of oil we produce and sell;
- changes in the domestic and international prices of oil, which are denominated in U.S. dollars;
- fluctuations in the royalty rates on the leases that we hold;
- our success in future bidding rounds for leases and concessions;
- political and economic conditions in the United States, Angola and Gabon; and
- the amount of taxes and duties that we are required to pay with respect to our future operations, by virtue of our status as a U.S. company and our involvement in the oil and gas industry.

Results of Operations

We operate our business in two geographic segments: the U.S. Gulf of Mexico and West Africa. The discussion of the results of operations and the period-to-period comparisons presented below for each operating segment and our consolidated operations analyzes our historical results. The following discussion may not be indicative of future results.

Fiscal Years Ended December 31, 2011 vs. 2010

	Year Ended December 31,		Increase (Decrease)	Percentage Change
	2011	2010		
	($ in thousands)			
U.S. Gulf of Mexico Segment:				
Oil and gas revenue	**$ —**	**$ —**	**$ —**	**—%**
Operating costs and expenses				
Seismic and exploration	10,707	15,984	(5,277)	(33.0)%
Dry hole expense and impairment	23,323	44,178	(20,855)	(47.2)%
General and administrative	45,742	33,674	12,068	35.8%
Depreciation and amortization	653	783	(130)	(16.6)%
Total operating costs and expenses	**80,425**	**94,619**	**(14,194)**	**(15.0)%**
Operating income (loss)	**(80,425)**	**(94,619)**	**(14,194)**	**(15.0)%**
Other income (expense)				
Interest income (expense), net	4,194	1,582	2,612	165.1%
Total other income (expense)	**4,194**	**1,582**	**2,612**	**165.1%**
Net income (loss) before income tax	(76,231)	(93,037)	(16,806)	(18.1)%
Income tax expense (benefit)	—	—	—	—
Net income (loss)	**$ (76,231)**	**$ (93,037)**	**$ (16,806)**	**(18.1)%**
West Africa Segment:				
Oil and gas revenue	**$ —**	**$ —**	**$ —**	**—%**
Operating costs and expenses				
Seismic and exploration	21,532	29,046	(7,514)	(25.9)%
Dry hole expense and impairment	22,409	—	22,409	—
General and administrative	13,388	14,389	(1,001)	(7.0)%
Depreciation and amortization	82	4	78	1950.0%
Total operating costs and expenses	**57,411**	**43,439**	**13,972**	**32.2%**
Operating income (loss)	**(57,411)**	**(43,439)**	**13,972**	**32.2%**
Other income (expense)				
Interest income (expense), net	5	—	5	—
Total other income (expense)	**5**	—	5	—
Net income (loss) before income tax	(57,406)	(43,439)	13,967	32.2%
Income tax expense (benefit)	—	—	—	—
Net income (loss)	**$ (57,406)**	**$ (43,439)**	**$ 13,967**	**32.2%**
Consolidated Operations:				
Oil and gas revenue	**$ —**	**$ —**	**$ —**	**—%**
Operating costs and expenses				
Seismic and exploration	32,239	45,030	$ (12,791)	(28.4)%
Dry hole expense and impairment	45,732	44,178	1,554	3.5%
General and administrative	59,130	48,063	11,067	23.0%
Depreciation and amortization	735	787	(52)	(6.6)%
Total operating costs and expenses	**137,836**	**138,058**	**(222)**	**(0.2)%**
Operating income (loss)	**(137,836)**	**(138,058)**	**(222)**	**(0.2)%**
Other income (expense)				
Interest income (expense), net	4,199	1,582	2,617	165.4%
Total other income (expense)	**4,199**	**1,582**	2,617	165.4%
Net income (loss) before income tax	(133,637)	(136,476)	(2,839)	(2.1)%
Income tax expense (benefit)	—	—	—	—

Net income (loss)	**$ (133,637)**	**$ (136,476)**	**$ (2,839)**	**(2.1)%**

U.S. Gulf of Mexico Segment:

Oil and gas revenue. We have not yet commenced oil production in the U.S. Gulf of Mexico. Therefore, we did not realize any oil and gas revenue during the years ended December 31, 2011 and 2010.

Operating costs and expenses. Our operating costs and expenses for our U.S. Gulf of Mexico operations consisted of the following during the years ended December 31, 2011 and 2010:

Seismic and exploration. Seismic and exploration costs decreased by approximately $5.3 million during the year ended December 31, 2011,as compared to the year ended December 31, 2010. The decrease was due to $9.8 million incurred for leasehold delay rentals and drilling preparation expenditures and $0.9 million incurred for seismic costs during the year ended December 31, 2011, which were offset by $13.5 million incurred for force majeure costs related to suspended drilling activities in the U.S. Gulf of Mexico, $0.9 million incurred for seismic costs, $7.0 million incurred for leasehold delay rentals and drilling preparation costs in the U.S. Gulf of Mexico minus the reclassification of $5.4 million for past technical costs to West Africa entities for recovery from partners during the year ended December 31, 2010.

Dry hole expense and impairment. Dry hole expense and impairment decreased by $20.9 million during the year ended December 31, 2011, as compared to the year ended December 31, 2010. The decrease was due to the net effect of (i) an $8.2 million charge for the Criollo #1 exploratory well representing amounts previously suspended pending further evaluation, (ii) a $6.0 million charge against the Heidelberg #2 appraisal well, and (iii) an allowance of $9.1 million against future impairment on the carrying value of our unproved leasehold properties that are individually less than $1 million during the year ended December 31, 2011, which were offset by(iv) an $8.4 million charge against the Criollo #1 exploratory well, (v) an $11.1 million charge against the Heidelberg #2 appraisal well, (vi) a $12.5 million charge against the Firefox #1 exploratory well, (vii) a $0.1 million charge for the Ligurian #1 exploratory well, (viii) a $2.9 million expense for pre-spud costs related to the North Platte #1 exploratory well, and (ix) a $9.2 million valuation allowance against future impairment on the carrying value of our unproved leasehold properties that are individually less than $1 million during the year ended December 31, 2010.

General and administrative. General and administrative costs increased by $12.1 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. The increase in general and administrative costs during this period was primarily attributed to a $3.7 million increase in staff salaries and bonus costs, a $2.5 million increase in costs relating to equity-based compensation, a $1.4 million increase in information and technology expenses, and a $0.4 million increase in other office related expenses, and a $4.1 million decrease in staff and contractor related costs charged to West Africa operations for recovery from partners.

Depreciation and amortization. Depreciation and amortization did not change significantly during the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Other income. Other income increased by $2.6 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010. The increase was primarily due to the additional interest recognized as a result of the investment of the net proceeds from our public offering of common stock, which closed on April 15, 2011, in certain investment securities and interest earned on investment securities held during the year ended December 31, 2011.

Income taxes. As a result of net operating losses, for income tax purposes, we recorded a net deferred tax asset of $177.2 million and $97.6 million with a corresponding full valuation of $177.2 million and $97.6 million for the years ended December 31, 2011 and 2010, respectively.

West Africa Segment:

Oil and gas revenue. We have not yet commenced oil production in West Africa. Therefore, we did not realize any oil and gas revenue during the years ended December 31, 2011 and 2010.

Operating costs and expenses. Our operating costs and expenses for the West Africa operations consisted of the following during the years ended December 31, 2011 and 2010:

Seismic and exploration. Seismic and exploration costs decreased by approximately $7.5 million during the year ended December 31, 2011,as compared to the year ended December 31, 2010. The decrease was due to the net effect of $19.5 million incurred for seismic costs and $2.0 million incurred for drilling preparation expenditures during the year ended December 31, 2011, which were offset by $28.7 million incurred for seismic costs, which amount is net of $15.1 million for past seismic cost recovery from partners, and $0.3 million incurred for drilling preparation costs in West Africa during the year ended December 31, 2010.

Dry hole expense and impairment. Dry hole expense and impairment increased by $22.4 million during the year ended December 31, 2011, as compared to the year ended December 31, 2010. The increase was due to a $22.4 million charge against the Bicuar #1 exploratory well during the year ended December 31, 2011.

General and administrative. General and administrative costs decreased by $1.0 million during the year ended December 31, 2011 as compared to the year ended December 31, 2010. The decrease in general and administrative costs during this period was primarily attributed to a $1.0 million increase in staff costs, a $2.3 million increase in consultant and contractor fees, a $2.5 million increase in other office related expenses, which were offset by a $4.2 million decrease in social contribution payments, and a decrease of $2.6 million in recoveries from West Africa partners during the year ended December 31, 2011.

Depreciation and amortization. Depreciation and amortization did not change significantly during the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Other income. There was no significant other income for the West Africa operations during the years ended December 31, 2011 and 2010.

Income taxes. The net operating losses in our West Africa operations for the years ended December 31, 2011 and 2010 would not haveany significant impact on our consolidated tax provisions in the United States.

Fiscal Years Ended December 31, 2010 vs. 2009

	Year Ended December 31,		Increase (Decrease)	Percentage Change
	2010	2009		
	($ in thousands)			
U.S. Gulf of Mexico Segment:				
Oil and gas revenue	**$ —**	**$ —**	**$ —**	**—%**
Operating costs and expenses				
Seismic and exploration	15,984	8,793	7,191	81.8%
Dry hole expense and impairment	44,178	14,486	29,692	205.0%
General and administrative	33,674	35,934	(2,260)	(6.3)%
Depreciation and amortization	783	622	161	25.9%
Total operating costs and expenses	**94,619**	**59,835**	**34,784**	**58.1%**
Operating income (loss)	**(94,619)**	**(59,835)**	**34,784**	**58.1%**
Other income (expense)				
Interest income (expense), net	1,582	513	1,069	208.4%
Total other income (expense)	**1,582**	**513**	1,069	208.4%
Net income (loss) before income tax	(93,037)	(59,322)	33,715	56.8%
Income tax expense (benefit)	—	—	—	—
Net income (loss)	**$ (93,037)**	**$ (59,322)**	**$ 33,715**	56.8%
West Africa Segment:				
Oil and gas revenue	**$ —**	**$ —**	**$ —**	**—%**
Operating costs and expenses				
Seismic and exploration	29,046	21,873	7,173	32.8%
Dry hole expense and impairment	—	—	—	—
General and administrative	14,389	62	14,327	23108.1%
Depreciation and amortization	4	—	4	—
Total operating costs and expenses	**43,439**	**21,935**	**21,504**	**98.0%**
Operating income (loss)	**(43,439)**	**(21,935)**	**21,504**	98.0%
Other income (expense)				
Interest income (expense), net	—	—	—	—
Total other income (expense)	—	—	—	—
Net income (loss) before income tax	(43,439)	(21,935)	21,504	98.0%
Income tax expense (benefit)	—	—	—	—
Net income (loss)	**$ (43,439)**	**$ (21,935)**	**$ 21,504**	98.0%
Consolidated Operations:				
Oil and gas revenue	**$ —**	**$ —**	**$ —**	**—%**
Operating costs and expenses				
Seismic and exploration	45,030	30,666	14,364	46.8%
Dry hole expense and impairment	44,178	14,486	29,692	205.0%
General and administrative	48,063	35,996	12,067	33.5%
Depreciation and amortization	787	622	165	26.5%
Total operating costs and expenses	**138,058**	**81,770**	**56,288**	**68.8%**
Operating income (loss)	**(138,058)**	**(81,770)**	**56,288**	**68.8%**
Other income (expense)				
Interest income (expense), net	1,582	513	1,069	208.4%
Total other income (expense)	**1,582**	**513**	**1,069**	**208.4%**
Net income (loss) before income tax	(136,476)	(81,257)	55,219	67.9%
Income tax expense (benefit)	—	—	—	—

Net income (loss)	**$ (136,476)**	**$ (81,257)**	**$ 55,219**	**67.9%**

U.S. Gulf of Mexico Segment:

Oil and gas revenue. We have not yet commenced oil production in the U.S. Gulf of Mexico. Therefore, we did not realize any oil and gas revenue during the years ended December 31, 2010 and 2009.

Operating costs and expenses. Our operating costs and expenses for the U.S. Gulf of Mexico operations consisted of the following during the years ended December 31, 2010 and 2009:

Seismic and exploration. Seismic and exploration costs increased by approximately $7.2 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009. The increase in seismic and exploration costs during 2010 was primarily due to (i) $13.5 million in force majeure expenses related to the drilling rig and other equipment and services which were to be used to drill the North Platte #1 exploratory well that was suspended as a result of the Deepwater Horizon incident and (ii) a $0.9 million increase in costs to ensure that the Ensco 8503 drilling rig meets the regulatory requirements for drilling in the U.S. Gulf of Mexico during the year ended December 31, 2010 which were offset by a $7.2 million decrease in seismic and exploration costs for past seismic costs charged to West Africa for recovery from partners.

Dry hole expense and impairment. Dry hole expense and impairment increased by $29.7 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009. The increase was due to the net effect of (i) a $0.1 million charge against the Ligurian #1 exploratory well, (ii) an $8.4 million charge against the Criollo #1 exploratory well, (iii) an $11.1 million charge against the Heidelberg #2 appraisal well, (iv) a $12.5 million charge against the Firefox #1 exploratory well, (v) $2.9 million in pre-spud costs for the North Platte #1 exploratory well, and (vi) a $9.2 million valuation allowance against future impairment on the carrying value of our unproved leasehold properties that are individually less than $1 million during the year ended December 31, 2010, which were offset by (vii) a $10.5 million charge against the Ligurian #1 exploratory well and (viii) a $4.0 million charge against the Criollo #1 exploratory well during the year ended December 31, 2009. No allowance against future impairment on the carry value of our unproved leasehold properties were recorded for the year ended December 31, 2009.

General and administrative. General and administrative costs decreased by $2.3 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009. The decrease in general and administrative costs during 2010 was primarily attributed to an $8.2 million increase in costs related to equity-based compensation, an increase of $2.1 million in consultant and contractor fees, an increase of $2.5 million in insurance-related expenses, and an increase of $1.4 million in office-related support expenses, which were offset by a decrease of $2.6 million in fees paid prior to our initial public offering and an decrease of $13.9 million in reimbursement of our general and administrative costs from our partners in the U.S. Gulf of Mexico and West Africa during the year ended December 31, 2010.

Depreciation and amortization. Depreciation and amortization did not change significantly during the year ended December 31, 2010 as compared to the year ended December 31, 2009.

Other income. Other income increased by $1.1 million for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The increase of $1.1 million was primarily due to interest recognized on investment securities during the year ended December 31, 2010.

Income taxes. As a result of net operating losses, for income tax purposes, we recorded a net deferred tax asset of $97.6 million and $28.9 million with a corresponding full valuation of $97.6 million and $28.9 million for the years ended December 31, 2010 and for period from December 15-31, 2009, respectively.

West Africa Segment:

Oil and gas revenue. We have not yet commenced oil production in West Africa. Therefore, we did not realize any oil and gas revenue during the years ended December 31, 2010 and 2009.

Operating costs and expenses. Our operating costs and expenses for the West Africa operations consisted of the following during the years ended December 31, 2010 and 2009:

Seismic and exploration. Seismic and exploration costs increased by approximately $7.2 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009. The increase in seismic and exploration costs during 2010 was primarily due to $22.3 million in seismic costs, which was offset by a $15.1 million increase in recovery of past seismic costs from partners in West Africa.

Dry hole expense and impairment. There was no dry hole expense and impairment during the years ended December 31, 2010 and 2009.

General and administrative. General and administrative costs increased by $14.3 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009. The increase in general and administrative costs during 2010 was primarily attributed to a $4.3 million increase in social obligations for Blocks 9 and 21, a $7.7 million increase for past general and administrative costs from U.S. Gulf of Mexico operations and a $2.3 million increase for operating costs related to our Angola offices.

Depreciation and amortization. Depreciation and amortization did not change significantly during the year ended December 31, 2010 as compared to the year ended December 31, 2009.

Other income. There was no other income for the West Africa operations during the years ended December 31, 2010 and 2009.

Income taxes. The net operating losses in our West Africa operations for the years ended December 31, 2010 and 2009 would not have any significant impact on our consolidated tax provisions in the United States.

Liquidity and Capital Resources

We are a development stage enterprise and will continue to be so until commencement of substantial production from our oil properties or we have proved reserves. We do not know how long it will take to achieve substantial production from our oil properties. With respect to our Cameia pre-salt oil discovery, we are currently preparing the development schedule and do not have an estimate of first oil and cash flow at this time. With respect to our non-operated U.S. Gulf of Mexico discoveries, we are unable to provide information with respect to the operator's development schedule and estimates of first oil and cash flow at this time. Until substantial production is achieved, our primary sources of liquidity are expected to be cash on hand, amounts paid pursuant to the terms of our Total alliance and funds from future equity and debt financings, asset sales and farm-out arrangements.

We expect to incur substantial expenses and generate significant operating losses as we continue to:

- conduct our current exploration and appraisal drilling program in the U.S. Gulf of Mexico and offshore Angola and Gabon, including increased industry costs in the U.S. Gulf of Mexico resulting from the Deepwater Horizon incident;
- develop our discoveries which we determine to be commercially viable;

- purchase and analyze seismic data in order to assess current prospects and identify future prospects;
- opportunistically invest in additional oil leases and concessional licenses in our focus areas; and
- incur expenses related to operating as a public company and compliance with regulatory requirements.

Our future financial condition and liquidity will be impacted by, among other factors, the success of our exploration and appraisal drilling program, the number of commercially viable hydrocarbon discoveries made and the quantities of hydrocarbons discovered, the speed with which we can bring such discoveries to production, whether and to what extent we invest in additional oil leases and concessional licenses, and the actual cost of exploration, appraisal and development of our prospects.

As of December 31, 2011, we had approximately $1.5 billion in liquidity, which includes cash and cash equivalents, short-term restricted cash, short-term investments, long-term restricted cash and long-term investments. This amount does not include the Total carry or any success payments Total is obligated to pay us pursuant to the terms of our U.S. Gulf of Mexico alliance. We expect to expend approximately $550 to $650 million for our ongoing operations and general corporate purposes in 2012, which includes the approximate $123 million we funded in January 2012 to satisfy our initial obligations under the Block 20 PSC. Our full year 2011 expenditures were approximately $194 million. We expect that our existing cash on hand will be sufficient to fund our planned exploration and appraisal drilling program at least through the end of 2013. However, we may require additional funds earlier than we currently expect in order to execute our strategy as planned. We may seek additional funding through asset sales, farm-out arrangements and equity and debt financings. Additional funding may not be available to us on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of our existing stockholders. For example, if we raise additional funds by issuing additional equity securities, further dilution to our existing stockholders will result. If we are unable to obtain funding on a timely basis or on acceptable terms, we may be required to significantly curtail one or more of our exploration and appraisal drilling programs. We also could be required to seek funds through arrangements with collaborators or others that may require us to relinquish rights to some of our prospects which we would otherwise develop on our own, or with a majority working interest.

Cash Flows

	Year Ended December 31.		
	2011	2010	2009
		($ in thousands)	
Net cash provided by (used in):			
Operating Activities	$ (57,795)	$ (133,264)	$ (75,486)
Investing Activities	(430,391)	(758,372)	87,123
Financing Activities	478,012	101,256	1,076,360

Operating activities. Net cash of approximately $57.8 million used in operating activities during 2011 was primarily related to cash payments for seismic expenses, consultants and contractors for West Africa operations and staff costs. The increase in net cash used in 2010 compared to 2009 was attributable to the increase in cash payments for seismic data acquisition for the U.S. Gulf of Mexico and offshore West Africa, force majeure expenses relating to the Deepwater Horizon incident and expenses incurred relating to mobilization of the Ensco 8503 drilling rig, which were offset by the receipt of approximately $15.1 million from our partner in West Africa for reimbursement of past seismic data expenditures and general and administrative charges. The net cash used in operating activities during 2009 was primarily related to cash payments for seismic expenses in the U.S. Gulf of

Mexico, which was offset by the receipt of approximately $10.0 million from a partner in the U.S. Gulf of Mexico for reimbursement of past seismic data expenditures.

Investing activities. Net cash used in investing activities in 2011 was approximately $430.4 million, compared with net cash used in investing activities of approximately $758.4 million and net cash provided by investing activities of approximately $87.1 million in 2010 and 2009, respectively. The net cash used in 2011 primarily relates to investment of the net proceeds from our public offering of common stock in April 2011 and capital expenditures relating to the Bicuar #1 and Cameia #1 exploratory wells offshore Angola. The increase in net cash used in 2010 was primarily attributed to the investment of the net proceeds from our initial public offering in certain held-to-maturity securities. The decrease in net cash used in 2009 was primarily attributed to proceeds received in 2009 totaling approximately $333.3 million for the sale of leasehold interests in the U.S. Gulf of Mexico, which was offset by an increase in restricted cash to guarantee the Ensco 8503 rig contract and an increase in exploratory well investment.

Financing activities. Net cash provided by financing activities in 2011 was approximately $478.0 million, compared with net cash provided by financing activities of approximately $101.3 and $1,076 million in 2010 and 2009, respectively. The increase in net cash provided by financing activities in 2011 compared to 2010 was attributed to the net proceeds we received from our public offering of common stock in April 2011. The decrease in net cash provided by financing activities in 2010 compared to 2009 was primarily attributed to the proceeds we received from our initial public offering in December 2009. In January 2010, we received net proceeds of approximately $101.3 million from the underwriters' exercise of their over-allotment option in connection with our initial public offering. The increase in net cash provided by financing activities in 2009 was attributed to cash received from Cobalt International Energy, L.P.'s Class A limited partnership interest holders and the net proceeds of approximately $856.1 million from the initial public offering and sale of 3,125,000 shares of common stock pursuant to Regulation S, which closed on December 21, 2009.

Contractual Obligations

As of December 31, 2011, our contractual obligations were limited to payments to be made in connection with the leases related to the Ensco 8503 and Diamond Ocean Confidence drilling rigs and other related drilling contracts, office lease payments and lease rental payments for exploration rights from the BOEM for further exploration in the western and central U.S. Gulf of Mexico and social payment obligations for Blocks 9, 20 and 21, offshore West Africa. The following table summarizes by period the payments due for our estimated contractual obligations as of December 31, 2011:

	Payments Due By Year						
	2012	2013	2014	2015	2016	Thereafter	Total
	($ in thousands)						
Drilling Rig and Related Contracts	$195,640	$119,197	$ —	$ —	$ —	$ —	$314,837
Operating Leases	2,690	2,110	1,900	1,900	1,900	8,498	18,998
Lease Rentals	5,792	5,037	4,859	4,813	3,066	2,881	26,448
Social Payment Obligations	139,465	49,019	49,019	48,569	62,854	—	348,926
Total	**$343,587**	**$175,363**	**$55,778**	**$55,282**	**$67,820**	**$ 11,379**	**$709,209**

In the future, we may be party to the following contractual arrangements, which will subject us to further contractual obligations:

- credit facilities and other debt instruments;
- contracts for the lease of additional drilling rigs;

- contracts for the provision of production facilities;
- infrastructure construction contracts; and
- long term oil and gas property lease arrangements.

Off-Balance Sheet Arrangements

As of December 31, 2011, we did not have any off-balance sheet arrangements.

Critical Accounting Policies

This discussion of financial condition and results of operations is based upon the information reported in our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of our financial statements requires us to make assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of our financial statements. We base our assumptions and estimates on historical experience and other sources that we believe to be reasonable at the time. Actual results may vary from our estimates. Our significant accounting policies are detailed in Note 2 to our consolidated financial statements. We have outlined below certain accounting policies that are of particular importance to the presentation of our financial position and results of operations and require the application of significant judgment or estimates by our management.

Revenue Recognition. We plan to follow the "sales" (or cash) method of accounting for oil and gas revenues. Under this method, we will recognize revenues on the volumes sold. The volumes sold may be more or less than the volumes to which we are entitled based on our ownership interest in the property. These differences result in a condition known in the industry as a production imbalance. As of December 31, 2011, no revenues have been recognized in our financial statements.

We recognize interest income on bank balances and deposits on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Cash and Cash Equivalents. Cash and cash equivalents consist of all demand deposits and funds invested in highly liquid instruments with original maturities of three months or less from the date of purchase. Demand deposits typically exceed federally insured limits; however we periodically assess the financial condition of the institutions where these funds are held and the credit ratings of the issuers of these instruments and believe that the credit risk is minimal.

Investments. We adopted a policy on accounting for our investments, which consist entirely of debt securities, based on the guidance of Accounting Standards Codification (ASC) No. 320, *Accounting for Certain Investments in Debt and Equity Securities.* The debt securities are carried at amortized costs and classified as held-to-maturity as we have the intent and ability to hold them until they mature. The net carrying value of held-to-maturity securities is adjusted for amortization of premiums and accretion of discounts to maturity over the life of the securities.

We conduct a regular assessment of our debt securities with unrealized losses to determine whether securities have other-than-temporary impairment. This assessment considers, among other factors, the nature of the securities, credit rating or financial condition of the issuer, the extent and duration of the unrealized loss, market conditions and whether we intend to sell or whether it is more likely than not that we will be required to sell the debt securities.

Property, Plant and Equipment. We use the "successful efforts" method of accounting for our oil properties. Acquisition costs for unproved leasehold properties and costs of drilling exploratory wells are capitalized pending determination of whether proved reserves can be attributed to the areas as a

result of drilling those wells. Under the successful efforts method of accounting, proved leasehold costs are capitalized and amortized over the proved developed and undeveloped reserves on a units-of-production basis. Successful drilling costs, costs of development and developmental dry holes are capitalized and amortized over the proved developed reserves on a units-of-production basis. Unproved leasehold costs are capitalized and are not amortized, pending an evaluation of their exploration potential. Significant unproved leasehold costs are assessed on an individual basis periodically to determine if an impairment of the cost of individual properties has occurred. Factors taken into account for impairment analysis include results of the technical studies conducted, lease terms and management's future exploration plans. The cost of impairment is charged to expense in the period in which it occurs. Costs incurred for exploratory dry holes, geological, and geophysical work (including the cost of seismic data) and delay rentals are charged to expense as incurred. Costs of other property and equipment are depreciated on a straight-line based on their respective useful lives.

Inventory. Inventories consist of various tubular products that will be used in our anticipated drilling program. The inventory is stated at the lower of cost or market. Cost is determined on a weighted average method and comprises of purchase price and other directly attributable costs.

Income Taxes. Prior to December 15, 2009, no provision for U.S. federal income taxes related to our operations was included in the accompanying financial statements. As a partnership, we were not subject to federal or state income tax, and the tax effect of our activities accrued to the partners. The Partnership had obligations associated with providing certain tax-related information to the partners and registrations and filings with applicable governmental taxing authorities.

Effective December 15, 2009, we began using the liability method of accounting for income taxes in accordance with FASB ASC No. 740, "*Income Taxes"* as clarified by FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109, "Accounting for Income Taxes*". Under this method, deferred tax assets and liabilities are determined by applying tax rates in effect at the end of a reporting period to the cumulative temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Since we are in development stage and there can be no assurance that we will generate any earnings or any specific level of earnings in future years, we will establish a valuation allowance for deferred tax assets (net of liabilities).

Use of Estimates. The preparation of our consolidated financial statements in conformity with United States generally accepted accounting principles requires us to make estimates and assumptions that impact our reported assets and liabilities, disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include: (i) accruals related to expenses, (ii) assumptions used in estimating fair value of equity-based awards, and (iii) assumptions used in impairment testing. Although we believe these estimates are reasonable, actual results could differ from these estimates.

Estimates of Proved Oil & Natural Gas Reserves. Reserve quantities and the related estimates of future net cash flows affect our periodic calculations of depletion and impairment of our oil and natural gas properties. Proved oil and natural gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future periods from known reservoirs under existing economic and operating conditions. As of December 31, 2011, we do not have any proved reserves. Should proved reserves be found in the future, estimated reserve quantities and future cash flows will be estimated by independent petroleum consultants and prepared in accordance with guidelines established by the SEC

and the Financial Accounting Standards Board. The accuracy of these reserve estimates is a function of:

- the quality and quantity of available data and the engineering and geological interpretation of that data;
- estimates regarding the amount and timing of future operating cost, severance taxes, development cost and workover cost, all of which may in fact vary considerably from actual results;
- the accuracy of various mandated economic assumptions (such as the future prices of oil and natural gas); and
- the judgments of the persons preparing the estimates.

Asset Retirement Obligations. We currently do not have any oil and natural gas production. Should such production occur in the future, we expect to have significant obligations under our lease agreements and federal regulation to remove our equipment and restore land or seabed at the end of oil and natural gas production operations. These asset retirement obligations ("ARO") are primarily associated with plugging and abandoning wells and removing and disposing of offshore oil and natural gas platforms. Estimating the future restoration and removal cost is difficult and requires us to make estimates and judgments because most of the removal obligations are many years in the future and contracts and regulation often have vague descriptions of what constitutes, removal. Asset removal technologies and cost are constantly changing, as are regulatory, political, environmental, safety and public relations considerations. Pursuant to the FASB ASC No. 410-20, *"Assets Retirement Obligations"*, we are required to record a separate liability for the discounted present value of our asset retirement obligations, with an offsetting increase to the related oil and natural gas properties representing asset retirement costs on our balance sheet. The cost of the related oil and natural gas asset, including the asset retirement cost, is depreciated over the useful life of the asset. The asset retirement obligation is recorded at its estimated fair value, measured by reference to the expected future cash outflows required to satisfy the retirement obligation discounted at our credit-adjusted risk-free interest rate. Accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value.

Inherent to the present value calculation are numerous estimates, assumptions and judgments, including the ultimate settlement amounts, inflation factors, credit adjusted risk-free rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the present value of the abandonment liability, we will make corresponding adjustments to both the asset retirement obligation and the related oil and natural gas property asset balance. Increases in the discounted abandonment liability and related oil and natural gas assets resulting from the passage of time will be reflected as additional accretion and depreciation expense in the consolidated statement of operations.

Earnings (Loss) Per Share. Basic earnings (loss) per share was calculated by dividing net income or loss applicable to common shares by the weighted average number of common shares outstanding during the periods presented. Diluted earnings (loss) per share incorporate the potential dilutive impact of nonvested restricted shares outstanding during the periods presented, unless their effect is anti-dilutive.

Equity-Based Compensation. We account for stock-based compensation at fair value. We grant various types of stock-based awards including stock options, restricted stock and performance-based awards. The fair value of stock option awards is determined by using the Black-Scholes-Merton option-pricing model. For restricted stock awards with market conditions, the fair value of the awards is measured using the asset-or-nothing option pricing model. Restricted stock awards without market

conditions and the performance-based awards are valued using the market price of our common stock on the grant date. We record compensation cost, net of estimated forfeitures, for stock-based compensation awards over the requisite service period except for performance-based awards. For performance-based awards, compensation cost is recognized over the requisite service period as and when we determine that the achievement of the performance condition is probable, using the per-share fair value measured at grant date.

Item 7A. ***Quantitative and Qualitative 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" refers to the risk of loss arising from changes in commodity prices and interest rates. The 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 our ongoing market risk exposures. All of our market risk sensitive instruments will be entered into for purposes of risk management and not for speculation.

Due to the historical volatility of commodity prices, if and when we commence production, we may enter into various derivative instruments to manage our exposure to volatility of commodity market prices. We may use options (including floors and collars) and fixed price swaps to mitigate the impact of downward swings in commodity prices to our cash flow. All contracts will be settled with cash and would not require the delivery of physical volumes to satisfy settlement. While in times of higher commodity prices this strategy may result in our having lower net cash inflows than we would otherwise have if we had not utilized these instruments, management believes the risk reduction benefits of such a strategy would outweigh the potential costs.

We may borrow under fixed rate and variable rate debt instruments that give rise to interest rate risk. Our objective in borrowing under fixed or variable rate debt is to satisfy capital requirements while minimizing our costs of capital.

Item 8. ***Financial Statements and Supplementary Data***

The information required is included in this report as set forth in the "Index to Consolidated Financial Statements" on page F-1 to this Annual Report on Form 10-K.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None

Item 9A. ***Controls and Procedures***

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2011, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), as to the effectiveness, design and operation of our disclosure controls and procedures. 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 U.S. Securities and Exchange Commission reports we file or submit under the Exchange Act is accurate, complete and timely. Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal controls will prevent and/or detect all errors and all fraud. 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. Further, 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. Because of the inherent limitation in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our CEO and CFO concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of December 31, 2011.

Management's Report on Internal Control over Financial Reporting

The information required to be furnished pursuant to this item is set forth under the caption "Management's Report on Internal Control over Financial Reporting" in Item 8 of this Annual Report on Form 10-K.

Attestation Report of the Registered Public Accounting Firm

The information required to be furnished pursuant to this item is set forth under the caption "Report of Independent Registered Public Accounting Firm" in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the fourth quarter ended December 31, 2011, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item is set forth under the captions "Election of Directors," "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement (the "2012 Proxy Statement") for our annual meeting of stockholders to be held on April 26, 2012, which sections are incorporated herein by reference.

Pursuant to Item 401(b) of Regulation S-K, the information required by this item with respect to our executive officers is set forth in Part I of this Annual Report on Form 10-K.

Item 11. ***Executive Compensation***

The information required by this item is set forth in the sections entitled "Election of Directors—Director Compensation,'"Executive Compensation" and "Corporate Governance" in the 2012 Proxy Statement, which sections are incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is set forth in the sections entitled "Security Ownership of Certain Beneficial Owners and Management" and "Executive Compensation—Equity Compensation Plan Information" in the 2012 Proxy Statement, which sections are incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is set forth in the section entitled "Corporate Governance" and "Certain Relationships and Related Transactions" in the 2012 Proxy Statement, which sections are incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services***

The information required by this item is set forth in the section entitled "Ratification of Appointment of Independent Auditors" in the 2012 Proxy Statement, which section is incorporated herein by reference.

GLOSSARY OF SELECTED OIL AND GAS TERMS

"2-D seismic data"	Two-dimensional seismic data, being an interpretive data that allows a view of a vertical cross-section beneath a prospective area.
"3-D seismic data"	Three-dimensional seismic data, being geophysical data that depicts the subsurface strata in three dimensions. 3-D seismic data typically provides a more detailed and accurate interpretation of the subsurface strata than 2-D seismic data.
"Appraisal well"	A well drilled after an exploratory well to gain more information on the drilled reservoirs.
"Barrel"	A standard measure of volume for petroleum corresponding to approximately 42 gallons at 60 degrees Fahrenheit.
"Below salt"	A term encompassing both subsalt, as used in connection with the U.S. Gulf of Mexico, and pre-salt, as used in connection with offshore West Africa.
"Blowouts"	Blowout is the uncontrolled release of a formation fluid, usually gas, from a well being drilled, typically for petroleum production.
"Closure"	A trapping configuration.
"Completion"	The procedure used in finishing and equipping an oil or natural gas well for production.
"Delay rental"	Payment made to the lessor under a non-producing oil and natural gas lease at the beginning or end of each year to continue the lease in force for another year during its primary term.
"Development"	The phase in which an oil field is brought into production by drilling development wells and installing appropriate production systems.
"Development well"	A well drilled to a known formation in a discovered field, usually offsetting a producing well on the same or an adjacent oil and natural gas lease.
"Drilling and completion costs"	All costs, excluding operating costs, of drilling, completing, testing, equipping and bringing a well into production or plugging and abandoning it, including all labor and other construction and installation costs incident thereto, location and surface damages, cementing, drilling mud and chemicals, drillstem tests and core analysis, engineering and well site geological expenses, electric logs, costs of plugging back, deepening, rework operations, repairing or performing remedial work of any type, costs of plugging and abandoning any well participated in by us, and reimbursements and compensation to well operators.

"Dry hole"	A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed the related oil and natural gas operating expenses and taxes.
"E&P"	Exploration and production.
"Exploratory well"	A well drilled either (a) in search of a new and as yet undiscovered pool of oil or natural gas or (b) with the hope of significantly extending the limits of a pool already developed.
"Farm-in"	An agreement whereby an oil company acquires a portion of the leasehold or working interest in a block from the owner of such interest in certain acreage, usually in return for cash and for taking on a portion of the drilling of one or more specific wells or other performance by the assignee as a condition of the assignment. Under a farm-in, the owner of the leasehold or working interest may retain some interest such as an overriding royalty interest, an oil and natural gas payment, offset acreage or other type of interest.
"Farm-out"	An agreement whereby the owner of the leasehold or working interest agrees to assign a portion of his interest in certain acreage subject to the drilling of one or more specific wells or other performance by the assignee as a condition of the assignment. Under a farm-out, the owner of the leasehold or working interest may retain some interest such as an overriding royalty interest, an oil and natural gas payment, offset acreage or other type of interest.
"Field"	A geographical area under which an oil or natural gas reservoir lies in commercial quantities.
"FERC"	Federal Energy Regulatory Commission
"Finding and development costs"	Capital costs incurred in the acquisition, exploration, appraisal, development and revisions of proved oil and natural gas reserves divided by proved reserve additions.
"FPSO"	Floating Production, Storage and Offloading system.
"Gas-oil ratio"	The ratio of the volume of gas that comes out of solution from the volume of oil at standard conditions (expressed in standard cubic feet per barrel of oil).
"Gathering system"	Pipelines and other facilities that transport oil from wells and bring it by separate and individual lines to a central delivery point for delivery into a transmission line or mainline.
"Gross acre"	An acre in which a working interest is owned. The number of gross acres is the total number of acres in which an interest is owned.
"Horizon"	A zone of a particular formation; that part of a formation of sufficient porosity and permeability to form a petroleum reservoir.

"Leases"	Full or partial interests in oil or natural gas properties authorizing the owner of the lease to drill for, produce and sell oil and natural gas upon payment of rental, bonus, royalty or any other payments.
"Mean net area"	The estimated mean aerial extent of a hydrocarbon-bearing rock (expressed in acres) to which we hold a license or leasehold title.
"Mud"	Mud is a term that is generally synonymous with drilling fluid and that encompasses most fluids used in hydrocarbon drilling operations, especially fluids that contain significant amounts of suspended solids, emulsified water or oil.
"Natural gas"	Natural gas is a combination of light hydrocarbons that, in average pressure and temperature conditions, is found in a gaseous state. In nature, it is found in underground accumulations, and may potentially be dissolved in oil or may also be found in its gaseous state.
"Narrow-azimuth 3-D seismic data"	Seismic data acquired with receivers located in long lines that are located in line with source position. This acquisition is repeated in closely positioned parallel lines to yield 3-D seismic data coverage.
"Net pay thickness"	The vertical extent of the effective hydrocarbon-bearing rock (expressed in feet). The net pay thickness encountered by an exploratory well may differ from the mean net pay thickness of the prospect due to several factors, including the relative location of the exploratory well on the structure, potential thickness variations that may occur across the prospect and the extent to which potential reservoir horizons are penetrated.
"NORM"	Naturally occurring radioactive materials.
"Oil and natural gas lease"	A legal instrument executed by a mineral owner granting the right to another to explore, drill, and produce subsurface oil and natural gas. An oil and natural gas lease embodies the legal rights, privileges and duties pertaining to the lessor and lessee.
"OPEC"	Organization of the Petroleum Exporting Countries.
"Operator"	A party that has been designated as manager for exploration, drilling, and/or production on a lease. The operator is the party that is responsible for (a) initiating and supervising the drilling and completion of a well and/or (b) maintaining the producing well.
"Play"	A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

"Porosity"	Porosity is the percentage of pore volume or void space, or that volume within rock that can contain fluids. Porosity can be a relic of deposition (primary porosity, such as space between grains that were not compacted together completely) or can develop through alteration of the rock (secondary porosity, such as when feldspar grains or fossils are preferentially dissolved from sandstones).
"Pre-stack, depth-migrated seismic data processing"	A type of seismic data processing used to position recorded seismic reflections into their correct subsurface location and depth.
"Probable reserves"	Oil and gas whose existence is not proven by geological information but is probably present due to proximity to proved reserves and can be produced if located. Probable reserves are less accurate than proved reserves.
"Producing well"	A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.
"Prospect(s)"	Potential trap which 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 them fail neither oil nor natural gas will be present, at least not in commercial volumes.
"Protraction area"	An offshore area in the U.S. Gulf of Mexico defined by a series of blocks.
"Proved reserves"	Estimated quantities of crude oil, natural gas, NGL's which 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).
"Reservoir"	A subsurface body of rock having sufficient porosity and permeability to store and to allow for the mobility of fluids/hydrocarbons included in its pores.
"Royalty"	A fractional undivided interest in the production of oil and natural gas wells, or the proceeds therefrom to be received free and clear of all costs of development, operations or maintenance.

"Secondary recovery"	An artificial method or process used to restore or increase production from a reservoir after the primary production by the natural producing mechanism and reservoir pressure has experienced partial depletion. Gas injection and waterflooding are examples of this technique.
"Signature bonus"	Usually one time payment made to a mineral owner as consideration for the execution of an oil and natural gas lease.
"Shut in"	To close the valves on a well so that it stops producing.
"Spud"	The very beginning of drilling operations of a new well, occurring when the drilling bit penetrates the surface utilizing a drilling rig capable of drilling the well to the authorized total depth.
"Wave equation, pre-stack, depth-migrated seismic data processing"	A type of seismic data processing.
"Wide-azimuth seismic data"	Seismic data acquired with receivers located in long lines that have sources positioned in line with additional sources positioned at large lateral offsets. This acquisition is repeated in closely positioned parallel lines to yield 3-D seismic data coverage with increased azimuths of energy penetration.
"Working interest"	An interest in an oil and natural gas lease entitling the holder at its expense to conduct drilling and production operations on the leased property and to receive the net revenues attributable to such interest, after deducting the landowner's royalty, any overriding royalties, production costs, taxes and other costs.
"Workover"	Operations on a producing well to restore or increase production.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements

Cobalt International Energy, Inc. (pka Cobalt International Energy, L.P.)

(2) Financial Statement Schedule

Not applicable.

(3) Exhibits

The following exhibits are filed with this Annual Report on Form 10-K or incorporated by reference:

Exhibit Number	Description of Document
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579))
3.2	By-laws of the Company (incorporated by reference to Exhibit 3 to the Company's Registration Statement on Form 8-A filed December 11, 2009 (File No. 001-34579))
4.1	Specimen stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
9.1*	Stockholders Agreement, dated December 15, 2009, among the Company and the stockholders that are signatory thereto.
10.1†	Employment Agreement, dated November 12, 2009, among the Company, the Partnership and Joseph H. Bryant (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.2†	Employment Agreement, dated October 23, 2009, among the Company, the Partnership and James H. Painter (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.3†	Employment Agreement, dated October 23, 2009, among the Company, the Partnership and James W. Farnsworth (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.4†	Severance Agreement, dated October 23, 2009, among the Company, the Partnership and John P. Wilkirson (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.5	Risk Services Agreement relating to Block 9, between CIE Angola Block 9 Ltd., Sonangol, Sonangol Pesquisa e Produção, S.A., Nazaki Oil and Gás and Alper Oil, Lda (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579))
10.6	Risk Services Agreement relating to Block 21, between CIE Angola Block 21 Ltd., Sonangol, Sonangol Pesquisa e Produção, S.A., Nazaki Oil and Gás and Alper Oil, Lda (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579))
10.7	Exploration and Production Sharing Contract, dated December 13, 2006, between the Republic of Gabon and Total Gabon, S.A. (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.8	Assignment Agreement, dated November 29, 2007, between CIE Gabon Diaba Ltd. and Total Gabon, S.A. (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.9	Simultaneous Exchange Agreement, dated April 6, 2009, between the Partnership and TOTAL E&P USA, INC. (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1/A filed October 9, 2009 (File No. 333-161734))
10.10	Gulf of Mexico Program Management and AMI Agreement, dated April 6, 2009, between the Partnership

and TOTAL E&P USA, INC. (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1/A filed October 9, 2009 (File No. 333-161734))

Exhibit Number	Description of Document
10.11	Offshore Daywork Drilling Contract, dated May 3, 2008, between the Partnership and Ensco Offshore Company (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.12†	Form of Restricted Stock Award Agreements relating to the Class B interests (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.13†	Form of Restricted Stock Award Agreements relating to the Class C interests (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.14†	Form of Restricted Stock Award Agreements relating to the Class D interests (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.15†	Long Term Incentive Plan of the Company (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed December 21, 2009 (File No. 333-163883))
10.16†	Annual Incentive Plan of the Company (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579))
10.17†	Non-Employee Directors Compensation Plan (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed January 29, 2010 (File No. 001-34579))
10.18†	Non-Employee Directors Deferral Plan (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed January 29, 2010 (File No. 001-34579))
10.19†	Form of Restricted Stock Unit Award Notification under the Non-Employee Directors Compensation Plan (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed January 29, 2010 (Filed No. 001-34579))
10.20*	Production Sharing Contract, dated December 20, 2011, between CIE Angola Block 20 Ltd., Sociedade Nacional de Combustíveis de Angola—Empresa Pública, Sonangol Pesquisa e Produção, S.A., BP Exploration Angola (Kwanza Benguela) Limited, and China Sonangol International Holding Limited.
10.21	Form of Director Indemnification Agreements (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.22	Termination and Release of Irrevocable Contract Guarantee, dated December 9, 2009, between Ensco Offshore Company and the Guarantors named therein (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579)).
10.23†	Form of Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed March 1, 2011 (File No. 001-34579)).
10.24†	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K filed March 1, 2011 (File No. 001-34579)).
10.25†	Separation Agreement between Rodney L. Gray and the Company, dated June 16, 2010, (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 21, 2010 (File No. 001-34579)).

Exhibit Number	Description of Document
10.26	International Daywork Drilling Contract—Offshore, dated November 8, 2010 between CIE Angola Block 21 Ltd. and Z North Sea Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 12, 2010 (File No. 001-34579)).
10.27	Special Standby Rate and Potential Suspension Agreement dated November 9, 2010 between Cobalt International Energy, L.P. and Ensco Offshore Company (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 12, 2010 (File No. 001-34579)).
10.28†	Form of Amendment to Employment Agreements with Joseph H. Bryant, James H. Painter and James W. Farnsworth and Severance Agreements with Samuel H. Gillespie and John P. Wilkirson (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed November 12, 2010 (File No. 001-34579)).
10.29†	Employment Agreement, dated September 6, 2011, between the Company and Van P. Whitfield (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 8, 2011 (File No. 001-34579))
10.30*	Severance Agreement, dated April 1, 2010, between the Company and Michael D. Drennon.
10.31*	Registration Rights Agreement, dated December 15, 2009, among the Company and the parties that are signatory thereto.
21.1*	List of Subsidiaries
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Schema Document
101.CAL**	XBRL Calculation Linkbase Document
101.DEF**	XBRL Definition Linkbase Document
101.LAB**	XBRL Labels Linkbase Document
101.PRE**	XBRL Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(b).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cobalt International Energy, Inc.

By: /s/ JOSEPH H. BRYANT

Name: Joseph H. Bryant
Title: *Chairman of the Board of Directors and Chief Executive Officer*

Dated: February 21, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOSEPH H. BRYANT Joseph H. Bryant	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 21, 2012
/s/ JOHN P. WILKIRSON John P. Wilkirson	Chief Financial Officer and Executive Vice President (Principal Financial Officer and Principal Accounting Officer)	February 21, 2012
/s/ PETER R. CONEWAY Peter R. Coneway	Director	February 21, 2012
/s/ MICHAEL G. FRANCE Michael G. France	Director	February 21, 2012
/s/ JACK E. GOLDEN Jack E. Golden	Director	February 21, 2012
/s/ N. JOHN LANCASTER N. John Lancaster	Director	February 21, 2012

Signature	Title	Date
/s/ SCOTT L. LEBOVITZ Scott L. Lebovitz	Director	February 21, 2012
/s/ JON A. MARSHALL Jon A. Marshall	Director	February 21, 2012
/s/ KENNETH W. MOORE Kenneth W. Moore	Director	February 21, 2012
/s/ KENNETH A. PONTARELLI Kenneth A. Pontarelli	Director	February 21, 2012
/s/ MYLES W. SCOGGINS Myles W. Scoggins	Director	February 21, 2012
/s/ D. JEFF VAN STEENBERGEN D. Jeff van Steenbergen	Director	February 21, 2012
/s/ MARTIN H. YOUNG, JR. Martin H. Young, Jr.	Director	February 21, 2012

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
COBALT INTERNATIONAL ENERGY, INC.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined by Securities and Exchange Commission rules adopted under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States (GAAP). Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

There are inherent limitations to the effectiveness of internal control over financial reporting, however well designed, including the possibility of human error and the possible circumvention of or overriding of controls. The design of an internal control system is also based in part upon assumptions and judgments made by management about the likelihood of future events, and there can be no assurance that an internal control will be effective under all potential future conditions. As a result, even an effective system of internal controls can provide no more than reasonable assurance with respect to the fair presentation of financial statements and the processes under which they were prepared.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2011. The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

/s/ JOSEPH H. BRYANT	/s/ JOHN P. WILKIRSON
Joseph H. Bryant *Chairman of the Board of Directors and Chief Executive Officer*	John P. Wilkirson *Chief Financial Officer and Executive Vice President*

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Cobalt International Energy, Inc.

We have audited Cobalt International Energy, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cobalt International Energy, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Cobalt International Energy, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, basedon the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2011 consolidated financial statements of Cobalt International Energy, Inc. (a development stage enterprise) and our report dated February 20, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 20, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
Cobalt International Energy, Inc.

We have audited the accompanying consolidated balance sheets of Cobalt International Energy, Inc. (a development stage enterprise) (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in partners' capital and stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011 and for the period November 10, 2005 (inception) through December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cobalt International Energy, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011 and for the period November 10, 2005 (inception) through December 31, 2011 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cobalt International Energy, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2012 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 20, 2012

Cobalt International Energy, Inc.
(a Development Stage Enterprise)

Consolidated Balance Sheets

	December 31,	
	2011	2010
	($ in thousands, except per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 292,546	$ 302,720
Joint interest and other receivables	56,983	8,237
Prepaid expenses and other current assets	22,214	9,004
Inventory	36,049	34,738
Short-term restricted cash	69,009	—
Short-term investments	858,293	534,933
Total current assets	1,335,094	889,632
Property, plant, and equipment:		
Oil and gas properties, successful efforts method of accounting, net of accumulated depletion of $0	861,955	462,500
Other property and equipment, net of accumulated depreciation and amortization of $3,555 and $2,820, as of December 31, 2011 and 2010, respectively	1,371	1,269
Total property, plant, and equipment, net	863,326	463,769
Long-term restricted cash	270,235	338,515
Long-term investments	47,232	40,003
Other assets	12,057	14,524
Total assets	$ 2,527,944	$ 1,746,443
Liabilities and Partners' Capital/Stockholders' Equity		
Current liabilities:		
Trade and other accounts payable	$ 71,186	$ 11,989
Accrued liabilities	34,418	9,120
Short-term contractual obligations	132,465	3,450
Total current liabilities	238,069	24,559
Long-term contractual obligations	210,961	2,850
Stockholders' equity:		
Common stock, $0.01 par value per share; 2,000,000,000 shares authorized 387,531,630 and 350,733,998 issued and outstanding as of December 31, 2011 and 2010, respectively	3,875	3,507
Additional paid-in capital	2,719,875	2,226,726
Accumulated deficit during the development stage	(644,836)	(511,199)
Total stockholders' equity	2,078,914	1,719,034
Total liabilities and stockholders' equity	$ 2,527,944	$ 1,746,443

See accompanying notes.

Cobalt International Energy, Inc.
(a Development Stage Enterprise)

Consolidated Statements of Operations

	Year Ended December 31			For the Period November 10, 2005 (Inception) Through December 31,
	2011	2010	2009	2011
	($ in thousands except per share data)			
Oil and gas revenue	$ —	$ —	$ —	$ —
Operating costs and expenses:				
Seismic and exploration	32,239	45,030	30,666	328,840
Dry hole expense and impairment	45,732	44,178	14,486	104,396
General and administrative	59,130	48,063	35,996	217,980
Depreciation and amortization	735	787	622	3,555
Total operating costs and expenses	137,836	138,058	81,770	654,771
Operating income (loss)	(137,836)	(138,058)	(81,770)	(654,771)
Other income (expense):				
Interest income, net	4,199	1,582	513	9,935
Total other income (expense)	4,199	1,582	513	9,935
Net income (loss) before income tax	(133,637)	(136,476)	(81,257)	(644,836)
Income tax expense	—	—	—	—
Net income (loss)	$ (133,637)	$ (136,476)	$ (81,257)	$ (644,836)
Basic and diluted income (loss) per share	$ (0.35)	$ (0.39)		
Pro forma basic and diluted income (loss) per share (unaudited)			$ (0.33)	

See accompanying notes.

Cobalt International Energy, Inc.
(a Development Stage Enterprise)

Consolidated Statements of Changes in Partners' Capital and Stockholders' Equity

	General Partner	Class A Limited Partners	Class B Limited Partners	Class C Limited Partners	Common Stock	Additional Paid-in Capital	Accumulated Deficit During Development Stage	Total
				($ in thousands)				
Balance, November 10, 2005 (inception)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Class A limited partners' contributions	—	3,000	—	—	—	—	—	3,000
Class B limited partners' equity compensation	—	—	142	—	—	—	—	142
Net income (loss)	—	—	—	—	—	—	(1,389)	(1,389)
Balance, December 31, 2005	—	3,000	142	—	—	—	(1,389)	1,753
Class A limited partners' contributions	—	154,984	—	—	—	—	—	154,984
Class B limited partners' equity compensation	—	—	1,350	—	—	—	—	1,350
Net income (loss)	—	—	—	—	—	—	(111,527)	(111,527)
Balance, December 31, 2006	—	157,984	1,492	—	—	—	(112,916)	46,560
Class A limited partners' contributions	—	305,135	—	—	—	—	—	305,135
Class B limited partners' equity compensation	—	—	1,132	—	—	—	—	1,132
Net income (loss)	—	—	—	—	—	—	(108,954)	(108,954)
Balance, December 31, 2007	—	463,119	2,624	—	—	—	(221,870)	243,873
Class A limited partners' contributions	—	566,453	—	—	—	—	—	566,453
Class B limited partners' equity compensation	—	—	1,741	—	—	—	—	1,741
Net income (loss)	—	—	—	—	—	—	(71,596)	(71,596)
Balance, December 31, 2008	—	1,029,572	4,365	—	—	—	(293,466)	740,471
Class A limited partners' contributions	—	227,166	—	—	—	—	—	227,166
Class B and C limited partners' equity compensation	—	—	2,619	734	—	—	—	3,353

Common stock issued upon corporate reorganization	—	(1,256,738)	(6,984)	(734)	2,743	1,261,713	—	—
Equity based compensation	—	—	—	—	—	2,402	—	2,402
Common stock issued at initial public offering, net of offering costs	—	—	—	—	630	806,629	—	807,259
Common stock issued at private placement	—	—	—	—	32	42,156	—	42,188
Net income (loss)	—	—	—	—	—	—	(81,257)	(81,257)
Balance, December 31, 2009	—	—	—	—	3,405	2,112,900	(374,723)	1,741,582
Common stock issued at the closing of the over-allotment portion of initial public offering, net of offering costs	—	—	—	—	80	101,176	—	101,256
Common stock issued for vested restricted stock	—	—	—	—	22	(22)	—	—
Equity based compensation	—	—	—	—	—	12,672	—	12,672
Net income (loss)	—	—	—	—	—	—	(136,476)	(136,476)
Balance, December 31, 2010	$ —	$ —	$ —	$ —	3,507	$2,226,726	$ (511,199)	$1,719,034
Common stock issued at public offering, net of costs	—	—	—	—	357	477,846	—	478,203
Common stock issued for vested restricted stock	—	—	—	—	12	(12)	—	—
Equity based compensation	—	—	—	—	—	15,505	—	15,505
Repurchase of common stock	—	—	—	—	(1)	(190)	—	(191)
Net income (loss)	—	—	—	—	—	—	(133,637)	(133,637)
Balance, December 31, 2011	$ —	$ —	$ —	$ —	3,875	$2,719,875	$ (644,836)	$2,078,914

See accompanying notes.

Cobalt International Energy, Inc.
(a Development Stage Enterprise)

Consolidated Statements of Cash Flows

	Year Ended December 31			For the Period November 10, 2005 (Inception) Through December 31, 2011
	2011	2010	2009	
	($ In thousands)			
Cash flows provided from operating activities				
Net income (loss)	$ (133,637)	$ (136,476)	$ (81,257)	$ (644,836)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	735	787	622	3,555
Dry hole expense and impairment of unproved properties	45,732	44,178	14,486	104,396
Equity based compensation	15,505	12,672	5,755	38,298
Amortization of premium (accretion of discount) on investment securities	22,082	1,608	—	25,687
Other	—	—	503	1,631
Changes in operating assets and liabilities:				
Joint interest and other receivables	(59,515)	31,266	(38,967)	(69,485)
Inventory	(1,621)	(28,047)	4,981	(36,359)
Prepaid expense and other assets	(10,742)	(14,126)	(3,373)	(34,271)
Trade and other accounts payable	59,196	(22,977)	16,314	71,130
Accrued liabilities and other	4,470	(22,149)	5,450	40,721
Net cash provided by (used in) operating activities	(57,795)	(133,264)	(75,486)	(499,533)
Cash flows from investing activities				
Capital expenditures for oil and gas properties	—	(1,746)	(14,250)	(704,107)
Capital expenditures for other property and equipment	(782)	(1,185)	(537)	(4,871)
Exploratory wells drilling in process	(86,979)	(32,585)	(45,424)	(264,885)
Proceeds from sale of oil and gas properties	—	5,656	333,346	339,001
Change in restricted cash	(541)	(151,527)	(186,012)	(338,578)
Proceeds from maturity of investment securities	1,288,067	224,985	—	1,514,830
Purchase of investment securities	(1,630,156)	(801,970)	—	(2,434,206)
Net cash provided by (used in) investing activities	(430,391)	(758,372)	87,123	(1,892,816)
Cash flows from financing activities				
Capital contributions prior to IPO—Class A limited partners	—	—	226,913	1,256,180
Proceeds from initial public offering, net of costs	—	101,256	849,447	950,703
Proceeds from public offering, net of costs	478,203	—	—	478,203
Repurchase of common stock	(191)	—	—	(191)
Net cash provided by (used in) financing activities	478,012	101,256	1,076,360	2,684,895
Net increase (decrease) in cash and cash equivalents	(10,174)	(790,380)	1,087,997	292,546
Cash and cash equivalents, beginning of period	302,720	1,093,100	5,103	—
Cash and cash equivalents, end of period	$ 292,546	$ 302,720	$ 1,093,100	$ 292,546
Non-Cash Disclosures				
Capital expenditures in liabilities	$ 357,900	$ 2,011	$ 4,628	$ 357,900

See accompanying notes.

Cobalt International Energy, Inc.
(a Development Stage Enterprise)

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

1. Organization and Operations

Organization

Cobalt International Energy, Inc. (the "Company") was incorporated pursuant to the laws of the State of Delaware in August 2009 to become a holding company for Cobalt International Energy, L.P. (the "Partnership"). The Partnership is a Delaware limited partnership formed on November 10, 2005, by funds affiliated with Goldman, Sachs & Co., Riverstone Holdings LLC and The Carlyle Group as well as members of the Partnership's management team, collectively constituting Class A limited partners. In 2006, funds affiliated with KERN Partners Ltd. and certain limited partners in such funds affiliated with KERN Partners Ltd, were admitted as Class A limited partners. In 2007, First Reserve Corporation and Four Winds Consulting were admitted as Class A limited partners.

A corporate reorganization occurred concurrently with the completion of the initial public offering ("IPO") on December 21, 2009. All the outstanding interests of the Partnership were exchanged for 283,200,000 shares of the Company's common stock and as a result the Partnership became wholly-owned by the Company. The shares of CIP GP Corp., the general partner of the Partnership were contributed by certain of the Class A limited partners holding such shares to the Company for no consideration. Prior to reorganization, the Company was not subject to federal or state income taxes. Upon completion of the corporate reorganization, the Company became subject to federal and state income taxes.

On December 21, 2009 the Company closed its IPO with the issuance of 63,000,000 shares of common stock from the public offering and 3,125,000 of shares issued in a private placement at a price of $13.50 per share. On January 7, 2010, the Company closed the sale of an additional 7,978,000 shares of its common stock at the public offering price of $13.50 per share pursuant to the exercise of the over-allotment option by the underwriters of the IPO. On April 15, 2011, the Company completed a registered underwritten public offering of 35,650,000 shares of its common stock at a public offering price of $14.00 per share, resulting in net proceeds to the Company of $478.2 million. The proceeds from these offerings of common stock have been and will be used to fund the Company's drilling and exploration program.

The terms "Company," "Cobalt," "we," "us," "our," "ours," and similar terms refer to Cobalt International Energy, Inc. unless the context indicates otherwise.

Operations

The Company is an independent, oil-focused exploration and production company with a world-class below salt prospect inventory in the deepwater of the U.S. Gulf of Mexico and offshore Angola and Gabon in West Africa. All of its prospects are oil-focused. In the U.S. Gulf of Mexico, the Company has drilled as operator two exploratory wells (Ligurian #1 and Criollo #1) and participated as non-operator in three exploratory wells (Heidelberg #1, Shenandoah #1 and Firefox #1) and two appraisal wells (Heidelberg #2 and Heidelberg #3). These drilling efforts have resulted in the Heidelberg and Shenandoah oil discoveries. The Company is currently drilling as operator the Ligurian #2 exploratory well. Offshore Angola, the Company has drilled as operator the Cameia #1 exploratory well on Block 21 which resulted in the Cameia pre-salt oil discovery. The Company continues to mature high impact prospects in its portfolio for upcoming exploratory drilling in both the deepwater of

Cobalt International Energy, Inc.
(a Development Stage Enterprise)

Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

1. Organization and Operations (Continued)

the U.S. Gulf of Mexico and the deepwater offshore Angola and Gabon. The Company has two geographic operating segments: the U.S. Gulf of Mexico and West Africa.

As of December 31, 2011, the Company had no proved oil and gas reserves.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the financial statements of Cobalt International Energy, Inc. and all of its wholly owned subsidiaries. All significant intercompany transactions and amounts have been eliminated for all years presented. Because the Company is a development stage enterprise, it has presented its financial statements in accordance with FASB Accounting Standards Codification (ASC) No. 915 *"Development Stage Entities."*

At December 31, 2011, the accompanying consolidated financial statements include the accounts of Cobalt and its wholly owned subsidiary, Cobalt International Energy, L.P. ("Partnership"). Prior to the effective date of the corporate reorganization, both entities were under common control arising from common direct or indirect ownership of each. The transfer of the Partnership interests to Cobalt represented a reorganization of entities under common control and was accounted for at historical cost. *See Note 1.*

Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform to the current presentation.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates the Company makes include (a) accruals related to expenses, (b) assumptions used in estimating fair value of equity based awards and (c) assumptions used in impairment testing. Although the Company believes these estimates are reasonable, actual results could differ from these estimates.

Revenue Recognition

The Company will follow the "sales" (or cash) method of accounting for oil and gas revenues. Under this method, the Company will recognize revenues on the volumes sold. The volumes sold may be more or less than the volumes to which the Company is entitled based on its ownership interest in the property. These differences result in a condition known in the industry as a production imbalance. For the years ended December 31, 2011 and 2010, no revenues have been recognized in these consolidated financial statements

Cobalt International Energy, Inc.
(a Development Stage Enterprise)

Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and funds invested in highly liquid instruments with maturities of three months or less from the date of purchase. Demand deposits typically exceed federally insured limits; however, the Company periodically assesses the financial condition of the institutions where these funds are held and believes that the credit risk is minimal.

Restricted Cash

Restricted cash primarily consists of funds held in escrow accounts and collateral for letters of credit relating to our operations in the U.S. Gulf of Mexico and offshore Angola.

Investments

In 2010, the Company adopted a policy on accounting for its investments, which consist entirely of debt securities, based on the guidance of Accounting Standards Codification No. 320, *Accounting for Certain Investments in Debt and Equity Securities.* The Company considers all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. Investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year are classified as long-term investments. The debt securities are carried at amortized cost and classified as held-to-maturity securities as the Company has the positive intent and ability to hold them until they mature. The net carrying value of held-to-maturity securities is adjusted for amortization of premiums and accretion of discounts to maturity over the life of the securities. Held-to-maturity securities are stated at amortized cost, which approximates fair market value as of December 31, 2011 and 2010. Income related to these securities is reported as a component of interest income in the Company's consolidated statements of operations. *See Note 8—Investments.*

Investments are considered to be impaired when a decline in fair value is determined to be other-than-temporary. The Company conducts a regular assessment of its debt securities with unrealized losses to determine whether securities have other-than-temporary impairment ("OTTI"). This assessment considers, among other factors, the nature of the securities, credit rating or financial condition of the issuer, the extent and duration of the unrealized loss, market conditions and whether the Company intends to sell or whether it is more likely than not that the Company will be required to sell the debt securities. For the years ended December 31, 2011 and 2010, the Company has not incurred OTTI of its debt securities.

Joint Interest and Other Receivables

Joint interest and other receivables result primarily from billing shared costs under the respective operating agreements to the Company's partners. These receivables are usually settled within 30 days of the invoice date.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (Continued)

Property, Plant, and Equipment

The Company uses the "successful efforts" method of accounting for its oil and gas properties. Acquisition costs for unproved leasehold properties and costs of drilling exploratory wells are capitalized pending determination of whether proved reserves can be attributed to the areas as a result of drilling those wells. Under the successful efforts method of accounting, proved leasehold costs are capitalized and amortized over the proved developed and undeveloped reserves on a units-of-production basis. Successful drilling costs and developmental dry holes are capitalized and amortized over the proved developed reserves on a units-of-production basis. Significant unproved leasehold costs are capitalized and are not amortized, pending an evaluation of their exploration potential. Unproved leasehold costs are assessed periodically to determine if an impairment of the cost of individual properties has occurred. Factors taken into account for impairment analysis include results of the technical studies conducted, lease terms and management's future exploration plans. The cost of impairment is charged to expense in the period in which it occurs. Costs incurred for exploratory dry holes, geological and geophysical work (including the cost of seismic data), and delay rentals are charged to expense as incurred. Costs of other property and equipment are depreciated on a straight-line based on their respective useful lives.

Asset Retirement Obligations

The Company currently does not have any oil and natural gas production. Should such production occur in the future, the Company expects to have significant obligations under its lease agreements and federal regulation to remove its equipment and restore land or seabed at the end of oil and natural gas production operations. These asset retirement obligations are primarily associated with plugging and abandoning wells and removing and disposing of offshore oil and natural gas platforms. Estimating the future restoration and removal cost is difficult and requires the Company to make estimates and judgments because most of the removal obligations are many years in the future and contracts and regulation often have vague descriptions of what constitutes removal. Asset removal technologies and cost are constantly changing, as are regulatory, political, environmental, safety and public relations considerations. Pursuant to the FASB ASC No. 410-20, *"Assets Retirement Obligations."* The Company is required to record a separate liability for the estimated fair value of its asset retirement obligations, with an offsetting increase to the related oil and natural gas properties representing asset retirement costs on its balance sheet. The cost of the related oil and natural gas asset, including the asset retirement cost, is depreciated over the useful life of the asset. The estimated fair value of asset retirement obligations is measured by reference to the expected future cash outflows required to satisfy the retirement obligation discounted at the Company's credit-adjusted risk-free interest rate. Accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value.

Inherent to the present value calculation are numerous estimates, assumptions and judgments, including the ultimate settlement amounts, inflation factors, credit adjusted risk-free rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the present value of the abandonment liability, the Company will make corresponding adjustments to both the asset retirement obligation and the related oil and natural gas property asset balance. Increases in the discounted abandonment liability and

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (Continued)

related oil and natural gas assets resulting from the passage of time will be reflected as additional accretion and depreciation expense in the consolidated statements of operations.

Inventory

Inventories consist of various tubular products that are used in the Company's drilling programs. The products are stated at the lower cost or market. Cost is determined using a weighted average method comprised of purchase price and other directly attributable costs.

Income Taxes

The Company applied the liability method of accounting for income taxes in accordance with FASB ASC No. 740, "*Income Taxes"* as clarified by FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109, "Accounting for Income Taxes*". Under this method, deferred tax assets and liabilities are determined by applying tax rates in effect at the end of a reporting period to the cumulative temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Since the Company is in development stage and there can be no assurance that the Company will generate any earnings or any specific level of earnings in future years, the Company has established a valuation allowance that equals its net deferred tax assets. *See Note 16.*

Equity-Based Compensation

The Company accounts for stock-based compensation at fair value. The Company grants various types of stock-based awards including stock options, restricted stock and performance-based awards. The fair value of stock option awards is determined using the Black-Scholes-Merton option-pricing model. For restricted stock awards with market conditions, the fair value of the awards is measured using the asset-or-nothing option pricing model. Restricted stock awards without market conditions and the performance-based awards are valued using the market price of the Company's common stock on the grant date. The Company records compensation cost, net of estimated forfeitures, for stock-based compensation awards over the requisite service period except for performance-based awards. For performance-based awards, compensation cost is recognized over the requisite service period as and when the Company determines that the achievement of the performance condition is probable, using the per-share fair value measured at grant date. *See Note 14.*

Operating Costs and Expenses

Expenses consist primarily of the costs of acquiring and processing of geological and geophysical data, exploration and appraisal drilling expenses, consultants, telecommunications, payroll and benefit costs, information system and legal costs, office rent, contract costs, and bookkeeping and audit fees.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, joint interest and other receivables, investments and restricted cash. The fair value of these instruments approximates carrying values due to their short-term duration. The Company's long-term investments do not exceed two years. *See Note 5—Restricted Cash and Note 8—Investments*, for a discussion of the carrying value and fair value of the Company's investments in held-to-maturity securities.

4. Cash and Cash Equivalents

As of December 31, 2011 and 2010, cash and cash equivalents consisted of the following:

	December 31,	
	2011	2010
	(in thousands)	
Cash at banks	$ 2,992	$ 10,327
Money market funds	104,805	59,792
Held-to-maturity securities(1)	184,749	232,601
	$ 292,546	$ 302,720

(1) These securities mature three months or less from date of purchase.

5. Restricted Cash

Restricted cash consisted of the following:

	December 31,	
	2011	2010
	(in thousands)	
Short-term:		
Ocean Confidence escrow account(1)	$ 10,804	—
Collateral on Letters of Credit for Angola(2)	53,322	—
Ensco 8503 escrow account(3)	4,883	—
	$ 69,009	$ —
Long-term:		
Ensco 8503 escrow account(3)	$ 181,159	$ 186,184
Collateral on Letters of Credit for Angola(2)	88,358	151,615
Other vendor restricted deposits	718	716
	$ 270,235	$ 338,515

(1) The $10.8 million was held in an escrow account established in January 2011 as a guarantee of performance to Z North Sea Ltd, a subsidiary of Diamond Offshore Drilling, Inc. for the Ocean Confidence drilling rig contract. During the year ended December 31, 2011, this escrow fund was invested in a money market deposit account.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

5. Restricted Cash (Continued)

(2) $151.3 million was held in a collateral account established in March 2010 as collateral for letters of credit issued in support of the Company's contractually agreed work program obligations on Blocks 21 and 9 offshore Angola. In April 2011, the collateral was reduced by approximately $10.0 million following the completion of the seismic phase of the work program obligations for Block 9 offshore Angola. During the year ended December 31, 2011, the Company reclassified $53.3 million from long-term restricted cash to short term restricted cash as this amount represents the work program obligations for two wells on Block 21 offshore Angola that are expected to be drilled within the next twelve months. As of December 31, 2011, the short-term and long-term collateral in this account was invested in U.S. Treasury bills and U.S. government guaranteed corporate bonds, purchased at discounts and at premiums, respectively, resulting in a net carrying value of $141.7 million. The contractual maturities of these securities are within one year.

(3) $186.0 million was held in an escrow account established in December 2009 as a guarantee of performance to Ensco Offshore Company for the Ensco 8503 drilling rig contract. The Company reclassified $4.9 million from long-term restricted cash to short-term restricted cash as this amount represents the standby rates for the Ensco 8503 drilling rig to be paid out of the escrow account sometime in early 2012. As of December 31, 2011, the short-term and long-term funds in the escrow account were invested in U.S. Treasury bills and Treasury notes, purchased at a discount and at a premium, respectively, resulting in a net carrying value of $179.5 million and in a money market fund with a carrying value of $6.5 million. The contractual maturities of the U.S. Treasury bills and Treasury notes are within six months.

6. Joint Interests and Other Receivables

As of December 31, 2011 and 2010, the balance in joint interest and other receivables consisted of the following:

	December 31,	
	2011	2010
	(in thousands)	
Partners in the U.S. Gulf of Mexico	$ 12,377	$ 4,368
Partners in West Africa	34,311	—
Accrued interest on investment securities	7,094	3,865
Vendor's receivable	1,502	—
Other	1,699	4
	$ 56,983	$ 8,237

7. Prepaid Expenses and Other Current Assets

Prepaid expenses include the prepaid and unamortized portion of payments made for software licenses, related maintenance fees, and insurance. Other current assets include short-term deposits and current portion of the costs associated with the mobilization and equipment upgrades of the Ensco

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

7. Prepaid Expenses and Other Current Assets (Continued)

8503 drilling rig and subsea containment. As of December 31, 2011 and 2010, prepaid expenses and other current assets were $22.2 million and $9.0 million, respectively.

8. Investments

The Company's investments in held-to-maturity securities which are stated at amortized cost, the approximate fair market value of which were as follows at December 31, 2011 and 2010:

	December 31,	
	2011	2010
	(in thousands)	
U.S. Treasury securities	$ 379,618	$ 604,035
Corporate securities	535,846	180,191
Commercial paper	369,432	282,039
U.S. government agency securities	71,856	60,003
Municipal bonds	42,193	19,068
Certificates of deposit	12,500	—
Total	$ 1,411,445	$ 1,145,336

The Company's held-to-maturity securities were included in the following captions in the Company's balance sheets:

	December 31,	
	2011	2010
	(in thousands)	
Cash and cash equivalents	$ 184,749	$ 232,601
Short-term investments	858,293	534,933
Short-term restricted cash	53,322	—
Long-term restricted cash	267,849	337,799
Long-term investments	47,232	40,003
	$ 1,411,445	$ 1,145,336

The contractual maturities of these held-to-maturity securities at December 31, 2011 and 2010 were as follows:

	December 31,			
	2011		2010	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	($ in thousands)			
Within 1 year	$ 1,364,213	$ 1,364,213	$ 1,105,333	$ 1,105,333
After 1 year	47,232	47,232	40,003	40,003
	$ 1,411,445	$ 1,411,445	$ 1,145,336	$ 1,145,336

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

9. Property, Plant, and Equipment

Property, plant, and equipment is stated at cost less accumulated depreciation/amortization and consisted of the following:

	Estimated Useful Life (Years)	December 31, 2011	December 31, 2010
		($ in thousands)	
Oil and Gas Properties:			
Unproved oil and gas properties		$ 701,892	$ 364,766
Less: accumulated valuation allowance		(18,275)	(9,147)
		683,617	355,619
Exploratory wells in process		178,338	106,881
Total oil and gas properties, net		861,955	462,500
Other Property and Equipment:			
Computer equipment and software	3	2,847	2,300
Office equipment and furniture	3	1,114	1,047
Vehicles	3	129	76
Leasehold improvements	3	836	666
		4,926	4,089
Less: accumulated depreciation and amortization		(3,555)	(2,820)
Total other property and equipment, net		1,371	1,269
Property, plant, and equipment, net		$ 863,326	$ 463,769

The Company recorded $0.7 million, $0.8 million, $0.6 million and $3.6 million of depreciation and amortization expense for the years ended December 31, 2011, 2010 and 2009, and for the period November 10, 2005 (inception) through December 31, 2011, respectively.

Unproved Oil and Gas Properties

On December 20, 2011, the Company acquired a 40% working interest in Block 20 offshore Angola for a total consideration of $347.1 million, of which $337.1 million is contractually scheduled to be paid over five years commencing in January 2012. In addition to the Block 20 interests, the Company has $10.8 million of unproved property acquisition costs relating to 40% interests in Blocks 9 and 21 offshore Angola and Gabon. No significant impairment of these properties has been recognized since the Company intends to continue exploration and development of these properties. The Company also has $325.7 million of unproved property acquisition costs, net of valuation allowance, relating to properties offshore Gulf of Mexico. As of December 31, 2011 and 2010, the Company has a net total of $683.6 million and $355.6 million, respectively, ofunproved property acquisition costs on the consolidated balance sheets.

Acquisition costs of unproved leasehold properties are assessed for impairment during the holding period and transferred to proved oil and gas properties to the extent associated with successful exploration activities. Significant unproved leases are assessed individually for impairment based on the

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

9. Property, Plant, and Equipment (Continued)

Company's current exploration plans and an allowance is provided if impairment is indicated. Unproved leasehold costs for properties offshore U.S. Gulf of Mexico that are individually less than $1.0 million in carrying value are amortized on a group basis over the average terms of the leases, at rates that provide for full amortization of leases upon lease expiration. These leases have expiration dates ranging from 2012 through 2020. As of December 31, 2011 and 2010, the balance for unproved leaseholds that were individually less than $1.0 million beforeimpairment provision was $65.1 million and $65.1 million, respectively. For the years ended December 31, 2011, 2010, 2009 and for the period November 10, 2005 (inception) through December 31, 2011, the Company recorded $9.1 million, $9.1 million, $0 million and $18.2 million, respectively, as amortized expense on its unproved leasehold properties.

Capitalized Exploratory Well Costs

If an exploratory well provides evidence as to the existence of sufficient quantities of hydrocarbons to justify potential completion as a producing well, drilling costs associated with the well are initially capitalized, or suspended, pending a determination as to whether a commercially sufficient quantity of proved reserves can be attributed to the area as a result of drilling. This determination may take longer than one year in certain areas (generally, deepwater and international locations) depending upon, among other things, (i) the amount of hydrocarbons discovered, (ii) the outcome of planned geological and engineering studies, (iii) the need for additional appraisal drilling activities to determine whether the discovery is sufficient to support an economic development plan and (iv) the requirement for government sanctioning in international location before proceeding with development activities.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

9. Property, Plant, and Equipment (Continued)

The following table reflects the Company's net changes in and the cumulative costs of capitalized exploratory well costs (excluding any related leasehold costs):

	December 31,	
	2011	2010
	($ in thousands)	
Beginning of year	$ 106,881	$ 107,226
Addition to capitalized exploratory well cost pending determination of proved reserves		
U.S. Gulf of Mexico:		
Shenandoah #1 Exploratory Well	(53)	176
Heidelberg #1 Exploratory Well	—	8
Heidelberg #2 Appraisal Well	5,999	10,854
Heidelberg #3 Exploratory Well	4,056	—
Ligurian #1 Exploratory Well	—	86
Ligurian #2 Exploratory Well pre-spud costs	2,034	—
Criollo #1 Exploratory Well	(822)	8,171
Firefox #1 Exploratory Well	—	12,463
Other pre-spud costs	—	2,839
West Africa:		
Bicuar #1 Exploratory Well costs	25,444	—
Cameia #1 Exploratory Well costs	71,405	—
Reclassifications to wells, facilities, and equipment based on determination of proved reserves	—	—
Amounts charged to expense(1)	(36,606)	(34,942)
End of year	$ 178,338	$ 106,881

(1) Impairment charge on exploratory wells.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

9. Property, Plant, and Equipment (Continued)

	Year Drilled	December 31, 2011	December 31, 2010
		($ in thousands)	
Cumulative costs:			
Shenandoah #1 Exploratory Well	2008	69,468	$ 69,521
Heidelberg #1 Exploratory Well	2008	20,240	20,240
Ligurian #1 Exploratory Well	2009	8,100	8,100
Criollo #1 Exploratory Well	2009	—	9,020
Ligurian #2 Exploratory Well pre-spud costs	2011	2,034	—
Heidelberg #3 Exploratory Well	2011	4,056	—
Bicuar #1 Exploratory Well	2011	3,035	—
Cameia #1 Exploratory Well	2011	71,405	—
		$ 178,338	$ 106,881
Exploratory Well costs capitalized for a period greater than one year after completion of drilling at December 31, 2011 and 2010 (included in table above)		$ 97,861	$ 106,881

Capitalized exploratory well costs that have been suspended longer than one year are associated with the Shenandoah #1, Heidelberg #1 and Ligurian #1 projects. These exploratory well costs are suspended pending ongoing evaluation including, but not limited to, results of additional appraisal drilling, well-test analysis, additional geological and geophysical data and approval of a development plan. Management believes these projects exhibit sufficient indications of hydrocarbons to justify potential development and is actively pursuing efforts to fully assess them. If additional information becomes available that raises substantial doubt as to the economic or operational viability of these projects, the associated costs will be expensed at that time.

As of December 31, 2011, no exploratory wells have been drilled by the Company offshore Gabon.

10. Other Assets

Costs associated with the mobilization and equipment upgrades of the Ensco 8503 drilling rig and subsea containment were deferred in other assets. The Company will amortize these costs to respective exploratory wells as and when the rig is used for drilling activities over the term of the drilling contract. These costs will be expensed or capitalized to oil and gas properties as exploratory drilling costs, depending on the drilling results. As of December 31, 2011 and 2010, no amortization on these costs was recorded since the Ensco 8503 drilling rig did not commence drilling activities until January 2012. As of December 31, 2011 and 2010, the accumulated costs associated with the Ensco 8503 drilling rig and subsea containment in other assets were $12.1 million and $14.5 million, respectively.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

11. Contractual Obligations

The short-term and long-term contractual obligations consist of the following:

	December 31,	
	2011	2010
	($ in thousands)	
Short-term Contractual Obligations:		
Social obligation payments for Block 9, offshore Angola	$ 1,300	$ 1,150
Social obligation payments for Block 21, offshore Angola	2,600	2,300
Social obligation and bonus payments for Block 20, offshore Angola(1)	128,565	—
	$ 132,465	$ 3,450
Long-term Contractual Obligations:		
Social obligation payments for Block 9, offshore Angola	$ 800	$ 950
Social obligation payments for Block 21, offshore Angola	1,600	1,900
Social obligation and bonus payments for Block 20, offshore Angola	208,561	—
	$ 210,961	$ 2,850

(1) This amount was paid in January 2012.

12. Stockholders' Equity

On January 7, 2010, the Company closed the sale of an additional 7,978,000 shares of its common stock at the public offering price of $13.50 per share pursuant to the exercise of the over-allotment option by the underwriters of the IPO.

On April 15, 2011, the Company issued 35,650,000 shares of its common stock at a public offering price of $14.00 per share.

On December 21, 2011, the Company withheld and cancelled an aggregate amount of 13,763 shares of its common stock, at a price of $13.85 per share, to satisfy tax withholding obligations of certain of our employees that arose upon the lapse of restrictions on restricted stock.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

13. Seismic and Exploration Expenses

Seismic and exploration expenses consisted of the following:

	For Year Ended December 31,			For the Period November 10, 2005 (Inception) through December 31, 2011
	2011	2010	2009	
	($ in thousands)			
Seismic costs	$ 20,443	$ 39,748	$ 34,551	$ 299,601
Seismic cost recovery(1)	—	(15,126)	(10,000)	(25,126)
Leasehold delay rentals	6,075	5,989	6,115	26,770
Force Majeure expense(2)	—	13,549	—	13,549
Drilling rig expense	5,721	870	—	14,046
	$ 32,239	$ 45,030	$ 30,666	$ 328,840

(1) These amounts represent reimbursement from partners of past seismic costs incurred by the Company.

(2) These amounts represent expenditures resulting from suspension of drilling activities in the U.S. Gulf of Mexico as a result of the explosion and sinking of the Deepwater Horizon drilling rig in the U.S. Gulf of Mexico, the resulting oil spill and the regulatory response thereto and other exploratory expenses.

14. Equity based Compensation

Overview. Under the Company's Long Term Incentive Plan (the "Incentive Plan"), the Company may issue stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards to employees. At December 31, 2011, approximately 9.4 million shares remain available for grant under the Incentive Plan.

On January 28, 2010, the Company adopted the Non-Employee Directors Compensation Plan (the "NED Plan"). Under the NED Plan, the Company may issue options, restricted stock units, other stock-based award or retainers to non-employee directors. At December 31, 2011, 600,719 shares remain available for grant under the NED Plan.

In accordance with ASC No. 718, *Compensation—Stock Compensation*, the Company recognizes compensation cost for equity-based compensation to employees and non-employee directors over the period during which the recipient is required to provide service in exchange for the award, based on the fair value of the equity instrument on the date of grant, net of estimated forfeitures. If actual forfeitures differ from the Company's estimates, additional adjustments to compensation expense will be required in future periods.

Restricted Stock. The Company accounted for the restricted stock based on ASC Topic 718 as described above. For restricted stock awards with market conditions, the fair value of the awards is

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

14. Equity based Compensation (Continued)

measured using the asset-or-nothing option pricing model. Restricted stock awards without market conditions and the performance-based awards are valued using the market price of the Company's common stock on the grant date. The Company records compensation cost, net of estimated forfeitures, for stock-based compensation awards over the requisite service period except for performance- based awards. For performance-based awards, compensation cost is recognized over the requisite service period as and when the Company determines that the achievement of the performance condition is probable, using the per-share fair value measured at grant date.

The following table summarizes the information about the restricted stock awarded to employees for the period from the Company's corporate reorganization on December 15, 2009 to December 31, 2011:

	Years Ended December 31,					
	2011		2010		2009	
	Restricted Shares	Weighted Average Grant Date Fair Value Per Share	Restricted Shares	Weighted Average Grant Date Fair Value Per Share	Restricted Shares	Weighted Average Grant Date Fair Value Per Share
Non-vested shares at beginning of year	5,570,895	$ 9.77	8,015,041	$ 7.67	9,113,772	$ 0.32
Granted pre-reorganization	—	—	—	—	1,043,507	$ 20.86
Granted post-reorganization	214,792	$ 8.54	442,156	$ 9.96	3,705,425	$ 11.71
Vested	(1,185,904)	$ 3.75	(2,213,277)	$ 0.51	(5,356,756)	$ 0.25
Forfeited or expired	—	—	(673,025)	$ 15.35	(490,907)	$ 0.31
Non-vested shares at end of year	4,599,783	$ 11.27	5,570,895	$ 9.77	8,015,041	$ 7.67
Weighted-average period remaining	2.5 years		3.3 years		3.2 years	
Unrecognized compensation ($ in thousands)	$ 29,559		$ 41,599		$ 63,371	

For the year ended December 31, 2010, 45,000 nonvested restricted shares held by a former officer of the Company were accounted for as vested and 585,778 nonvested restricted shares were forfeited pursuant to the terms of the Separation Agreement between the officer and the Company. The terms of the Separation Agreement were accounted for in accordance with ASC No. 718, *Compensation—Stock Compensation* and resulted in $0.5 million recognized in stock compensation expense for the vested shares and $2.4 million recognized as a reduction to the stock compensation expense for the forfeited shares during the year ended December 31, 2010.

During the year ended December 31, 2011, the Company granted 51,620 restricted stock units to non-employee directors and also granted 23,595 shares of common stock as retainer awards to non-employee directors who elected to be compensated by stock in lieu of cash payments. As of December 31, 2011, there were 51,620 nonvested shares relating tonon-employee directors and a total of $0.3 million of unrecognized compensation cost, all of which will be recognized during 2012. The weighted average fair value of these shares at grant date was $13.56.

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December 31, 2011 and 2010

14. Equity based Compensation (Continued)

Non-Qualified Stock Options. The Company grants non-qualified stock options to employees at an exercise price equal to the market value of the Company's common stock on the grant date. The non-qualified stock option awards have contractual terms of 10 years and vest ratably over a four-year period from date of grant. There were no non-qualified stock options granted prior to December 3, 2010.

The fair value of each stock option granted is determined using the Black-Scholes-Merton option-pricing model based on several assumptions. These assumptions are based on management's best estimate at the time of grant. The Company used the following the weighted average of each assumption based on the grants in each fiscal year (there were no new stock options granted in 2011):

	2011	2010
Expected Term in Years	—	6.25
Expected Volatility	—	54.4%
Expected Dividends	—	0%
Risk-Free Interest Rate	—	2.7%

The Company estimates expected volatility based on an analysis of its stock price since the IPO and comparing the stock price volatility for the period from IPO date through December 3, 2010 with the historical stock price volatility of a similar exploration and production company. The Company estimates the expected term of its option awards based on the vesting period and average remaining contractual term, referred to as the "simplified method". The Company uses this method to provide a reasonable basis for estimating its expected term based on a lack of sufficient historical employee exercise data on stock option awards.

A summary of the stock options activities for the year ended December 31, 2011 is presented below:

	Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (thousands)
Outstanding at January 1, 2011	1,133,960	$ 12.45	9.9	$ 7,688
Granted	—	—		
Exercised	—	—		
Forfeited or expired	—	—		
Outstanding at December 31, 2011	1,133,960	$ 12.45	8.9	$ 7,688
Vested or expected to vest at December 31, 2011	283,490	$ 12.45	8.9	$ 1,922
Exercisable at December 31, 2011	283,490	$ 12.45	8.9	$ 1,922

The weighted-average grant-date fair value of stock options granted during 2011 and 2010 was $0 and $6.78 per option, respectively, using the Black-Scholes option-pricing model. No stock options were exercised during 2011. As of December 31, 2011, there were 1,133,960 shares of common stock underlying outstanding stock options. As of December 31, 2011,$5.4 million of total unrecognized

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

14. Equity based Compensation (Continued)

compensation cost related to stock option is expected to be recognized over a weighted-average period of 2.92 years.

Restricted Stock Units. On December 3, 2010, the Company granted 198,838 restricted stock units to employees based on the Restricted Stock Unit (RSU) Award Agreement. Under the RSU Award Agreement the share-based payment is earned based on the number of successful wells drilled during the three year period ending December 31, 2013. The RSU award will vest within a range of 0% to 200% of the number of RSU shares awarded on scheduled vesting dates contingent upon the recipient's continued service at each vesting date and based on the achievement of successful wells drilled as defined in the RSU Award Agreement. In no event shall the recipients vest in an amount greater than 200% of the Award or in aggregate 397,676 RSU shares. The percentage of the RSU awards vested at each of the three year periods ending December 31, 2013 is calculated by the number of successful wells drilled during the respective years multiplied by vesting percentage ranging from 25% to 37.5%. No payout in the form of the RSUs will be made if the number of successful wells drilled between January 1, 2011 and December 31, 2013 divided by the total wells spud during the same period is less than 20%. The RSU Award Agreement therefore has multiple implicit service periods which are determined by and when the Company drills a successful well. The fair value of the RSUs awards is determined by the closing price of the Company's common stock at the date of grant, which was $12.45 per share, in accordance with ASC No. 718, *Compensation—Stock Compensation*. Compensation cost will be recognized as and when the performance condition is satisfied. Until such time when the Company completes drilling a well in the U.S. Gulf of Mexico and/or completes drilling and evaluation of a well offshore Angola in 2012, the Company will be unable to determine the probability of successful wells drilled. As a result, no compensation cost was recognized for the years ended December 31, 2011 and 2010 for these awards. As of December 31, 2011 and 2010, unrecognized compensation cost related to restricted stock units ranged from $2.5 million to $5.0 million.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

14. Equity based Compensation (Continued)

The table below summarizes the equity-based compensation costs recognized for the years ended December 31, 2011, 2010 and 2009, and for the period November 10, 2005 (inception) through December 31, 2011:

	For Year Ended December 31,			For the Period November 10, 2005 (Inception) through December 31, 2011
	2011	2010	2009	
	($ in thousands)			
Restricted stock:				
Employees	$ 12,860	$ 12,064	$ 3,927	$ 33,217
Non-employee directors	804	507	—	1,311
Stock options:				
Employees	1,841	101	—	1,942
Restricted stock units (performance-based)	—	—	—	—
Deferred stock compensation(1)	—	—	1,828	1,828
	$ 15,505	$ 12,672	$ 5,755	$ 38,298

(1) In December 2008, the Company adopted a deferred compensation plan and provided certain executive officers the opportunity to defer under the Plan all or a portion of their salary and/or annual bonus for 2009. Amounts deferred under the Plan generally are deemed to be invested in a money market account prior to the IPO and shares of the Company's common stock following the IPO. Subject to accelerated payment under specified circumstances, the deferred amounts were distributed to these executives in January 2012 in the form of shares of the Company's common stock. As of December 31, 2011, there were 121,637 shares under the Plan to be distributed to these executives.

15. Employee Benefit Plan

In 2006, the Company established the Cobalt International Energy, L.P., defined contribution 401(k) plan (the Plan). All employees of the Company after three months of continuous employment are eligible to participate in the Plan. The plan is discretionary and provides a 6% employee contribution match as determined by the Company's Board of Directors. Effective December 31, 2009, the Plan was amended to discontinue the employer's matching contributions. Effective January 1, 2012, the Company reinstituted the 6% employee contribution match. For the years ended December 31, 2011, 2010 and 2009, and for the period November 10, 2005 (inception) through December 31, 2011, the Company recorded $0, $0, $0.5 million and $1.4 million, respectively, in benefits contributions to the Plan, which are included in the general and administrative expenses.

Cobalt International Energy, Inc.
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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

16. Income Taxes

For the years ended December 31, 2011 and 2010, the Company recorded a net deferred tax asset of $177.2 million and $97.6 million, respectively with a corresponding full valuation allowance of $177.2 million and $97.6 million, respectively, for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Prior to its corporate reorganization on December 15, 2009, the Company was not subject to federal or state income taxes. Upon completion of the corporate reorganization, the Company became subject to federal and state income taxes. At the time of the corporate reorganization, the Company recorded a net deferred tax asset of $28.9 million with a corresponding full valuation allowance of $28.9 million for book/tax differences contributed to the corporation by the underlying partners.

The components of the income tax provision (benefit) are as follows:

	Year Ended December 31,		Period from December 15 - 31,
	2011	2010	2009
	($ in thousands)		
Current taxes:			
U.S. federal	$ —	$ —	$ —
Foreign	—	—	—
Deferred taxes:			
U.S. federal	—	—	—
Foreign	—	—	—
Total	$ —	$ —	$ —

The reconciliation of income taxes computed at the U.S. federal statutory tax rate to the Company's income tax expense (benefit) for the year ended December 31, 2011 and 2010 andfor the period from December 15, 2009 through December 31, 2009 are as follows:

	Year Ended December 31,		Period from December 15 - 31,
	2011	2010	2009
	($ in thousands)		
U.S.:			
Net income (loss) as reported	$ (76,231)	$ (93,037)	$ (81,257)
Less: net income (loss) applicable to period before corporate reorganization	—	—	(46,645)
Foreign:			
Net income (loss) as reported	(57,406)	(43,439)	—
Less: net income (loss) applicable to period before corporate reorganization	—	—	—
Net income (loss) applicable to period after corporate reorganization	$ (133,637)	$ (136,476)	$ (34,612)

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

16. Income Taxes (Continued)

	Year Ended December 31,				Period from	
	2011		2010		December 15-31, 2009	
	($ in thousands)					
Income tax expense (benefit) at the federal statutory rate	$ (46,773)	35.00%	$ (47,767)	35.00%	$ (12,114)	35.00%
State income taxes, net of federal income tax benefit	(2,579)	1.93%	(339)	0.25%	—	—
Foreign NOL(1)	(30,407)	22.75%	—	—	—	—
Deferred income taxes established at date of corporate reorganization(2)	—	—	(8,735)	6.33%	(28,867)	83.40%
Other	117	0.08%	176	0.13%	86	0.25%
Valuation allowance	79,642	59.60%	56,665	41.45%	40,895	118.15%
	$ —	—	$ —	—	$ —	—

(1) The Company filed its initial Angola's tax returns in July 2011. Prior to 2011, the Company did not have any registered presence for reporting foreign net operating losses.

(2) The $8.7 million in 2010 relates to an adjustment to include the 2009 NOL of an affiliate company acquired during the 2009 pre-IPO corporate reorganization.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities were as follows:

	As of December 31,	
	2011	2010
	($ in thousands)	
Deferred tax liabilities:		
Oil and gas properties	$ 4,555	$ 8,084
Other	452	666
Total deferred tax liabilities	5,007	8,750
Deferred tax assets:		
Seismic and exploration costs	54,005	$ 47,613
Stock-based compensation	9,329	5,142
Domestic NOL carry forwards	86,599	51,003
Foreign NOL carry forwards	30,407	—
Other	1,869	2,552
Valuation allowance	(177,202)	(97,560)
Total deferred assets, net	5,007	8,750
Net deferred tax assets	$ —	$ —

Cobalt International Energy, Inc.
(a Development Stage Enterprise)

Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

16. Income Taxes (Continued)

The Company has established a full valuation allowance against the deferred tax assets where the Company has determined that it is more likely than not that all of the deferred tax assets will not be realized. Because of the full valuation allowance, no income tax expense or benefit is reflected on the consolidated statement of operations for the years ended December 31, 2011, 2010 and for the period December 15, 2009 to December 31, 2009.

The NOL carryforward for federal and state income tax purposes of approximately $272.9 million as of December 31, 2011 begins to expire in 2024. The utilization of the NOL carryforwards is dependent upon generating sufficient future taxable income in the appropriate jusidictions within the carryforward period.

As of December 31, 2011, we had NOL carryforward for foreign income tax purposes of approximately $48.2 million which begins to expire in 2012. We do not expect to be able to utilize our foreign NOLs because we do not currently have sufficient estimated future taxable income in the appropriate jurisdiction. Therefore a full valuation allowance was established for these net deferred tax assets.

There were no unrecognized tax benefits or accrued interest or penalties associated with unrecognized tax benefits as of December 31, 2011 and 2010.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

17. Income (Loss) Per Share

The following table presents the calculation of basic and diluted income (loss) per share and pro forma basic and diluted income (loss) per share for the years ended December 31, 2011, 2010 and 2009, respectively, as discussed further in the summary of significant accounting policies in Note 2:

	December 31,		
	2011	2010	2009
	($ in thousands except per share data)		
Net income (loss)	$ (133,637)	$ (136,476)	$ (81,257)
Income tax expense	—	—	—
Net income (loss)	$ (133,637)	$ (136,476)	$ (81,257)
Pro forma income tax expense(1)(2)			$ —
Pro forma management fees(3)			2,872
Pro forma net income (loss)			$ (78,385)
Basic and diluted income (loss) per common share	$ (0.35)	$ (0.39)	
Weighted average common shares outstanding	376,603,520	349,342,050	
Pro forma basic and diluted income (loss) per share			$ (0.33)
Weighted average common shares outstanding used in pro forma basic and diluted net income (loss) per common share			236,751,219

(1) Upon completion of the Company's IPO and corporate reorganization in December 2009, the Partnership became wholly-owned by the Company. As a result, all of the Partnership's outstanding limited partnership interests were exchanged for shares of the Company's common stock based on these interests' relative rights as set forth in the Partnership's limited partnership agreement. Additionally, the Company became subject to federal and state income taxes.

(2) No income tax benefit has been reflected since a full valuation allowance has been established against the deferred tax asset that would have been generated as a result of the operating results.

(3) Upon completion of the corporate reorganization, the right of the Company's former private equity owners to receive a management fee terminated.

18. Contractual Obligations and Commitments

As of December 31, 2011, the Company's contractual obligations were limited to payments to be made in connection with the leases related to the Ensco 8503 and Diamond Ocean Confidence drilling rigs and other related drilling contracts, office lease payments and lease rental payments for exploration rights from the BOEM for further exploration in the western and central U.S. Gulf of Mexico and social payment obligations for Blocks 9, 20 and 21, offshore West Africa. The following table

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

18. Contractual Obligations and Commitments (Continued)

summarizes by period the payments due for the Company's estimated contractual obligations as of December 31, 2011:

	Payments Due By Year						
	2012	2013	2014	2015	2016	Thereafter	Total
	($ in thousands)						
Drilling Rig and Related Contracts	$195,640	$119,197	$ —	$ —	$ —	$ —	$314,837
Operating Leases	2,690	2,110	1,900	1,900	1,900	8,498	18,998
Lease Rentals	5,792	5,037	4,859	4,813	3,066	2,881	26,448
Social Payment Obligations	139,465	49,019	49,019	48,569	62,854	—	348,926
Total	**$343,587**	**$175,363**	**$55,778**	**$55,282**	**$67,820**	**$ 11,379**	**$709,209**

The Company recorded $7.7 million, $6.9 million, $6.4 million and $30.3 million of office and delay rental expense for the years ended December 31, 2011, 2010 and 2009, and for the period November 10, 2005 (Inception) through December 31, 2011, respectively.

19. Contingencies

The Company is not currently party to any legal proceedings. However, from time to time the Company may be subject to various lawsuits, claims and proceedings that arise in the normal course of business, including employment, commercial, environmental, safety and health matters. It is not presently possible to determine whether any such matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

20. Segment Information

As described in *Note 1, "Organization and Operations"*, the Company currently has two geographic operating segments for its exploratory operations. The operating segments are focused in the deepwater U.S. Gulf of Mexico and offshore West Africa. The following tables provide the geographic operating segment information for the years ended December 31, 2011, 2010 and 2009:

	U.S. Gulf of Mexico	West Africa	Total
		($ in thousands)	
Year ended December 31, 2011			
Operating costs and expense	$ 80,425	$ 57,411	$ 137,836
Interest income	(4,194)	(5)	(4,199)
Net income (loss)	$ (76,231)	$ (57,406)	$ (133,637)
Net properties and equipment	$ 430,699	$ 432,627	$ 863,326
Year ended December 31, 2010			
Operating costs and expense	$ 94,619	$ 43,439	$ 138,058
Interest income	(1,582)	—	(1,582)
Net income (loss)	$ (93,037)	$ (43,439)	$ (136,476)
Net properties and equipment	$ 443,024	$ 20,745	$ 463,769
Year ended December 31, 2009			
Operating costs and expense	$ 59,835	$ 21,935	$ 81,770
Interest income	(513)	—	(513)
Net income (loss)	$ (59,322)	$ (21,935)	$ (81,257)
Net properties and equipment	$ 450,867	$ 20,745	$ 471,612

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

21. Selected Quarterly Financial Data—Unaudited

Unaudited quarterly financial data for the years ended December 31, 2011 and 2010 are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	($ in thousands)			
Year ended December 31, 2011				
Operating costs and expenses	$ 16,755	$ 20,536	$ 48,242	$ 52,303
Operating income (loss)	(16,755)	(20,536)	(48,242)	(52,303)
Net income (loss)	(16,058)	(19,478)	(46,987)	(51,114)
Basic and diluted income (loss) per common share(1)	$ (0.05)	$ (0.05)	$ (0.12)	$ (0.13)
Year ended December 31, 2010				
Operating costs and expenses	$ 29,829	$ 41,994	$ 35,589	$ 30,646
Operating income (loss)	(29,829)	(41,994)	(35,589)	(30,646)
Net income (loss)	(29,732)	(41,766)	(35,182)	(29,796)
Basic and diluted income (loss) per common share(1)	$ (0.09)	$ (0.12)	$ (0.10)	$ (0.09)

(1) Totals may not add due to rounding.

22. Supplemental Information on Oil and Gas Exploration and Production Activities (Unaudited)

The supplementary oil and gas data that follows is presented in accordance with supplemental disclosure requirements under ASC No. 932, *"Extractive Activities—Oil and Gas"* and includes (1) capitalized costs, costs incurred and results of operations related to oil and gas producing activities, (2) net proved oil and gas reserves producing activities, (3) net proved oil and gas reserves, and (4) a standardized measure of discounted future net cash flows relating to proved oil and gas reserves. Since the Company did not have any proved reserves as of December 31, 2011 and 2010, there will be no disclosures on (2), (3) and (4) above.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

22. Supplemental Information on Oil and Gas Exploration and Production Activities (Unaudited) (Continued)

Capitalized Costs Related to Oil and Gas Activities

	U.S. Gulf of Mexico	West Africa	Total
		($ in thousands)	
As of December 31, 2011			
Unproved properties	$ 447,919	$ 432,311	$ 880,230
Accumulated valuation allowance	(18,275)	—	(18,275)
	429,644	432,311	861,955
Proved properties	—	—	—
Net capitalized costs	$ 429,644	$ 432,311	$ 861,955
As of December 31, 2010			
Unproved properties(1)	$ 450,903	$ 20,745	$ 471,648
Accumulated valuation allowance	(9,148)	—	(9,148)
	441,755	20,745	462,500
Proved properties	—	—	—
Net capitalized costs	$ 441,755	$ 20,745	$ 462,500

(1) Unproved properties includes capitalized costs net of sale/like-kind exchange of leasehold interests transactions that occurred in 2010 of approximately $0.4 million for U.S. Gulf of Mexico. No gain or loss was recognized for these transactions for the year ended December 31, 2010.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

22. Supplemental Information on Oil and Gas Exploration and Production Activities (Unaudited) (Continued)

Costs Incurred in Oil and Gas Activities

The following table reflects total costs incurred, both capitalized and expensed, for oil and gas property acquisition, exploration and development activities.

	U.S. Gulf of Mexico	West Africa	Total
		($ in thousands)	
Year ended December 31, 2011			
Property acquisition			
Unproved	$ —	$ 337,126	$ 337,126
Proved	—	—	—
Exploration			
Capitalized	11,213	96,849	108,062
Expensed	10,707	21,532	32,239
Development	—	—	—
Total Costs Incurred	$ 21,920	$ 455,507	$ 477,427
Year ended December 31, 2010			
Property acquisition			
Unproved	$ 1,746	$ —	$ 1,746
Proved	—	—	—
Exploration			
Capitalized	34,596	—	34,596
Expensed	15,984	29,046	45,030
Development	—	—	—
Total Costs Incurred	$ 52,326	$ 29,046	$ 81,372
Year ended December 31, 2009			
Property acquisition			
Unproved	$ 14,250	$ —	$ 14,250
Proved	—	—	—
Exploration			
Capitalized	50,051	—	50,051
Expensed	8,793	21,873	30,666
Development	—	—	—
Total Costs Incurred	$ 73,094	$ 21,873	$ 94,967

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Notes to Consolidated Financial Statements (Continued)

December 31, 2011 and 2010

22. Supplemental Information on Oil and Gas Exploration and Production Activities (Unaudited) (Continued)

The following table reflects the total acreage of the Company's existing oil and gas properties:

	Thousands of Acres			
	Developed		Undeveloped	
	Gross	Net	Gross	Net
Acreage at December 31, 2011				
U.S. Gulf of Mexico	—	—	1,323	644
West Africa	—	—	5,653	1,841
Total	—	—	6,976	2,485
Acreage at December 31, 2010				
U.S. Gulf of Mexico	—	—	1,323	644
West Africa	—	—	4,442	1,357
Total	—	—	5,765	2,001

Exhibit Index

Exhibit Number	Description of Document
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579))
3.2	By-laws of the Company (incorporated by reference to Exhibit 3 to the Company's Registration Statement on Form 8-A filed December 11, 2009 (File No. 001-34579))
4.1	Specimen stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
9.1*	Stockholders Agreement, dated December 15, 2009, among the Company and the stockholders that are signatory thereto.
10.1†	Employment Agreement, dated November 12, 2009, among the Company, the Partnership and Joseph H. Bryant (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.2†	Employment Agreement, dated October 23, 2009, among the Company, the Partnership and James H. Painter (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.3†	Employment Agreement, dated October 23, 2009, among the Company, the Partnership and James W. Farnsworth (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.4†	Severance Agreement, dated October 23, 2009, among the Company, the Partnership and John P. Wilkirson (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.5	Risk Services Agreement relating to Block 9, between CIE Angola Block 9 Ltd., Sonangol, Sonangol Pesquisa e Produção, S.A., Nazaki Oil and Gás and Alper Oil, Lda (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579))
10.6	Risk Services Agreement relating to Block 21, between CIE Angola Block 21 Ltd., Sonangol, Sonangol Pesquisa e Produção, S.A., Nazaki Oil and Gás and Alper Oil, Lda (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579))
10.7	Exploration and Production Sharing Contract, dated December 13, 2006, between the Republic of Gabon and Total Gabon, S.A. (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.8	Assignment Agreement, dated November 29, 2007, between CIE Gabon Diaba Ltd. and Total Gabon, S.A. (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.9	Simultaneous Exchange Agreement, dated April 6, 2009, between the Partnership and TOTAL E&P USA, INC. (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1/A filed October 9, 2009 (File No. 333-161734))
10.10	Gulf of Mexico Program Management and AMI Agreement, dated April 6, 2009, between the Partnership and TOTAL E&P USA, INC. (incorporated by reference to Exhibit 10.8 to the Company's Registration

Exhibit Number	Description of Document
10.11	Offshore Daywork Drilling Contract, dated May 3, 2008, between the Partnership and Ensco Offshore Company (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.12†	Form of Restricted Stock Award Agreements relating to the Class B interests (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.13†	Form of Restricted Stock Award Agreements relating to the Class C interests (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.14†	Form of Restricted Stock Award Agreements relating to the Class D interests (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1/A filed October 29, 2009 (File No. 333-161734))
10.15†	Long Term Incentive Plan of the Company (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed December 21, 2009 (File No. 333-163883))
10.16†	Annual Incentive Plan of the Company (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579))
10.17†	Non-Employee Directors Compensation Plan (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed January 29, 2010 (File No. 001-34579))
10.18†	Non-Employee Directors Deferral Plan (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed January 29, 2010 (File No. 001-34579))
10.19†	Form of Restricted Stock Unit Award Notification under the Non-Employee Directors Compensation Plan (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed January 29, 2010 (Filed No. 001-34579))
10.20*	Production Sharing Contract, dated December 20, 2011, between CIE Angola Block 20 Ltd., Sociedade Nacional de Combustíveis de Angola—Empresa Pública, Sonangol Pesquisa e Produção, S.A., BP Exploration Angola (Kwanza Benguela) Limited, and China Sonangol International Holding Limited.
10.21	Form of Director Indemnification Agreements (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1/A filed November 27, 2009 (File No. 333-161734))
10.22	Termination and Release of Irrevocable Contract Guarantee, dated December 9, 2009, between Ensco Offshore Company and the Guarantors named therein (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K filed March 30, 2010 (File No. 001-34579)).
10.23†	Form of Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K filed March 1, 2011 (File No. 001-34579)).
10.24†	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K filed March 1, 2011 (File No. 001-34579)).
10.25†	Separation Agreement between Rodney L. Gray and the Company, dated June 16, 2010, (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 21, 2010 (File No. 001-34579)).

Exhibit Number	Description of Document
10.26	International Daywork Drilling Contract—Offshore, dated November 8, 2010 between CIE Angola Block 21 Ltd. and Z North Sea Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 12, 2010 (File No. 001-34579)).
10.27	Special Standby Rate and Potential Suspension Agreement dated November 9, 2010 between Cobalt International Energy, L.P. and Ensco Offshore Company (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 12, 2010 (File No. 001-34579)).
10.28†	Form of Amendment to Employment Agreements with Joseph H. Bryant, James H. Painter and James W. Farnsworth and Severance Agreements with Samuel H. Gillespie and John P. Wilkirson (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed November 12, 2010 (File No. 001-34579)).
10.29†	Employment Agreement, dated September 6, 2011, between the Company and Van P. Whitfield (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 8, 2011 (File No. 001-34579))
10.30*	Severance Agreement, dated April 1, 2010, between the Company and Michael D. Drennon.
10.31*	Registration Rights Agreement, dated December 15, 2009, among the Company and the parties that are signatory thereto.
21.1*	List of Subsidiaries
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Schema Document
101.CAL**	XBRL Calculation Linkbase Document
101.DEF**	XBRL Definition Linkbase Document
101.LAB**	XBRL Labels Linkbase Document
101.PRE**	XBRL Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(b).

EXHIBIT 9.1

STOCKHOLDERS AGREEMENT

by and among

COBALT INTERNATIONAL ENERGY, INC.

and

THE STOCKHOLDERS THAT ARE SIGNATORIES HERETO

Dated as of December 15, 2009

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STOCKHOLDERS AGREEMENT

THIS STOCKHOLDERS AGREEMENT (as it may be amended from time to time in accordance with the terms hereof, this " Agreement"), dated as of December 15, 2009, is made by and among Cobalt International Energy, Inc., a Delaware corporation (the " Company"), and the stockholders that are or become signatories hereto (each a "Stockholder" and collectively, the "Stockholders").

RECITALS

WHEREAS, the Company and the Stockholders (or their respective Affiliates) are parties to that certain Reorganization Agreement, dated as of December 8, 2009, as such agreement may be amended from time to time in accordance therewith (the " Reorganization Agreement");

WHEREAS, as of the date of this Agreement, the Stockholders beneficially own greater than a majority of the outstanding Company Shares (as defined below);

WHEREAS, the Company is proposing to sell Company Shares to the public in an initial public offering (the " IPO"); and

WHEREAS, subject to the terms and conditions herein, the Stockholders and the Company desire to enter into this Agreement to provide for certain rights and obligations of the Stockholders and the Company.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants and agreements of the Parties, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I.
DEFINITIONS

Section 1.1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Affected Stockholder" has the meaning set forth in Section 5.8.

"Affiliate" means (a) with respect to any GSCP Party, any C/R Party and any FR Party, any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and includes any private equity investment fund the primary investment advisor to which is the primary investment advisor (or an Affiliate thereof) to such specified Person, (b) with respect to any of the KERN Parties, any Person directly or indirectly controlling or controlled by or under direct or indirect common control with KERN Partners Ltd. and (c) with respect to any other Person, any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. It being understood and agreed that, for purposes hereof, (i) each GSCP Party shall be deemed to be an Affiliate of every other GSCP Party, (ii) each C/R Party shall be deemed to be an Affiliate of every other C/R Party, (iii) each FR Party shall be deemed to be an Affiliate of every other FR Party, (iv)

neither the Company nor any subsidiary of the Company shall be deemed to be an Affiliate of any Stockholder, (v) except as set forth in clauses (i) through (iii) above, no Stockholder shall be deemed to be an Affiliate of any other Stockholder and (vi) neither the Board of Trustees of Leland Stanford Junior University nor Caisse de Depot et Placement du Quebec or any of their Affiliates shall be deemed to be Affiliates of KERN Cobalt Co-Invest Partners AP LP, KERN Partners Ltd. or any KERN Party.

"Agreement" has the meaning set forth in the preamble.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day other than a Saturday, Sunday or day on which banking institutions in New York, New York are authorized or obligated by law or executive order to close.

"Company" has the meaning set forth in the preamble.

"Company Shares" means common stock of the Company, par value $0.01 per share, and any and all securities of any kind whatsoever of the Company that may be issued by the Company after the date hereof in respect of, in exchange for, or in substitution of, Company Shares, pursuant to any stock dividends, splits, reverse splits, combinations, reclassifications, recapitalizations, reorganizations and the like occurring after the date hereof.

"C/R Parties" means, collectively, C/R Cobalt Investment Partnership, L.P., C/R Energy Coinvestment II, L.P., Riverstone Energy Coinvestment III, L.P., Carlyle Energy Coinvestment III, L.P., C/R Energy III Cobalt Partnership, L.P. and Carlyle/Riverstone Global Energy and Power Fund III, L.P. and any Affiliates of the foregoing to whom Company Shares are Transferred by a Stockholder after the IPO Date in accordance with this Agreement.

"Cure Period" has the meaning set forth in Section 3.1(h).

"Defaulting Stockholder" has the meaning set forth in Section 3.1(h).

"Directed Opportunity" has the meaning set forth in Section 5.3.

"Director" means a member of the Board of Directors.

"FR Parties" means, collectively, First Reserve Fund XI, L.P. and FR XI Onshore AIV, L.P. and any Affiliates of the foregoing to whom Company Shares are Transferred by a Stockholder after the IPO Date in accordance with this Agreement.

"Governing Documents" means the certificate of incorporation of the Company, as amended or modified from time to time, and the by-laws of the Company, as amended or modified from time to time.

"GSCP Parties" means, collectively, GSCP V Cobalt Holdings, LLC, GSCP V Offshore Cobalt Holdings, LLC, GSCP V GMBH Cobalt Holdings, LLC, GSCP VI Cobalt Holdings, LLC, GSCP VI Offshore Cobalt Holdings, LLC, GSCP VI GMBH Cobalt Holdings, LLC, GS

Capital Partners V Institutional, L.P. and GS Capital Partners VI Parallel, L.P., any Affiliates of the foregoing to whom Company Shares are Transferred by a Stockholder after the IPO Date in accordance with this Agreement.

"Hedge" means (a) any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Company Shares, whether any such aforementioned transaction is to be settled by delivery of Company Shares or other securities, in cash or otherwise or (b) any agreement to take or commit to any of the foregoing actions.

"independent director" means a Director who qualifies, as of the date of such Director's election or appointment to the Board of Directors and as of any other date on which the determination is being made, as an "independent director" pursuant to SEC rules and applicable listing standards, as amended from time to time, as determined by the Board of Directors without the vote of such Director.

"Initial Post-IPO Shares" means, with respect to the GSCP Parties, 74,868,148 Company Shares, with respect to the C/R Parties, 74,862,984 Company Shares, with respect to the FR Parties, 74,183,499 Company Shares and, with respect to the KERN Parties, 32,035,093 Company Shares, in each case, as adjusted pursuant to any stock dividends, splits, reverse splits, combinations, reclassifications, recapitalizations, reorganizations and the like occurring after the date hereof.

"IPO" has the meaning set forth in the recitals.

"IPO Date" means the date on which the IPO is consummated.

"KERN Parties" means KERN Cobalt Co-Invest Partners AP LP and any Affiliates of KERN Partners Ltd. to whom Company Shares are Transferred by a Stockholder after the IPO Date in accordance with this Agreement.

"KERN Permitted Transfer" means (a) a Transfer of Company Shares by KERN Cobalt Co-Invest Partners AP LP to a limited partner of KERN Cobalt Co-Invest Partners AP LP who is not an Affiliate of the KERN Parties if (i) such Transfer is being effected in connection with KERN Cobalt Co-Invest Partners AP LP's exercise of its rights as a Tagging Holder pursuant to the Tag-Along Agreement and such Transfer is being effected for the purpose of permitting such limited partner to be the direct seller of such Company Shares in connection with the sale pursuant to the Tag-Along Agreement or (ii) such Transfer is being effected in connection with KERN Cobalt Co-Invest Partners AP LP's exercise of its "piggyback" or "demand" rights under the Registration Rights Agreement and such Transfer is being effected for the purpose of permitting such limited partner to be the direct seller of such Company Shares in connection with the exercise of such "piggyback" or "demand" rights (provided that, in any such case, the number of Company Shares being Transferred to any such limited partner shall not exceed the aggregate number of Company Shares that KERN Cobalt Co-Invest Partners AP LP has elected to Transfer pursuant to such exercise of its rights as a Tagging Holder pursuant to the Tag-Along Agreement or in such exercise of its "piggyback" or "demand" rights pursuant to the Registration Rights Agreement, as applicable) or (b) a Transfer of partnership interests in KERN Cobalt Co-Invest Partners AP LP by a limited partner thereof to an Affiliate of such limited partner.

"Management Rights Agreements" means the management rights agreements between the Company and each of First Reserve Fund XI, L.P., FR XI Onshore AIV, L.P., C/R Cobalt Investment Partnership, L.P., Carlyle/Riverstone Global Energy and Power Fund III, L.P., GS Capital Partners V Institutional, L.P. and GS Capital Partners VI Parallel, L.P. as such agreements may be amended from time to time in accordance therewith.

"Necessary Action" means, with respect to a specified result, all actions (to the extent such actions are permitted by law and by the Governing Documents) necessary to cause such result, including (i) voting or providing a written consent or proxy with respect to the Company Shares, (ii) causing the adoption of stockholders' resolutions and amendments to the Governing Documents, (iii) causing Directors (to the extent such Directors were nominated or

designated by the Person obligated to undertake the Necessary Action, and subject to any fiduciary duties that such Directors may have as Directors) to act in a certain manner or causing them to be removed in the event they do not act in such a manner, (iv) executing agreements and instruments, and (v) making, or causing to be made, with governmental, administrative or regulatory authorities, all filings, registrations or similar actions that are required to achieve such result.

"Party" means the Company and the Stockholders party to this Agreement, including any Permitted Transferee who becomes a Party pursuant to Section 4.3(a).

"Permitted Transferee" means in the case of any Stockholder, an Affiliate of such Stockholder.

"Person" means an individual, partnership, limited liability company, corporation, trust, other entity, association, estate, unincorporated organization or a government or any agency or political subdivision thereof.

"Proposed Transfer" has the meaning set forth in Section 4.3(a).

"Proposed Transferee" has the meaning set forth in Section 4.3(a).

"Proxy Holder" has the meaning set forth in Section 3.1(h).

"Registration Rights Agreement" means that certain Registration Rights Agreement, dated as of the date of this Agreement, by and among the Company, the Stockholders and the other parties that are signatories thereto, as such agreement may be amended from time to time in accordance therewith.

"Registration Statement" means any registration statement of the Company filed with, or to be filed with, the SEC under the Securities Act, including any related prospectus, amendments and supplement to such registration statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement other than a registration statement (and related prospectus) filed on Form S-8 or any successor form thereto.

"Reorganization Agreement" has the meaning set forth in the recitals.

"Restricted Period" means the period beginning on IPO Date and ending on the 24-month anniversary of the IPO Date.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the United States Securities Act of 1933, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Selling Stockholder" has the meaning set forth in Section 4.3(a).

"Sponsor Director" means any Director designated by a Sponsor pursuant to the terms of this Agreement.

"Sponsor Party" means any Sponsor, any Sponsor Director and any of their respective officers, directors, agents, stockholders, members, partners, Affiliates and subsidiaries (other than the Company and its subsidiaries).

"Sponsors" means the GSCP Parties, the C/R Parties, the FR Parties and the KERN Parties.

"Stockholder" and "Stockholders" have the meaning set forth in the preamble.

"Stockholder Majority" means the consent or approval of the Stockholders (including, if applicable, the Stockholder(s) requesting a consent or approval) then owning a majority of the Company Shares then owned by all of the Stockholders.

"Tag-Along Agreement" means that certain Tag-Along Agreement, dated as of the date of this Agreement, by and among the Stockholders and the other parties that are signatories thereto, as such agreement may be amended from time to time in accordance therewith.

"Tagging Holder" has the meaning given to such term in the Tag-Along Agreement.

"Transfer" means (a) a direct or indirect transfer, sale, exchange, assignment, pledge, hypothecation or other encumbrance or other disposition of Company Shares, or any legal or beneficial interest therein, including the grant of an option or other right or the grant of any interest that would result in a Stockholder no longer having the power to vote, or cause to be voted, such Stockholder's Company Shares, whether directly or indirectly, whether voluntarily, involuntarily or by operation of law or (b) any agreement to take or commit to any of the foregoing actions; and " Transferred," "Transferee," "Transferor," and "Transferability" shall each have a correlative meaning. For the avoidance of doubt, a transfer, sale, exchange, assignment, pledge, hypothecation or other encumbrance or other disposition of an interest in any Stockholder, or direct or indirect parent thereof, all or substantially all of whose assets are, directly or indirectly, Company Shares shall constitute a "Transfer" of Company Shares for purposes of this Agreement. For the avoidance of doubt, a transfer, sale, exchange, assignment, pledge, hypothecation or other encumbrance or other disposition of an interest in any Stockholder, or direct or indirect parent thereof, which has substantial assets in addition to Company Shares shall not constitute a "Transfer" of Company Shares for purposes of this

Agreement. For the avoidance of doubt, it is understood and agreed that (x) any change in ownership of The Goldman Sachs Group, Inc., Goldman, Sachs & Co., or their successors shall not be deemed to be a "Transfer" by any GSCP Party or any of their respective Affiliates and (y)

any change in ownership of any management company of any Sponsor shall not be deemed to be a "Transfer" by any Sponsor or any of its Affiliates.

"Transferring Stockholder" has the meaning set forth in Section 4.3(a).

Section 1.2. Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof," "herein," "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and any subsection and Section references are to this Agreement unless otherwise specified.

(c) The term "including" is not limiting and means "including without limitation."

(d) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(e) Whenever the context requires, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms.

ARTICLE II.
REPRESENTATIONS AND WARRANTIES

Each of the Parties hereby represents and warrants, solely with respect to itself, to each other Party that:

Section 2.1. Existence; Authority; Enforceability. Such Party has the power and authority to enter into this Agreement and to carry out its obligations hereunder. Such Party is duly organized and validly existing under the laws of its jurisdiction of organization, and the execution of this Agreement, and the performance of its obligations hereunder, have been authorized by all necessary action, and no other act or proceeding on its part is necessary to authorize the execution of this Agreement or the performance of its obligations hereunder. This Agreement has been duly executed by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms except as the same may be affected by bankruptcy, insolvency, moratorium or similar laws, or by legal or equitable principles relating to or limiting the rights of contracting parties generally.

Section 2.2. Absence of Conflicts. The execution and delivery by such Party of this Agreement and the performance of its obligations hereunder does not (a) conflict with, or result in the breach of any provision of the constitutive documents of such Party; (b) result in any violation, breach, conflict, default or event of default (or an event which with notice, lapse of time, or both, would constitute a default or event of default), or give rise to any right of acceleration or termination or any additional payment obligation, under the terms of any contract, agreement or permit to which such Party is a party or by which such Party's assets or operations are bound or affected; or (c) violate any law applicable to such Party, except, in the

case of clause (b), as would not have a material adverse effect on such Party's ability to perform its obligations hereunder.

Section 2.3. Consents. Other than as has already been obtained, no consent, waiver, approval, authorization, exemption, registration, license or declaration is required to be made or obtained by such Party in connection with the execution, delivery or performance of this Agreement, except in each case, as would not have a material adverse effect on such Party's ability to perform its obligations hereunder.

ARTICLE III.
GOVERNANCE

Section 3.1. Board of Directors.

(a) Effective as of the date of this Agreement, the Board of Directors shall be comprised of nine Directors, as follows: (i) two shall be designees of the GSCP Parties, (ii) two shall be designees of the C/R Parties, (iii) two shall be designees of the FR Parties, (iv) one shall be a designee of the KERN Parties, (v) one shall be the Chief Executive Officer of the Company, who shall be the Chairman of the Board of Directors, and (vi) one shall be designated by the Board of Directors, who shall be an "independent director" pursuant to applicable listing standards, in accordance with the Governing Documents.

(b) From and after the date of this Agreement, the GSCP Parties shall have the right, but not the obligation, to nominate a number of designees equal to: (i) up to two designees so long as the GSCP Parties beneficially own in the aggregate a number of Company Shares equal to at least 40% of their Initial Post-IPO Shares and (ii) up to one designee so long as the GSCP Parties beneficially own in the aggregate a number of Company Shares equal to (x) less than 40% of their Initial Post-IPO Shares and (y) at least 5% of the then outstanding Company Shares. If the GSCP Parties beneficially own in the

aggregate a number of Company Shares equal to less than 40% of their Initial Post-IPO Shares and less than 5% of the then outstanding Company Shares, the GSCP Parties shall not have the right pursuant to this Section 3.1(b) to nominate any designees to be elected to the Board of Directors. In the event that the GSCP Parties have nominated less than the total number of designees the GSCP Parties are entitled to nominate pursuant to this Section 3.1(b), the GSCP Parties shall have the right, at any time, to nominate such additional designees to which they are entitled, in which case, the Stockholders shall take, or cause to be taken, all Necessary Action to (A) increase the size of the Board of Directors as required to enable the GSCP Parties to so nominate such additional designees and (B) appoint such additional designees nominated by the GSCP Parties to such newly created directorships. For so long as the GSCP Parties are entitled to nominate two designees for election to the Board of Directors, one such designee shall be nominated by GS Capital Partners V Institutional, L.P. and one such designee shall be nominated by GS Capital Partners VI Parallel, L.P. For so long as the GSCP Parties are entitled to nominate only one designee for election to the Board of Directors, such designee shall be nominated by GS Capital Partners VI Parallel, L.P.

(c) From and after the date of this Agreement, the C/R Parties shall have the right, but not the obligation, to nominate a number of designees equal to: (i) up to two designees

so long as the C/R Parties beneficially own in the aggregate a number of Company Shares equal to at least 40% of their Initial Post-IPO Shares and (ii) up to one designee so long as the C/R Parties beneficially own in the aggregate a number of Company Shares equal to (x) less than 40% of their Initial Post-IPO Shares and (y) at least 5% of the then outstanding Company Shares. If the C/R Parties beneficially own in the aggregate a number of Company Shares equal to less than 40% of their Initial Post-IPO Shares and less than 5% of the then outstanding Company Shares, the C/R Parties shall not have the right pursuant to this Section 3.1(b) to nominate any designees to be elected to the Board of Directors. In the event that the C/R Parties have nominated less than the total number of designees the C/R Parties are entitled to nominate pursuant to this Section 3.1(c), the C/R Parties shall have the right, at any time, to nominate such additional designees to which they are entitled, in which case, the Stockholders shall take, or cause to be taken, all Necessary Action to (A) increase the size of the Board of Directors as required to enable the C/R Parties to so nominate such additional designees and (B) appoint such additional designees nominated by the C/R Parties to such newly created directorships. For so long as the C/R Parties are entitled to nominate two designees for election to the Board of Directors, one such designee shall be nominated by C/R Cobalt Investment Partnership, L.P. and one such designee shall be nominated by Carlyle/Riverstone Global Energy and Power Fund III, L.P. For so long as the C/R Parties are entitled to nominate only one designee for election to the Board of Directors, such designee shall be nominated by Carlyle/Riverstone Global Energy and Power Fund III, L.P.

(d) From and after the date of this Agreement, the FR Parties shall have the right, but not the obligation, to nominate a number of designees equal to: (i) up to two designees so long as the FR Parties beneficially own in the aggregate a number of Company Shares equal to at least 40% of their Initial Post-IPO Shares and (ii) up to one designee so long as the FR Parties beneficially own in the aggregate a number of Company Shares equal to (x) less than 40% of their Initial Post-IPO Shares and (y) at least 5% of the then outstanding Company Shares. If the FR Parties beneficially own in the aggregate a number of Company Shares equal to less than 40% of their Initial Post-IPO Shares and less than 5% of the then outstanding Company Shares, the FR Parties shall not have the right pursuant to this Section 3.1(b) to nominate any designees to be elected to the Board of Directors. In the event that the FR Parties have nominated less than the total number of designees the FR Parties are entitled to nominate pursuant to this Section 3.1(d), the FR Parties shall have the right, at any time, to nominate such additional designees to which they are entitled, in which case, the Stockholders shall take, or cause to be taken, all Necessary Action to (A) increase the size of the Board of Directors as required to enable the FR Parties to so nominate such additional designees and (B) appoint such additional designees nominated by the FR Parties to such newly created directorships. For so long as the FR Parties are entitled to designees for election to the Board of Directors, such designees shall be nominated by First Reserve Fund XI, L.P.

(e) From and after the date of this Agreement,, the KERN Parties shall have the right, but not the obligation, to nominate one designee so long as the KERN Parties beneficially own in the aggregate a number of Company Shares equal to at least 5% of the then outstanding Company Shares. If the KERN Parties beneficially own in the aggregate a number of Company Shares equal to less than 5% of the then outstanding Company Shares, the KERN Parties shall not have the right pursuant to this Section 3.1(b) to nominate any designees to be elected to the Board of Directors In the event that the KERN Parties have not nominated the

designee that the KERN Parties are entitled to nominate pursuant to this Section 3.1(e), the KERN Parties shall have the right, at any time, to nominate such designee, in which case, the Stockholders shall take, or cause to be taken, all Necessary Action to (A) increase the size of the Board of Directors as required to enable the KERN Parties to so nominate such designee and (B) appoint such designee nominated by the KERN Parties to such newly created directorship. For so long as the KERN Parties are entitled to nominate a designee for election to the Board of Directors, such designee shall be an employee of KERN Partners Ltd. or an Affiliate thereof.

(f) Each of the Stockholders shall take all Necessary Action to cause the Board of Directors to be constituted as set forth in this Section 3.1 (including appointing or removing Sponsor designees and filling any vacancies created by reason of death, disability, retirement, removal or resignation of a Sponsor's designees with a new designee of such Sponsor) and shall vote all of such Stockholder's Company Shares in favor of the election of the persons designated pursuant to this Section 3.1 to the Board of Directors. The Company agrees to include in the slate of nominees recommended by the Board of Directors those persons designated pursuant to this Section 3.1 and to use its best efforts to cause the election or appointment of each such designee to the Board of Directors, including nominating such designees to be elected as Directors.

(g) The Company shall reimburse the Sponsor Directors for all reasonable out-of-pocket expenses incurred in connection with their attendance at meetings of the Board of Directors and any committees thereof.

(h) Solely for purposes of this Section 3.1, and in order to secure the performance of each Stockholder's obligations under this Section 3.1, each Stockholder hereby irrevocably appoints each other Stockholder that qualifies as a Proxy Holder (as defined below) the attorney-in-fact and proxy of such Stockholder (with full power of substitution) to vote or provide a written consent with respect to its Company Shares as described in this paragraph if, and only in the event that, such Stockholder fails to vote or provide a written consent with respect to its Company Shares in accordance with the terms of this Section 3.1 (each such Stockholder, a "Defaulting Stockholder"). Each Defaulting Stockholder shall have five Business Days from the date of a request for such vote or written consent (the "Cure Period") to cure such failure. If after the Cure Period the Defaulting Stockholder has not cured such failure, any Stockholder whose designees to the Board of Directors were required to be approved or removed by the Defaulting Stockholder pursuant to this Section 3.1 but were not approved or removed by the Defaulting Stockholder, shall have, and is hereby irrevocably granted, a proxy to vote or provide a written consent with respect to each such Defaulting Stockholder's Company Shares for the purposes of taking the actions required by this Section 3.1 (such Stockholder, a "Proxy Holder"), and of removing from office any Directors elected to the Board of Directors in lieu of the designees of the Proxy Holder who should have been elected pursuant to this Section 3.1. Each Stockholder intends this proxy to be, and it shall be, irrevocable and coupled with an interest, and each Stockholder will take such further action and execute such other instruments as may be necessary to effectuate the intent of this proxy and hereby revokes any proxy previously granted by it with respect to the matters set forth in this Section 3.1 with respect to the Company Shares owned by such Stockholder. Notwithstanding the foregoing, the power of attorney and proxy granted by this Section 3.1 shall be deemed to be revoked upon the termination of this Agreement in accordance with its terms.

(i) To the extent that the number of Directors that the GSCP Parties, the C/R Parties, the FR Parties or the KERN Parties are entitled to designate pursuant to this Section 3.1 is reduced, the GSCP Parties, the C/R Parties, the FR Parties or the KERN Parties, as the case may be, shall cause the required number of Directors to promptly resign from the Board of Directors and any vacancies resulting from such resignation shall be filled by the Board of Directors in accordance with the Governing Documents and SEC rules and applicable listing standards then in effect. Notwithstanding the foregoing, if, during the Restricted Period, the KERN Parties' beneficial ownership of Company Shares is, as a result of an issuance of Company Shares by the Company, reduced to less than 5% of the then outstanding Company Shares, the KERN Parties shall not be required to cause the Director nominated by the KERN Parties to resign from the Board of Directors until after the expiration of the Restricted Period unless otherwise requested by the Board of Directors.

Section 3.2. Committees.

(a) For so long as the GSCP Parties are entitled to nominate at least one Director for election to the Board of Directors pursuant to Section 3.1(b), the GSCP Parties shall have the right to have at least one of their designated Directors serve on each committee (with the exception of the audit committee) of the Board of Directors, to the extent such Directors are permitted to serve on such committees under SEC rules and applicable listing standards then in effect.

(b) For so long as the C/R Parties are entitled to nominate at least one Director for election to the Board of Directors pursuant to Section 3.1(c), the C/R Parties shall have the right to have at least one of their designated Directors serve on each committee (with the exception of the audit committee) of the Board of Directors, to the extent such Directors are permitted to serve on such committees under SEC rules and applicable listing standards then in effect.

(c) For so long as the FR Parties are entitled to nominate at least one Director for election to the Board of Directors pursuant to Section 3.1(d), the FR Parties shall have the right to have at least one of their designated Directors serve on each committee (with the exception of the audit committee) of the Board of Directors, to the extent such Directors are permitted to serve on such committees under SEC rules and applicable listing standards then in effect.

(d) For so long as the KERN Parties are entitled to nominate a Director for election to the Board of Directors pursuant to Section 3.1(e), the KERN Parties shall have the right to have such designated Director serve on each committee (with the exception of the audit committee) of the Board of Directors, to the extent such Director is permitted to serve on such committees under SEC rules and applicable listing standards then in effect.

(e) To the extent permitted by SEC rules and applicable listing standards then in effect, for so long as the Sponsors collectively beneficially own in the aggregate a number of Company Shares equal to at least of 25% of the then outstanding Company Shares, (i) the Sponsor Directors shall constitute the majority of each committee of the Board of Directors (with the exception of the audit committee) and (ii) the chairman of each committee of the Board of

Directors (with the exception of the audit committee) shall be a Director serving on such committee who is selected by a Stockholder Majority to serve as chairman. In the event that SEC rules or applicable listing standards then in effect limit the number of Sponsor Directors that can serve on any committee, the Sponsor Parties shall allocate committee membership among Sponsor Directors in as equitable a manner as possible, taking into account the relative level of ownership by each of the Sponsors and considering committee preferences of the Sponsor Directors.

(f) Each of the Stockholders shall take all Necessary Action to cause each committee of the Board of Directors to be constituted as set forth in this Section 3.2. The Company agrees to use its best efforts to cause the appointment of the Sponsor Designees to the committees of the Board of Directors (with the exception of the audit committee) in accordance with this Section 3.2, including causing the chairman of each committee of the Board of Directors (with the exception of the audit committee) to be a Director who is selected by a Stockholder Majority to serve as chairman.

Section 3.3. Information; Duties.

(a) The Company and the Stockholders agree that (i) the Directors designated by the GSCP Parties, the C/R Parties and the FR Parties may share confidential, non-public information about the Company with the GSCP Parties, the C/R Parties, the FR Parties and their respective Affiliates and (ii) the Director designated by the KERN Parties may share confidential, non-public information about the Company with the KERN Parties and its Affiliates and the limited partners of KERN Cobalt Co-Invest Partners AP LP, in each case only to the extent reasonably necessary in connection with their investment in the Company, provided that such Parties agree to keep such information confidential (except as may be required by law or applicable listing standards then in effect) and agree to comply with all applicable securities laws in connection therewith.

(b) The Company and the Stockholders agree that, notwithstanding anything to the contrary in any other agreement or at law or in equity, when any of the Stockholders (in their capacity as Stockholders) takes any action under this Agreement to give or withhold its consent, such Person shall, to the fullest extent permitted by law, have no duty to consider the interests of the Company or the other Stockholders or any other stockholders of the Company and may act exclusively in its and its Affiliates own interests; *provided*, *however*, that the foregoing shall in no way affect the obligations of the Parties to comply with the provisions of this Agreement.

Section 3.4. Controlled Company.

(a) For so long as the Company qualifies as a "controlled company" under the applicable listing standards then in effect, the Company will elect to be a "controlled company" for purposes of such applicable listing standards, and will disclose in its annual meeting proxy statement that it is a "controlled company" and the basis for that determination. The Company and the Stockholders acknowledge and agree that, as of the date of this Agreement, the Company is a "controlled company." If the Company ceases to qualify as a "controlled company" under applicable listing standards then in effect, the Sponsors and the Company will take whatever

action may be reasonably necessary, if any, to cause the Company to comply with SEC rules and applicable listing standards then in effect.

(b) After the Company ceases to qualify as a "controlled company" under applicable listing standards then in effect, each of the Sponsors shall cause a sufficient number of their designees to qualify as "independent directors" to ensure that the Board of Directors complies with such applicable listing standards in the time periods required by the applicable listing standards then in effect.

ARTICLE IV.
TRANSFERS OF SHARES

Section 4.1. Limitations on Transfer.

(a) Except as otherwise expressly provided in this Article IV, no Stockholder shall be entitled to Transfer any of its Company Shares at any time if such Transfer would violate the Securities Act, or any state (or other jurisdiction) securities or "blue sky" laws applicable to the Company or the applicable Transfer of Company Shares.

(b) In addition, during the Restricted Period, except (i) in connection with the exercise of "piggyback" rights under the Registration Rights Agreement, (ii) as permitted by Section 4.2, (iii) as a Tagging Holder pursuant to the Tag-Along Agreement or (iv) pursuant to a KERN Permitted Transfer, no Stockholder may Transfer any Company Shares, Hedge any Company Shares, or exercise a "demand" right under the Registration Rights Agreement, except with the prior written consent of the Stockholder Majority. Notwithstanding the foregoing, this Section 4.1(b) shall not apply to Transfers by any of the KERN Parties if, at the time of such Transfer, (a) the KERN Parties' beneficial ownership of Company Shares has been, as a result of an issuance of Company Shares by the Company, reduced to less than 5% of the then outstanding Company Shares and (b) the last Director nominated by the KERN Parties pursuant to Section 3.1(e) has either (x) been removed as a Director by the Board of Directors or the stockholders of the Company, in each case, other than for cause or (y) resigned from the Board of Directors at the request of the Board of Directors pursuant to the last sentence of Section 3.1(i).

(c) In the event of a purported Transfer by a Stockholder of any Company Shares in violation of the provisions of this Agreement, such purported Transfer will be void and of no effect, and the Company will not give effect to such Transfer.

(d) Each certificate evidencing the Company Shares held by a Stockholder shall bear the following restrictive legend, either as an endorsement or on the face thereof:

> THE SALE, ASSIGNMENT, TRANSFER OR OTHER DISPOSITION OF THE SECURITIES EVIDENCED BY THIS CERTIFICATE IS RESTRICTED BY THE TERMS OF A STOCKHOLDERS AGREEMENT, DATED AS OF DECEMBER 15, 2009, COPIES OF WHICH ARE ON FILE WITH THE ISSUER OF THIS CERTIFICATE. NO SALE, ASSIGNMENT, TRANSFER OR OTHER DISPOSITION SHALL BE

> EFFECTIVE UNLESS AND UNTIL THE TERMS AND CONDITIONS OF SUCH STOCKHOLDERS AGREEMENT HAVE BEEN COMPLIED WITH IN FULL.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE SOLD OR TRANSFERRED OTHER THAN IN ACCORDANCE WITH THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED (OR OTHER APPLICABLE LAW), OR AN EXEMPTION THEREFROM.

(e) In the event that the restrictive legend set forth in Section 4.1(d) has ceased to be applicable, or upon request by a Stockholder proposing to Transfer Company Shares pursuant to any Transfer permitted under this Agreement, the Company shall promptly provide such Stockholder, or its Transferees, at their request, without any expense to such Persons (other than applicable transfer taxes and similar governmental charges, if any), with new certificates for such securities not bearing the legend with respect to which the restriction has ceased and terminated (it being understood that the restriction referred to in the first paragraph of the legend in Section 4.1(d) shall be inapplicable on the earlier of (i) the end of the Restricted Period and (ii) when Section 4.1 becomes inapplicable with respect to the applicable Stockholder).

Section 4.2. Transfer to Permitted Transferees. Subject to the provisions of Section 4.1(a) and Section 4.3, a Stockholder may Transfer any or all of its Company Shares to a Permitted Transferee of such Stockholder; *provided* that each Permitted Transferee of such Stockholder to which Company Shares are Transferred shall, and such Stockholder shall cause each such Permitted Transferee to, Transfer back to such Stockholder (or to another Permitted Transferee of such Stockholder) any Company Shares it owns if such Permitted Transferee ceases to be a Permitted Transferee of such Stockholder.

Section 4.3. Rights and Obligations of Permitted Transferees.

(a) Any Transfer of Company Shares to any Permitted Transferee of a Stockholder, which Transfer is otherwise in compliance herewith, shall be permitted hereunder only if such Permitted Transferee agrees in writing that it shall, upon such Transfer, assume with respect to such Company Shares the Transferor's obligations under this Agreement and become a Party for such purpose and be treated as a Stockholder for all purposes of this Agreement, and become a party to any other applicable agreement or instrument executed and delivered by such Transferor in respect of the Company Shares.

(b) Notwithstanding the foregoing, Section 4.3(a) shall not apply to any Transfer of Company Shares to a Permitted Transferee completed pursuant to (i) a Registration Statement, (ii) an underwritten registered public offering, or (iii) a bona fide sale pursuant to a brokers' transaction, transaction directly with a market maker or riskless principal transaction in each case in accordance with Rule 144 under the Securities Act (including block trades), in each

case for which the Transferor does not have knowledge that such Company Shares are being Transferred to a Permitted Transferee.

ARTICLE V.
GENERAL PROVISIONS

Section 5.1. Further Assurances. The Parties shall take all Necessary Action in order to give full effect to this Agreement and every provision hereof. Each of the Company and the Stockholders shall take or cause to be taken all lawful action necessary to ensure at all times that the Company's Governing Documents are not at any time inconsistent with the provisions of this Agreement. In addition, each Party shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other Party reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement.

Section 5.2. Assignment; Benefit. The rights and obligations hereunder shall not be assigned without the prior written consent of the Company and the Stockholder Majority, except in connection with a Transfer of Company Shares in compliance with Article IV. Any assignment of rights or obligations in violation of this Section 5.2 shall be null and void. This Agreement shall be binding upon and shall inure to the benefit of the Parties, and their respective successors and permitted assigns.

Section 5.3. Freedom to Pursue Opportunities. To the fullest extent permitted by applicable law, the Company hereby, on behalf of itself and its subsidiaries, renounces any interest, duty or expectancy of the Company and its subsidiaries in, or in being offered an opportunity to participate in, business opportunities that are from time to time presented to any Sponsor Party even if the opportunity is one that the Company or its subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so and each Sponsor Party shall have no duty to communicate or offer such business opportunity to the Company and to the fullest extent permitted by applicable law, shall not be liable to the Company or any of its subsidiaries for breach of any fiduciary or other duty, as a Director or otherwise, by reason of the fact that such Sponsor Party pursues or acquires such business opportunity, directs such business opportunity to another Person or fails to present such business opportunity, or information regarding such business opportunity, to the Company or its subsidiaries. Notwithstanding the foregoing, a Sponsor Party who is a Director and who is offered a business opportunity in his or her capacity as a Director (a "Directed Opportunity") shall be obligated to communicate such Directed Opportunity to the Company, *provided*, *however*, that all of the protections of this Section 5.3 shall otherwise apply to the Sponsor Party with respect to such Directed Opportunity, including, without limitation, the ability of the Sponsor Party to pursue or acquire such Directed Opportunity or to direct such Directed Opportunity to another Person.

Section 5.4. Termination. This Agreement shall terminate on the later of (a) the expiration of the Restricted Period and (b) the first day that none of the Stockholders has the right to nominate a Director pursuant to Section 3.1; *provided* that termination of this Agreement shall not relieve any Party for liability for any breach of this Agreement prior to such termination.

Section 5.5. Subsequent Acquisition of Shares; Other Activities . Any Company Shares acquired subsequent to the date hereof by a Stockholder shall be subject to the terms and conditions of this Agreement. For the avoidance of doubt, Company Shares acquired by any Affiliate of any Stockholder (other than Company Shares acquired pursuant to this Agreement) shall not be subject to the terms and conditions of this Agreement. Notwithstanding anything in this Agreement to the contrary, none of the provisions of this Agreement shall in any way limit Goldman, Sachs & Co. or any of its Affiliates (other than any Stockholder, as expressly set forth in this Agreement) from engaging in any brokerage, investment advisory, financial advisory, anti-raid advisory, principaling, merger advisory, financing, asset management, trading, market making, arbitrage, investment activity and other similar activities conducted in the ordinary course of their business.

Section 5.6. Severability. In the event that any provision of this Agreement shall be invalid, illegal or unenforceable, such provision shall be construed by limiting it so as to be valid, legal and enforceable to the maximum extent provided by law and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 5.7. Entire Agreement. This Agreement, the Governing Documents, the Registration Rights Agreement, the Reorganization Agreement, the Tag-Along Agreement, the Management Rights Agreement and the other agreements referenced herein and therein constitute the entire agreement among the Parties with respect to the subject matter hereof, and supersede any prior agreement or understanding among them with respect to the matters referred to herein.

Section 5.8. Amendment. This Agreement may not be amended, modified, supplemented, waived or terminated (other than pursuant to Section 5.4) except with the written consent of the Stockholder Majority; *provided* that, any amendment, modification, supplement, waiver or termination that (a) materially and adversely affects the rights of any Stockholder under this Agreement disproportionately vis-à-vis any other Stockholder (each an " Affected Stockholder") will require both (i) the written consent of the Stockholder Majority and (ii) the written consent of Affected Stockholders holding a majority of the then outstanding Company Shares then held by all Affected Stockholders and (b) adversely affects the rights of the Company under this Agreement, imposes additional obligations on the Company, or amends or modifies Section 3.1, Section 3.2, Article V, and any corresponding definitions in Article I, will require both (i) the written consent of the Stockholder Majority and (ii) the written consent of the Company with the approval of the "independent directors" of the Company.

Section 5.9. Waiver. Except as set forth in Section 5.8, no waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is expressly made in writing and executed and delivered by the Party against whom such waiver is claimed. Waiver by any Party of any breach or default by any other Party of any of the terms of this Agreement shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default waived. No waiver of any provision of this Agreement shall be implied from any course of dealing between the Parties or from any failure by any Party to assert its or his or her rights hereunder on any occasion or series of occasions.

Section 5.10. Counterparts. This Agreement may be executed in any number of separate counterparts each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

Section 5.11. Notices. Unless otherwise specified herein, all notices, consents, approvals, reports, designations, requests, waivers, elections and other communications authorized or required to be given pursuant to this Agreement shall be in writing and shall be given, made or delivered (and shall be deemed to have been duly given, made or delivered upon receipt) by personal hand-delivery, by facsimile transmission, by electronic mail, by mailing the same in a sealed envelope, registered first-class mail, postage prepaid, return receipt requested, or by air courier guaranteeing overnight delivery, addressed to the Company at the address set forth below or to the applicable Stockholder at the address indicated on Annex A hereto (or at such other address for a Stockholder as shall be specified by like notice):

(a) if to the Company, to:

Cobalt International Energy, Inc.
Two Post Oak Central
1980 Post Oak Blvd., Suite 1200
Houston, TX 77056
Attention: Joseph H. Bryant
Facsimile No.: (713) 579-9184
E-mail: joe.bryant@cobaltintl.com

with a copy to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017

Attention:	Christopher Mayer
	Richard D. Truesdell, Jr.
Facsimile No.:	(212) 701-5338
	(212) 701-5674
E-mail:	chris.mayer@davispolk.com

Section 5.12. Governing Law. This Agreement is governed by and will be construed in accordance with the laws of the State of Delaware, excluding any conflict-of-laws rule or principle (whether of Delaware or any other jurisdiction) that might refer the governance or the construction of this Agreement to the law of another jurisdiction.

Section 5.13. Jurisdiction. Each of the Parties (a) consents to submit itself to the personal jurisdiction of the Court of Chancery of the State of Delaware in the event any dispute arises out of this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the Court of Chancery of the State of Delaware. Each Party

hereby agrees that, to the fullest extent permitted by law, service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth in Section 5.11 shall be effective service of process for any suit or proceeding in connection with this Agreement.

Section 5.14. Waiver of Jury Trial. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT THEREOF. The Company or any Stockholder may file an original counterpart or a copy of this Section 5.14 with any court as written evidence of the consent of any of the Parties to the waiver of their rights to trial by jury.

Section 5.15. Specific Performance. It is hereby agreed and acknowledged that it will be impossible to measure the money damages that would be suffered if the Parties fail to comply with any of the obligations imposed on them by this Agreement and that, in the event of any such failure, an aggrieved Party will be irreparably damaged and will not have an adequate remedy at law. Each Party shall, therefore, be entitled (in addition to any other remedy to which such Party may be entitled at law or in equity) to seek injunctive relief, including specific performance, to enforce such obligations, without the posting of any bond, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the Parties shall raise the defense that there is an adequate remedy at law.

Section 5.16. Marketing Materials. The Company grants each of the Sponsors and their respective Affiliates permission to use the Company's name and logo in marketing materials of such Sponsor or any of its Affiliates. The Sponsors and their respective Affiliates, as applicable, shall include a trademark attribution notice giving notice of the Company's ownership of its trademarks in the marketing materials in which the Company's name and logo appear.

Section 5.17. Notice of Events. Except as otherwise would require early disclosure under applicable law or regulation, unless the applicable Sponsor notifies the Company that it does not want to receive information pursuant to this Section 5.17, the Company shall notify each of the Sponsors on a reasonably current basis, of any events, discussions, notices or changes with respect to any criminal or regulatory investigation or action involving the Company or any of its subsidiaries, and shall reasonably cooperate with such Sponsor and its Affiliates in efforts to mitigate any adverse consequences to such Sponsor or its Affiliates which may arise (including by coordinating and providing assistance in meeting with regulators).

Section 5.18. Adjustments. All references in this Agreement to Company Shares shall be appropriately adjusted for any stock dividends, splits, reverse splits, combinations, reclassifications, recapitalizations, reorganizations and the like occurring after the date hereof.

Section 5.19. No Third Party Beneficiaries. Except as specifically provided in Section 5.3 and as otherwise provided herein, this Agreement is not intended to confer upon any Person, except for the Parties, any rights or remedies hereunder.

* * *

IN WITNESS WHEREOF, the parties set forth below have duly executed this Agreement as of the day and year first above written.

COBALT INTERNATIONAL ENERGY, INC.

By: /s/ Samuel H. Gillespie III

Name: Samuel H. Gillespie III

Title:

C/R COBALT INVESTMENT PARTNERSHIP, L.P.

By: CARLYLE/RIVERSTONE ENERGY PARTNERS II, L.P., its general partner

By: C/R ENERGY GP II, LLC, its general partner

By: /s/ Pierre F. Lapeyre, Jr.
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

C/R ENERGY COINVESTMENT II, L.P.

By: CARLYLE/RIVERSTONE ENERGY PARTNERS II, L.P., its general partner

By: C/R ENERGY GP II, LLC, its general partner

By: /s/ Pierre F. Lapeyre, Jr.
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

RIVERSTONE ENERGY COINVESTMENT III, L.P.

By: RIVERSTONE COINVESTMENT GP, LLC

By: RIVERSTONE HOLDINGS, LLC

By: /s/ Pierre F. Lapeyre, Jr.
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

CARLYLE ENERGY COINVESTMENT III, L.P.

By: CARLYLE ENERGY COINVESTMENT III GP, L.L.C., its general partner

By: TCG HOLDINGS, L.L.C. its sole member

By: /s/ Daniel A. D'Aniello
Name: Daniel A. D'Aniello
Title: Managing Director

C/R ENERGY III COBALT PARTNERSHIP,

L.P.

By: CARLYLE/RIVERSTONE ENERGY PARTNERS III, L.P.,
its general partner

By: C/R ENERGY GP III, LLC,
its general partner

By: /s/ Pierre F. Lapeyre, Jr.
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

CARLYLE/RIVERSTONE GLOBAL ENERGY AND POWER FUND III, L.P.

By: CARLYLE/RIVERSTONE ENERGY PARTNERS III, L.P.,
its general partner

By: C/R ENERGY GP III, LLC,
its general partner

By: /s/ Pierre F. Lapeyre, Jr.
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

GSCP V COBALT HOLDINGS, LLC

By: GS CAPITAL PARTNERS V FUND, L.P.,
its sole member

By: GSCP V ADVISORS, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GSCP V OFFSHORE COBALT HOLDINGS, LLC

By: GSCP V OFFSHORE COBALT HOLDINGS, L.P.,
its sole member

By: GS CAPITAL PARTNERS V OFFSHORE FUND, L.P.,
its general partner

By: GSCP V OFFSHORE ADVISORS, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GS CAPITAL PARTNERS V INSTITUTIONAL, L.P.

By: GS ADVISORS V, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GSCP V GMBH COBALT HOLDINGS, LLC

By: GSCP V GmbH Cobalt Holdings, L.P.,
its sole member

By: GSCP V GmbH Cobalt Holdings,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GSCP VI COBALT HOLDINGS, LLC

By: GS CAPITAL PARTNERS VI FUND, L.P.,
its sole member

By: GSCP VI ADVISORS, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GSCP VI OFFSHORE COBALT HOLDINGS, LLC

By: GSCP VI OFFSHORE COBALT
HOLDINGS, L.P.,
its sole member

By: GS CAPITAL PARTNERS VI OFFSHORE
FUND, L.P.,
its general partner

By: GSCP VI OFFSHORE ADVISORS, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GS CAPITAL PARTNERS VI PARALLEL, L.P.

By: GS ADVISORS VI, L.L.C.,

its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GSCP VI GMBH COBALT HOLDINGS, LLC

By: GSCP VI GmbH Cobalt Holdings, L.P.,
its sole member

By: GSCP VI GmbH Cobalt Holdings,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

KERN COBALT CO-INVEST PARTNERS AP LP

By: KERN Cobalt Group Management Ltd.,
its general partner

By: /s/ Jeffrey van Steenbergen
Name: Jeffrey van Steenbergen
Title: Director

FIRST RESERVE FUND XI, L.P.

By: First Reserve GP XI, L.P.,
its general partner

By: First Reserve GP XI, Inc.,
its general partner

By: /s/ Kenneth W. Moore
Name: Kenneth W. Moore
Title: Managing Director

FR XI ONSHORE AIV, L.P.

By: First Reserve GP XI, L.P.,
its manager

By: First Reserve GP XI, Inc.,
its general partner

By: /s/ Kenneth W. Moore
Name: Kenneth W. Moore
Title: Managing Director

ANNEX A

If to the GSCP Parties, to:

Goldman Sachs Capital Partners
c/o Goldman Sachs & Co.
85 Broad Street
New York, NY 10004
Attention: Ken Pontarelli
David Thomas
Tel: 212-902-0353
Fax: 212-357-5505
Email: ken.pontarelli@gs.com
David.Thomas@gs.com

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

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, NY 10004
Attention: Robert C. Schwenkel
Murray Goldfarb
Tel: 212-859-8000
Fax: 212-859-4000
Email: Robert.Schwenkel@friedfrank.com
Murray.Goldfarb@friedfrank.com

If to the C/R Parties, to:

Riverstone Holdings LLC
712 Fifth Avenue, 51st Floor
New York, NY 10019
Attn: Greg Beard
Email: greg@riverstonellc.com

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

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, NY 10004
Attention: Robert C. Schwenkel
Murray Goldfarb
Tel: 212-859-8000
Fax: 212-859-4000
Email: Robert.Schwenkel@friedfrank.com
Murray.Goldfarb@friedfrank.com

If to the F/R Parties, to:

c/o First Reserve Corporation
One Lafayette Place
Greenwich, CT 06830
Attn: Alan G. Schwartz
Email: aschwartz@firstreserve.com

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

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attention: Barrie B. Covit
Tel: 212- 455-3141
Fax: 212- 455-2502
Email: bcovit@stblaw.com

If to the KERN Parties, to:

c/o KERN Partners Ltd.
200 Doll Block
116-8th Avenue
Calgary, Alberta, Canada T26 0K4
Attn: Jeff van Steenbergen
Email: jvs@kernpartners.com

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

Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, NY 10004
Attention: Robert C. Schwenkel
Murray Goldfarb
Tel: 212-859-8000
Fax: 212-859-4000
Email: Robert.Schwenkel@friedfrank.com
Murray.Goldfarb@friedfrank.com

and

Ropes & Gray LLP
One International Place
Boston, MA 02110-2624
Attention: Richard E. Gordet
Tel: 617-951-7491
Fax: 617-235-0480
Email: Rich.Gordet@ropesgray.com

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and

Kaye Scholer LLP
425 Park Avenue
New York, NY 10022-3598
Attention: Steven G. Canner
Tel: 212-836-8136
Fax: 212-836-8689
Email: scanner@kayescholer.com

Exhibit 10.20

TRANSLATION

PRODUCTION SHARING CONTRACT

BETWEEN

**SOCIEDADE NACIONAL DE COMBUSTÍVEIS DE ANGOLA,
EMPRESA PÚBLICA - (SONANGOL, E.P.)**

AND

CIE ANGOLA BLOCK 20 LTD.

SONANGOL PESQUISA E PRODUÇÃO, S.A.

BP EXPLORATION ANGOLA (KWANZA BENGUELA) LIMITED

CHINA SONANGOL INTERNATIONAL HOLDING LIMITED

IN THE

AREA OF BLOCK 20/11

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Annex A	Description of the Contract Area
Annex B	Map showing the Contract Area
Annex C	Accounting and Financial Procedures
Annex D	Corporate Guarantee
Annex E	Financial Guarantee
Annex F	Principles for the Transfer of Operatorship to Sonangol P&P

Contracting Parties

This Contract is entered into between:

on the one part:

Sociedade Nacional de Combustíveis de Angola, Empresa Pública (Sonangol, E.P.) , hereinafter referred to as **"Sonangol"**, a company with headquarters in Luanda, Republic of Angola, created in accordance with Decree No. 52/76, of 9 June 1976;

and, on the other part:

CIE Angola Block 20 LTD, a company organized and existing under the laws of the Cayman Islands, hereinafter referred to as **"Cobalt"**, with offices and legal representative in Luanda, Republic of Angola;

Sonangol Pesquisa e Produção, S.A., a company organized and existing under the laws of the Republic of Angola, hereinafter referred to as **"Sonangol P&P"**, with offices and legal representative in Luanda, Republic of Angola;

BP Exploration Angola (Kwanza Benguela) Limited, a company organized and existing under the laws of England, hereinafter referred to as " **"BP"**, with offices and legal representative in Luanda, Republic of Angola;

and

China Sonangol International Holding Limited, a company organized and existing under the laws of Hong Kong, hereinafter referred to as " **"China Sonangol"**, with offices and legal representative in Luanda, Republic of Angola.

Recitals

WHEREAS, through Presidential Decree No.303 /11, of December 15, the Executive Power of the Republic of Angola, in accordance with the Petroleum Activities Law (Law No. 10/04, of 12 November 2004), has granted Sonangol an exclusive concession for the exercise of the mining rights for prospecting, Exploration, Development and Production of liquid and gaseous hydrocarbons in the Concession Area of Block 20 /11;

WHEREAS, under Presidential Decree No. 303/11, of December 15, the Executive Power has authorized Sonangol to enter into a Production Sharing Contract for Block 20/11;

WHEREAS, Sonangol, with a view to carry out the Petroleum Operations necessary to duly exercise such rights and in compliance with the obligations deriving from the Concession Decree, wishes to sign a Production Sharing Contract with Cobalt, Sonangol P&P, BP and China Sonangol;

WHEREAS, Sonangol, on the one hand, and Cobalt, Sonangol P&P, BP and China Sonangol, on the other hand, have agreed that this Contract will regulate their mutual rights and obligations in the execution of said Petroleum Operations;

NOW, therefore, Sonangol, on the one hand, and Cobalt, Sonangol P&P, BP and China Sonangol, on the other hand, agree as follows:

Article 1

(Definitions)

For the purposes of this Contract, and unless otherwise expressly stated in the text, certain words and expressions used herein shall have the following meaning, it being understood that reference to the singular includes reference to the plural and vice versa:

1. "Administration and Services" means the set of activities carried out in support of Petroleum Operations and shall include, but not be limited to, all activities in general management and common support of Petroleum Operations such as direction, supervision and related functions required for the overall management of those activities and it shall include, also, among others, housing and feeding of employees, transportation, warehousing, safety, emergency and medical assistance programs, community affairs, accounting and record keeping.

2. "Affiliate" means:

   (a) a company or any other entity in which any of the Parties holds, either directly or indirectly, the absolute majority of the votes in the shareholders' meeting or is the holder of more than fifty percent (50%) of the rights and interests which confer the power of management on that company or entity, or has the power of management and control over such company or entity;

   (b) a company or any other entity which directly or indirectly holds the absolute majority of votes at the shareholders' meeting or equivalent corporate body of any of the Parties or holds the power of management and control over any of the Parties;

   (c) a company or any other entity in which either the absolute majority of votes in the respective shareholders' meeting or the rights and interests which confer the power of management on such company or entity are, either directly or indirectly, held by a company or any other entity which directly or indirectly holds the absolute majority of votes at the shareholders' meeting or equivalent corporate body of any of the Parties or holds the power of management and control over any of the Parties.

3. "Angola" means the Republic of Angola.

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4. "Year" or "Civil Year" means a period of twelve (12) consecutive Months according to the Gregorian Calendar, which has its beginning on January 1st and ends on December 31st.

5. "Fiscal Year" means a period of twelve (12) consecutive Months according to the Gregorian Calendar which coincides with the Civil Year and relative to which the presentation of fiscal declarations is required under the fiscal or commercial laws of Angola.

6. "Contract Year" means the period, and successive periods, of twelve (12) consecutive Months according to the Gregorian Calendar beginning on the Effective Date of this Contract.

7. "Contract Area" means on the Effective Date the area described in Annex A and shown on the map in Annex B, and thereafter any Zone within such area in respect of which Contractor Group continues to have rights and obligations under this Contract.

8. "Development Area" means, without prejudice of the provision within the second part of paragraph 1 of Article 7, the Zone or Zones, within the Contract Area, with the shape and the dimension capable of encompassing the deposit or deposits identified in a Commercial Discovery and defined by agreement between Sonangol and the Contractor Group after said Commercial Discovery.

9. "Appraisal" means the activities carried out after the discovery of a Petroleum deposit to better define the parameters of the deposit and determine its commerciality, including namely:

   (a) Drilling of Appraisal Wells and running depth tests;

   (b) Collecting special geological samples and reservoir fluids;

   (c) Running supplementary studies and acquisition of geophysical and other data, as well as the processing of same data.

10. "Barrel" means the unit of measure for liquids corresponding to forty-two (42) United States gallons of Crude Oil, net of basic sediment and water and corrected to a temperature of sixty degrees Fahrenheit (60°F).

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11. "Operating Committee" means the entity referred to in Article 31.

12. "National Concessionaire" means Sonangol as the titleholder of the mining rights of prospecting, Exploration, Development and Production of liquid and gaseous hydrocarbons in the Contract Area.

13. "Joint Account" means the set of accounts kept by Operator to record all receipts, expenditures and other operations which, under the terms of the Contract, shall be shared between the entities constituting Contractor Group in proportion to their participating interests.

14. "Contract" or "the Contract" means this Production Sharing Contract executed between Sonangol and Contractor Group, including its Annexes.

15. "Effective Date" means the first day of the Month next following the Month in which this Contract is signed by Sonangol and Contractor Group.

16. "Concession Decree" means Presidential Decree No.303/11, of December 15 2011, approved by the Executive Power as it was published in the Diário da República of Angola n.º 241, I Série, of December 15 2011.

17. "Commercial Discovery" means the discovery of a Petroleum deposit or deposits judged by Contractor Group to be worth developing in accordance with the provisions of the Contract.

18. "Development" means the activities carried out in a Development Area after the declaration of a Commercial Discovery. Said activities shall include, but not be limited to:

(a) Geophysical, geological and reservoir studies and surveys;

(b) Drilling of Development, producing and injection Wells, as well as Appraisal and Delineation Wells completed as producing or injection Wells after agreement with Sonangol;

(c) Design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, plants, and related activities necessary to produce

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and operate said Wells, to take, save, treat, handle, store, transport and deliver Petroleum, and to undertake repressuring, recycling and other secondary or tertiary recovery projects.

19. "Customs Duties" means all charges, contributions or fees established in the respective customs tariffs schedules which are applicable to merchandise imported or exported through customs.

20. "State" means the State of the Republic of Angola.

21. "Executive Power" means the Executive Power of the Republic of Angola.

22. "Serious Fault" means the concept defined in paragraph 8 of Article 8.

23. "Phase" means the Initial Exploration Phase or the Optional Exploration Phase, as the case may be.

24. "Initial Exploration Phase" means the period of five (5) Contract Years commencing on the Effective Date of the Contract, as defined in Article 6.

25. "Optional Exploration Phase" means the additional period of three (3) Contract Years after the Initial Exploration Phase pursuant to Article 6.

26. "Force Majeure" means the concept defined in Article 42 of this Contract.

27. "Natural Gas" or "Gas" means any hydrocarbons produced from the Contract Area which at a pressure of 14.7 psi and a temperature of sixty degrees Fahrenheit (60ºF) are in a gaseous state at the wellhead, and includes both Associated and Non-Associated Natural Gas, and all of its constituent elements produced from any Well in the Contract Area and all non-hydrocarbon substances therein. Such term shall include residue gas.

28. "Associated Natural Gas" or "Associated Gas" means Natural Gas which exists in a reservoir in solution with Crude Oil and includes what is commonly known as gas cap which overlies and is in contact with Crude Oil.

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29. "Non-Associated Natural Gas" or "Non-Associated Gas" means that part of Natural Gas which is not Associated Natural Gas.

30. "Contractor Group" means Cobalt, Sonangol P&P BP and China Sonangol, and their possible assignees under Article 38, designated collectively except as otherwise provided herein. The participating interests of the entities constituting Contractor Group on the Effective Date are:

- Cobalt	- 40%
- Sonangol P&P	- 30%
- BP	- 20%
- China Sonangol	- 10%

31. "Law" means the legislation in force in the Republic of Angola.

32. "Petroleum Activities Law" means Law No.10/04, of 12 November 2004.

33. "Petroleum Activities Tax Law" means Law No.13/04, of 24 December 2004.

34. "Litigant" means Sonangol or any entity constituting Contractor Group, for the purposes of Article 41.

35. "Month" means a calendar month according to the Gregorian Calendar.

36. "Petroleum Operations" means the activities of prospecting, Exploration, Appraisal, Development and Production which constitute the object of the Contract.

37. "Operator" is the entity referred to in Article 8.

38. "Party" means either Sonangol or Contractor Group as Parties to this Contract.

39. "Parties" means both Sonangol and Contractor Group whenever jointly referred to.

40. "Exploration Period" means the period defined in Article 6.

41. "Production Period" means the period defined in Article 7.

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42. "Exploration" means activities carried out to discover Petroleum. Such activities shall include, but not be limited to, namely, geological, geochemical and geophysical surveys and studies, aerial surveys and other activities as may be included in Approved Work Plans and Budget, and the drilling of such shot holes, core holes, stratigraphic tests, Wells for the discovery of Petroleum, and other related holes and Wells, and includes Appraisal Wells and/or Delineation Wells not completed as producing or injection Wells.

43. "Petroleum" means Crude Oil, Natural Gas and all other hydrocarbon substances that may be found in and extracted, or otherwise obtained and saved from the Contract Area.

44. "Crude Oil" means a mixture of liquid hydrocarbons produced from the Contract Area which is in a liquid state at the wellhead or in the separator under normal conditions of pressure and temperature, including distillates and condensate, as well as liquids extracted from the natural gas.

45. "Well" means a hole drilled into the earth for the purpose of locating, evaluating, producing or enhancing production of Petroleum.

46. "Appraisal Well" means a Well drilled following a Commercial Well and until the declaration of Commercial Discovery to delineate the physical extent of the deposit penetrated by such Commercial Well, and to estimate the deposit reserves and probable Production rates.

47. "Commercial Well" means the first Well on any geological structure or structures which after testing in accordance with sound and accepted industry Production practices, and verified by Sonangol, is found through analysis of test results to be capable of producing, from a single reservoir not less than an average rate of five thousand Barrels of Crude Oil per day (5,000 b/d).

Contractor Group shall have the right to request to Sonangol that a Well which is within the aforesaid criteria is not to be deemed a Commercial Well. To exercise this right Contractor Group shall timely provide Sonangol information which would evidence that in the particular circumstances of such Well the same should not be deemed a Commercial Well.

Among other factors, consideration shall be given to porosity, permeability, reservoir pressure, Crude Oil saturation and the reservoir recoverable reserves.

Contractor Group has the option to declare a Well as a Commercial Well at a producing rate below the one set out above where Contractor Group is of the opinion that the accumulation may produce sufficient Crude Oil to recover the costs and ensure a reasonable return.

48. "Delineation Well" means a Well drilled in a Development Area after the declaration of the respective Commercial Discovery, for the purpose of appraising and confirming the potential of the Zone or Zones that make part of a Development Area.

49. "Development Well" means a Well drilled for the purpose of producing or enhancing Production of Petroleum from a Commercial Discovery, and includes the Appraisal Wells and Delineation Wells completed as producing or injection Wells.

50. "Exploration Well" means a Well drilled for the purpose of discovering Petroleum, including Appraisal Wells and Delineation Wells not completed as producing or injection Wells to the extent permitted by Article 17.

51. "Delivery Point" means the point FOB Angolan loading facility at which Crude Oil reaches the inlet flange of the lifting tank ship's intake pipe, or such other point which may be agreed by Sonangol and Contractor Group.

52. "Market Price" means the price determined for the valuation of the Crude Oil produced from the Contract Area in accordance with Article 6 of the Petroleum Activities Tax Law.

53. "Production" means the set of activities intended to extract Petroleum, including, but not limited to, the running, servicing, maintenance and repair of completed Wells and of the equipment, pipelines, systems, facilities and plants completed during Development, including all activities related to planning, scheduling, controlling, measuring, testing and carrying out the flow, gathering, treating, storing and dispatching of Petroleum from the Petroleum deposits to the designated exporting or lifting location, as well as operations for abandonment of Wells, decommissioning of facilities and Petroleum deposits and related activities.

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54. "Lifting Schedule" means the planned program of Crude Oil liftings by each Party approved by the Operating Committee pursuant to Article 13.

55. "Production Plan" means the planned profile of Crude Oil output in Barrels per day approved by the Operating Committee in conjunction with the Development and Production Work Plan and Budget for each Development Area, according to Article 19.

56. "Work Plan and Budget" means either an Exploration Work Plan and Budget or a Development and Production Work Plan and Budget.

57. "Approved Work Plan and Budget" means either the Exploration Work Plan and Budget or the Development and Production Work Plan and Budget transmitted to Sonangol under Article 31.12, or approved by the Operating Committee under Article 31.11, as the case may be.

58. "Sonangol" is Sociedade Nacional de Combustíveis de Angola, Empresa Pública (Sonangol, E.P.), an Angolan State Company.

59. "Quarter" means a period of three (3) consecutive Months starting with the first day of January, April, July or October of each Civil Year.

60. "Zone" means the stratigraphic intervals defined in three dimensions (3D) delimiting a deposit or deposits identified by means of Exploration and indicated in the declaration of a Commercial Discovery.

61. "Qualifying Zone" means the concept defined in paragraph 12 of Article 17.

Article 2

(Annexes to the Contract)

1. The present Contract is complemented by the following Annexes which form an integral part of it:

(a) Annex A - Description of the Contract Area;
(b) Annex B - Map of the Contract Area;
(c) Annex C - Accounting and Financial Procedures;
(d) Annex D - Corporate Guarantee;

(e) Annex E - Financial Guarantee;
(f) Annex F - Principles for Transfer of Operatorship to Sonangol P&P.

2. In the event of discrepancy between the content or the form of Annexes A and B referred to in paragraph 1, Annex A shall prevail.

3. In the event of discrepancy between the content or the form of the Annexes referred to in paragraph 1 and the Contract, the provisions of the Contract shall prevail.

Article 3

(Object of the Contract)

The object of this Contract is the definition, in accordance with the Petroleum Activities Law, and other applicable legislation, of the contractual relationship in the form of the Production Sharing Contract between Sonangol and Contractor Group for carrying out the Petroleum Operations.

Article 4

(Nature of the relationship between the Parties)

This Contract shall not be construed as creating between the Parties any entity with a separate juridical personality, or a corporation, or a civil society, a joint venture or even a partnership ("conta em participação").

Article 5

(Duration of the Contract)

1. This Contract shall continue to be in force until the end of the last Production Period or, in case there is no Production Period in the Contract Area, until the end of the Exploration Period, unless prior to that date anything occurs that in the terms of the Law or the applicable provisions of the Contract or the Law constitutes cause for its termination or for termination of the concession and the Contract is terminated for such cause.

2. The extension of the Exploration or Production Periods referred to in the preceding paragraph beyond the terms provided for in Articles 6 and 7 respectively shall be

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submitted by Sonangol to the Minister of Petroleum under Article 12 of the Petroleum Activities Law.

3. At the end of the Exploration Period, Contractor Group shall terminate its activities in all areas within the Contract Area which are not at such time part of a Development Area(s); and, except as otherwise provided herein, from that time this Contract shall no longer have any application to any portion of the Contract Area not included in a Development Area.

Article 6

(Exploration Period)

1. Pursuant to the Concession Decree, an Initial Exploration Phase of five (5) Contract Years shall start from the Effective Date. One (1) successive extension of three (3) Contract Years (the Optional Exploration Phase) may follow the Initial Exploration Phase, provided that Contractor Group notifies Sonangol in writing of such extension, at least thirty (30) days before the end of the Initial Exploration Phase and if, unless otherwise agreed by Sonangol, Contractor Group has fulfilled its obligations in respect of such Phase.

2. The Contract shall expire if no Commercial Discovery has been made in the Contract Area by the end of the Initial Exploration Phase or the Optional Exploration Phase, should that be the case. However, the Exploration Period may be extended for six (6) Months for the completion of drilling and testing of any Well actually being drilled or tested at the end of the fifth (5^{th}) and/or eighth (8^{th}) Contract Year, as the case may be.

3. Should any of the said Wells be a Commercial Well, Contractor Group shall be given sufficient time, mutually agreed, not exceeding twelve (12) Months, or a longer period, if accepted by Sonangol, following the completion of drilling and testing of the Commercial Well to do Appraisal work. Should this work result in a Commercial Discovery, then a Development Area shall be granted pursuant to Article 7.

4. In the event the Contractor Group fail to drill all Exploration Wells foreseen in Article 15 during the Initial Exploration Phase, Contractor Group shall elect one of the following options:

(a) Complete the remaining Exploration Well(s) in a six (6) Month extension of the Initial Exploration Phase and forego the option to enter into the Optional Exploration Phase;

(b) Decide to enter into the Optional Exploration Phase being, however, required to complete the Wells relating to the Initial Exploration Phase and to drill the Wells relating to the Optional Exploration Phase.

5. Operations for the sole account of Sonangol conducted under Article 30 hereof shall not extend the Exploration Period nor affect the term of the Contract, it being understood that:

(a) Contractor Group shall complete any work undertaken for Sonangol's sole risk and expense even though the Exploration Period may have expired;

(b) Contractor Group's completion of the works referred to in the previous subparagraph shall not extend Contractor Group's Exploration Period or Contract term, except in the case of Contractor Group exercising the option right mentioned in Article 30.3, hereof;

(c) During the period Contractor Group is completing the works referred to in subparagraph (a), Contractor Group shall be given authorization to continue such sole risk operations and shall be entitled to all benefits available to Contractor Group pursuant to the Contract as if the term thereof had not expired.

Article 7

(Production Period)

1. Following each Commercial Discovery, the shape and the dimensions of the Zone(s) within the Contract Area capable of Production from the deposit or deposits identified by (i) the Well that originated the Commercial Discovery, (ii) its related Appraisal Wells, and (iii) its related Delineation Wells, if any, shall be agreed upon by Sonangol and Contractor Group. Each agreed Zone(s) shall then be converted automatically into a Development Area

effective from the date of Commercial Discovery.

Without prejudice to paragraph 2 hereof, there shall be a Production Period for each Development Area which shall be thirty (30) Years from the date of Commercial Discovery in the referred Development Area. In the event of Commercial Discoveries in Zone(s) which underlie or overlie each other, such Zone(s) shall constitute a single Development Area, and such area shall be defined or redefined as necessary, within the boundaries of the Contract Area, to incorporate all underlying and overlying Zone(s).

2. Unless otherwise agreed with Sonangol, the first lifting of Crude Oil from any given Development Area shall occur within forty-two (42) Months as from the date of the declaration of the Commercial Discovery in the referred Development Area.

If, within nine (9) Months from the date of the declaration of a Commercial Discovery, in the opinion of the Contractor Group, for a given Development, such forty-two (42) Months period cannot be accomplished in the prevailing technical, contractual and economic conditions, the Contractor Group shall propose an alternative timeframe. Sonangol shall be entitled to either accept or refuse such proposal and, in case of disagreement, the Parties shall discuss diligently and in good faith, as from the date Sonangol informs the Contractor Group of its decision, a reasonable alternative timeframe.

In case the Contractor Group is unable to present a reasonable and credible alternative timeframe for the first lifting of crude oil in a given Development Area, Sonangol, as from the end of the forty-two (42) Months period, shall be entitled to inform the Contractor Group through a written notice that such Development Area is considered as terminated and the rights and obligations of the said Development Area shall be considered as terminated.

Article 8

(Operator)

1. Contractor Group has the exclusive responsibility for executing the Petroleum Operations, except as provided in Article 30.

2. Under the Concession Decree the Operator which carries out the Petroleum Operations in the Contract Area, on a no profit and no loss basis, on behalf of the Contractor Group is Cobalt. Sonangol P&P shall become the Operator in accordance with the Principles for Transfer of Operatorship to Sonangol P&P referred to in Annex F.

The change of operator to an entity different from Sonangol P&P shall require the prior approval of the Ministry of Petroleum following a proposal from Sonangol.

3. Any agreement among the Contractor Group companies regarding or regulating the Operator's conduct in relation to this Contract shall not go against the Law and this Contract and must be submitted to Sonangol for comments prior to the execution thereof. If Sonangol does not answer within sixty (60) days after the submission of such an agreement, then Contractor Group may conclude such agreement.

4. The obligation referred to in the preceding paragraph is not applicable to the Transfer of Operatorship Agreement referred to in Annex F, which will also be negotiated and signed by Sonangol.

5. The Operator will be subject to all of the specific obligations provided for in this Contract, the Concession Decree and other applicable legislation and, under the general authority of the Operating Committee, shall have the exclusive control and administration of the Petroleum Operations.

6. The Operator shall be the only entity which, on behalf of Contractor Group and within the limits defined by the Operating Committee, may execute contracts, incur expenses, agree to expense commitments and implement other actions in connection with the conduct of Petroleum Operations.

7. In the event of the occurrence of any of the following, Sonangol can require Contractor Group to immediately propose another Contractor Group company as Operator:

(a) if the Operator, by action or omission, commits a Serious Fault in carrying out its obligations and if this fault is not remedied to the satisfaction of Sonangol within a period of twenty eight (28) days with effect from the date of receipt by the Operator of a written notice issued by Sonangol requesting the Operator to remedy such fault (or within a greater period of time if so specified in the notice, or as agreed later by Sonangol);

(b) if a sentence has been passed in court declaring the bankruptcy, liquidation or dissolution of the Operator, or if, in the court action taken in order to obtain such declaration, any injunction has been granted or any interim judicial ruling

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has been made, which prevents Operator from fulfilling its obligations under the Contract;

(c) if the Operator undertakes the legal procedures established to prevent bankruptcy or without a just cause ceases payment to creditors;

(d) if the Operator terminates or if there is strong evidence that it intends to terminate its activities or a significant proportion thereof, and, as a result, fails to fulfill its obligations under the Contract. If strong evidence that the Operator intends to terminate its activities exists, the Operator shall be given a period of fifteen (15) days with effect from the date of receipt by the Operator of written notice issued by Sonangol, or such greater period of time if so specified in the notice, in which to refute such strong evidence to the satisfaction of Sonangol.

8. For purposes of this Contract, "Serious Fault" shall mean inadequate performance by the Operator that substantially violates the technical rules generally accepted in the international petroleum industry and/or the obligations under this Contract and the Law.

9. If Contractor Group, in accordance with paragraph 6, does not comply with the obligation to propose another Operator from among its members within thirty (30) days from the date when Sonangol gave notice to Contractor Group to do so, Sonangol may freely propose one of the other Contractor Group entities as Operator or a third-party entity selected by Sonangol, if none of those accept such role.

10. The Contractor Group must accept the Operator appointed by the Ministry of Petroleum, otherwise it shall be in serious breach of this Contract.

Article 9

(Petroleum Operations procedures document)

Sonangol and Contractor Group may sign a document (hereinafter referred to as "Petroleum Operations Procedures Document") which will regulate and interpret the contents of this Contract, which shall be in accordance with the provisions of this Contract and the Law.

Article 10

(Costs and expenditures)

Except as otherwise provided for in this Contract, the costs and expenditures incurred in the Petroleum Operations, as well as any losses and risks derived therefrom, shall be borne by the Contractor Group, and Sonangol shall not be responsible to bear or repay any of the aforesaid costs, expenditures, losses or risks.

Article 11

(Recovery of costs and expenditures)

1. Under the Petroleum Activities Tax Law, Contractor Group shall recover all Exploration, Development, Production and Administration and Services expenditures incurred under this Contract by taking and freely disposing of up to a maximum amount of fifty percent (50%) per Year of all Crude Oil produced and saved from Development Areas hereunder and not used in Petroleum Operations. Such Crude Oil percentage is hereinafter referred to as "Cost Recovery Crude Oil".

2. If in any given Year, recoverable costs, expenses or expenditures are less than the maximum value of Cost Recovery Crude Oil the difference shall become part of, and included in the Development Area Profit Oil, as provided for in Article 12.

3. For the purposes of Article 23.2 (c) I of the Petroleum Activities Tax Law, Development expenditures in each Development Area shall be multiplied by 1.10 (one point ten).

4. In the event that, in any given Year, recoverable costs, expenses or expenditures exceed the value of Cost Recovery Crude Oil from the relevant Development Area for such Year, the excess shall be carried forward for recovery in the next succeeding Year or Years; but in no case after the termination of the Contract. In the event that Development Expenditures for a Development Area are not fully recovered within five (5) Years after the commencement of commercial production or within five (5) Years after the year in which Development expenditures are incurred, whichever latter occurs, then Contractor Group's share of Cost Recovery Crude Oil shall be increased from Year six to sixty five percent (65%) per Year to allow for the recovery of such unrecovered expenditures, provided that Contractor Group has fulfilled all of its contractual obligations to date.

5. For the purpose of this Contract, the date on which commercial production commences from a Development Area shall mean the date on which the first lifting of Crude Oil from such Development Area is made under the approved Lifting Schedule.

Article 12

(Production sharing)

1. The total Crude Oil produced and saved in a Quarter from each Commercial Discovery and its Development Area and not used in Petroleum

Operations less the Cost Recovery Crude Oil from the same Development Area, as provided in Article 11, shall be referred to as "Development Area Profit Oil" or "Profit Oil" and shall be shared between Sonangol and Contractor Group according to the after tax, nominal rate of return achieved at the end of the preceding Quarter by Contractor Group in the corresponding Development Area as follows:

Contractor Group's rate of return for each Development Area (% per annum)	**Sonangol Share - %**	**Contractor Group Share - %**
Less than 15	30	70
15 to less than 20	40	60
20 to less than 30	75	25
30 to less than 40	85	15
40 or more	90	10

2. Beginning at the date of Commercial Discovery, Contractor Group's rate of return shall be determined at the end of each Quarter on the basis of the accumulated compounded net cash flow for each Development Area, using the following procedure:

(a) The Contractor Group's net cash flow computed in US dollars for a Development Area for each Quarter is:

(i) The sum of Contractor Group's Cost Recovery Crude Oil and share of Development Area Profit Oil regarding the Petroleum actually lifted in that Quarter at the Market Price;

(ii) Minus Petroleum Income Tax;

(iii) Minus Development expenditures and Production Expenditures;

(b) For this calculation, neither any expenditure incurred prior to the date of Commercial Discovery for a Development Area nor any Exploration Expenditure shall be included in the calculation of Contractor Group's net cash flow.

(c) The Contractor Group's net cash flows for each Quarter are compounded and accumulated for each Development Area from the date of the Commercial Discovery according to the following formula:

$$\text{ACNCF (Current Quarter)} = \frac{(100\% + DQ)}{100\%} \times \text{ACNCF (Previous Quarter)} + \text{NCF (Current Quarter)}$$

where:

ACNCF = accumulated compounded net cash flow
NCF = net cash flow
DQ = quarterly compound rate (in percent).

The formula will be calculated using quarterly compound rates (in percent) of 3.56%, 4.66%, 6.78%, and 8.78% which correspond to annual compound rates ("DA") of 15%, 20%, 30% and 40%, respectively, as referred to in Article 12.1.

3. The Contractor Group's rate of return in any given Quarter for each Development Area shall be deemed to be between the largest DA which yields a positive or zero ACNCF and the smallest DA which causes the ACNCF to be negative.

4. The sharing of Profit Oil from each Development Area between Sonangol and Contractor Group in a given Quarter shall be in accordance with the scale in paragraph 1 above using the Contractor Group's deemed rate of return as per paragraph 3 in the immediately preceding Quarter.

5. In a given Development Area it is possible for the Contractor Group's deemed rate of return to decline as a result of negative cash flow in a Quarter with the consequence that Contractor Group's share of Profit Oil from that Development Area would increase in the subsequent Quarter.

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6. Pending finalization of accounts, Profit Oil from Development Areas shall be shared on the basis of provisional estimates, if necessary, of deemed rate of return as approved by the Operating Committee. Adjustments shall be subsequently effected in accordance with the procedure to be established by the Operating Committee.

Article 13

(Lifting and disposal of Crude Oil)

1. It is the right and the obligation of each of the Parties to separately take at the Delivery Point in accordance with the Lifting Schedule and the

procedures and regulations foreseen in the following paragraphs of this Article, its respective Crude Oil entitlements as determined in accordance with this Contract.

2. Each of the Parties (and as for Contractor Group, each entity constituting it) shall have the right to proceed separately to the commercialization, lifting and export of the Crude Oil to which it is entitled under this Contract.

3. Twelve (12) Months prior to the scheduled initial export of Crude Oil from each Development Area, Sonangol shall submit to Contractor Group proposed procedures and related operating regulations covering the scheduling, storage and lifting of Crude Oil and any other Petroleum produced from such Development Area(s). The procedures and regulations shall be consistent with the terms of this Contract and shall comprehend the subjects necessary for efficient and equitable operations including, but not limited to, rights of the Parties, notification time, maximum and minimum quantities, duration of storage, scheduling, conservation, spillage, liabilities of the Parties, throughput fees and penalties, over and under lifting, safety and emergency procedures and any other matters that may be agreed between the Parties.

4. Contractor Group shall within thirty (30) days after Sonangol's submission in the preceding paragraph, submit its comments on, and recommend any revisions to the proposed procedures and regulations. Sonangol shall analyze these comments and recommendations and the Parties shall, within sixty (60) days after Contractor Group submission of its comments and recommendations, agree on such procedures and regulations.

5. In any event, the agreed lifting procedures and regulations, as provided in the previous paragraph, shall always comply with the Law.

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6. In the case of more than one Development Area in the Contract Area or more than one quality of Crude Oil in a Development Area, Sonangol and Contractor Group shall, unless they mutually agree that the Crude Oils should be commingled, lift from each Development Area Crude Oil qualities in proportion to their respective total liftings from the Contract Area. In determining these proportions any Petroleum belonging to Sonangol as a result of operations for Sonangol's account under Article 30 shall be excluded.

Article 14

(Conduct of Petroleum Operations)

1. With due observance of legal and contractual provisions and the approved Work Plan and Budget and subject to the decisions of the Operating Committee, Contractor Group, through the Operator, shall act in the common interest of the Parties and shall undertake the execution of the work inherent in Petroleum Operations in accordance with the Law, professional rules and standards which are generally accepted in the international petroleum industry.

2. Contractor Group, through the Operator, shall carry out the work inherent in Petroleum Operations in an efficient, diligent and conscientious manner and shall execute the Work Plans and Budgets under the best economic and technical conditions and in accordance with the Law, professional rules and standards which are generally accepted in the international petroleum industry.

3. In performing the Petroleum Operations, the Contractor Group, through the Operator, shall use the most appropriate technology and management experience, including its own technology, such as patents, "know-how" and other proprietary technology, insofar as this is permitted by applicable laws and agreements.

4. Contractor Group, through the Operator, and its subcontractors shall:

(a) contract local contractors, as long as their services are similar in quality and availability to those available on the international market and the prices of their services, when subject to the same tax charges, are no more than ten percent (10%) higher compared to the prices charged by foreign contractors for identical services;

(b) acquire materials, equipment, machinery and consumable goods of national production, insofar as their quantity, quality and delivery dates are similar to those of such materials, equipment, machinery and consumable goods available on the international market. However, such obligation does not apply in those cases in which the local prices for such goods are more than ten percent (10%) higher compared to the prices for imported goods, before charging Customs Duties but after the respective costs for transportation and insurance have been included.

5. Contractor Group, through the Operator, shall seek competitive bids for any work to be performed pursuant to an Approved Work Plan and Budget if such work is budgeted to exceed US$ 250,000.00 (two hundred and fifty thousand US dollars) or any other amount established by Law. When reviewing such bids, Contractor Group shall select out of the bids which are acceptable to Contractor Group for technical and other operational reasons, the bid with the lowest cost. This decision shall be subject to the provisions of paragraph 4 above and, after the first Commercial Discovery, the approval of the Operating Committee.

6 Operator shall entrust the management of Petroleum Operations in Angola to a technically competent General Manager and Assistant General Manager. The names of such General Manager and Assistant General Manager shall, upon appointment, be given to Sonangol. The General Manager and, in his absence, the Assistant General Manager, shall be entrusted with sufficient powers to carry out immediately and comply with all lawful written directions given to them by Sonangol or the Executive Power or its or their representatives or any lawful regulations gazetted or hereafter to be

gazetted which are applicable to the Petroleum Operations.

7. Except as is appropriate for the economic and efficient processing of data and laboratory studies thereon in specialized centers outside Angola, geological and geophysical studies as well as any other technical studies related to the performance of this Contract, shall be in a percentage not less than 35% (thirty five percent) of their value, executed in Angola.

8. In the case of an emergency in the course of the Petroleum Operations requiring an immediate action, Contractor Group, through the Operator, is authorized to take all actions that it deems necessary for the protection of human life, property, the interests

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of the Parties and the environment, and shall promptly inform Sonangol of all actions so taken.

9. Any obligations which are to be observed and performed by Contractor Group shall, if Contractor Group comprises more than one entity, be joint and several obligations.

10. Without prejudice to the provisions of Article 36 and with respect to the Law, the Operator shall have the right to staff the Petroleum Operations with those whom it believes are necessary for efficient administration and operation without the imposition of citizenship or residency requirements.

11. Sonangol shall provide reasonable assistance to the Contractor Group in obtaining visas, permits and other documents required to enter Angola and residency and work licenses required in connection with the performance of Petroleum Operations. The Contractor Group shall notify Sonangol reasonably in advance of the time necessary for receipt of such permits and licenses and Sonangol shall take steps to arrange for all such permits and licenses to be issued on a timely basis by the appropriate authorities.

Article 15

(Work obligations during the Exploration Period)

1. During the Initial Exploration Phase Contractor Group shall perform a seismic program covering 1,500 Km ^{2} (one thousand and five hundred square kilometers) of seismic 3D. This seismic program shall begin within six (6) Months of the Effective Date, unless otherwise agreed by Sonangol, provided that an appropriate seismic vessel is available.

2. Contractor Group, within the Initial Exploration Phase, shall drill 4 (four) obligatory Exploration Wells, in 4 (four) different prospects, 1 (one) of which shall have a pre-salt objective and the others 3 (three) with objectives to be agreed, to geological horizons defined in the Approved Work Plan and Budget.

3. In the event Contractor Group elects to extend the Exploration Period into the Optional Exploration Phase, Contractor Group shall be required to drill 2 (two) obligatory Exploration Wells (other than Appraisal Wells), 1 (one) of which shall have a pre-salt objective and the other one with objective to be agreed, to geological horizons defined in the Approved Work Plan and Budget.

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4. In the event Contractor Group exceeds the minimum work obligations described in the preceding paragraphs during the Initial Exploration Phase, then such excess shall be credited against the minimum work obligations for the Optional Exploration Phase.

If Contractor Group elects to drill more than 1 (one) Exploration Well with a pre-salt objective, such additional pre-salt Exploration Well shall constitute one of the Exploration Wells witch Contractor Group is required to drill pursuant to paragraph 2 or 3 (as the case may be) and the drilling of such additional Exploration Well shall satisfy the obligation of the Contractor Group to drill 1 (one) Exploration Well of any kind.

5. Without prejudice to paragraph 4 of Article 6, in the event that Contractor Group does not satisfy the minimum work obligations referred to in this Article within the deadlines specified in Article 6, Contractor Group shall be deemed, unless otherwise agreed by Sonangol, to have voluntarily terminated its activities and withdrawn from all of the Contract Area not already converted into a Development Area(s).

6. If Contractor Group relinquishes its rights under this Contract before performing the seismic program undertaken by it under this Article, Contractor Group is obligated to pay Sonangol an amount equal to US$ 30,000,000.00 (thirty million US dollars), less the amount equal to US$ 20,000.00 (twenty thousand US dollars) for each square kilometer of the seismic program concluded before relinquishment.

7. If Contractor Group relinquishes its rights under this Contract before drilling the minimum number of Exploration Wells undertaken under this Article, Contractor Group shall be obligated to pay Sonangol an amount equal to US$ 120,000,000.00 (one hundred and twenty million US dollars) for each pre salt Exploration Well not drilled, and US$ 70,000,000.00 (seventy million US dollars) for any other Well not drilled.

8. For the purpose of the financial guarantee, Contractor Group shall be required to incur the following minimum Exploration expenditures:

- Initial Exploration Phase	- US$ 360,000,000.00 (three hundred and sixty million US dollars);
- Optional Exploration Phase	- US$ 190,000,000.00 (one hundred and ninety million US dollars).

9. If Contractor Group fulfills the minimum work obligations referred to in paragraphs 1, 2 and 3 of this Article relating to each phase of the Exploration Period, then Contractor

Group shall be considered as having fulfilled the minimum Exploration expenditures set forth in the previous paragraph.

10. Each Exploration Well referred to in this Article shall test all productive horizons agreed to by Sonangol and Contractor Group, unless diligent test efforts consistent with sound and normal oil industry practices indicate that it is technically impracticable to reach and/or test any such horizons.

11. During the drilling of Wells under this Contract, Contractor Group shall keep Sonangol informed of the progress of each Well, its proposals for testing and the results of such tests, and at Sonangol's request, shall test any additional prospective zones within the agreed Well depth provided that such tests shall be consistent with professional rules and standards which are generally accepted in the international petroleum industry and do not interfere with the safety and efficiency of the Petroleum Operations planned by Contractor Group. Such tests shall be at Contractor Group's expense and shall be credited towards fulfilling the minimum work program.

12. If any obligatory Exploration Well is abandoned due to technical difficulties and, at the time of such abandonment, the Exploration expenditures for such Well have equaled or exceeded US$ 120,000,000.00 (one hundred and twenty million of US dollars), if such Well is a Well with a pre-salt objective, or US$ 70,000,000.00 (seventy million US dollars) in the case of any other Well, for all purposes of this Contract Contractor Group shall be considered to have fulfilled the work requirement in respect of one (1) Exploration Well and all costs of the Exploration Well shall be considered part of the Exploration expenditures set forth in paragraph 8 of this Article. If any obligatory Exploration Well is abandoned due to technical difficulties, and at the time of such abandonment the Exploration expenditures for such Well are less than US$ 120,000,000.00 (one hundred and twenty million US dollars), if such Well is a Well with a pre-salt objective, or US$ 70,000,000.00 (seventy million US dollars) in the case of any other Well, then Contractor Group shall have the option either to:

(a) drill a substitute Well at the same or another location in which case the Exploration expenditures for both the original Well and the substitute Well shall be credited against Contractor Group's minimum Exploration expenditures set forth in paragraph 8 of this Article; or

(b) pay Sonangol an amount equal to the difference between US$ 120,000,000.00 (one hundred and twenty million US dollars) if such Well is a Well with a pre-salt objective, or US$ 70,000,000.00 (seventy million US dollars) in the case of any other Well, and the amount of Exploration expenditures actually spent in connection with such Well.

In this case, for all purposes of the Contract, Contractor Group shall be considered to have fulfilled the work requirement in respect of one (1) Exploration Well and the total amount of US$ 120,000,000.00 (one hundred and twenty million US dollars) if such Well is a Well with a pre-salt objective, or US$ 70,000,000.00 (seventy million US dollars) in the case of any other Well, shall be considered part of the minimum Exploration expenditures set forth in paragraph 8 of this Article.

Article 16

(Exploration Work Plans and Budgets)

1. Within one (1) Month of the Effective Date and thereafter at least three (3) Months prior to the beginning of each Contract Year during the Exploration Period or at such other times as may mutually be agreed to by Sonangol and Contractor Group, Contractor Group shall prepare in reasonable detail an Exploration Work Plan and Budget for the Contract Area setting forth the Exploration operations which Contractor Group proposes to carry out during the first Contract Year and during the ensuing Contract Year respectively.

2. During the Exploration Period such Work Plan and Budget shall be at least sufficient to satisfy the minimum expenditure obligations and minimum work program to which the Contractor Group is obliged.

3. The Exploration Work Plan and Budget shall be submitted to the Operating Committee for review, advice or approval as the case may be, in accordance with Article 31, and carried out by Contractor Group after approval by the Ministry of Petroleum under Article 58 of the Petroleum Activities Law.

4. Subject to Article 31, the Operating Committee shall coordinate, supervise and control the execution of the Approved Exploration Work Plans and Budgets, as well as verify if same is carried out within budget expenditure limits, or any revisions which have been made thereto.

Article 17

(Commercial Discovery)

1. Contractor Group shall inform Sonangol, within thirty (30) days of the end of the drilling and testing of an Exploration Well, of the results of the

final tests of the Well and whether such a Well is a Commercial Well or not. The date of this advice is the date of the declaration of the Commercial Well, should such well exist, or of the declaration of the non Commercial Well, if such is the case.

2. After the declaration of a Commercial Well, Contractor Group may undertake the Appraisal of the discovery by drilling one or more Appraisal Wells to determine whether such discovery can be classified as a Commercial Discovery.

3. Unless otherwise agreed with Sonangol, not later than six (6) Months after the completion of the second Appraisal Well, or twenty four (24) Months after the declaration of the Commercial Well, whichever is earlier, Contractor Group shall give written notice to Sonangol indicating whether the discovery is considered commercial or not. If Contractor Group declares it a Commercial Discovery, Contractor Group shall proceed to develop it under the Petroleum Activities Law. The date of Commercial Discovery shall be the date on which Contractor Group inform Sonangol in writing of the existence of said Discovery.

4. If the period allowable for declaration of a Commercial Discovery extends beyond the Exploration Period, a provisional Development Area shall be established for such period as necessary to complete the Appraisal as per paragraphs 2 and 3 above. The provisional Development Area shall be of the shape and size which encompasses the Zone or Zones which would constitute the potential Commercial Discovery. Such provisional Development Area shall be agreed by Sonangol in writing.

5. If following the discovery of a Commercial Well, the subsequent Appraisal Well(s) and Delineation Well(s) is (are) completed as producing or injection Well(s) its (their) costs shall be treated as part of the Development expenditures for the purposes of calculating the amount of Cost Recovery Crude Oil.

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6. The costs of a Commercial Well, if completed as a producing or injection Well, shall be treated as part of the Development expenditures for the purposes of calculating the amount of Cost Recovery Crude Oil.

7. The costs of a Commercial Well, Appraisal Well(s) and Delineation Well(s) not completed as a producing or injection Well(s) shall be treated as Exploration expenditures for the purposes of calculating the amount of Cost Recovery Crude Oil.

8. Any Commercial Well shall count towards fulfilling the work and expenditure obligations provided for in Article 15, but the Appraisal Well(s) or Delineation Wells that have been drilled following the discovery of a Commercial Well shall not count towards such obligations.

9. There shall be no more than one Commercial Well in each Development Area that counts towards such work obligations; and it shall be the first Commercial Well in that Development Area.

10. Contractor Group has the right to declare a Commercial Discovery without first having drilled a Commercial Well or Wells.

11. The Contractor Group may request Sonangol's approval to combine two or more Qualifying Zones into a Development Area, if Contractor Group believes that such combination will be commercial. Failing such approval, Contractor Group shall either proceed with Development of the respective Qualifying Zones in accordance with the terms and conditions of the Contact, or relinquish them.

12. For the purpose of this article "Qualifying Zone" means:

(a) a Zone whose Exploration Well(s) have been declared by the Contractor Group as non-commercial Wells;

or

(b) a Zone whose Exploration Well(s) result in Commercial Well(s) but whose discoveries the Contractor Group does not consider to constitute a Commercial Discovery and Sonangol so agrees.

Article 18

(General Development and Production Plan)

Within thirty (30) days of the date of a Commercial Discovery, the Contractor Group shall prepare and submit to Sonangol a draft General Development and Production Plan, which shall be analyzed and discussed by the Parties in order to be agreed and submitted by Sonangol to the Ministry of Petroleum within three (3) Months of the date of the Commercial Discovery or within any longer period which may be granted by the Ministry of Petroleum.

Article 19

(Development and Production Work Plans and Budgets)

1. From the date of approval of the plan referred to in the preceding Article, and thenceforth by fifteen (15) August of each Year (or by any other date which may be agreed) thereafter, Contractor Group shall prepare in accordance with professional rules and standards generally accepted in the

international petroleum industry a draft annual Production Plan, a draft Exploration and Production Work Plan and Budget (if applicable) and a draft Development and Production Work Plan and Budget for the following Civil Year and may, from time to time, propose to Sonangol that it submit amendments to the approved Work Plans and Budgets to the consideration of the Ministry of Petroleum.

2. The draft Development and Production Work Plan and Budget and the draft Production Plan referred to in the previous paragraph shall be prepared on the basis of the approved General Development and Production Plan and any subsequent amendments to the same.

3. The draft Production Plan and the draft Development and Production Work Plan and Budget shall be approved in writing by the Operating Committee and shall be submitted by Sonangol to the Ministry of Petroleum for approval under the Petroleum Activities Law.

4. The Contractor Group is authorized and hereby undertakes to execute, under the supervision and control of the Operating Committee, and within the limits of the budgeted expenses, the approved Development and Production Work Plans and Budgets, together with any revised versions of the same.

Article 20

(Lifting Schedule)

1. The Operating Committee shall approve a Lifting Schedule, not later than ninety (90) days prior to January 1 and July 1 of each Civil Year following the commencement of commercial production and in accordance with the approved Production Plan, and furnish in writing to Sonangol and the entities constituting Contractor Group a forecast setting out the total quantity of Petroleum that the Operating Committee estimates can be produced, saved, transported and lifted hereunder during each of the next four (4) Quarters in accordance with sound practices generally accepted in the international petroleum industry.

2. Contractor Group shall endeavor to produce in each Quarter the quantity of Petroleum forecast in the Production Plan.

3. The Crude Oil shall, if appropriate, be run to storage tanks built, maintained and operated by Contractor Group, and shall be metered or otherwise measured as required to meet the purposes of this Contract and the Law.

Article 21

(Guarantees)

1. The minimum Exploration work obligations shall be secured by financial guarantees substantially in the form set out in Annex E.

2. The financial guarantees referred to in the previous paragraph shall be given by Cobalt, BP and China Sonangol in the percentages shown below not later than thirty (30) days after the date of execution of the Contract, in respect of the minimum work obligations of the Initial Exploration Phase, or after the commencement of the Optional Phase of the Exploration Period, in respect of the minimum work obligations of said Phase:

- Cobalt	- 57.14%
- BP	- 28.57%
- China Sonangol	- 14.29%

3. The amount of such financial guarantees shall in each Phase be equal to US$ 120,000,000.00 (one hundred and twenty million US dollars) if such Well is a Well with a pre-salt objective, or US$ 70,000,000.00 (seventy million US dollars) in the case of any non pre-salt Well, for each of the obligatory Exploration Wells set forth in

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Article 15.

4. During the Initial Exploration Phase the financial guarantees shall be increased by US$ 30,000,000.00 (thirty million US dollars) for the obligatory seismic program set forth in Article 15, paragraph 1.

5. The amount of such financial guarantees shall be reduced by US$ 30,000,000.00 (thirty million US dollars) during the Initial Exploration Phase when the obligatory seismic program is completed or for each amount paid in accordance with Article 15, paragraph 6.

6. The financial guarantees shall be reduced by the amount US$ 120,000,000.00 (one hundred and twenty million of US dollars) if such Well is a Well with a pre-salt objective, or US$ 70,000,000.00 (seventy million US dollars) in the case of any non pre-salt Well, when the drilling of each of the obligatory Exploration Wells for each Phase of the Exploration Period is finished, or for each amount paid and/or credited in accordance with paragraphs 7 and 12 of Article 15.

7. If, during any Year of any of the Phases of the Exploration Period, Contractor Group should be deemed to have relinquished, as provided in

Article 15.5, all of the Contract Area not converted to a Development Area(s), Contractor Group shall forfeit the full amounts of the financial guarantees, reduced as provided for in the preceding paragraphs 5 and 6.

8. Each of the entities comprising Contractor Group shall also provide Sonangol, if so required by the latter, with a corporate guarantee substantially in the form shown in Annex D hereof or such other form as may be agreed between Sonangol and each of such entities, not later than sixty (60) days after the date of execution of this Contract.

Article 22

(Bonus and contributions)

1. Cobalt, BP and China Sonangol shall pay to Sonangol the following bonus, contributions for social projects and for Sonangol Research and Technology Center in the following percentages:

- Cobalt	- 57.14%
- BP	- 28.57%
- China Sonangol	- 14.29%

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a) A signature bonus in the amount of US$ 7,500,000.00 (seven million and five hundred thousand US dollars) to be paid on the Effective Date;

b) A contribution for social projects in the amount of US$ 200,000,000.00 (two hundred million US dollars) to be paid on the Effective Date;

c) A contribution for the Sonangol Research and Technology Center in the amount of US$ 350,000,000.00 (three hundred and fifty million US dollars) shall be paid in the following 5 (five) installments:

I. US$ 25,000,000.00 (twenty five million U.S dollars) on the Effective Date;

II. US$ 75,000,000.00 (seventy five million U.S dollars) on the first anniversary of the Effective Date;

III. US$ 75,000,000.00 (seventy five million U.S dollars) on the second anniversary of the Effective Date;

IV. US$ 75,000,000.00 (seventy five million U.S dollars) on the third anniversary of the Effective Date;

V. US$ 100,000,000.00 (one hundred million U.S dollars) on the fourth anniversary of the Effective Date.

2. The signature bonus and the contributions for social projects and for the Sonangol Research and Technology Center referred to in the preceding paragraph, shall not be recovered or amortized by the Contractor Group.

Article 23

(Conservation of Petroleum and prevention of loss)

1. Contractor Group shall adopt all those measures which are necessary and appropriate and consistent with the technology generally in use in the international petroleum industry to prevent loss or waste of Petroleum above or under the ground in any form during Petroleum Exploration, Development, Production, gathering and distribution, storage or transportation operations.

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2. Upon completion of the drilling of a producing Development Well, Contractor Group shall inform Sonangol of the time when the Well will be tested and shall subsequently inform Sonangol of the resulting estimated production rate of the Well within fifteen (15) days after the conclusion of such tests.

3. Petroleum shall not be produced from multiple independent productive Zones simultaneously through one string of tubing, except with the prior approval of Sonangol.

4. Contractor Group shall record data regarding the quantities of Crude Oil, Natural Gas and water produced monthly from each Development Area, which shall be sent to Sonangol within thirty (30) days after the end of the Month reported on.

5. Daily or weekly statistics and reports regarding the production from the Contract Area shall be made available by Contractor Group at convenient time for examination by authorized representatives of Sonangol.

6. Daily drilling records and graphic logs of Wells shall show the quantity and type of cement and the quantity of any other materials used in the Well

for the purposes of protecting Crude Oil, Natural Gas or fresh water bearing strata.

7. Any substantial change of mechanical equipment associated with the Well after its completion shall be subject to the approval of Sonangol.

Article 24

(Records, reports and inspection)

1. Contractor Group shall prepare and, at all times while this Contract is in force, maintain accurate and current records of its activities and operations in the Contract Area and shall keep all information of a technical, economic, accounting or any other nature, developed for the conduct of Petroleum Operations. Such records shall be organized in such a way as to allow for the prompt and complete ascertainment of costs and expenditures.

2. The records and information referred to in the previous paragraph shall be kept at Operator's office in Luanda.

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3. Sonangol, in exercising its activities under the terms of this Contract, shall have the right to free access, upon prior notice to Contractor Group, to all data referred to in paragraph 1 above. Contractor Group shall furnish to Sonangol, in accordance with applicable regulations or as Sonangol may reasonably request, information and data concerning activities and operations under this Contract. In addition, Contractor Group shall provide Sonangol with copies of any and all data related to the Contract Area, including, but not limited to, geological and geophysical reports, Well logs and surveys, information and interpretation of such data and other information in Contractor Group's possession.

4. Contractor Group shall save and keep in the best condition possible a representative portion of each sample of cores and cuttings taken from Wells as well as samples of all fluids taken from Exploration Wells, and deliver same to Sonangol or its representatives in the manner directed by Sonangol.

5. All samples acquired by Contractor Group for its own purposes shall be considered available for inspection at any convenient time by Sonangol or its representatives.

6. Contractor Group shall keep the aforementioned samples for a period of thirty-six (36) Months or, if before the end of such period Contractor Group withdraws from the Contract Area, then until the date of withdrawal. Up to three (3) Months before the end of the aforementioned period, Contractor Group shall request instructions from Sonangol as to the destination for such samples. If Contractor Group does not receive instructions from Sonangol by the end of such three (3) Month period then Contractor Group is relieved of its responsibility to store such samples.

7. If it is necessary to export any rock samples outside Angola, the Contractor Group shall deliver samples equivalent in size and quality to Sonangol before such exportation. Sonangol, if it so decides, may release the Contractor Group from said obligation.

8. Originals of records and data can be exported only with the permission of Sonangol. The original magnetic tapes and any other data which must be processed or analyzed outside Angola may be exported only if a comparable record and data is maintained in Angola. Such exports shall be repatriated to Angola on the understanding that they belong to Sonangol. Copies of the referred records and data may be exported at any time and under the terms of the Law.

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9. Subject to any other provisions of this Contract, Contractor Group shall permit Sonangol's duly authorized representatives and employees to have full and free access to the Contract Area at all convenient times with the right to observe the Petroleum Operations being conducted and to inspect all assets, records and data kept by Contractor Group. Sonangol's representatives and employees, in exercising the aforementioned rights, shall not interfere with Contractor Group's Petroleum Operations. Contractor Group shall grant to said Sonangol's representatives and employees the same facilities in the camp as those afforded to its own employees of similar professional rank.

10. Without prejudice to Article 34.2, Sonangol is responsible for any claims of their representatives or employees resulting from the exercise of the rights granted under this Article. Sonangol is also responsible and shall indemnify Contractor Group against all damages and claims resulting from willful misconduct or gross negligence of any of Sonangol's representatives or employees while performing their activities in the Contract Area, in Contractor Group's offices or in other Contractor Group's facilities directly related with the Petroleum Operations.

Article 25

(Contractor Group's obligation to purchase Sonangol's Petroleum)

1. Sonangol has the right to require Contractor Group to purchase any part of Sonangol's share of production under normal commercial terms and conditions in the international petroleum industry and at the Market Price in force at the time the Crude Oil is lifted as established in the Petroleum Activities Tax Law.

2. The right referred to in the preceding paragraph shall be exercised in accordance with the following rules:

(a) no later than six (6) Months prior to the start of a Quarter, Sonangol shall give written notice to the Contractor Group that it requires

Contractor Group to purchase a specified quantity of Crude Oil to be lifted ratably over a period of two (2) consecutive Quarters;

(b) Contractor Group's obligation to purchase Crude Oil from Sonangol will continue *mutatis mutandis* from Quarter to Quarter after the initial two (2) consecutive Quarters until and unless Sonangol gives Contractor Group written notice of termination which, subject to the above mentioned minimum period, shall take effect six (6) Months after the end of the Quarter in which such written notice was given.

Article 26

(Other rights and obligations related to Crude Oil disposal)

1. Sonangol shall have the right upon six (6) Months' prior written notice to buy from Contractor Group Crude Oil from the Contract Area equivalent in value to the Petroleum Income Tax due by Contractor Group to the Ministry of Finance. The referred purchase of Crude Oil by Sonangol shall be at the Market Price applicable to such Crude Oil. Sonangol shall provide Contractor Group with not less than three (3) Months advance written notice of its intention to cease to exercise its right under this paragraph.

2. Payment by Sonangol to Contractor Group for each purchase of Crude Oil under paragraph 1 above shall be made not later than two (2) working days before due date of payment by the Contractor Group of the relevant amount of Petroleum Income Tax to the Ministry of Finance. Any unpaid amount, plus interest as specified in Annex C to this Contract, shall be paid in kind to Contractor Group by Sonangol out of its next Crude Oil entitlement, valued at the Market Price applicable to such Crude Oil.

3. If, in any Year, Contractor Group's total share of Crude Oil comprising Cost Recovery Crude Oil and Development Area Profit Oil, less any Crude Oil acquired or received from Contractor Group by Sonangol under this Article and by the Executive Power under The Petroleum Activities Law, is less than forty nine percent (49%) of total Crude Oil estimated to be produced and saved in the Contract Area, Contractor Group has the right to buy and lift the corresponding balance of Crude Oil in the succeeding Year.

In the event that Contractor Group exercises all or any part of such right, the balance of Crude Oil necessary to satisfy Contractor Group's right shall be sold to Contractor Group by Sonangol at the Market Price in accordance with the following procedure:

(a) six (6) Months prior to the start of a Quarter Contractor Group shall give written notice to Sonangol that it requires Sonangol to sell a specified quantity of Crude

Oil, which quantity may be expressed either in Barrels or a percentage of total production, to be lifted ratably over a period of two (2) consecutive Quarters;

(b) Sonangol's obligation to sell Crude Oil to Contractor Group will continue *mutatis mutandis* from Quarter to Quarter after the initial two (2) consecutive Quarters until and unless Contractor Group gives Sonangol written notice of termination or revision of quantities which, subject to the above mentioned minimum period, shall take effect six (6) Months after the end of the Quarter in which such written notice was given.

4. In the event of conflict between Contractor Group's right in paragraph 3 above and Sonangol's right in paragraph 1 above, Contractor Group's right shall prevail.

5. The fulfillment of the obligation to satisfy the consumption requirements, as per Article 78 of the Petroleum Activities Law, shall be shared between Sonangol and Contractor Group in proportion to their respective net shares of production during the period concerned (Contractor Group's net share being its share according to Articles 11 and 12 less the quantities delivered to Sonangol under paragraph 1 above and Sonangol's net share being its share according to Article 12, plus the said quantities delivered to it under paragraph 1 above).

Article 27

(Unitization and joint Development)

1. The rules on unitization and joint Development are contained in Article 64 of the Petroleum Activities Law.

2. Any joint Development and Production carried out under this Article shall not prejudice the provisions of Articles 29, 31.2(e) and 31.11 (b).

3. In the event that a unitization process under the Petroleum Activities Law affects the whole or part of an obligation which Contractor Group must fulfill within a certain time period under the Contract, such time period shall be extended by the time elapsed between Sonangol's written notice under paragraphs 1 and 2 above and the date of mutual agreement on the plan of the related joint Development. This extension shall not be longer than twelve (12) Months, or such longer period as agreed by Sonangol.

Article 28

(Transfer and abandonment of assets)

1. Within sixty (60) days termination of the Contract or the date of abandonment and decommissioning in any part of the Contract Area, the Contractor Group shall hand over to Sonangol, in a good state of repair and operation, and in accordance with a plan approved by Sonangol, all of the infrastructures, equipment and all Wells which, within the Development Areas to which the expiry, cancellation or relinquishment refers, are in production or are capable of producing, or are being used, or may be used, in injection, together with all casing, piping, surface or sub-surface equipment and facilities acquired by the Contractor Group for the conduct of Petroleum Operations, except those as are being used for Petroleum Operations elsewhere in the Contract Area.

2. If Sonangol so requires, the Contractor Group shall proceed to correctly abandon the Well or Wells and decommission the facilities in accordance with Articles 75.4 and 75.5 of the Petroleum Activities Law.

3. The requirement provided for in the previous paragraph shall be made by Sonangol no later than one hundred and eighty (180) days before the termination of the Contract or the estimated date of commencement of abandonment and decommissioning operations of any part of the Contract Area.

4. If the request referred to in paragraph 2 above is made, Sonangol shall make the required funds available to the Contractor Group from the amounts paid (including accrued interest thereon) to Sonangol pursuant to Article 3 (e) of Annex C. In the event that the amounts paid by Contractor Group (plus accrued interest thereon) are insufficient to cover the abandonment and decommissioning costs, Sonangol and Contractor Group shall agree on the method of covering the additional costs.

5. After having carried out the abandonment of the Wells and decommissioning of facilities and related assets, or in the case of Sonangol requesting such abandonment and decommissioning and not placing at the disposal of the Contractor Group the funds referred to in paragraph 4, or after the Contractor Group carries out the handing over of the equipment and Wells to Sonangol under the terms of paragraph 1, the Contractor Group will have no further responsibility or r obligation in relation to the same, except in cases of its gross negligence, willful misconduct or Serious Fault and, without prejudice

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to the provisions of the Contract still in force after the termination of the Contract, Sonangol shall indemnify and defend the Contractor Group in case of any claims, costs or losses related to such Wells, facilities and related assets.

Article 29

(Natural Gas)

1. Contractor Group shall have the right to use in the Petroleum Operations, Associated Natural Gas produced from the Development Areas.

2. The available Associated Natural Gas surplus to the requirements defined in the preceding paragraph shall be made available free to Sonangol, in Angola, by Contractor Group. Sonangol shall inform the Contractor Group of its intention to utilize such Gas as soon as reasonably practical. The transfer point for such Gas will be located in the Contract Area at a point to be mutually agreed between the Parties ("Transfer Point"). The delivery point of such Gas will be at a location indicated by Sonangol ("Gas Delivery Point"). The Gas transportation infrastructure between Transfer Point and Gas Delivery Point is herein referred to as "Gas Infrastructure".

3. The cost of construction of the Gas Infrastructure will be borne by the Contractor Group and shall be recoverable under Law. The Gas Infrastructure will be managed by Sonangol once commissioned and the cost of operating such infrastructure shall be borne by Sonangol.

4. If Sonangol so elects and if it is possible, Sonangol shall give notice in writing to Contractor Group prior to final approval of the General Development and Production Plan stating Sonangol's intention with respect to the use of such Gas.

5. Should the funding of the Gas Infrastructure have a negative and significant impact on the economic conditions agreed in this Contract for the Contractor Group, Sonangol and the Contractor Group shall agree on the modifications to the economic terms of the Contract necessary to restore the economic position of Contractor Group as agreed in this Contract.

6. Sonangol and the Contractor Group agree that the timing of the construction of the Gas Infrastructure shall not negatively impact the Crude Oil Development.

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7. If Non-Associated Natural Gas is discovered within the Contract Area then Sonangol shall have the exclusive right to develop the discovered Gas on its own account and risk or in association with third parties.

8. If Sonangol wishes and if Contractor Group so agrees in a time period indicated by Sonangol, the Non-Associated Natural Gas discovery can be jointly developed by Sonangol or one of its Affiliates and Contractor Group.

Article 30

(Operations for Sonangol's account - sole risk)

1. Operations which may be the object of a sole risk notice from Sonangol under this Article shall be those involving:

(a) penetration and testing geological horizons deeper than those proposed by Contractor Group to the Operating Committee in any Exploration Well being drilled which has not encountered Petroleum, provided the Operator has not commenced the approved operations to complete or abandon such Well;

(b) penetration and testing geological horizons deeper than those proposed by Contractor Group to the Operating Committee in any Exploration Well being drilled which has encountered Petroleum, provided that in respect to such Well the Operating Committee has agreed that Sonangol may undertake the sole risk operations, and the Operator has not commenced the approved operations to complete or abandon such Well;

(c) the drilling of an Exploration Well other than an Appraisal Well, provided that not more than two (2) such Wells may be drilled in any Year;

(d) the drilling of an Appraisal Well which is a direct result from a successful Exploration Well, whether or not such Exploration Well was drilled as part of a sole risk operation;

(e) the Development of any discovery which is a direct result from a successful Exploration Well and/or Appraisal Well sole risk operation which Contractor Group has not elected to undertake under paragraph 3 of this Article;

(f) the Development of a Petroleum deposit discovered by a successful Exploration Well and/or Appraisal Well carried out by Contractor Group as part of a Work Plan approved by the Operating Committee, if forty two (42) Months have elapsed since such successful Well was completed and Contractor Group has not commenced the Development of such deposit.

2. Except as to those described under paragraphs (a) and (b), none of the operations described in paragraph 1 of this Article may be the object of a sole risk notice from Sonangol until after the operation has been proposed in complete form to the Operating Committee and has been rejected by Contactor Group in the Operating Committee. To be "in complete form" as mentioned above, the proposal for conducting any of the above mentioned operations presented by Sonangol shall contain appropriate information such as location, depth, target geological objective, timing of operation, and where appropriate, details concerning any Development plan, as well as other relevant data.

3. If the conditions referred to in paragraph 2 have been met, Sonangol may, as to any operation described in paragraph 1, give a written sole risk notice to Contractor Group and the latter shall have the following periods of time, from the date of receipt of such sole risk notice within which to notify Sonangol whether it elects to undertake such proposed operation by including it as a part of the Petroleum Operations:

(a) as to any operations described in paragraphs 1(a) and 1(b), forty eight (48) hours or until commencement of the deepening operations, whichever occurs last;

(b) as to any operations described in paragraphs 1(c) and 1(d), three (3) Months;

(c) as to any operations described in paragraphs 1(e) and 1(f), six (6) Months.

4. If Contractor Group elects to include as part of the Petroleum Operations the operation described in the sole risk notice within the appropriate periods described in paragraph 3 above, such operation shall be carried out by the Operator within the framework of the

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Petroleum Operations under this Contract, as a part of the current Work Plan and Budget which shall be considered as revised accordingly.

5. If Contractor Group elects not to undertake the operation described in the sole risk notice, subject to the provisions of paragraph 6 below, the operation for the account of Sonangol shall be carried out promptly and diligently by Contractor Group at Sonangol's sole risk and expense, provided that such operation may only be carried out if it does not conflict or cause hindrance to Contractor Group's obligations or any operation, or delay existing work plans, including any Approved Work Plan and Budget, and meet the safety conditions generally followed under normal international petroleum industry practice. With respect to operations referred to in paragraphs 1(c) and 1(d) such operations shall begin as soon as a suitable rig is available in Angola. Sonangol and Contractor Group shall agree on a method whereby Sonangol shall provide all necessary funds to Operator to undertake and pay for the operations carried out at Sonangol's sole risk and expense.

6. Sonangol shall elect to have the operations carried out at Sonangol's sole risk and expense referred to in paragraphs 1(e) and 1(f) carried out either by itself, by Contractor Group for a mutually agreed fee or by any third party entity contracted to that effect by Sonangol, provided that such operations may be carried out only if they will not conflict with or cause hindrance to Contractor Group's obligations or any Petroleum Operation, or

delay existing work plans, including the Approved Work Plan and Budget. Before entering into any agreement with a third party for the aforementioned purpose, Sonangol shall notify Contractor Group in writing of such proposed agreement. Contractor Group shall have forty five (45) days after the receipt of the aforementioned notification to decide if it exercises its right of first refusal with respect to the proposed agreement and to perform the sole risk operations under the same terms and conditions proposed by the third party.

7. If Sonangol wishes to use in the sole risk operations assets which are used in the Petroleum Operations, it shall give written notice to the Operating Committee stating what assets it wishes to use, provided that the utilization of such assets may not prejudice the Approved Work Plans and Budgets.

8. If, in accordance with the provisions of paragraph 4, Contractor Group decides to undertake any works as foreseen in paragraph 1(d), it shall pay Sonangol in cash and within thirty (30) days of the date in which it exercises such right, an amount equal to all

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of the costs incurred by Sonangol in the relevant sole risk operations conducted in accordance with paragraphs 1(a), 1(b) and 1(c) which directly led to the works foreseen in paragraph 1(d).

9. In addition to the amount referred to in the preceding paragraph, Sonangol will also be entitled to receive from Contractor Group an additional payment equal to two hundred percent (200%) of the costs referred to in paragraph 8. Such additional payment shall be made in cash and within ninety (90) days of the date on which Contractor Group exercises its right referred to in the preceding paragraph.

10. If, in accordance with the provisions of paragraph 4, Contractor Group decides to undertake any works foreseen in paragraph 1(e), it shall pay Sonangol in cash, within thirty (30) days of the date in which it exercises such right, an amount equivalent to the value of total costs incurred by Sonangol in the sole risk operations which directly led to the works foreseen in paragraph 1(e), less any payment made in accordance with paragraph 8 above.

11. In addition to the amount referred to in the preceding paragraph, Sonangol will also be entitled to receive twenty five percent (25%) of Contractor Group's share of Development Area Profit Oil produced from this developed deposit until the value thereof as defined in paragraph 13 of this Article equals one thousand percent (1000%) of the costs of the operations referred to in paragraph 10.

12. If the operations described in paragraphs 1(e) and 1(f) are conducted at Sonangol's sole risk and expense, Sonangol shall receive one hundred percent (100%) of the Petroleum produced from the deposit developed under such terms.

13. The Petroleum received by Sonangol under paragraph 11 shall be valued at the Market Price calculated under the Petroleum Activities Tax Law.

Article 31

(Operating Committee)

1. The Operating Committee is the body through which the Parties coordinate and supervise the Petroleum Operations and shall be established within thirty (30) days of the Effective Date.

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2. The Operating Committee has, among others, the following functions:

   (a) to establish policies for the Petroleum Operations and to define, for this purpose, procedures and guidelines as it may deem necessary;

   (b) to review and, except as provided in paragraph 12 of this Article 31, approve all Contractor Group's proposals on Work Plans and Budgets (including the location of Wells and facilities), the General Development and Production Plan, Production Plans and Lifting Schedules;

   (c) to verify and supervise the accounting of costs, expenses and expenditures and the conformity of the operating and accounting records with the rules established in this Contract, in Annex C hereof, in the Petroleum Activities Tax Law, and in other applicable legislation;

   (d) to establish technical and other committees whenever it deems necessary;

   (e) in general, to review and, except as otherwise provided in this Contract, to decide upon all matters which are relevant to the execution of this Contract, it being understood, however, that in all events the right to declare a Commercial Discovery is reserved exclusively to Contractor Group.

3. The Operating Committee shall obey the clauses of this Contract and it cannot decide on matters that by Law or this Contract are the exclusive responsibility of the Concessionaire or Contractor Group.

4. The Operating Committee shall be composed of four (4) members, two (2) of whom shall be appointed by Sonangol and the other two (2) by Contractor Group. The Operating Committee meetings cannot take place unless at least three (3) of its members are present.

5. The Operating Committee shall be headed by a Chairman who shall be appointed by Sonangol from among its representatives and who shall be

responsible for the following functions:

(a) to coordinate and orient all the Operating Committee's activities;

(b) to chair the meetings and to notify the Parties of the timing and location of such meetings, it being understood that the Operating Committee shall meet whenever requested by any Party;

(c) to establish the agenda of the meetings, which shall include all matters which the Parties have asked to be discussed;

(d) to convey to each Party all decisions of the Operating Committee, within five (5) working days after the meetings;

(e) to request from Operator any information and to make recommendations that have been requested by any member of the Operating Committee, as well as to request from Contractor Group any advice and studies whose execution has been approved by the Operating Committee;

(f) to request from technical and other committees any information, recommendations and studies that he has been asked to obtain by any member of the Operating Committee;

(g) to convey to the Parties all information and data provided to him by the Operator for this effect.

6. In the case of an impediment to the Chairman of the Operating Committee, the work of any meeting will be chaired by one of the other members appointed by him for the effect.

7. At the request of any of the Parties, the Operating Committee shall prepare and approve, according to paragraph 11(c) of this Article, its internal regulations, which shall comply with the procedures established in this Contract.

8. At the Operating Committee meetings decisions shall only be made on matters included on the respective agenda, unless, with all members of the Operating Committee present, they unanimously agree to make decisions on any matter not so included on the agenda.

9. Each member of the Operating Committee shall have one (1) vote and the Chairman shall in addition have a tie breaking vote.

10. Except as provided for in paragraph 11, the decisions of the Operating Committee are taken by simple majority of the votes present or represented, it being understood that any member may be represented by written and duly signed proxy held by another member.

11. Unanimous approval of the Operating Committee shall be required for:

(a) approval of, and any revision to proposed Exploration Work Plans and Budgets prepared after the first Commercial Discovery;

(b) approval of, and any revision to the proposed General Development and Production Plan, the Production Plan, Lifting Schedule and Development and Production Work Plans and Budgets;

(c) establishment of rules of procedure for the Operating Committee;

(d) establishment of a management policy for the carrying out of responsibilities outlined in paragraph 2 of this Article, namely the procedures and guidelines as per paragraph 2(a) above.

(e) determination of the estimated rate of return as per Article 12.

12. Prior to the time of declaration of the first Commercial Discovery, the Operating Committee shall review and give such advice as it deems appropriate with respect to the matters referred to in paragraph 2(e) of this Article and with respect to Contractor Group's proposals on Exploration Work Plans and Budgets (including the location of Wells and facilities). Following such review, Contractor Group shall make such revision of the Exploration Work Plans and Budgets as Contractor Group deems appropriate and shall transmit same Work Plans and Budgets to Sonangol, so that they may be submitted for approval by the Ministry of Petroleum under the Petroleum Activities Law.

13. The General Development and Production Plan, the Development and Production Work Plans and Budget, together with the Production Plans approved by the Operating Committee, shall be sent by the same to Sonangol, for submission to the Ministry of Petroleum for approval under the Petroleum Activities Law.

14. Minutes shall be made of every meeting of the Operating Committee and they shall be written in the appropriate record book and signed by all

members.

15. The draft of the minutes shall be prepared, if possible, on the day that the meeting is held and copies of it shall be sent to the Parties within the following five (5) working days, and their approval shall be deemed granted if no objection is raised within ten (10) working days of the date of receipt of the draft minutes.

Article 32

(Ownership of assets)

1. Physical assets purchased by Contractor Group for the implementation of the Work Plans and Budgets become the property of Sonangol when purchased in Angola or, if purchased abroad, when landed in Angola. Such physical assets will be used in Petroleum Operations, provided, however, Contractor Group is not obligated to make any payments for the use of such physical assets during the term of this Contract. This provision shall not apply to equipment leased from and belonging to third parties or any entity comprising Contractor Group.

2. During the term of this Contract, Contractor Group shall be entitled to full use in the Contract Area, as well as in any other area approved by Sonangol, of all fixed and movable assets acquired for use in the Petroleum Operations without charge to Contractor Group. Any of Sonangol's assets which Contractor Group agrees have become surplus to Contractor Group's then current and/or future needs in the Contract Area may be removed and used by Sonangol outside the Contract Area, and any unrecovered costs for such assets shall be fully recovered in that Year subject to the cost recovery limit provided for in Article 11 hereof. Any of Sonangol's assets other than those considered by Contractor Group to be superfluous shall not be disposed of by Sonangol except with agreement of Contractor Group so long as this Contract is in force.

Article 33

(Property and confidentiality of data)

1. All information of a technical nature developed through the conduct of the Petroleum Operations shall be the property of Sonangol. Notwithstanding the above, and without prejudice to the provisions of the following paragraphs, Contractor Group shall have the right to use and copy, free of charge, such information for internal purposes.

2. Unless otherwise agreed by Sonangol and Contractor Group, while this Contract remains in force, all technical, economic, accounting or any other information, including, without limitation, reports, maps, logs, records and other data developed through the conduct of Petroleum Operations, shall be held strictly confidential and shall not be disclosed by any Party without the prior written consent of the other Party hereto. Provided, however, that either Party may, without such approval, disclose the aforementioned data:

   (a) to any Affiliate or potential assignee of such Party upon such Affiliate or potential assignee giving a similar undertaking of confidentiality;

   (b) in connection with the arranging of financing or of a corporate reorganization upon obtaining a similar undertaking of confidentiality;

   (c) to the extent required by any applicable law, regulation or rule (including, without limitation, any regulation or rule of any regulatory agency, securities commission or securities exchange on which the securities of such Party or of any such Party's Affiliates are listed);

   (d) to employees, consultants, contractors or other third parties as necessary in connection with Petroleum Operations upon obtaining a similar undertaking of confidentiality.

3. The Contractor Group's obligation of confidentiality of the information referred to in paragraph 2 above shall continue after the termination of the Contract unless otherwise approved by Sonangol.

4. In the event that any entity constituting Contractor Group ceases to hold an interest under this Contract, such entity will continue to be bound by the provisions of this Article.

5. To obtain offers for new Petroleum Exploration and Production agreements, Sonangol may, upon informing Contractor Group, disclose to third parties geophysical and

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geological data and information, and other technical data (the age of which is not less than one (1) year) or Contractor Group's reports and interpretations (the age of which is not less than five (5) years).

6. The confidentiality obligation contained in this Article shall not apply to any information that has entered the public domain by any means that is both lawful and does not involve a breach of this Article.

Article 34

(Responsibility for losses and damages)

1. Contractor Group, in its capacity as the entity responsible for the execution of the Petroleum Operations within the Contract Area, shall be liable to third parties to the extent provided under the Law for any losses and damage it may cause to them in conducting the Petroleum Operations and shall indemnify and defend Sonangol with respect thereto, provided that Sonangol has given timely notice of the claims and opportunity to defend.

2. Contractor Group is also liable, under the terms of the Law, for losses and damage which, in conducting the Petroleum Operations, it may cause to the State and, in case of Contractor Group's willful misconduct, gross negligence or Serious Fault, to Sonangol.

3. The provisions of the preceding paragraphs 1 and 2 do not apply to losses and damage caused during Petroleum Operations for account and risk of Sonangol, for which Sonangol shall indemnify and defend Contractor Group, and in relation to which Contractor Group shall only be liable for such losses and damage caused by its willful misconduct, gross negligence or Serious Fault.

4. If Contractor Group comprises more than one entity the liability of such members is joint and several.

Article 35

(Petroleum Operations risk management)

1. The Contractor Group shall comply with the provisions of Decree No. 39/01, of 22 June 2001, the respective regulations and the relevant Angolan legislation, in respect of management of the risks of Petroleum Operations.

2. Management of the risks to which persons, assets and income from Petroleum Operations are exposed shall include all the activities referred to in Decree No. 39/01, of 22 June 2001, and other activities which Sonangol and the Contractor Group may agree to include to ensure an adequate financial protection.

3. In relation to the risks relating to Petroleum Operations, the Contractor Group shall take out and maintain insurance contracts in accordance with the specifications and conditions which may be approved by Sonangol.

4. The Contractor Group shall carry out, in cooperation with Sonangol, all the risk management activities provided for in said Decree No. 39/01, of 22 June 2001, in accordance with the instructions, rules and procedures approved by Sonangol.

Article 36

(Recruitment, integration and training of Angolan personnel)

1. Contractor Group shall comply with Decree-Law No. 17/09, of 26 June 2009, and ancillary regulations, as well as applicable legislation regarding the recruitment, integration and training of Angolan personnel.

2. In planned, systematic and various ways and in accordance with the provisions of this Article, Contractor Group shall train all its Angolan personnel directly or indirectly involved in the Petroleum Operations for the purpose of improving their knowledge and professional qualification in order that the Angolan personnel gradually reach the level of knowledge and professional qualification held by the Contractor Group's foreign workers. Such training shall also include the transfer of the knowledge of petroleum technology and the necessary management experience so as to enable the Angolan personnel to use the most advanced and appropriate technology in use in the Petroleum Operations, including proprietary and patented technology, "know how" and other confidential technology, to the extent permitted by applicable laws and agreements, subject to appropriate confidentiality agreements.

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3. Any of the entities comprising Contactor Group that is subject to said Decree-Law No. 17/09, of 26 June 2009 must deliver to Sonangol, physical and digital copy of the Program Contracts and respective revisions signed with the Ministry of Petroleum under the referred Decree-Law and its regulations, as well as the Human Resources Development Programs and all documentation and correspondence with such Ministry and third parties on the scope of said contracts and plans.

4. Contractor Group agrees to require in its contracts with subcontractors who work for Contractor Group for a period of more than one (1) Year and which are subject to Angolan personnel recruitment, integration and training obligations in accordance with the Law, compliance with such obligations. Contractor Group further agrees to monitor compliance with the aforementioned obligations.

5. Contractor Group, through the Operator shall accept, in a job assignment regime to train Sonangol technical personnel in the execution of the Petroleum Operations. Costs incurred by Contractor Group for acceptance for the job assignment and training programs for Sonangol personnel shall be considered, as applicable, Exploration, Development, Production and Administration and Services Expenditures for purposes of Article 11.1.

Article 37

(Double taxation and change of circumstances)

1. In order to avoid the international double taxation of Contractor Group's income, Sonangol shall favorably consider any amendments or revisions to this Contract that Contractor Group may propose as long as those amendments or revisions do not impact on Sonangol or Angola's economic benefits and other benefits resulting from the Contract.

2. Without prejudice to other rights and obligations of the Parties under the Contract, in the event that any change in the provisions of any Law, decree or regulation in force in the Republic of Angola occurs subsequent to the signing of this Contract which adversely affects the obligations, rights and benefits hereunder, then the Parties shall agree on amendments to the Contract to be submitted to the competent authorities for approval, so as to restore such rights, obligations and forecasted benefits.

Article 38

(Assignment)

1. In accordance with the Law and the Contract, each of the entities constituting Contractor Group may assign part or all of its rights, privileges, duties and obligations under this Contract to an Affiliate or, upon obtaining prior authorization from the Ministry of Petroleum, to a non-Affiliate.

2. Any third-party assignees shall become holders of the rights and obligations deriving from this Contract and the Law.

3. In the case of assignment to an Affiliate of the assignor, the latter and the assignee shall remain jointly and severally liable for strict compliance with the obligations of the Contractor Group set forth in this Contract and relevant legislation.

4. The legal documents required to effect any assignment in accordance with the provisions of this Article shall specify the participating interest which the third-party assignee will have in the Contract and shall be submitted for the prior approval of Sonangol.

5. In any of the cases foreseen in this Article, the obligations of the assignor which should have been fulfilled under the terms of this Contract and the applicable legislation at the date the request for the assignment is made, must have been fully complied with.

6. Sonangol has the right of first refusal to acquire the participating interest that any member of Contractor Group intends to assign to a non-Affiliate, which right should be exercised pursuant to the following procedures:

   (a) the assignor company shall notify Sonangol of the price and other essential terms and conditions of the proposed assignment and the identity of the prospective assignee;

   (b) within thirty (30) days after receipt of the notification referred to in the preceding subparagraph, Sonangol shall notify the assigning company whether Sonangol elects to exercise the right of first refusal;

   (c) if Sonangol does not exercise the right of first refusal by failing to give the notification referred to in the preceding subparagraph, then Sonangol shall be deemed to have waived the right of first refusal in respect of such assignment;

   (d) if Sonangol exercises the right of first refusal by giving the notification referred to in paragraph 6(b) of this Article, then Sonangol and the assignor company shall execute the assignment under the terms and conditions contained in the notification referred to in paragraph 6(a) of this Article.

7. In the event of Sonangol not exercising the right of first refusal referred to in the preceding paragraph, such right shall pass to the associates of Sonangol which enjoy the status of national company as provided for in Article 31.3 of The Petroleum Activities Law, and shall be exercised, duly adapted, under the terms of the procedures set forth in the subparagraphs of the preceding paragraph.

8. Except as otherwise expressly provided in this Contract, upon completion of an assignment made by one of the entities constituting Contractor Group to a non-Affiliate, such assignor shall have no further rights or obligations with respect to the part of the participating interest so assigned.

Article 39

(Termination of the Contract)

1. Subject to the provisions of the Law and of any contractual clause, Sonangol may terminate this Contract if Contractor Group:

   (a) interrupts Production for a period of more than ninety (90) days with no cause or justification acceptable under normal international petroleum industry practice;

   (b) continuously refuses with no justification to comply with the Law;

(c) intentionally submits false information to the Executive Power or to Sonangol;

(d) discloses confidential information related to the Petroleum Operations without having previously obtained the necessary authorization thereto if such disclosure causes prejudice to Sonangol or the State;

(e) assigns any part of its interests hereunder in breach of the rules provided for in Article 38;

(f) is declared bankrupt by a court of competent jurisdiction;

(g) does not comply with any final decision resulting from an arbitration process conducted under the terms of the Contract, after all adequate appeals are exhausted;

(h) does not fulfill a substantial part of its duties and obligations resulting from the Law, the Concession Decree and from this Contract;

(i) intentionally extracts or produces any mineral which is not covered by the object of this Contract, unless such extraction or production is expressly authorized or unavoidable as a result of operations carried out in accordance with accepted international petroleum industry practice.

2. Sonangol may also terminate the Contract if the majority of the share capital of any entity constituting Contractor Group is transferred to a non-Affiliate third party without having obtained the prior required authorization from Sonangol.

3. If Sonangol considers that one of the aforesaid causes exists to terminate this Contract, it shall notify Contractor Group in writing in order for it, within a period of ninety (90) days, to remedy such cause. The said notification shall be delivered by the official method foreseen in the Law, and by recorded delivery which shall be signed by the entity to which it is addressed. If, for any reason, this procedure is impossible, due to a change of address which has not been notified pursuant to this Contract, publication of the notice in one of the most read daily newspapers in Luanda shall be considered to be as valid as if delivered. If, after the end of the ninety (90) day notice period such cause has not been remedied or removed, or if agreement has not been reached on a plan to remedy or remove the cause, this Contract may be terminated in accordance with the provisions mentioned above.

4. The termination of the Contract envisaged in this Article shall occur without prejudice to any rights which may have accrued to the Party which has invoked it in relation to the other Party, in accordance with this Contract, the Concession Decree or the Law.

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5. If any of the entities constituting Contractor Group, but not all of them, gives Sonangol due cause to terminate this Contract pursuant to the provisions of paragraphs 1 and 2 above, then such termination shall take place only with respect to such entity or entities and the rights and obligations that such terminated entity or entities hold or are bound to under this Contract, except as provided in the preceding paragraph, shall revert to Sonangol without compensation.

Article 40

(Confidentiality of the Contract)

Sonangol and Contractor Group agree to maintain the confidentiality of this Contract, provided, however, either Party may, without the approval of the other Party, disclose this Contract:

(a) to any Affiliate or potential assignee of such Party upon such Affiliate or potential assignee giving a similar undertaking of confidentiality;

(b) in connection with the arranging of financing or of a corporate reorganization upon obtaining a similar undertaking of confidentiality;

(c) to the extent required by any applicable Law, legislation or regulation (including, without limitation, any requirement or rule of any regulatory agency, securities commission or securities exchange on which the securities of such Party or any of its Affiliates may be listed);

(d) to employees, contractors, consultants and other third parties as necessary in connection with the execution of Petroleum Operations upon obtaining a similar undertaking of confidentiality.

Article 41

(Dispute resolution)

1. Any disputes, differences or claims arising out of this Contract or relating thereto, or relating to the interpretation, breach, termination or invalidation of the same, may be resolved by agreement of the Parties, on the basis of principles of good faith and fair balance of the Parties' interests.

2. If the disputes, differences or claims referred to in the preceding paragraph cannot be resolved amicably within ninety (90) days, or such longer period as the Parties may agree, after the date of notice of such dispute or within any other period of time mutually agreed by the Parties, then Sonangol or Contractor Group may submit such dispute to the Secretariat of the International Chamber of Commerce, as the administrator, to be finally and exclusively settled by arbitration, in accordance with the UNCITRAL Rules of Arbitration of 1976 as existing on the Effective Date.

3. The number of arbitrators shall be three (3). One (1) arbitrator shall be appointed by Sonangol, one (1) by Contractor Group and the third arbitrator, who shall be Chairman of the Arbitration Tribunal, shall be jointly appointed by Sonangol and the Contractor Group. If an arbitrator is not appointed within thirty (30) days of the notice from Sonangol or the Contractor Group is sent to the other Party requesting that the appointment be made, then such arbitrator shall be appointed by the International Chamber of Commerce of Paris.

4. The arbitration tribunal shall decide according to the Angolan substantive law.

5. The arbitration tribunal shall be set up in Luanda, shall apply Angolan law, and the language of arbitration shall be Portuguese. The tribunal will make all best efforts to render a final award within a Year of its appointment, although failure to do so will not invalidate any award rendered thereafter.

6. The Parties agree that this arbitration clause is an explicit waiver of immunity against validity and enforcement of the award or any judgment thereon and the award shall be final, binding and enforceable against any Litigant in any court having jurisdiction in accordance with its laws.

Article 42

(Force Majeure)

1. Non-performance or delay in performance by Sonangol or Contractor Group, or both of them, of any of the contractual obligations, except an obligation to pay money, shall be excused if, and to the extent that, such non-performance or delay is caused by Force Majeure.

2. If the Force Majeure restrains only temporarily the performance of a contractual obligation or the exercise of a right subject to a time limit, the time given in this Contract for the performance of such obligation or the exercise of such right and for the performance or exercise of any right or obligation dependent thereon, and, if relevant, the term of the Contract, shall be suspended until the restoration of the *status quo* prior to the occurrence of the event(s) constituting Force Majeure, it being understood, however, that such suspension shall apply only with respect to the parts of the Contract Area which have been affected.

3. "Force Majeure," for the purposes of this Article, shall be any occurrence which is unforeseeable, unavoidable and beyond the reasonable control of the Party claiming to be affected by such event, such as, and without limitation, state of war, either declared or not, rebellions or mutinies, strikes, natural catastrophes, fires, earthquakes, communications cuts and unavoidable accidents.

4. The Party which understands that it may claim a situation of Force Majeure shall immediately serve notice to the other Party, and shall use all reasonable efforts to correct the situation of Force Majeure as soon as possible.

Article 43

(Applicable Law)

This Contract shall be governed by and construed in accordance with Angolan Law.

Article 44

(Language)

This Contract has been prepared and signed in the Portuguese language which shall be the only valid official version for the purpose of establishing the rights and obligations of the Parties.

Article 45

(Offices and service of notice)

1. Sonangol and Operator shall maintain offices in Luanda, Republic of Angola, where communications and notices foreseen in this Contract must be validly served.

2. Sonangol's office for the purpose of serving notices is:

Rua Rainha Ginga nº 29 — 31, 20º Andar

Luanda
República de Angola
Fax: 244 226 643 146; 244 222 391 915

3. Operator's office for the purpose of serving notices is:

Rua do 1º Congresso do MPLA, nº 41 (Edifício CIF Luanda 1), 17º andar
Ingombota
Luanda
Republic of Angola
Fax: 244 222 331 687

4. Sonangol and Contractor Group shall communicate to each other in writing and with reasonable notice any change of their offices referred to in the preceding paragraphs, if such occurs.

Article 46

(Captions and headings)

Captions and headings are included in this Contract for the sole purpose of systematization and shall have no interpretative value.

Article 47

(Effectiveness)

This Contract shall come into effect on the Effective Date.

IN WITNESS WHEREOF, the Parties hereto have signed this Contract in Portuguese language in Luanda, this 20 th day of December of 2011.

Sociedade Nacional de Combustíveis de Angola, Empresa Pública - (Sonangol, E.P.)
Represented by: /s/ Manuel Vicente

CIE Angola Block 20 LTD.
Represented by: /s/ Joseph Bryant

Sonangol Pesquisa e Produção, S.A.

Represented by: /s/ Bento Lourenco

And

Represented by: /s/ Fernando Santos

BP Exploration Angola (Kwanza Benguela) Limited
Represented by: /s/ Martyn Morris

China Sonangol International Holding Limited
Represented by: /s/ Rongsheng Jiang

ANNEX A

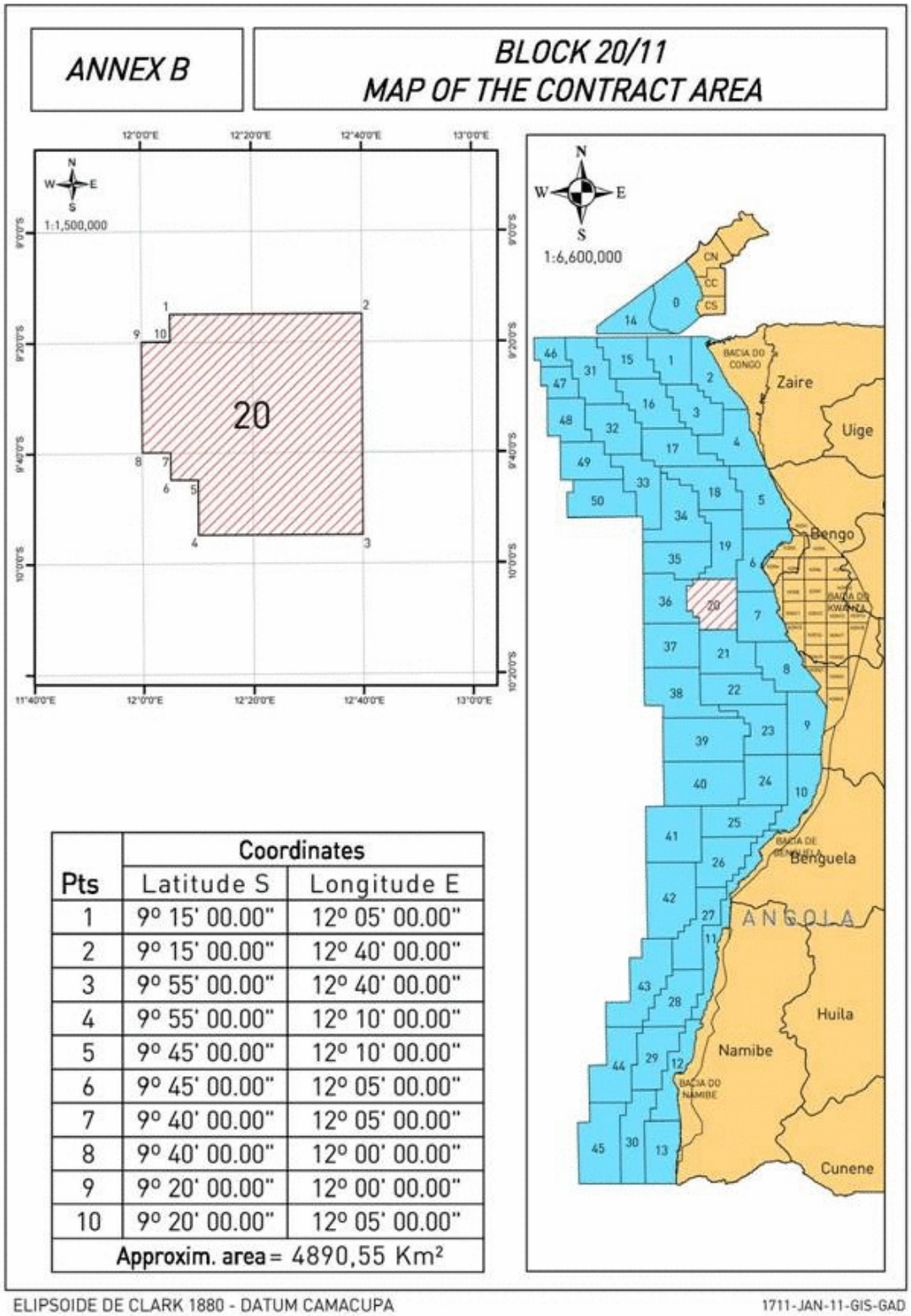
DESCRIPTION OF THE CONTRACT AREA

This Annex is part of the Contract.
The Contract Area submitted on the attached map is limited by the lines defined by points 1 to 10, included in the following perimeter:

1. The interception point among the Parallel 9° 15' 00.00" S and Meridian 12º 05' 00.00" E, is the **Point 1** with the coordinates: Latitude 9° 15' 00.00" S and Longitude 12º 05' 00.00" E. From this point towards East direction along the Parallel 9° 15' 00.00" S until intercepting the Meridian

12º 40’ 00.00” E, is located the **Point 2**, its coordinates are: Latitude 9° 15’ 00.00” S and Longitude 12º 40’ 00.00” E. From this point towards South direction along the Meridian 12º 40’ 00.00”E until intercepting the Parallel 9° 55’ 00.00” S, is the **Point 3** with the coordinates: Latitude 9° 55’ 00.00” S and Longitude 12º 40’ 00.00” E. From this point towards West direction along the Parallel 9° 55’ 00.00” S until it intercepting the Meridian 12º 10’ 00.00” E, is the **Point 4** with the coordinates: Latitude 9° 55’ 00.00” S and Longitude 12º 10’ 00.00” E. From this point towards North direction along the Meridian 12º 10’ 00.00” E until intercepting the Parallel 9° 45’ 00.00” S, is the **Point 5** with the coordinates: Latitude 9º 45’ 00.00” S and Longitude 12° 10’ 00.00” E. From this point towards West direction along the Parallel 9° 45’ 00.00” S until intercepting the Meridian 12º 05’ 00.00” E, is the **Point 6** with the coordinates: Latitude 9º 45’ 00.00” S and Longitude 12º 05’ 00.00” E. From this point towards North direction along the Meridian 12º 05’ 00.00” E until intercepting the Parallel 9° 40’ 00.00” S, is the **Point 7** with the coordinates: Latitude 9° 40’ 00.00” S and Longitude 12º 05’ 00.00” E. From this point towards West direction along the Parallel 9° 40’ 00.00” S until intercepting the Meridian 12º 00’ 00.00” E, is the **Point 8** with the coordinates: Latitude 9° 40’ 00.00” S and Longitude 12º 00’ 00.00” E. From this point towards North direction along the Meridian 12º 00’ 00.00” E until intercepting the Parallel 9° 20’ 00.00” S, is the **Point 9** with the coordinates: Latitude 9° 20’ 00.00” S and Longitude 12º 00’ 00.00” E. From this point towards East direction along the Parallel 9° 20’ 00.00” S until intercepting the Meridian 12º 05’ 00.00” E, is the **Point 10** with the coordinates: Latitude 9° 20’ 00.00” S and Longitude 12º 05’ 00.00” E. And finally, from this point towards North direction along the Meridian 12º 05’ 00.00” E until intercepting Point 1.

2. The mentioned coordinates are referred to the Datum of Camacupa within the ellipsoid of Clarke 1880.



Pts	Coordinates	
	Latitude S	Longitude E
1	9º 15' 00.00"	12º 05' 00.00"
2	9º 15' 00.00"	12º 40' 00.00"
3	9º 55' 00.00"	12º 40' 00.00"
4	9º 55' 00.00"	12º 10' 00.00"
5	9º 45' 00.00"	12º 10' 00.00"
6	9º 45' 00.00"	12º 05' 00.00"
7	9º 40' 00.00"	12º 05' 00.00"
8	9º 40' 00.00"	12º 00' 00.00"
9	9º 20' 00.00"	12º 00' 00.00"
10	9º 20' 00.00"	12º 05' 00.00"
Approxim. area = 4890,55 Km²		

Annex C

Accounting
and
financial procedures

Annex C

Accounting and financial procedures

The present Annex is an integral part of the Production Sharing Contract dated December 20, 2011 signed between Sonangol, as one Party, and Cobalt, Sonangol P&P, BP and China Sonangol, as the other Party, as referred to in Article 2 of said Contract.

Article 1

(General provisions)

1.1 **Definitions**

The terms used in this Annex shall have the same meaning as was given to them in the Contract.

1.2 **Purpose, cost duplication and accounting records**

(a) The purpose of the Accounting and Financial Procedures is to establish some of the rules and principles that, under the Petroleum Activities Tax Law, should be contractually agreed upon, setting forth equitable methods for determining the expenditures and revenues of the Petroleum Operations in accordance with the "Petroleum Operations Information System (SIOP)", approved under the Joint Executive Decree No. 7/88, of March 26, 1988, as amended, and under generally accepted accounting principles.

(b) It is the Parties' intention that there shall not be any duplication of any recoverable cost.

(c) Each of the entities of which the Contractor Group is made up has the responsibility of keeping its own accounting records for the purpose of satisfying all legal requirements and justifying tax returns or any other accounting reports

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requested by any government authority or Sonangol in respect of the Petroleum Operations.

(d) In order to permit each entity of which Contractor Group is comprised to keep such accounting records, the Operator shall prepare the Joint Account in such a manner as to permit the entities in question to satisfy any legal and contractual obligations to which they are bound.

1.3 **Units and exchange rates**

(a) The measurements required under this Annex will be made in metric units and in Barrels.

(b) All the accounting books, demonstrative tables, results, charts, accounting reports and correspondence shall be written up in Portuguese language and registered in local currency as required by Law and in US dollars. For the purpose of Cost Recovery Crude Oil and Profit Oil calculation in accordance with Article 11 and Article 12 of the Contract, the Parties shall exclusively take into account the accounting books, demonstrative tables, results, charts and accounting reports expressed in US dollars .

(c) If necessary for the internal use of the Contractor Group, the referred accounting books, charts of results, and accounting reports and correspondence may also be written up in other languages, currencies and units of measurement after obtaining the prior approval of Sonangol.

(d) Exchange rate fluctuations shall not constitute any gain or loss either for Sonangol or the Contractor Group.

(e) The Operator shall supply Sonangol with a description of the procedures adopted for the calculation of the exchange rate differences, as well as the respective policies for protection from exchange rate fluctuations.

(f) Gains and losses, realized or unrealized, as a result of foreign exchange fluctuations will be registered individually and separately in the Joint Account, under their own heading.

The Operator shall supply Sonangol with a statement taken from the accounting records in respect of the foreign exchange rate differences calculated each Quarter, up until twenty-one (21) days from the end of the Quarter in question.

(g) Sonangol, within thirty (30) days of receipt of the statement referred to in the previous subparagraph, shall notify the Operator of its position in respect of the amounts of foreign exchange rate differences accepted as recoverable.

(h) The approved differences in the foreign exchange rates shall then be accounted for as yearly charges or profits under the heading "Administration and Services", to be imputed to the activities of Exploration, Development and Production under the Petroleum Activities Tax Law.

(i) The amounts received and expenses incurred in local currency or in United States dollars shall be converted from local currency into United States dollars or United States dollars into local currency at the buying and selling rates published by the Banco Nacional de Angola in the last working day of the Month before the Month in which the amounts were received or paid, or the rate of any other day agreed by the Parties.

(j) The costs of depreciation and amortization will be translated or converted at the exchange rate prevailing on the date of purchase of the original asset.

1.4 **Payments**

(a) All payments between Sonangol and each of the entities constituting the Contractor Group, under the Contract shall be made in United States dollars or in other currencies accepted by Sonangol and each of the entities constituting the Contractor Group, to a bank account solely held by the Party to which payment is made.

(b) Any payments required under the Contract or derived from same, principally premiums, rents and penalties for non-compliance with the minimum work program, as well as the payments as a result of the purchase rights of Crude Oil

by Contractor Group shall be made within thirty (30) days from the end of the Month during which the payment obligation was incurred.

(c) If one of the Parties has not in due time paid the sums due under the Contract to the other Party, payment of interest shall be added to such sums due for each day such sums are overdue at an annual rate equal to the London Inter Bank Offered Rate (LIBOR) for six (6) Months, as quoted at 11.00 a.m. London time on the first working day of each Month that this sum is overdue, by the London office of Bank of America, plus two (2) percentage points.

1.5 **Financial and operational audit and Sonangol's rights of inspection**

(a) The accounting records maintained by Contractor Group shall be audited on an annual basis to be carried out by an international independent auditing company to be chosen by Sonangol after consulting the Contractor Group.

The inspection to be carried out by the auditors shall be based on generally accepted auditing principles.

(b) Contractor Group shall supply all records, documents and explanations requested by the auditors and allow them to carry out the checks considered necessary within the scope of their work.

(c) The expenditures incurred on the aforementioned audit shall be classified by Contractor Group as Administration and Services Expenditures.

(d) A copy of each audit report shall be given to the Ministry of Finance, to Sonangol and to each entity of which the Contractor Group is comprised within a period of six (6) Months after the end of the respective Civil Year.

(e) In addition to the provisions of paragraph (a) above, Sonangol will have the permanent right, either on its own or through third parties, and upon giving reasonable notice to Contractor Group, to carry out operational inspections or audits considered to be necessary in respect of facilities, studies, accounts, records, documents, contracts, goods or assets of any kind in such a manner as

to verify compliance with the contractual provisions. The costs of such an audit will be borne by Sonangol.

(f) When carrying out the audits referred to in this Article, the auditors may inspect and check, by means of reasonable notice by Sonangol to the Contractor Group, all expenditures and revenues connected with Petroleum Operations, such as accounting books, accounting entries, inventories, vouchers, payment slips, invoices, contracts or subcontracts of any kind related to the Contract and any other documents, correspondence and records of Contractor Group necessary for auditing and checking expenditures and revenues.

(g) In addition, the auditors have the right, in respect of such inspections and audits, to visit and examine, provided that they give reasonable notice, all locations, installations, houses, warehouses and offices of Contractor Group in Angola and/or any other location provided that they are used for the Petroleum Operations, including visits to the personnel working on these operations.

(h) The costs of the examination and inspection of records located outside Angola without Sonangol's authorization will be borne by Contractor Group and are not recoverable.

(i) All accounting records, sales statements, books and accounts connected with the Petroleum Operations will be accepted as true and

accurate after a period of twenty-four (24) Months from the end of the Fiscal Year to which they refer, unless if within this same period, Sonangol or any member of the Contractor Group express any objection to them in writing.

(j) Sonangol may extend the twenty-four (24) Month period by an additional twelve (12) Month period by providing Contractor Group written notice of such extension not later than sixty (60) days prior to the end of the initial twenty-four (24) Month period.

(k) Notwithstanding the period of twenty-four (24) Months referred to in the previous subparagraph having expired, if there is any evidence that the Operator is guilty of willful misconduct or gross negligence in conducting the Petroleum

Operations during the expired periods, Sonangol will have the right to carry out additional audits in respect of these periods.

(l) All adjustments as a result of the audits referred to in this Article, when agreed and approved by the Operating Committee, shall be promptly adjusted in the Joint Account.

(m) If any disputes between Sonangol and the Contractor Group in respect of outstanding verifications in the audits carried out still remain, these cases of dispute will be entrusted for purposes of resolution to an international and independent audit company agreed between the Parties.

(n) If any of the Parties disagrees with the resolution put forward by the aforementioned international and independent audit company, the dissenting Party shall notify the other Party for the case in dispute to be resolved under Article 41 of the Contract.

(o) Notwithstanding the provisions of this Article, all documents therein referred to shall be available for inspection by Sonangol for five (5) Years after the date of their being drawn up.

(p) This Article will neither take the place of nor lessen the legal obligations of Contractor Group arising from Angolan fiscal and commercial legislation.

1.6 Sharing of Development expenditures

In order to observe the rule relating to the sharing of expenditures which are common to several Development Areas as provided under Article 23.2 c) iii) of Law nº 13/04, of December 24, the following rules are agreed:

a) If Production from the Development Areas has not yet started, the sharing of common expenditures shall be pro-rata to the declared and approved reserve volumes for each of the Development Areas in question;

b) When one or more, but not all, of the Development Areas referred to in the preceding paragraph have started Production, the sharing of common expenditures shall be pro-rata having into account the following:

i) For the Development Areas which have not yet started Production - The annual Production volume as forecast for the first Year in the General Development and Production Plan as approved by the Ministry of Petroleum under Article 63 of Law nº 10/04, of November 12;

ii) For the Development Areas which have started Production - The actual annual Production.

c) If the actual annual Production of the Development Areas which have not yet started Production is different from the Production forecast in the General Development and Production Plan, the sharing of expenditures among the different Development Areas shall be adjusted accordingly.

Article 2

(Expenditures and revenues of Contractor Group)

2.1 The expenditures incurred under the Petroleum Operations shall be debited to the Joint Account in accordance with the principles set out in the Petroleum Activities Tax Law, the Contract and this Annex.

2.2 Each member of the Contractor Group will undertake the accounting procedure for its share of Crude Oil exports with the respective revenues not being credited to the Joint Account.

2.3 The expenditures shall be classified in accordance with the “Petroleum Operations Information System (SIOP)” and will be recoverable under Article 11 of the Contract.

2.4 The services and prices of technical/administrative assistance provided by the Affiliates of the Operator or of Sonangol to the Petroleum Operations shall meet the following conditions for the purposes of their eligibility as expenses imputable to the Joint Account:

I. The categories of services provided by the Affiliates of the Operator or of Sonangol for the running and carrying out of the Petroleum Operations in the technical and administrative domain, are as follows:

Exploration

- Study of the soil and setting up of drilling equipment.
- Planning of seismic acquisition.
- Seismic processing and interpretation.
- Geophysical analyses.
- Geological and geochemical studies.
- Rock and fluid studies.
- Thermodynamic analyses.
- Interpretation of diagraphics.
- Reservoir analysis and studies.
- Health, safety and environmental technical audits.
- Ocean current measurements.
- Environmental studies

Development

- Studies of the subsurface for the purpose of determining the best manner of recovering hydrocarbons, 2D and 3D geophysics, production geology, modeling and simulation of deposits as an integral part of economic reservoir exploitation and conservation.

- Architectural and engineering studies for the purpose of preparing the file on the preliminary project and the file on the basic engineering involved.
- Project management.
- Water and gas injection studies.
- Specific studies for the purpose of enhanced recovery and cost control.
- Improvement of drilling and completion methods and equipment.
- Safety procedures program.
- Health, safety and environmental technical audits.
- Environmental studies

Production

- Analysis of fluids produced.

- Optimization studies.
- Improvement and control of equipment.
- Lifting schedule studies.
- Corrosion control program and studies.
- Health, safety and environmental technical audits.
- Environmental studies

Administration and Services

- Provision of data processing services.

- Maintenance program and inventory control evaluation and studies.
- Performance of the obligations contemplated in Annex F.

II. The above referred list is exhaustive and may only be altered with the approval of Sonangol.

III. Such services in relation to each Fiscal Year shall be set out, duly discriminated under their own heading, as an integral part of the Work Plans and Budgets, of the Petroleum Operations Procedures Document if signed between Sonangol and the Contractor Group under Article 9 of the Contract.

IV. At the time of the presentation of the Work Plans and Budgets, the Operator shall also submit for the approval of Sonangol the estimate of the applicable tariffs for the budgeted Year, as well as the number of hours and purpose of each work order.

V. Those services, once budgeted, will be subject to specific work orders which shall be previously approved by Sonangol at the request of the Operator, either by means of a global "Master Order" for each category, or individually, on a case by case basis.

VI. These work orders shall contain an estimate of the number of hours necessary for the carrying out of the services, a reasonable description of the services desired, the professional ranking of the workers required to perform them and the agreed tariffs.

Whenever the actual costs which have been incurred and invoiced are more than ten percent (10%) or ten thousand United States dollars (U.S.$ 10.000.00) higher, whichever is greater, than those budgeted, the recovery of the difference will be submitted to Sonangol for approval.

VII. For each approved work order, the reference to the technical reports shall be attached to the respective invoice and the technical report shall be filed by the Operator in Angola. The tariffs and the parent

company or its Affiliates' debts relating to work orders shall be certified annually by an independent auditor, to confirm whether or not they include any element of profit or loss.

VIII. The approval for individual services whose budgeted worth is equal to or more than fifty thousand United States dollars (U.S. $50,000.00) is only definitive in respect of each of these services if Sonangol does not put forward any objections within a period of forty (40) days from the date of receipt of the request made by the Operator.

IX. Approval for individual services whose budgeted worth is less than fifty thousand United States dollars (U.S. $50,000.00) is implicit, with, however, the Operator proceeding according to the description provided in number VII above.

X. As regards unforeseen services which, for such reason, are not set out in the Approved Work Plans and Budgets such services can only be ordered by the Operator after approval has been given by Sonangol whatever their estimated cost.

XI. In respect of all the services for technical and administrative assistance provided by the Affiliates of the Operator, not covered by this paragraph, an annual global price ("forfait") of one per cent (1%) is hereby agreed, levied on the direct Exploration expenditures.

XII. The services whose provision is remunerated by the annual global price fixed in number XI above include, but are not limited

to, for example, purchases and traffic, human resources management, market consultancy, negotiations, revisions and supervision of contracts, banks, invoicing, credits, accounts, general services, communications, methods, internal procedures and controls, technological advances resulting from scientific research in diverse fields, insurance and legal assistance, assistance to personalities, assistance to agents undergoing training and safety of operations.

XIII. The amounts arising from the levying of the percentage established in number XI above are considered to be Administration and Services Expenditures which are recoverable under the Petroleum Activities Tax Law.

XIV. Expenditures incurred on personnel and associated costs in respect of the personnel of the Affiliates of the Operator or of Sonangol employed on the Petroleum Operations for short and long-term periods are not included in the services of technical and administrative assistance set out in this paragraph 2.4 and may be recovered as personnel expenditures under the terms set out in the Petroleum Activities Tax Law.

XV. Other services provided by the Affiliates of the Operator and Affiliates of Sonangol shall be debited at prices which are not higher than the most favorable prices charged by third parties for similar services.

2.5 Expenditures with materials for Petroleum Operations shall meet the following conditions for the purposes of their eligibility as expenses imputable to the Joint Account:

(a) The amount of such expenditures shall not be greater than the prices generally in force on the open market for impartial transactions devoid of favoritism for materials and equipment of the same quality available at the right time, with due consideration of freight and other similar costs.

(b) The materials and equipment necessary for the Petroleum Operations may also be acquired from Sonangol and its Affiliates and/or any entity constituting Contractor Group and their Affiliates, under the following conditions:

I. The new materials and equipment, classified as category "A" shall be invoiced at the vendor's lowest price or at the international price in force.

This amount shall not be greater than the prices generally in force in normal "arm's length sales" transactions on the open market.

II. Used materials and equipment which are in good condition and which can be reused without the need for repair shall be considered as category "B" and debited at seventy five percent (75%) of the current price of the material and equipment set out in the previous number.

III. Materials and equipment which cannot be considered as category "B" but which:

(i) after general repair may be usable for its original purpose as good second hand materials and equipment;

(ii) may be usable for its original purpose but for which its repair is not recommendable;

(iii) shall be classified as category "C" and debited at fifty percent (50%) of the current price of material and equipment set out in number I.

IV. An amount compatible with their use will be attributed to materials and equipment which cannot be classified under "B" or "C. "

V. When the use of materials and equipment is temporary and their application on the Petroleum Operations does not justify the reduction in price under the terms indicated in numbers II and III, they will be debited on the basis of their utilization.

(c) Insofar as it is adequate for the purposes of the prudent, efficient and economic conduct of the Petroleum Operations, materials and equipment for use on the Petroleum Operations shall only be purchased or supplied on the basis of a foreseeable and reasonable use and any excessive accumulation of stock shall be avoided.

(d) In the case of materials and equipment supplied by Sonangol and its Affiliates and/or any entity constituting Contractor Group and their Affiliates, they will not guarantee such materials and equipment beyond the guarantee of the supplier or manufacturer and in the case of defective materials and equipment, any

adjustments received by Sonangol and its Affiliates and/or any entity constituting Contractor Group and their Affiliates either from suppliers or from manufacturers, shall be credited to the Joint Account under the Petroleum Activities Tax Law.

Article 3

(Calculation and accounting rules for abandonment costs)

For purposes of cost recovery under Article 23.2 (d) III of the Petroleum Activities Tax Law, the calculation and accounting of the abandonment costs shall be made according to the terms set forth in the following subparagraphs:

(a) no later than ninety (90) days before the beginning of the Civil Year for which the Operator forecasts that the cumulative production of each of the Development Areas will lead to a situation in which the recoverable reserves of these Development Areas at the end of the Year in question represent less than:

50% of the declared recoverable reserves under 50 million Barrels

or

30% of declared recoverable reserves above 50 million Barrels but not more than 100 million Barrels

or

25% of declared recoverable reserves above 100 million Barrels,

the Operator shall provide Sonangol with a technical study for the alternative possibilities of abandonment and its best calculations of the estimated abandonment costs in respect of each Development Area for approval purposes;

(b) the estimate referred in the previous subparagraph shall be up to date and inflated by reference to the estimated date for the execution of the abandonment operations in each of the Development Areas;

(c) after the approval of Sonangol and beginning in the Year referred to above, the Operator shall calculate, on a three-month basis, the abandonment costs quarterly recoverable using the method of the production unit, in accordance with the following formula:

$$\frac{\text{Quarterly production (MMBBLS)}}{\text{Declared recoverable reserves (MMBBLS) minus the cumulative Production up to the beginning of the Quarter (MMBBLS)}} \times \text{Total approved abandonment costs minus the amounts paid pursuant to subparagraph(e) below minus the accrued interest} = \text{Abandonment costs quarterly recoverable}$$

(d) the amount calculated under subparagraph (c) above shall be imputed to the Production Expenditures of the respective Development Area, with this imputation not constituting a direct expenditure for the purpose of imputation of the Administration and Services Expenditures in accordance with Petroleum Activities Tax Law;

(e) an amount which is equivalent to the amount calculated in accordance with subparagraph (c) above shall be paid by Contractor Group to Sonangol not later than thirty (30) days after the end of the Quarter in question.

(f) no later than ninety (90) days before the beginning of each subsequent Civil Year, the Contractor Group may submit to Sonangol a revised estimate of the abandonment costs and declared recoverable reserves which, once approved by Sonangol, shall be used in the ensuing Civil Year for the purposes of calculating the recoverable abandonment costs under subparagraphs (c) and (e) above.

Article 4

(Rules on strategic materials reserves)

Pursuant to Article 23.2 (g) of the Petroleum Activities Tax Law, the materials classified by the Operator as strategic spare parts, which constitute a security

stock for guaranteeing the satisfactory carrying out of the Petroleum Operations, will be imputed to the Petroleum Operations in accordance with the following conditions:

(a) the Operator shall submit to Sonangol a list of the materials classified as strategic spare parts, for the purposes of the approval of the respective classification;

(b) the materials referred to in the previous subparagraph shall be registered in the accounts, at the time of their acquisition under the heading of "Stock" as set out in Article 23.2 (f) of the Petroleum Activities Tax Law, under their own subheading;

(c) their imputation to the centers of costs recovery established in the Petroleum Activities Tax Law shall be made on the basis of their specific use for replacement or after four (4) Years beginning from the Year of acquisition, whichever occurs earlier;

(d) in the case of the imputation referred to in subparagraph (c) be made by reference to the condition of the four (4) Years elapsed, the imputation, in respect of materials not used on the Petroleum Operations shall only be made with the prior and timely approval of Sonangol.

Article 5

(Registration and evaluation of assets)

5.1 Contractor Group shall keep detailed records of assets in use on the Petroleum Operations, in accordance with standard practice of Exploration and Production activity in the international petroleum industry and shall provide Sonangol with a full and detailed annual report on these assets under the "Petroleum Operations Information System (SIOP)."

5.2 At reasonable intervals of time and at least once a Year a full inventory shall be made by Contractor Group under the Contract.

Contractor Group shall notify Sonangol with an advance notice of thirty (30) days of its intention to carry out the inventory in such a way as for Sonangol to be able to exercise its right to be represented at the time of the carrying out of the inventory.

5.3 The inventory procedures established by Contractor Group shall be notified to Sonangol at the same time as the intention to carry out the inventories is notified in such a way that any recommendations which Sonangol considers necessary in connection with the carrying out of inventories on assets belonging to it be taken into account in these procedures.

5.4 Special inventories may be carried out when there is any assignment under the Contract, at the request of the assignor, provided that the costs of carrying out the inventory are borne by such assignor.

Article 6

(Reports)

Contractor Group shall prepare and submit to Sonangol the financial, statistical, technical and personnel reports according to the procedures set out in the "Petroleum Operations Information System (SIOP)".

Article 7

(Revision of accounting and financial procedures)

The provisions set out in this Annex may be amended by mutual agreement between Sonangol and Contractor Group, provided that they do not contravene the provisions of the "Petroleum Operations Information System (SIOP)". Amendments shall be made in writing and shall mention the date upon which they become effective.

Article 8

(Contractual conflicts)

In the case of any conflict between the provisions set out in this Annex and the provisions set out in the Contract, the provisions of the Contract shall prevail.

Annex D

Corporate guarantee

19

This Annex is an integral part of the Agreement dated December 20, 2011, entered into by Sonangol, as one Party, and Cobalt, Sonangol P&P, BP and China Sonangol, as the other Party, as provided in Article 2 of the Agreement.

To
Sociedade Nacional de Combustíveis de Angola,
Empresa Pública — (Sonangol, E.P.)
Rua Raínha Ginga, nº 29-31
Direcção de Negociações
Luanda
Angola

, ("Parent Company") represented by hereby declares that ("Local Company") is an Affiliate of the Parent Company.

Parent Company is fully aware of the content of the Agreement for Block 20/11 (the "Agreement") entered into by Sociedade Nacional de Combustíveis de Angola, Empresa Pública — (Sonangol, E.P.) ("Sonangol") and the Local Company and others, and of the Concession Decree which approved the Agreement, the provisions of which it acknowledges and accepts.

Parent Company unconditionally guarantees to Sonangol the full and prompt fulfillment of the obligations assumed under the Agreement by Local Company, and its Affiliated successors or Affiliated assignees waiving all benefits or rights which may, under the Law, in any manner, limit, restrict or annul its obligations under this guarantee.

This corporate guarantee will not be reduced or in any manner affected by any delay or failure of Sonangol to enforce its rights, nor by bankruptcy or dissolution of Local Company.

This Corporate Guarantee constitutes an integral part of the Agreement entered into by Sonangol and Local Company and others, as stated and referred to in Article 21 of the said Agreement.

If Local Company should fail in fulfilling any of its obligations under the Agreement, and if Sonangol shall have communicated in writing to Local Company such failure and the latter has not remedied or taken the necessary steps to remedy such failures or deficiencies, within a reasonable period of time, considering the nature of such failures or deficiencies, then Sonangol may demand of Parent Company the fulfillment of such obligations in default.

Sonangol's demand must be made by letter delivered to Parent Company which shall be accompanied by a copy of the letter from Sonangol to Local Company, and include a description of Local Company's unfulfilled obligations and a statement of the amount to be paid or the actions to be taken by Parent Company as a consequence of such default.

This Corporate Guarantee shall enter into force on the Effective Date of the Agreement.

Any disputes arising under this Corporate Guarantee shall be settled in accordance with the arbitration provisions contained in the Agreement.

Parent Company

By: _____
Title: _____
Date: _____

Agreed:

Sociedade Nacional de Combustíveis de Angola
- Empresa Pública (Sonangol, E.P.)

By: _____
Title: _____
Date: _____

Annex E

Financial guarantee

This Annex is an integral part of the Agreement dated December 20, 2011, entered into by Sociedade Nacional de Combustíveis de Angola, Empresa Pública — (Sonangol, E.P.), as one Party, and by Cobalt Sonangol P&P, BP and China Sonangol , as the other Party, as provided in Article 2 of the Agreement.

To
Sociedade Nacional de Combustíveis de Angola,
Empresa Pública - (Sonangol, E.P.)
Rua Raínha Ginga, nº 29-31
Direcção de Negociações
Luanda
Angola

We the undersigned ("Bank"), whose registered office is located at , represented by , hereby issue our irrevocable standby Letter of Credit Nr. as follows:

We hereby authorize you to draw on us, for the account of , with head office in ("Company") up to an aggregate amount of US$ (million U.S. dollars) in accordance with the conditions herein stipulated.

1. Any drafts issued pursuant to this Letter of Credit shall be accepted to the extent that Company has failed to comply with its obligations in respect of the Initial Exploration Phase as provided in Article 15, paragraphs 1, 2 and/or 6, 7, of the Production Sharing Agreement for Block 20/11 dated 2011 between yourselves and Company which Initial Exploration Phase expires on , (unless it is extended) as provided in Article 6, paragraph 1, of the Agreement.

2. Any withdrawals under this Letter of Credit shall be made prior to by signed drafts drawn on branch and shall be accompanied by Sonangol E.P.'s written statement certifying that:

   (a) Company has failed to perform its aforementioned obligations for which Sonangol has not previously drawn under this Letter of Credit;

   (b) the amount of the claim represents the obligation which Contractor Group has failed to perform as specified in Article 15 of the Agreement;

   (c) Company has not paid to Sonangol the amount claimed.

3. Any withdrawal under this Letter of Credit must also be accompanied by copy of a letter from Sonangol, E.P. to Company including:

   (a) a description of the unfulfilled obligations and the amount to be paid by Company as a consequence of such default;

   (b) a statement of Sonangol's intention to draw on the Letter of Credit once thirty (30) days have elapsed from the date of receipt of the letter;

   (c) acknowledgment by Company of receipt of the notification.

4. This Letter of Credit shall be reduced as provided in Article 21.5 and 21.6 of the Agreement.

   Each of such reductions is to be evidenced by written statement to be submitted by Company to the Bank which statement shall indicate that Sonangol, E.P. has approved the amount of the reduction being requested.

5. This Letter of Credit shall become effective on , and expire on , or at such earlier time as the total of the authorized reductions equal the original amount guaranteed hereunder or when the obligations referred to above have been fulfilled, whichever first occurs.

6. All documents will be submitted to - branch which shall make the corresponding payments when and if the terms and conditions stipulated in this Letter of Credit have been totally satisfied.

7. This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce Publication No. 600.

This Letter of Credit shall be governed and interpreted in accordance with law and is subject to the exclusive jurisdiction of the courts of .

We hereby undertake to Sonangol, E.P. that all drafts under and in compliance with the terms of this Letter of Credit will be duly honored if issued and presented for payment on or before the expiration date, as provided in paragraph 5 of this Letter of Credit.

Bank

Annex F

PRINCIPLES

FOR

TRANSFER OF THE OPERATORSHIP

This Annex is an integral part of the Contract dated December 20, 2011, entered into by Sonangol, as one Party, and Cobalt, Sonangol P&P, BP and China Sonangol, as the other Party, as provided in Article 2 of the Contract.

PRINCIPLES

FOR

TRANSFER OF OPERATORSHIP

Sonangol and Cobalt, as Operator and representative of the Contractor Group ("Operator") of Block 20/11 (" **Block**") hereby set forth the general principles ("**Principles**") that will guide the negotiation of the Transfer of Operatorship Agreement to be subsequently executed by the Parties (" **ATO**").

Accordingly, Sonangol and the Operator agree on the following Principles:

1. OPERATORSHIP TRANSFER COMMITTEE

1.1 Sonangol and Operator shall create an Operatorship Transfer Committee **("CTO")** to (i) supervise the transfer of the Petroleum Operations to Sonangol P&P in the Contract Area ("**Transfer**") and (ii) oversee the development of Sonangol P&P secondees in anticipation of the transfer of operatorship to Sonangol P&P and, as foreseen below. The CTO will be formed by 1 (one) representative from each of Sonangol and Sonangol P&P, and 1 (one) from Operator, and it will be chaired by the representative of Sonangol. The decisions of CTO will be taken unanimously.

1.2 Under supervision of the CTO a Steering Committee **("Steering Committee")** will be formed by 6 (six) representatives, 2 (two) from Sonangol, 2 (two) from Sonangol P&P, and 2 (two) from Operator, and it will be chaired by the representative of Sonangol and the Operator will act as Secretary of the Steering Committee.

1.3 The Steering Committee shall appoint a "**Project Team**" (constituted in the same manner as the Steering Committee) that will deliberate and periodically make recommendations to the Steering Committee, regarding the commercial, logistical, financial, operational and other aspects of the transfer of petroleum operations contemplated in this Annex, in accordance with instructions received from time to time from the Steering Committee. The Steering Committee will review and unanimously decide upon matters placed before it.

1.4 Within 60 (sixty) days of the execution of the Contract, Operator shall present to the Steering Committee a description of the management structure for Exploration, and 60 (sixty) days after such date, the Steering Committee shall propose to the CTO the number of Sonangol P&P employees, not less than 3 (three), to become secondees of Operator's exploration organization (in Luanda or other offices) for the duration of the Exploration Period.

1.5 Following the first Commercial Well on the Block, Sonangol P&P shall provide and the Operator shall gradually incorporate a significant number of Sonangol P&P employees as seconded to Cobalt, to be agreed by the CTO. Such employees shall hold key positions throughout the Operator's organization.

2. TRANSFER OF OPERATORSHIP

2.1 Subject to Article 2.6, the Transfer shall occur by the fifth anniversary of the date on which Commercial Production commences (" **First Production**") provided

however, should there be more than one Development Area within the Block, Cobalt shall remain Operator of the entire Contract Area until 8 (eight) years following First Production, unless CTO agrees to an anticipated or deferred Transfer, the date of such Transfer being referred to hereinafter as the "**Date of Transfer"**.

2.2 The Transfer shall encompass all the existing Development Areas in the Block at the Date of Transfer.

2.3 The period from First Production until the Date of Transfer, shall constitute the " **Transition Period"** during which the Steering Committee shall: (i) oversee the capacity building of Sonangol P&P as Operator; and (ii) propose to CTO the conditions of the ATO pursuant to Article 4.1.

2.4 During the Transition Period, the Operator shall assist Sonangol P&P in adopting and implementing accounting, financial, management, operational, safety and telecommunications procedures which shall be substantially equivalent to those of Sonangol P&P.

2.5 After the Transfer, the safety procedures used by the Operator for the Petroleum Operations shall be maintained by Sonangol P&P, unless otherwise agreed by the CTO under a proposal from the Steering Committee.

2.6 There shall be no Transfer until the ATO has been executed all of the pre-conditions described below for the Transfer have been fulfilled and it is confirmed by CTO that Sonangol P&P is ready to become the Operator of the Block, until such time Cobalt shall continue as Operator. The Transfer pre-conditions are the following:

- Petroleum Operations can continue to be safely conducted in accordance with generally accepted industry standards of operation, including in particular those regarding safety, health and environment;

- sufficient number of Sonangol P&P technical and managerial secondees with requisite skills have been timely provided by Sonangol P&P and incorporated into the Operator's teams and adequately trained pursuant to these Principles;

- all relevant procedures and documentations required by the ATO are in full force and effect; and

3. JOINT DEVELOPMENT OF HUMAN RESOURCES

3.1 Within 90 (ninety) days from the Effective Date the Operator shall present to the Steering Committee a proposal of " **Guidelines for the Development of Human Resources**" that shall establish the terms and conditions for the development of Sonangol P&P's secondees to be assigned to the Petroleum Operations.

3.2 The number of Sonangol P&P's secondees positions within the Petroleum Operations shall be proposed by the Steering Committee following the completion of a study and approved by the CTO within 120 (one hundred and twenty) days of the Effective Date. This study shall use Cobalt's organization model to determine the level of positions (managerial, financial, technical, administrative, etc.) roles, responsibilities and skills required by Sonangol P&P's secondees to join the Petroleum Operations.

3.3 Operator shall transfer to Sonangol P&P all the technical knowledge in the course of the Petroleum Operations, particularly in respect of the geologic pre-salt layer, as well as the management, know-how for the proper execution of the Petroleum Operations post Transfer.

3.4 In order to implement the above objectives, Operator shall, within one year of the first Commercial Discovery, present to the Steering Committee, to be approved by the CTO:

a) its proposed management structure during the different operational phases, as well as the number of necessary Sonangol P&P's secondees and their qualifications; and

b) A Training, Job Titles and Responsibilities Transfer Plan for Sonangol P&P's secondees for the management of the Petroleum Operations ("**Transfer Plan**"), which shall include on-the-job and professional training, and the gradual transfer of such secondees to Sonangol P&P.

4. TRANSFER OF OPERATORSHIP AGREEMENT

4.1 On the date of the First Production, the Parties shall have negotiated and signed the ATO that shall contain detailed terms and conditions for the Transfer including technical milestones, the pre-conditions mentioned in Article 2.6 above, as well as policies regarding ethics, transparency and compliance with probity laws applicable in Angola.

4.2 Following the Transfer, the Petroleum Operations will be staffed with Sonangol P&P employees, with Operator secondees serving as trainers and filling, as long as the Operator remains a member of the Contractor Group, a few key leadership and technical roles requiring critical skills, in particular in the areas of safety, well control and subsea operation.

5. OPERATOR'S TECHNICAL ASSISTANCE

5.1 The Operator shall provide such technical assistance to Sonangol P&P following the Transfer as is specified in the ATO or in a separate contract to be agreed.

6. COST RECOVERY

6.1 All costs related to the actions provided for in these Principles and the ATO, in particular the costs incurred under Article 1.4 will be considered, as applicable, Exploration, Development, Production and Administrative Services Expenditures in accordance with Article 11 of the Contract and the costs related to the programs and budgets for the transfer of Operatorship to Sonangol P&P, will be incurred based on the assumption that the related costs will be considered as deductible for fiscal purposes.

7. PRINCIPLES OF GOOD FAITH

7.1 Sonangol and the Operator shall negotiate the ATO in good faith embodying the Principles, and acknowledge that the Principles do not reflect certain essential terms for the ATO that have not yet been agreed.

7.2 Operator further acknowledges that the timely and proper training of secondees provided by Sonangol P&P in accordance with these Principles and the ATO is essential for a successful and timely Transfer. Sonangol further acknowledges that the timely supply of secondees by Sonangol P&P in accordance with these Principles and the ATO is essential for a successful and timely Transfer.

7.3 The JOA shall, where relevant, reflect the provisions of these Principles and the ATO.

Exhibit 10.30

SEVERANCE AGREEMENT

dated as of April 1, 2010,

between

COBALT INTERNATIONAL ENERGY, INC.,
(the Company)

and

Michael D. Drennon
(Employee)

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SEVERANCE AGREEMENT

This SEVERANCE AGREEMENT (this "**Agreement**") dated as of April 1, 2010, is made by and between COBALT INTERNATIONAL ENERGY, INC., a Delaware corporation (the "**Company**"), and Michael D. Drennon ("**Employee**").

RECITAL

WHEREAS, the Company desires to employ Employee, and Employee desires to accept such employment, on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the Company and Employee agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. *Definitions.*

"**Accrued Obligations**" shall mean Employee's base salary through the Date of Termination of Employment not theretofore paid, any expenses owed to Employee under the Company's expense reimbursement policy as in effect from time to time, any accrued vacation pay owed to Employee pursuant to the Company's vacation policy as in effect from time to time, any earned but unpaid annual performance bonus with respect to a calendar year that has ended on or before the Date of Termination of Employment (it being understood that a bonus will not be considered to have been unearned merely because Employee has not remained employed through the payment date so long as Employee has remained employed through the end of the calendar year that has ended on or before the Date of Termination of Employment), any amount accrued and arising from Employee's participation in, or benefits accrued under, any employee benefit plans, programs or arrangements maintained by the Company which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements, and such other or additional benefits as may be, or become, due to Employee under the applicable terms of applicable plans, programs, agreements, corporate governance documents and other arrangements of the Company and its subsidiaries.

"**Affiliate**" shall mean any entity that owns or controls, is owned or controlled by, or is under common control with, the Company.

"**Agreement Termination Date**" shall mean the fifth anniversary of the Effective Date.

"**Annualized Base Salary**" shall mean an amount equal to the greater of:

(i) Employee's annualized base salary at the rate in effect on the date of his Involuntary Termination or termination by reason of death or Disability, as applicable;

(ii) Employee's annualized base salary at the rate in effect 90 days prior to the date of his Involuntary Termination or termination by reason of death or Disability, as applicable; or

(iii) Employee's annualized base salary at the rate in effect immediately prior to a Change in Control if, on the date upon which such Change in Control occurs or within two years thereafter, Employee's employment shall be subject to an Involuntary Termination or be terminated by reason of death or Disability.

For the avoidance of doubt, for all purposes of this Agreement, base salary specifically does not include any (A) bonuses, (B) incentive compensation or (C) equity-based compensation.

"**Board**" shall mean the Board of Directors of the Company.

"**Cause**" shall mean (i) the willful failure of Employee to substantially perform Employee's duties as an employee of the Company (other than any such failure resulting from Employee's physical or mental incapacity), (ii) Employee's having engaged in willful misconduct, gross negligence or a breach of fiduciary duty that results in material and demonstrable harm to the Company or any of its Affiliates, (iii) Employee's willful and material breach of this Agreement (as amended from time to time) that results in material and demonstrable harm to the Company or any of its Affiliates, (iv) Employee's having been convicted of, or having entered a plea bargain or settlement admitting guilt or the imposition of unadjudicated probation for, any felony under the laws of the United States, any state or the District of Columbia, where such felony involves moral turpitude or where, as a result of such felony, the continued employment of Employee would have, or would reasonably be expected to have, a material adverse impact on the Company's or any of its Affiliates' reputations, (v) Employee's having been the subject of any order, judicial or administrative, obtained or issued by the Securities and Exchange Commission, for any securities violation involving fraud including, for example, any such order consented to by Employee in which

findings of facts or any legal conclusions establishing liability are neither admitted nor denied, (vi) Employee's unlawful use (including being under the influence of) or possession of illegal drugs on the Company's premises or while performing Employee's duties and responsibilities as an employee of the Company, or (vii) Employee's commission of an act of fraud, embezzlement, or misappropriation, in each case, against the Company or any of its Affiliates. If the Company desires to terminate Employee's employment for Cause in accordance herewith, it shall provide Employee with a Notice of Termination of Employment in accordance with Section 5.02 and allow Employee 30 days following the date of such notice to fully remedy, cure or rectify, if possible, the situation giving rise to the Company's allegations of Cause. For purposes of this definition, no act, or failure to act, on the part of Employee shall be considered "**willful**" unless it is done, or omitted to be done, by Employee in bad faith or without reasonable belief that Employee's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Employee Officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Employee in good faith and in the best interests of the Company. The cessation of employment of Employee shall not be deemed to be for Cause unless and until there shall have been delivered to Employee a copy of a resolution duly adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board at which at least a quorum is present (after reasonable notice is provided to Employee and Employee is given an opportunity, together with counsel for Employee, to be heard before the Board) finding that, in the good faith opinion of the Board, Employee is guilty of the conduct described in this definition, and specifying the particulars thereof in detail.

(a) "**Change in Control**" means the occurrence of any one or more of the following events:

(i) any "person" (as defined in Section 13(d) of the Securities Exchange Act of 1934 (the " **Act**")), other than an employee benefit plan or trust maintained by the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's outstanding securities entitled to vote generally in the election of directors (other than the private equity sponsors of the Company and their respective Affiliates);

(ii) at any time during a period of 12 consecutive months, individuals who at the beginning of such period constituted the Board and any new member of the Board whose election or nomination for election was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of such period or whose

election or nomination for election was so approved, cease for any reason to constitute a majority of members of the Board; or

(iii) the consummation of (A) a merger or consolidation of the Company or any of its subsidiaries with any other corporation or entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or, if applicable, the ultimate parent thereof) at least 50% of the combined voting power and total fair market value of the securities of the Company or such surviving entity or parent outstanding immediately after such merger or consolidation, or (B) any sale, lease, exchange or other transfer to any Person (other than an Affiliate (as defined in the Company Long Term Incentive Plan)) of assets of the Company and/or any of its subsidiaries, in one transaction or a series of related transactions, having an aggregate fair market value of more than 50% of the fair market value of the Company and its subsidiaries (the "**Company Value**") immediately prior to such transaction(s), but only to the extent that, in connection with such transaction(s) or within a reasonable period thereafter, the Company's stockholders receive distributions of cash and/or assets having a fair market value that is greater than 50% of the Company Value immediately prior to such transaction(s).

Notwithstanding the foregoing, in no event shall a Change in Control be deemed to have occurred with respect to Employee if Employee is part of a "group" within the meaning of Section 13(d)(3) of the Act that consummates the Change in Control transaction. In addition, for purposes of the definition of Change in Control, a person engaged in business as an underwriter of securities shall not be deemed to be the beneficial owner of, or to beneficially own, any securities acquired through such person's participation in good faith in a firm commitment underwriting until the expiration of 40 days after the date of such acquisition.

"**Cobalt Equity Payment**" means the issuance of an equity interest in Cobalt to Employee, the accelerated vesting of any such equity interest or any other benefit conferred to Employee in connection with any such equity interest that, in any such case, could potentially be subject to the Excise Tax.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Date of Termination of Employment**" shall mean (i) if Employee's employment with the Company is terminated by his death, the date of Employee's death, or (ii) if Employee's employment with the Company is terminated for any reason whatsoever other than Employee's death, the earlier of the date indicated

in the Notice of Termination of Employment or the date specified by the Company pursuant to Section 5.02.

"**Disability**" shall mean, at any time the Company or any Affiliate sponsors a long-term disability plan that covers Employee and other Employee employees of the Company, "**disability**" as defined in such long-term disability plan for the purpose of determining a participant's eligibility for benefits; *provided*, *however*, if the long-term disability plan contains multiple definitions of disability, then " **Disability**" shall refer to that definition of disability

which, if Employee qualified for such disability benefits, would provide coverage for the longest period of time. The determination of whether Employee has a Disability shall be made by the person or persons required to make final disability determinations under the long-term disability plan. At any time the Company or any Affiliate does not sponsor such a long-term disability plan, Disability shall mean Employee's inability to perform, with or without reasonable accommodation, the essential functions of his position with the Company for a total of three months during any six-month period as a result of incapacity due to mental or physical illness, as determined by a physician selected by the Company or its insurers and acceptable to Employee or Employee's legal representative, such agreement as to acceptability not to be unreasonably withheld or delayed. Any refusal by Employee to submit to a medical examination for the purpose of determining Disability shall be deemed to constitute conclusive evidence of Employee's Disability.

"**Effective Date**" shall mean the date of this Agreement.

"**Excise Tax**" shall have the meaning assigned to such term in Section 8.01.

"**Good Reason**" shall mean the occurrence of any of the following events: (i) a material diminution in Employee's base salary; or (ii) relocation of the geographic location of Employee's principal place of employment to a location that is more than 75 miles from both Houston, Texas and Luanda, Angola.

Notwithstanding the preceding provisions of this definition or any other provision in this Agreement to the contrary, any assertion by Employee of a termination of employment for "**Good Reason**" shall not be effective unless all of the following conditions are satisfied: (A) the condition described in clauses (i) or (ii) of this definition giving rise to Employee's termination of employment must have arisen without Employee's consent; (B) Employee must provide written notice to the Company of such condition in accordance with Section 14.07 within 45 days of the initial existence of the condition; (C) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by the Company; and (D) the date of Employee's termination of employment must

occur within 90 days after the initial existence of the condition specified in such notice.

"**Gross-up Payment**" shall have the meaning assigned to such term in Section 8.01.

"**Inventions**" shall have the meaning assigned to such term in Section 11.01.

"**Involuntary Termination**" shall mean any termination of Employee's employment with the Company (i) by the Company without Cause or (ii) by Employee for Good Reason. For the avoidance of doubt, the term " **Involuntary Termination**" does not include a termination of Employee's employment with the Company for any other reason whatsoever, including, without limitation, (A) by the Company for Cause, (B) by Employee without Good Reason or (C) as a result of Employee's death or Disability.

"**LTIP**" shall mean the Company's Long Term Incentive Plan, as may be amended from time to time.

"**Non-Compete Period**" shall have the meaning assigned to such term in Section 9.01(b).

"**Notice of Termination of Employment**" shall have the meaning assigned to such term in Section 5.02.

"**Parachute Value**" of a Payment shall mean the present value as of the date of the change in ownership or effective control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a " **parachute payment**" under Section 280G(b)(2) of the Code, as determined for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

"**Payment**" shall have the meaning assigned to such term in Section 8.01.

"**Pro Rata Bonus**" shall mean an amount equal to the product of (i) the actual annual bonus Employee would have been entitled to receive, based on the Company's actual performance through the end of the calendar year in which Employee's termination of employment with the Company occurred, determined as if he had continued his employment with the Company through the end of such calendar year and (ii) a fraction, the numerator of which is the number of days during the calendar year through the date of Employee's termination of employment with the Company and the denominator of which is 365.

"**Pro Rata Bonus Payment Date**" shall mean, with respect to a Pro Rata Bonus for a particular calendar year, the date on which annual bonuses for such

calendar year are generally paid to employees of the Company who have not terminated employment with the Company, but in no event earlier than January 1 of the year following such calendar year nor later than December 31 of the year following such calendar year.

"**Restricted Stock**" shall mean the shares of restricted stock granted to Employee on the Effective Date, as set forth in Section 3.03.

"**Safe Harbor Amount**" shall mean 2.99 times Employee's "**base amount**," within the meaning of Section 280G(b)(3) of the Code.

"**Separation from Service**" means, with respect to Employee, the (i) cessation of all services performed by Employee for the Company or (ii)

permanent decrease in the level of services performed by Employee for the Company (whether as an employee or as an independent contractor) to no more than 20 percent of the average level of services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Company, if Employee has been providing services to the Company for less than 36 months).

"**Severance Amount**" shall mean 50% of Annualized Base Salary

ARTICLE 2
EFFECTIVENESS; TERM OF AGREEMENT

Section 2.01. *Effectiveness; Term of Agreement.* This Agreement shall become effective upon the Effective Date. Subject to an earlier termination of Employee's employment with the Company pursuant to Article 5, this Agreement shall terminate and be of no further force or effect on the Agreement Termination Date.

ARTICLE 3
CERTAIN EMPLOYEE REPRESENTATIONS AND AGREEMENTS; EQUITY GRANT.

Section 3.01. *Services.* Employee agrees that he will render services to the Company (as well as any subsidiary thereof or successor thereto) during the period of his employment to the best of his ability, in a prudent and businesslike manner and consistent with the standards expected by the Company of an Employee-level employee. Employee also agrees that he will devote substantially the same time, efforts and dedication to his duties as heretofore devoted.

Section 3.02. *Life Insurance.* This Agreement constitutes written notice to Employee that (a) the Company or an Affiliate may insure Employee's life, (b)

the Company or an Affiliate shall have the right to determine the amount of insurance and the type of policies, and (c) the Company or an Affiliate will be the beneficiaries of any proceeds payable under such policies upon the death of Employee. Employee hereby irrevocably consents to being insured under the policies described in the preceding sentence and to the coverage under such policies continuing after the termination of this Agreement and/or Employee's termination of employment with the Company and its Affiliates. Employee agrees and acknowledges that Employee shall not have the right to designate the beneficiary or beneficiaries of the death benefit payable pursuant to such policies, and neither Employee nor any other person claiming through Employee shall have any interest in such policies. Employee shall (i) furnish any and all information reasonably requested by the Company, any Affiliate or the insurer to facilitate the issuance of the life insurance policy or policies described in this paragraph or any adjustment to any such policy, and (ii) take such physical examinations as the Company, any Affiliate or the insurer deems necessary. Employee shall incur no financial obligation by executing any required document pursuant to this Section 3.02, and shall have no interest in any such policy.

Section 3.03. *Equity Grant.* On the Effective Date, Employee shall receive 25,000 restricted shares of the Company's common stock subject to the terms and conditions of the LTIP and the form of Restricted Stock Award Agreement attached as Exhibit A to this Agreement and 25,000 restricted shares of the Company's common stock subject to the terms and conditions of the LTIP and the form of Restricted Stock Award Agreement attached as Exhibit B to this Agreement.

ARTICLE 4
CONFIDENTIAL INFORMATION, INVENTIONS, BUSINESS
OPPORTUNITIES AND GOODWILL

Section 4.01. *Confidential Information, Inventions, Business Opportunities and Goodwill.* The Company shall (a) disclose to Employee, and place Employee in a position to have access to or develop, confidential or proprietary information and Inventions of the Company (or its Affiliates); (b) entrust Employee with business opportunities of the Company (or its Affiliates); and (c) place Employee in a position to develop business good will on behalf of the Company (or its Affiliates).

ARTICLE 5
TERMINATION OF EMPLOYMENT AND NOTICE OF TERMINATION OF EMPLOYMENT

Section 5.01. *Termination of Employment.* Employee's employment with the Company may be terminated by the Company or Employee under the following circumstances: (a) Employee's death; (b) Employee's Disability; (c) termination by the Company for Cause; (d) termination by the Company without Cause; (e) resignation by Employee for Good Reason; or (f) resignation by Employee without Good Reason. For all purposes of this Agreement, Employee shall be considered to have terminated employment with the Company when Employee incurs a Separation from Service.

Section 5.02. *Notice of Termination of Employment.* Any termination of Employee's employment by the Company or by Employee (other than termination by reason of Employee's death) shall be communicated by a written notice to the other party hereto indicating the specific termination provision in the first sentence of Section 5.01 relied upon, setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provision so indicated, and specifying a Date of Termination of Employment which, if submitted by Employee, shall be at least 30 days following the date of such notice (a "**Notice of Termination of Employment**"); *provided*, *however*, that in the case of any Notice of

Termination of Employment submitted by Employee, the Company may, in its sole discretion, advance the Date of Termination of Employment to any date following the Company's receipt of the Notice of Termination of Employment (and, if the Date of Termination of Employment is so advanced, it shall not change the basis for Employee's termination nor be construed or interpreted as a termination of Employee's employment by the Company for any reason whatsoever). A Notice of Termination of Employment submitted by the Company may provide for a Date of Termination of Employment on the date Employee receives the Notice of Termination of Employment, or any date thereafter elected by the Company in its sole discretion. The failure by Employee or the Company to set forth in the Notice of Termination of Employment any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of Employee or the Company hereunder or preclude Employee or the Company from asserting such fact or circumstance in enforcing Employee's or the Company's rights hereunder.

Section 5.03. *Deemed Resignations.* Unless otherwise agreed to in writing by the Company and Employee prior to the termination of Employee's employment, any termination of Employee's employment shall constitute an automatic resignation of Employee: (i) as an officer of the Company and each Affiliate; (ii) as a member of the Board (if applicable); (iii) from the board of directors or similar governing body of any Affiliate; and (iv) from the board of directors or similar governing body of any corporation, limited liability entity or

other entity in which the Company or any Affiliate holds an equity interest and with respect to which board or similar governing body Employee serves as the Company's or such Affiliate's designee or other representative.

ARTICLE 6
SEVERANCE BENEFITS

Section 6.01. *Death, Disability, Termination for Cause or Resignation Without Good Reason.* If Employee's employment with the Company is terminated by the Company for Cause or by Employee without Good Reason, or if such employment terminates by reason of Employee's death or Disability, then, upon such termination, Employee (or Employee's estate) shall be entitled to receive the Accrued Obligations (other than in the case of a termination by the Company for Cause, any bonus or incentive compensation that under the applicable plan requires Employee to be employed on the date of payment). If Employee's employment with the Company terminates by reason of death or Disability, then the Company shall also pay to Employee (or Employee's estate or legal representatives, as applicable) on the Pro Rata Bonus Payment Date an amount in cash equal to the Pro Rata Bonus.

Section 6.02. *Involuntary Termination.* If Employee's employment with the Company shall be subject to an Involuntary Termination, Employee shall be entitled to receive the Accrued Obligations and, subject to the provisions of Section 14.09, the Company will, as additional compensation for services rendered to the Company (including its Affiliates), pay to Employee the following amounts and take the following actions after the last day of Employee's employment with the Company:

(a) if the Involuntary Termination occurs prior to a Change in Control or on or after the second anniversary of the Change in Control (to the extent applicable), pay to Employee in equal monthly installments an amount in cash equal to the Severance Amount, the first installment to be paid on the date that is 60 days after the date of Employee's termination of employment with the Company and subsequent installments to be paid on the first day of each of the next 11 calendar months thereafter or such lesser number of installments such that no installment is paid after March 1st of the year following the year in which Employee's employment was terminated, with each installment equal to the Severance Amount divided by the total number of such installments to be paid;

(b) if the Involuntary Termination occurs on the date of a Change in Control or before the second anniversary of the Change in Control, pay to Employee on the date that is 60 days after the date of Employee's termination of employment with the Company a lump sum cash payment in an amount equal to the Severance Amount;

(c) pay to Employee on the Pro Rata Bonus Payment Date an amount in cash equal to the Pro Rata Bonus; *provided*, *however*, that if this paragraph applies with respect to a Pro Rata Bonus that is intended to constitute performance-based compensation within the meaning of, and for purposes of, Section 162(m) of the Code, then this paragraph shall apply with respect to such Pro Rata Bonus only to the extent the applicable performance criteria have been satisfied as certified by a committee of the Board as required under Section 162(m) of the Code; and

(d) during the portion, if any, of the 18-month period following the date of Employee's termination of employment with the Company that Employee elects to continue coverage for Employee and Employee's eligible dependents under the Company's group health plans under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and/or Sections 601 through 608 of the Employee Retirement Income Security Act of 1974, as amended, the Company shall promptly reimburse Employee on a monthly basis for the difference, if any, between (i) the amount Employee pays to effect and continue such coverage and (ii) the amount charged to a similarly situated active employee of the Company for similar coverage.

Section 6.03. *Death, Disability or Involuntary Termination After Agreement Termination Date.* If, after the Agreement Termination Date but prior to the payment date of the annual bonus for the calendar year in which the Agreement Termination Date occurs, Employee's employment with the Company terminates by reason of the Employee's death or by reason of what would have otherwise qualified as Disability or Involuntary Termination under this Agreement if this Agreement was still in effect at the time of such termination of employment, the Company shall pay to Employee (or Employee's estate or legal representatives, as applicable), subject to the provisions of Section 14.09, on the Pro Rata Bonus Payment Date an amount in cash equal to the Pro Rata Bonus.

ARTICLE 7
INTEREST ON LATE PAYMENTS

Section 7.01. *Interest on Late Payments.* If any payment provided for in Section 6.02(a), (b) or (c) or Section 6.03 is not made when due, then the Company shall pay to Employee interest on the amount payable from the date that such payment should have been made under such Section until such payment is made, which interest shall be calculated at 5% plus the prime rate of interest announced by JPMorgan Chase Bank (or any successor thereto) at its principal office in New York, and shall change when and as any such change in such prime rate shall be announced by such bank.

ARTICLE 8
CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY

Section 8.01. *Gross-up Payment.* Notwithstanding anything to the contrary in this Agreement (but subject to the remaining provisions of this Section 8.01), in the event that any payment, benefit or distribution by the Company to or for the benefit of Employee, whether paid, payable, provided, distributed or distributable pursuant to the terms of this Agreement or otherwise (a " **Payment**"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest or penalties, are hereinafter collectively referred to as the "**Excise Tax**"), the Company shall pay to Employee an additional payment (a " **Gross-up Payment**") in an amount such that after payment by Employee of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed on any Gross-up Payment, Employee retains an amount of the Gross-up Payment equal to the Excise Tax imposed upon all Payments except for the Cobalt Equity Payments. Notwithstanding the provisions of the preceding sentence, if it shall be determined that Employee is entitled to the Gross-up Payment, but that the Parachute Value of all Payments does not exceed 110% of the Safe Harbor Amount, then no Gross-up Payment shall be made to Employee and the amounts payable under Article 6 shall be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount. The reduction of the amounts payable under Article 6, if applicable, shall be made by reducing Payments payable hereunder (including reducing a Payment to zero) in the order in which such Payments would be made (beginning with such Payment that would be made first in time and continuing, to the extent necessary, through to such Payment that would be made last in time). For purposes of reducing the Payments to the Safe Harbor Amount, only amounts payable under Article 6 (and no other Payments) shall be reduced. If the reduction of the amount payable under Article 6 would not result in a reduction of the Parachute Value of all Payments to the Safe Harbor Amount, then no amounts payable under Article 6 shall be reduced pursuant to this Section 8.01. The Company's obligation to make a Gross-up Payment under this Section 8.01 shall not be conditioned upon Employee's termination of employment. The Gross-up Payment attributable to a particular Payment shall be made at the time such Payment is made; *provided, however*, that in no event shall the Gross-up Payment be made later than the end of Employee's taxable year next following Employee's taxable year in which Employee remits the related taxes. The Company and Employee shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment.

Section 8.02. *Disposition of Claims.* Employee shall notify the Company immediately in writing of any claim by the Internal Revenue Service which, if successful, would require the Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by the Company and

Employee) within five days of the receipt of such claim. The Company shall notify Employee in writing at least five days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If the Company decides to contest such claim, Employee shall cooperate fully with the Company in such action; *provided, however*, the Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Employee harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of the Company's action. If, as a result of the Company's action with respect to a claim, Employee receives a refund of any amount paid by the Company with respect to such claim, Employee shall promptly pay such refund to the Company. If the Company fails to timely notify Employee whether it will contest such claim or the Company determines not to contest such claim, then the Company shall immediately pay to Employee the portion of such claim, if any, which it has not previously paid to Employee.

ARTICLE 9
COMPETITION

Section 9.01. *Competition.* (a) Employee and the Company agree to the restrictive covenants of this Article 9: (i) in consideration for the confidential information provided by the Company to Employee pursuant to Section 4.01 or otherwise during the course of his employment; (ii) as part of the consideration for the compensation and benefits to be paid to Employee by the Company; (iii) to protect the (A) trade secrets and confidential information of the Company disclosed or entrusted to Employee by the Company and (B) business goodwill of the Company developed through the efforts of Employee and/or the business opportunities disclosed or entrusted to Employee by the Company; and (iv) as an additional incentive for the Company to enter into this Agreement.

(b) Subject to the exceptions set forth in the last sentence of this Section 9.01(b), Employee shall not at any time while employed by the Company and for a 6-month period following the Date of Termination of Employment (the " **Non-Compete Period**"), directly or indirectly engage in, have any equity interest in, be affiliated with, or manage or operate any person, firm, corporation, partnership, entity or business (whether as director, officer, employee, agent, representative, partner, member, security holder, consultant or otherwise) that engages in any business that competes with any Business (as defined below) of the Company in the states within the United States (or District of Columbia, if applicable) and in the geographic regions outside of the United States (i) in which the Company conducts operations or (ii) with respect to which the Company devotes more than *de minimis* resources in the

furtherance of the Business; *provided*, *however*, that

Employee shall be permitted to acquire a passive stock interest in such a business if the stock acquired is publicly traded and is not more than two percent of the outstanding interest in such business. Notwithstanding the foregoing or anything to the contrary in this Agreement, it shall not be a violation of this Article 9 for Employee to (A) provide services to any person or entity engaged in the Business if Employee is not involved, directly or indirectly, in the management, supervision or operations of the Business (including by reason of any individual reporting to Employee) and the gross revenues generated by the Business do not constitute more than 33% of the consolidated gross revenues of such person or entity and its affiliates and (B) provide services to or otherwise be affiliated with a venture capital or private equity firm that holds investments in entities engaged in the Business if Employee is not involved, directly or indirectly, in the identification, evaluation, recommendation, acquisition, management, operation, supervision or disposition of such investments, and the gross revenues generated by such Business do not constitute more than the 33% of the consolidated gross revenues of such firm and its affiliates.

(c) During the Non-Compete Period, Employee shall not, directly or indirectly, recruit or otherwise solicit or induce any employee of the Company, except on behalf of the Company, (i) to terminate his or her employment with the Company or (ii) to establish any relationship with Employee or any of his affiliates for any business purpose competitive with the Business of the Company, *provided*, *however*, that a general solicitation of the public for employment shall not constitute a solicitation hereunder so long as such general solicitation is not designed to target any employee of the Company.

(d) Employee and the Company agree that the foregoing restrictions are reasonable under the circumstances, are necessary to protect the Company's legitimate business interests and that any breach of such restrictions would cause irreparable injury to the Company. Employee understands that the foregoing restrictions may limit Employee's ability to engage in certain businesses anywhere in the United States and outside the United States during the Non-Compete Period but acknowledges that he will receive sufficiently high remuneration and other benefits from the Company to justify such restrictions. Further, Employee acknowledges that his skills are such that he can be gainfully employed in non-competitive employment, and that the agreement not to compete will not prevent him from earning a living. Nevertheless, in the event the terms of this Article 9 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it will be interpreted to extend only over the maximum period of time for which it may be enforceable, over the maximum geographical area as to which it may be enforceable, or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

(e) Employee hereby represents to the Company that he has read and understands, and agrees to be bound by, the terms of this Article 9. Employee acknowledges that the geographic scope and duration of the covenants contained in this Article 9 are the result of arm's-length bargaining and are fair and reasonable in light of (i) the nature and wide geographic scope of the Company's operations of, and in, the Business, (ii) Employee's level of control over and contact with the Company's operations of, and in, the Business in all jurisdictions in which it is conducted, (iii) the geographic breadth in which the Company conducts the Business and (iv) the amount of consideration (including confidential information and trade secrets) that Employee is receiving from the Company.

(f) As used in this Article 9, (i) the term "**Company**" shall include the Company and its subsidiaries and (ii) the term "**Business**" shall mean the exploration for, and the development and production of, oil and natural gas and the acquisition of leases and other real property in connection therewith, as such business may be expanded or altered by the Company during the period of Employee's employment by the Company; *provided*, that any business or endeavor shall cease to be the "**Business**" if the Company is not or ceases to be engaged in such business or endeavor.

(g) In consideration of the Company's promises herein, during the Non-Compete Period, Employee promises to disclose to the Company any employment, consulting, or other service relationship that Employee enters into after the termination of Employee's employment with the Company for any reason. Such disclosure shall be made within seven business days after Employee enters into such employment, consulting or other service relationship. Employee expressly consents to and authorizes the Company to disclose both the existence and terms of this Agreement to any future employer or recipient of Employee's services and to take any steps the Company deems necessary to enforce this Agreement.

ARTICLE 10
NONDISCLOSURE OF CONFIDENTIAL AND PROPRIETARY INFORMATION

Section 10.01. *Nondisclosure of Confidential and Proprietary Information.* (a) Except in connection with the faithful performance of Employee's duties for the Company or pursuant to Section 10.01(c) or (e), Employee shall, in perpetuity, maintain in confidence and shall not directly, indirectly or otherwise, (i) use, disseminate, disclose or publish, or use for his benefit or the benefit of any person, firm, corporation or other entity, any (A) confidential or proprietary information or trade secrets of or relating to the Company (including, without limitation, intellectual property in the form of patents, trademarks and copyrights and applications therefor, ideas, inventions, works, discoveries, improvements, information, documents, formulae, practices, processes, methods, developments,

source code, modifications, technology, techniques, data, programs, other know-how or materials, in each case, that are confidential and/or proprietary and

owned, developed or possessed by the Company, whether in tangible or intangible form) or (B) confidential or proprietary information with respect to the Company's operations, processes, products, inventions, business practices, strategies, business plans, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, prospects and compensation paid to employees or other terms of employment or (ii) deliver to any person, firm, corporation or other entity any document, record, notebook, computer program or similar repository of or containing any such confidential or proprietary information or trade secrets. The parties hereby stipulate and agree that as between them the foregoing matters are important, material and confidential proprietary information and trade secrets and materially affect the successful conduct of the businesses of the Company (and any successor or assignee of the Company).

(b) Upon the termination of Employee's employment with the Company for any reason, Employee will promptly deliver to the Company all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents and electronically stored information, in each case, that are confidential or proprietary to the Company, or any other confidential or proprietary documents (including electronically stored information) concerning the Company's customers, business plans, strategies, products or processes.

(c) Employee may respond to a lawful and valid subpoena or other legal process relating to the business of the Company or the performance of his duties on behalf of the Company but shall (i) give the Company prompt notice thereof, (ii) make available to the Company and its counsel the documents and other information sought that are not subject to a binding confidentiality agreement and (iii) assist such counsel at Company's expense in resisting or otherwise responding to such process.

(d) As used in this Article 10 and Article 11, the term "**Company**" shall include the Company and its subsidiaries.

(e) Nothing in this Agreement shall prohibit Employee from (i) disclosing information and documents when required by law, subpoena, court order or legal process, (ii) disclosing information and documents to his immediate family members or, for the purpose of securing legal or tax advice, attorney or tax adviser (provided that the persons to whom such disclosures are made shall be informed of their obligation to maintain the strict confidentiality of any information provided to them), (iii) disclosing the post-employment restrictions in this Agreement in confidence to any potential new employer or person or entity to whom he may provide consulting services, or (iv) retaining, at any time, his

personal correspondence and rolodex or address book and documents related to his own personal benefits, entitlements and obligations.

ARTICLE 11
INVENTIONS

Section 11.01. *Inventions.* All rights to discoveries, inventions, improvements and innovations (including all data and records pertaining thereto) related to the business of the Company, whether or not patentable, copyrightable, registrable as a trademark, or reduced to writing, that Employee may discover, invent or originate during the period of his employment with the Company, either alone or with others and whether or not during working hours or by the use of the facilities of the Company ("**Inventions**"), shall be the exclusive property of the Company. Employee shall promptly disclose all Inventions to the Company, shall execute at the request of the Company any assignments or other documents the Company may deem reasonably necessary to protect or perfect its rights therein, and shall assist the Company, upon reasonable request and at the Company's expense, in obtaining, defending and enforcing the Company's rights therein. Employee hereby appoints the Company as his attorney-in-fact to execute on his behalf any assignments or other documents reasonably deemed necessary by the Company to protect or perfect its rights to any Inventions.

ARTICLE 12
INJUNCTIVE RELIEF

Section 12.01. *Injunctive Relief.* It is recognized and acknowledged by Employee that a breach of the covenants contained in Articles 9, 10, 11 and 13 will cause irreparable damage to Company and its Affiliates and their goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, Employee agrees that in the event of a breach of any of the covenants contained in Articles 9, 10, 11 and 13, in addition to any other remedy which may be available at law or in equity, the Company will be entitled to specific performance and injunctive relief.

ARTICLE 13
NON-DISPARAGEMENT

Section 13.01. *Non-disparagement.* During Employee's employment with the Company and following termination of his employment with the Company for any reason, (a) Employee agrees not to disparage in any material respect the

Company, its subsidiaries, any of their products or practices, or any of their directors, officers, agents, representatives, members, partners or stockholders, (b) either orally or in writing and (c) the Company agrees that it and its subsidiaries will (i) not make any formal statements that disparage in any material respect Employee and (ii) use commercially reasonable efforts to advise its directors and officers not to disparage in any material respect Employee.

ARTICLE 14
GENERAL

Section 14.01. *Survivorship.* The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

Section 14.02. *Arbitration.* Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before an arbitrator in Houston, Texas in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association then in effect. Judgment may be entered on the arbitration award in any court having jurisdiction; *provided*, *however*, that the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any violation or continuation of any violation of the provisions of Articles 9, 10, 11 or 13 of this Agreement and Employee hereby consents that such restraining order or injunction may be granted without requiring the Company to post a bond. Only individuals who are on the AAA register of arbitrators shall be selected as an arbitrator. Within 20 days of the conclusion of the arbitration hearing, the arbitrator(s) shall prepare written findings of fact and conclusions of law. It is mutually agreed that the written decision of the arbitrator(s) shall be valid, binding, final and non-appealable; provided however, that the parties hereto agree that the arbitrator shall not be empowered to award punitive damages against any party to such arbitration. The Company shall bear all administrative fees and expenses of the arbitration and each party shall bear its own counsel fees and expenses except as otherwise provided in this paragraph. If Employee makes a claim against the Company relating to the performance of, or the rights and obligations of, the Company arising under, relating to or in connection with this Agreement (a "**Covered Claim by the Employee**"), the arbitrators shall award Employee his reasonable legal fees and expenses if Employee prevails on one material Covered Claim by the Employee (as determined by the arbitrator). If a claim is made by the Company against Employee relating to the performance of, or the rights and obligations of, Employee arising under, relating to or in connection with this Agreement (a " **Covered Claim by the Company**"), the arbitrators shall award Employee his reasonable legal fees and expenses; *provided* that if such Covered

Claim by the Company relates to Employee's performance or obligations under Articles 9, 10, 11 or 13, the arbitrators shall award Employee his legal fees and expenses only if the Company does not prevail on any Covered Claim by the Company relating to any such Section (as determined by the arbitrator). Any reimbursement of reasonable legal fees and expenses required under this Section 14.02 and any reimbursement of expenses included in the Accrued Obligations payable to Employee under Article 6 shall be made not later than the close of Employee's taxable year following the taxable year in which Employee incurs the expense; *provided*, *however*, that, upon Employee's termination of employment with the Company, in no event shall any additional reimbursement be made prior to the date that is six months after the date of Employee's termination of employment to the extent such payment delay is required under Section 409A(a)(2)(B)(i) of the Code. In no event shall any reimbursement be made to Employee for such fees and expenses incurred after the date that is 10 years after the date of Employee's termination of employment with the Company.

Section 14.03. *Payment Obligations Absolute.* The Company's obligation to pay Employee the amounts and to make the arrangements provided herein shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company (including its subsidiaries) may have against him or anyone else. All amounts payable by the Company shall be paid without notice or demand. Employee shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make (or cause to be made) the payments and arrangements required to be made under this Agreement.

Section 14.04. *Successors.* This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company, by merger or otherwise. This Agreement shall also be binding upon and inure to the benefit of Employee and his estate. If Employee shall die prior to full payment of amounts due pursuant to this Agreement, such amounts shall be payable pursuant to the terms of this Agreement to his estate.

Section 14.05. *Severability.* Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction by reason of applicable law shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating or affecting the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 14.06. *Non-alienation.* Employee shall not have any right to pledge, hypothecate, anticipate or assign this Agreement or the rights hereunder, except by will or the laws of descent and distribution.

Section 14.07. *Notices.* Any notices or other communications provided for in this Agreement shall be sufficient if in writing. In the case of Employee, such notices or communications shall be effectively delivered if hand-delivered to Employee at his principal place of employment or if sent by registered or certified mail to Employee at the last address he has filed with the Company. In the case of the Company, such notices or communications shall be effectively delivered if sent by registered or certified mail to the Company at its principal Employee offices.

Section 14.08. *Controlling Law and Waiver of Jury Trial.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. With respect to any claim or dispute related to or arising under this Agreement, Employee and the Company hereby consent to the exclusive jurisdiction, forum and venue of the state and federal courts located in Harris County, Texas. Each of the parties hereto hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 14.09. *Release and Delayed Payment Restriction.* (a) As a condition to the receipt of any benefit under Article 6 hereof (except in the case of the termination of Employee's employment with the Company by reason of Employee's death or Disability and except for the Accrued Obligations), Employee shall first execute a release in the form attached hereto as Exhibit C (with such changes therein as the Company may reasonably require to reflect

changes in applicable law and the circumstances relating to the termination of Employee's employment), releasing the Company and certain other persons and entities from certain claims and other liabilities.

(b) The release described in Section 14.09(a) hereof must be effective and irrevocable within 55 days after the date of the termination of Employee's employment with the Company. Notwithstanding any provision in this Agreement to the contrary, if the payment of any amount or benefit under this Agreement would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then any such payment or benefit that Employee would otherwise be entitled to during the first six months following the date of Employee's termination of employment shall be accumulated and paid or provided, as applicable, on the date that is six months after the date of Employee's termination of employment (or if such date does not fall on a business day of the Company, the next following business day of the Company), or such earlier date upon which such amount can be paid or provided under Section 409A of the Code without being subject to such additional taxes and interest. If this Section 14.09(b) becomes applicable such that the payment of any amount is delayed, any payments that are so delayed shall accrue interest on a non-compounded basis, from the date such payment would have

been made had this Section 14.09(b) not applied to the actual date of payment, at the prime rate of interest announced by JPMorgan Chase Bank (or any successor thereto) at its principal office in New York on the date of Employee's termination of employment (or the first business day following such date if such termination does not occur on a business day) and shall be paid in a lump sum on the actual date of payment of the delayed payment amount. Employee hereby agrees to be bound by the Company's determination of its "**specified employees**" (as such term is defined in Section 409A of the Code) in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code.

Section 14.10. *Full Settlement.* If Employee is entitled to and receives the benefits provided hereunder, performance of the obligations of the Company hereunder will constitute full settlement of all claims that Employee might otherwise assert against the Company on account of his termination of employment.

Section 14.11. *Unfunded Obligation.* The obligation to pay amounts under this Agreement is an unfunded obligation of the Company, and no such obligation shall create a trust or be deemed to be secured by any pledge or encumbrance on any property of the Company.

Section 14.12. *Not a Contract of Employment.* This Agreement shall not be deemed to constitute a contract of employment and shall in no way change the at-will nature of Employee's employment. Employee and the Company thus recognize and agree that subject to the notice provisions of Section 5.02, (a) the Company may terminate Employee's employment at any time, for any reason or no reason at all; and (b) Employee may terminate his employment at any time, for any reason or no reason at all.

Section 14.13. *Withholding of Taxes and Other Employee Deductions.* The Company may withhold from any benefits and payments made pursuant to this Agreement (whether actually or constructively made to Employee or treated as included in Employee's income under Section 409A of the Code) all federal, state, city, foreign and other applicable taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling and all other customary deductions made with respect to the Company's employees generally.

Section 14.14. *Number and Gender.* Wherever appropriate herein, words used in the singular shall include the plural and the plural shall include the singular. The masculine gender where appearing herein shall be deemed to include the feminine gender.

Section 14.15. *Entire Agreement.* This Agreement, including the Exhibits attached hereto, constitutes the entire agreement of the parties with regard to the subject matter hereof and supersedes any and all prior understandings, agreements

or correspondence between the parties. Any modification of this Agreement will be effective only if it is in writing and signed by the party to be charged.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first written above.

EMPLOYEE

/s/ Michael D. Drennon
Michael D. Drennon

COBALT INTERNATIONAL ENERGY, INC.

By: /s/ Joseph H. Bryant
Name: Joseph H. Bryant
Title: Chief Executive Officer

EXHIBIT A

COBALT INTERNATIONAL ENERGY, INC.
LONG TERM INCENTIVE PLAN

Form of Restricted Stock Award Agreement
Class B Restrictions

You have been granted restricted stock (this "**Award**") on the following terms and subject to the provisions of Attachment A and the Cobalt International Energy, Inc. Long Term Incentive Plan (the "**Plan**"). Unless defined in this Award Agreement (including Attachment A, this " **Agreement**"), capitalized terms will have the meanings assigned to them in the Plan. In the event of a conflict among the provisions of the Plan, this Agreement and any descriptive materials provided to you, the provisions of the Plan will prevail.

Participant	[Full name]
Number of Shares Underlying Award	[●] Shares (to the extent not vested as of any applicable date, the "**Restricted Shares**")
Grant Date	[date]
Vesting	Subject to Section 3 of Attachment A, the Restricted Shares shall vest 60% on [insert date that is third anniversary of the Participant's date of hire] and the remaining 40% on [insert date that is fourth anniversary of the Participant's date of hire] (each such date, a "**Scheduled Vesting Date**") if the Participant does not experience a Termination of Service at any time prior to the applicable Scheduled Vesting Date (the "**Service Condition**").

Attachment A

Form of Restricted Stock Award Agreement
Terms and Conditions

Grant to: [Full name]

Section 1. *Grant of Restricted Stock Award.* Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants Restricted Stock to the Participant on the Grant Date on the terms set forth on the cover page of this Agreement, as more fully described in this Attachment A. This Award is granted under the Plan, which is incorporated herein by this reference and made a part of this Agreement.

Section 2. *Issuance of Shares.*

(a) The Restricted Shares shall be evidenced by book-entry registration; *provided, however*, that the Committee may determine that the Restricted Shares shall be evidenced in such other manner as it deems appropriate, including the issuance of a stock certificate or certificates. In the event that any stock certificate is issued in respect of the Restricted Shares, such certificate shall (i) be registered in the name of the Participant, (ii) bear an appropriate legend referring to the terms, conditions and restrictions applicable to the Restricted Shares and (iii) be held in custody by the Company.

(b) *Voting Rights.* The Participant shall have voting rights with respect to the Restricted Shares.

(c) *Dividends*. All cash and other dividends and distributions, if any, that are paid with respect to any Restricted Shares shall be withheld by the Company and paid to the Participant, without interest, only when, and if, the Restricted Shares become vested in accordance with this Agreement.

(d) *Transferability*. Unless and until the Restricted Shares become vested in accordance with this Agreement, the Restricted Shares shall not be assigned, sold, transferred or otherwise be subject to alienation by the Participant.

(e) *Section 83(b) Election*. If the Participant chooses, the Participant may make an election under Section 83(b) of the Code with respect to the Restricted Shares, which would cause the Participant currently to recognize income for U.S. federal income tax purposes in an amount equal to the excess (if any) of the fair market value of the Restricted Shares (determined as of the Grant Date) over the amount, if any, that the Participant paid for the Restricted Shares, which excess will be subject to U.S. federal income tax. The form for making a Section 83(b) election is attached as Attachment B. **The Participant**

acknowledges that (i) the Participant is solely responsible for the decision whether or not to make a Section 83(b) election, and the Company is not making any recommendation with respect thereto, (ii) it is his or her sole responsibility to timely file the Section 83(b) election within 30 days after the Grant Date, if the Participant decides to make such election, and (iii) if the Participant does not make a valid and timely Section 83(b) election, the Participant will be required to recognize ordinary income at the time of vesting on any future appreciation on the Restricted Shares.

(f) *Withholding Requirements*. The Company may withhold any tax (or other governmental obligation) that becomes due with respect to the Restricted Shares (or any dividend or distribution thereon), and the Participant shall make arrangements satisfactory to the Company to enable the Company to satisfy all such withholding requirements. Notwithstanding the foregoing, the Committee may permit, in its sole discretion, the Participant to satisfy any such withholding requirement by transferring to the Company pursuant to such procedures as the Committee may require, effective as of the date on which a withholding obligation arises, a number of vested Shares owned and designated by the Participant having an aggregate fair market value as of such date that is equal to the minimum amount required to be withheld. If the Committee permits the Participant to satisfy any such withholding requirement pursuant to the preceding sentence, the Company shall remit to the Internal Revenue Service and appropriate state and local revenue agencies, for the credit of the Participant, an amount of cash withholding equal to the fair market value of the Shares transferred to the Company as provided above.

Section 3. *Vesting of Restricted Shares.*

(a) *Termination of Service*.

(i) *Death or Disability*. In the event of the Participant's Termination of Service at any time due to the Participant's death or Disability, the Restricted Shares shall fully vest as of the date of such termination.

(ii) *Any Other Termination of Service*. In the event of the Participant's Termination of Service at any time for any reason (other than due to the Participant's death or Disability), the Restricted Shares shall be forfeited in their entirety as of the date of such termination without any payment to the Participant.

Notwithstanding the foregoing, in the event of the Participant's Termination of Service other than by the Company for Cause, the Committee may, in its sole discretion, accelerate the vesting or waive any term or condition (including the Service Condition) of this Agreement, subject to such terms and

conditions as the Committee deems appropriate, with respect to all or a portion of the Restricted Shares.

(b) *Change in Control*. If a Change in Control occurs at any time, the Restricted Shares shall fully vest as of the date of such Change in Control.

(c) *Committee's Failure to Grant Specified Awards.* The Restricted Shares shall fully vest as of the third anniversary of the IPO if, during the period commencing on the Grant Date and ending on the third anniversary of the IPO, the Committee has not granted Awards under the Plan with terms substantially similar to the terms set forth in the form of restricted stock award agreement appended to the Reorganization Agreement as Exhibit A-3 (other than Section 4(c) of such agreement) with respect to 624,061 Shares in the aggregate. For the avoidance of doubt, IPO Awards granted under the Plan shall not constitute Awards granted for purposes of this Section 4(c)).

(d) *Effect of Vesting.* Subject to the provisions of this Agreement, upon the vesting of Restricted Shares, the restrictions under this Award with respect to such Shares shall lapse, and subject to any applicable Lock Up Agreement, such Shares shall be fully assignable, saleable and transferable by the Participant, and the Company shall deliver such Shares, along with any dividends and other distributions that were paid with respect to such Shares but withheld pending vesting, to the Participant. Subject to any applicable Lock Up Agreement, such Shares shall be delivered by transfer to the Depository Trust Company for the benefit of the Participant or by delivery of a stock certificate registered in the Participant's name.

Section 4. *Miscellaneous Provisions*.

(a) *Notices*. All notices, requests and other communications under this Agreement shall be in writing and shall be delivered in person (by courier or otherwise), mailed by certified or registered mail, return receipt requested, or sent by facsimile transmission, as follows:

if to the Company, to:

Cobalt International Energy, Inc.
Two Post Oak Central
1980 Post Oak Blvd., Suite 1200
Attention: General Counsel
Facsimile: 713-579-9184

if to the Participant, to the address that the Participant most recently provided to the Company,

or to such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed received on the next succeeding business day in the place of receipt.

(b) *Entire Agreement.* This Agreement, the Plan, and any other agreements referred to herein and therein and any schedules, exhibits and other documents referred to herein or therein, constitute the entire agreement and understanding between the parties in respect of the subject matter hereof and supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, between the parties with respect to the subject matter hereof.

(c) *Amendment; Waiver*. No amendment or modification of any provision of this Agreement shall be effective unless signed in writing by or on behalf of the Company and the Participant, except that the Company may amend or modify the Agreement without the Participant's consent in accordance with the provisions of the Plan or as otherwise set forth in this Agreement. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature. Any amendment or modification of or to any provision of this Agreement, or any waiver of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.

(d) *Assignment*. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Participant.

(e) *Successors and Assigns; No Third Party Beneficiaries*. This Agreement shall inure to the benefit of and be binding upon the Company and the Participant and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the Company and the Participant, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

(f) *Counterparts*. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(g) *Participant Undertaking*. The Participant agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable to carry out or give effect to any of the obligations or restrictions imposed on either the Participant or the Restricted Shares pursuant to the provisions of this Agreement.

(h) *Plan.* The Participant acknowledges and understands that material definitions and provisions concerning the Restricted Shares and the Participant's rights and obligations with respect thereto are set forth in the Plan. The Participant has read carefully, and understands, the provisions of the Plan.

(i) *Governing Law*. The Agreement shall be governed by the laws of the State of Delaware, without application of the conflicts of law principles thereof.

(j) *Jurisdiction*. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby (whether brought by any party or any of its affiliates or against any party or any of its affiliates) shall be brought in the Delaware Chancery Court or, if such court shall not have jurisdiction, any federal court located in the State of Delaware or other Delaware state court, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on each party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 4(a) shall be deemed effective service of process on such party.

(k) *WAIVER OF JURY TRIAL.* EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

COBALT INTERNATIONAL ENERGY, INC.

By: _____

Name: Samuel H. Gillespie III
Title: General Counsel and Executive Vice President

_____

[Name of Participant]

Attachment B

SECTION 83(b) ELECTION

This statement is being made under Section 83(b) of the Internal Revenue Code, pursuant to Treas. Reg. Section 1.83-2.

(1) The taxpayer performing the services is:

Name:
Address:
Social Security Number:

(2) The property with respect to which the election is being made is shares (the "**Restricted Shares**") of common stock, par value $.01 per share, of Cobalt International Energy, Inc. (the "**Company**")

(3) The Restricted Shares were transferred on .

(4) The taxable year in which the election is being made is the calendar year .

(5) The Restricted Shares are not transferable and are subject to a substantial risk of forfeiture within the meaning of Section 83(c)(1) of the Internal Revenue Code until and unless specified conditions are satisfied or a specified event occurs, in each case as set forth in the Company's Long Term Incentive Plan and the Restricted Stock Award Agreement pursuant to which the Restricted Shares were issued.

(6) The fair market value of the Restricted Shares at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is $ per share.

(7) The amount paid by the taxpayer for the Restricted Shares is $ per share.

(8) A copy of this statement has been furnished to the Company, for whom the taxpayer will be performing services underlying the transfer of the Restricted Shares.

(9) This statement is executed on .

_____ _____

Spouse (if any) Taxpayer

This statement must be filed with the Internal Revenue Service Center with which you filed your last U.S. federal income tax return within 30 days after the grant date of the Restricted Stock Award Agreement. This filing should be made by registered or certified mail, return receipt requested. You are also required to (i) deliver a copy of this statement to the Company and (ii) attach a copy of this statement to your federal income tax return for the taxable year that includes the grant date (and may also be required to attach a copy of this statement to your state income tax return for such year). You should also retain a copy of this statement for your records.

EXHIBIT B

COBALT INTERNATIONAL ENERGY, INC.
LONG TERM INCENTIVE PLAN
Form of Restricted Stock Award Agreement
Class D Restrictions

You have been granted restricted stock (this "**Award**") on the following terms and subject to the provisions of Attachment A and the Cobalt International Energy, Inc. Long Term Incentive Plan (the "**Plan**"). Unless defined in this Award Agreement (including Attachment A, this " **Agreement**"), capitalized terms will have the meanings assigned to them in the Plan. In the event of a conflict among the provisions of the Plan, this Agreement and any

descriptive materials provided to you, the provisions of the Plan will prevail.

Participant	[Full name]
Number of Shares Underlying Award	[•] Shares (the "**Restricted Shares**")
Grant Date	[date]
Vesting	Subject to Section 3 of Attachment A, the Restricted Shares shall fully vest on December 21, 2014 (the "**Scheduled Vesting Date**") if each of the following conditions is satisfied: • the Participant does not experience a Termination of Service at any time prior to the Scheduled Vesting Date (the "**Service Condition**"); and • the average of the volume weighted average price of a Share for each trading day during the 90-day period ending on the day before the Scheduled Vesting Date equals or exceeds $13.50 (the "**Value Condition**"). The "volume weighted average price" of a Share shall be computed based on composite trading between 9:30 a.m. and 4:00 p.m. New York City time on the applicable date (i) as reported by The Bloomberg Professional Service on the Company's page under the "VWAP" field, at 4:00 p.m. on such date; or (ii) if the volume weighted average price is not available from The Bloomberg Professional Service in such manner, as reported from a different third party source to which the Company has access on such

date or, if the Company does not have access to such a third party source, the high and low sale prices (regular way) of a Share on such date.

Attachment A

Restricted Stock Award Agreement
Terms and Conditions

Grant to: [Full name]

Section 1. *Grant of Restricted Stock Award.* Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants Restricted Stock to the Participant on the Grant Date on the terms set forth on the cover page of this Agreement, as more fully described in this Attachment A. This Award is granted under the Plan, which is incorporated herein by this reference and made a part of this Agreement.

Section 2. *Issuance of Shares.*

(a) The Restricted Shares shall be evidenced by book-entry registration; *provided, however*, that the Committee may determine that the Restricted Shares shall be evidenced in such other manner as it deems appropriate, including the issuance of a stock certificate or certificates. In the event that any stock certificate is issued in respect of the Restricted Shares, such certificate shall (i) be registered in the name of the Participant, (ii) bear an appropriate legend referring to the terms, conditions and restrictions applicable to the Restricted Shares and (iii) be held in custody by the Company.

(b) *Voting Rights.* The Participant shall have voting rights with respect to the Restricted Shares.

(c) *Dividends*. All cash and other dividends and distributions, if any, that are paid with respect to any Restricted Shares shall be withheld by the Company and paid to the Participant, without interest, only when, and if, the Restricted Shares become vested in accordance with this Agreement.

(d) *Transferability*. Unless and until the Restricted Shares become vested in accordance with this Agreement, the Restricted Shares shall not be assigned, sold, transferred or otherwise be subject to alienation by the Participant.

(e) *Section 83(b) Election*. If the Participant chooses, the Participant may make an election under Section 83(b) of the Code with respect to the Restricted Shares, which would cause the Participant currently to recognize income for U.S. federal income tax purposes in an amount equal to the excess (if any) of the fair market value of the Restricted Shares (determined as of the Grant Date) over the amount, if any, that the Participant paid for the Restricted Shares, which excess will be subject to U.S. federal income tax. The form for making a Section 83(b) election is attached as Attachment B. **The Participant**

acknowledges that (i) the Participant is solely responsible for the decision whether or not to make a Section 83(b) election, and the Company is not making any recommendation with respect thereto, (ii) it is his or her sole responsibility to timely file the Section 83(b) election within 30 days after the Grant Date, if the Participant decides to make such election, and (iii) if the Participant does not make a valid and timely Section 83(b) election, the Participant will be required to recognize ordinary income at the time of vesting on any future appreciation on the Restricted Shares.

(f) *Withholding Requirements*. The Company may withhold any tax (or other governmental obligation) that becomes due with respect to the Restricted Shares (or any dividend or distribution thereon), and the Participant shall make arrangements satisfactory to the Company to enable the Company to satisfy all such withholding requirements. Notwithstanding the foregoing, the Committee may permit, in its sole discretion, the Participant to satisfy any such withholding requirement by transferring to the Company pursuant to such procedures as the Committee may require, effective as of the date on which a withholding obligation arises, a number of vested Shares owned and designated by the Participant having an aggregate fair market value as of such date that is equal to the minimum amount required to be withheld. If the Committee permits the Participant to satisfy any such withholding requirement pursuant to the preceding sentence, the Company shall remit to the Internal Revenue Service and appropriate state and local revenue agencies, for the credit of the Participant, an amount of cash withholding equal to the fair market value of the Shares transferred to the Company as provided above.

Section 3. *Vesting of Restricted Shares.*

(a) *Termination of Service.*

(i) *Death or Disability*. In the event of the Participant's Termination of Service at any time due to the Participant's death or Disability, (x) the Service Condition shall be deemed to be satisfied as of the date of such termination and (y) if the Value Condition is satisfied as of the Scheduled Vesting Date, the Restricted Shares shall fully vest as of such date.

(ii) *Any Other Termination of Service*. In the event of the Participant's Termination of Service at any time for any reason (other than due to the Participant's death or Disability), the Restricted Shares shall be forfeited in their entirety as of the date of such termination without any payment to the Participant.

Notwithstanding the foregoing, in the event of the Participant's Termination of Service other than by the Company for Cause, the Committee may,

in its sole discretion, accelerate the vesting or waive any term or condition (including the Service Condition and/or Value Condition) of this Agreement, subject to such terms and conditions as the Committee deems appropriate, with respect to all or a portion of the Restricted Shares.

(b) *Change in Control*. If a Change in Control occurs at any time and the Value Condition is satisfied as of the date of such Change in Control (as described below), the Restricted Shares shall fully vest as of the date of such Change in Control; *provided* that if prior to the date of such Change in Control, the Company or the acquirer requests in writing that the Participant continue to provide services to the Company (or the successor or surviving entity) for a specified period not to exceed 12 months after such Change in Control, the Restricted Shares shall vest as of the earliest of (x) the last day of such requested period, (y) the Scheduled Vesting Date or (z) the date, if any, of the Participant's Termination of Service by the Company (or the successor or surviving entity) without Cause, by the Participant for Good Reason or due to the Participant's death or Disability (such earliest date, the "Change in Control Vesting Date"). The Restricted Shares shall be forfeited in their entirety without any payment to the Participant upon his or her Termination of Service by the Company (or the successor or surviving entity) for Cause or by the Participant without Good Reason at any time prior to the Change in Control Vesting Date. If a Change in Control occurs at any time and the Value Condition is not satisfied as of the date of such Change in Control, the Restricted Shares shall be forfeited in their entirety as of the date of such Change in Control without any payment to the Participant.

If a Change in Control results from the occurrence of an event within the meaning of:

(i) clause (i) or (iii) of the definition of "Change in Control," the Value Condition shall be deemed to be satisfied as of the date of such Change in Control if the price or implied price per Share in such Change in Control equals or exceeds $13.50; or

(ii) clause (ii) of the definition of "Change in Control," the Value Condition shall be deemed to be satisfied if the average of the volume weighted average price of a Share for each trading day during the 90-day period ending on the day before such Change in Control equals or exceeds $13.50.

(c) *Committee's Failure to Grant Specified Awards.* The Restricted Shares shall fully vest as of the third anniversary of the IPO if, during the period commencing on the Grant Date and ending on the third anniversary of the IPO, the Committee has not granted Awards under the Plan with terms substantially similar to the terms set forth in this Agreement (other than this Section 4(c)) with

respect to 624,061 Shares in the aggregate. For the avoidance of doubt, IPO Awards granted under the Plan shall not constitute Awards granted for purposes of this Section 4(c)).

(d) *Effect of Vesting.* Subject to the provisions of this Agreement, upon the vesting of Restricted Shares, the restrictions under this Award with

respect to such Shares shall lapse, and subject to any applicable Lock Up Agreement, such Shares shall be fully assignable, saleable and transferable by the Participant, and the Company shall deliver such Shares, along with any dividends and other distributions that were paid with respect to such Shares but withheld pending vesting, to the Participant. Subject to any applicable Lock Up Agreement, such Shares shall be delivered by transfer to the Depository Trust Company for the benefit of the Participant or by delivery of a stock certificate registered in the Participant's name.

Section 4. *Miscellaneous Provisions*.

(a) *Notices*. All notices, requests and other communications under this Agreement shall be in writing and shall be delivered in person (by courier or otherwise), mailed by certified or registered mail, return receipt requested, or sent by facsimile transmission, as follows:

if to the Company, to:

Cobalt International Energy, Inc.
Two Post Oak Central
1980 Post Oak Blvd., Suite 1200
Attention: General Counsel
Facsimile: 713-579-9184

if to the Participant, to the address that the Participant most recently provided to the Company,

or to such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed received on the next succeeding business day in the place of receipt.

(b) *Entire Agreement.* This Agreement, the Plan, and any other agreements referred to herein and therein and any schedules, exhibits and other documents referred to herein or therein, constitute the entire agreement and understanding between the parties in respect of the subject matter hereof and

supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, between the parties with respect to the subject matter hereof.

(c) *Amendment; Waiver*. No amendment or modification of any provision of this Agreement shall be effective unless signed in writing by or on behalf of the Company and the Participant, except that the Company may amend or modify the Agreement without the Participant's consent in accordance with the provisions of the Plan or as otherwise set forth in this Agreement. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature. Any amendment or modification of or to any provision of this Agreement, or any waiver of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.

(d) *Assignment*. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Participant.

(e) *Successors and Assigns; No Third Party Beneficiaries*. This Agreement shall inure to the benefit of and be binding upon the Company and the Participant and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the Company and the Participant, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

(f) *Counterparts*. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(g) *Participant Undertaking*. The Participant agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable to carry out or give effect to any of the obligations or restrictions imposed on either the Participant or the Restricted Shares pursuant to the provisions of this Agreement.

(h) *Plan.* The Participant acknowledges and understands that material definitions and provisions concerning the Restricted Shares and the Participant's rights and obligations with respect thereto are set forth in the Plan. The Participant has read carefully, and understands, the provisions of the Plan.

(i) *Governing Law*. The Agreement shall be governed by the laws of the State of Delaware, without application of the conflicts of law principles thereof.

(j) *Jurisdiction*. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter

arising out of or in connection with, this Agreement or the transactions contemplated hereby (whether brought by any party or any of its affiliates or against any party or any of its affiliates) shall be brought in the Delaware Chancery Court or, if such court shall not have jurisdiction, any federal court located in the State of Delaware or other Delaware state court, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on each party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 4(a) shall be deemed effective service of process on such party.

(k) *WAIVER OF JURY TRIAL.* EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

COBALT INTERNATIONAL ENERGY, INC.

By: _____
Name: Samuel H. Gillespie III
Title: General Counsel and Executive Vice President

_____
[Name of Participant]

Attachment B

SECTION 83(b) ELECTION

This statement is being made under Section 83(b) of the Internal Revenue Code, pursuant to Treas. Reg. Section 1.83-2.

(1) The taxpayer performing the services is:

Name:
Address:
Social Security Number:

(2) The property with respect to which the election is being made is shares (the "**Restricted Shares**") of common stock, par value $.01 per share, of Cobalt International Energy, Inc. (the "**Company**")

(3) The Restricted Shares were transferred on .

(4) The taxable year in which the election is being made is the calendar year .

(5) The Restricted Shares are not transferable and are subject to a substantial risk of forfeiture within the meaning of Section 83(c)(1) of the Internal Revenue Code until and unless specified conditions are satisfied or a specified event occurs, in each case as set forth in the Company's Long Term Incentive Plan and the Restricted Stock Award Agreement pursuant to which the Restricted Shares were issued.

(6) The fair market value of the Restricted Shares at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is $ per share.

(7) The amount paid by the taxpayer for the Restricted Shares is $ per share.

(8) A copy of this statement has been furnished to the Company, for whom the taxpayer will be performing services underlying the transfer of the Restricted Shares.

(9) This statement is executed on .

Spouse (if any) Taxpayer

This statement must be filed with the Internal Revenue Service Center with which you filed your last U.S. federal income tax return within 30 days after the grant date of the Restricted Stock Award Agreement. This filing should be made by registered or certified mail, return receipt requested. You are also required to (i) deliver a copy of this statement to the Company and (ii) attach a copy of this statement to your federal income tax return for the taxable year that includes the grant date (and may also be required to

attach a copy of this statement to your state income tax return for such year). You should also retain a copy of this statement for your records.

EXHIBIT C

[FORM OF RELEASE]

For and in consideration of certain payments and other benefits due to [•] ("**Employee**") pursuant to the Severance Agreement (the "**Severance Agreement**") dated as of [•], 20 , between Cobalt International Energy, Inc., (the "**Company**") and Employee, and for other good and valuable consideration, Employee hereby agrees, for Employee, Employee's spouse and child or children (if any), Employee's heirs, beneficiaries, devisees, executors, administrators, attorneys, personal representatives, successors and assigns, to forever release, discharge and covenant not to sue the Company and its divisions, affiliates, subsidiaries, parents, branches, predecessors, successors, assigns, and, with respect to such entities, their officers, directors, trustees, employees, agents, shareholders, administrators, general or limited partners, members, representatives, attorneys, insurers and fiduciaries, past, present and future (the "**Released Parties**") from any and all claims of any kind arising out of, or related to, his employment with the Company, its affiliates or subsidiaries (collectively, with the Company, the "**Affiliated Entities**") or Employee's separation from employment with the Affiliated Entities, which Employee now has or may have against the Released Parties, whether known or unknown to Employee, by reason of facts which have occurred on or prior to the date that Employee has signed this Release. Such released claims include, without limitation, any and all claims relating to the foregoing under federal, state or local laws pertaining to employment, including, without limitation, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000e et. seq., the Fair Labor Standards Act, as amended, 29 U.S.C. Section 201 et. seq., the Americans with Disabilities Act, as amended, 42 U.S.C. Section 12101 et. seq. the Reconstruction Era Civil Rights Act, as amended, 42 U.S.C. Section 1981 et. seq., the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701 et. seq., the Family and Medical Leave Act of 1992, 29 U.S.C. Section 2601 et. seq., and any and all state or local laws regarding employment discrimination, the payment of wages and/or federal, state or local laws of any type or description regarding employment, including but not limited to any claims arising from or derivative of Employee's employment with the Affiliated Entities, as well as any and all such claims under state contract or tort law. By signing this Release, Employee is bound by it. Anyone who succeeds to Employee's rights and responsibilities, such as heirs or the executor of Employee's estate, is also bound by this Release. This Release also applies to any claims brought by any person or agency or class action under which Employee may have a right or benefit. Notwithstanding this release of liability, nothing in this Release prevents Employee from filing any non-legally waivable claim (including a challenge to the validity of this Release) with the Equal Employment Opportunity Commission (the "**EEOC**") or comparable state or local agency or participating in any

investigation or proceeding conducted by the EEOC or comparable state or local agency; however, Employee understands and agrees that Employee is waiving any and all rights to recover any monetary or personal relief or recovery as a result of such EEOC or comparable state or local agency proceeding or subsequent legal actions.

Employee has read this Release carefully, acknowledges that Employee has been given at least [21] [45] days to consider all of its terms and has been and is hereby advised to consult with an attorney and any other advisors of Employee's choice prior to executing this Release, and Employee fully understands that by signing below Employee is voluntarily giving up any right which Employee may have to sue or bring any other claims against the Released Parties, including any rights and claims under the Age Discrimination in Employment Act. Employee also understands that Employee has a period of seven days after signing this Release within which to revoke his agreement, and that neither the Company nor any other person is obligated to make any payments or provide any other benefits to Employee pursuant to the Severance Agreement until eight days have passed since Employee's signing of this Release without Employee's signature having been revoked other than any accrued obligations or other benefits payable pursuant to the terms of the Company's normal payroll practices or employee benefit plans. Finally, Employee expressly represents that he has not been forced or pressured in any manner whatsoever to sign this Release, and Employee agrees to all of its terms voluntarily.

Notwithstanding anything else herein to the contrary, this Release shall not affect: (i) the Company's obligations under any compensation or employee benefit plan, program or arrangement (including, without limitation, obligations to Employee under the Severance Agreement or any stock option, stock award or agreements or obligations under any pension, deferred compensation or retention plan) provided by the Affiliated Entities where Employee's compensation or benefits are intended to continue or Employee is to be provided with compensation or benefits, in accordance with the express written terms of such plan, program or arrangement, beyond the date of Employee's termination and (ii) rights to indemnification Employee may have under (A) applicable law, (B) any other agreement between Employee and a Released Party and (C) as an insured under any director's and officer's liability insurance policy now or previously

in force.

This Release is final and binding and may not be changed or modified except in a writing signed by both parties.

[Name]	[Employee]
	Cobalt International Energy, Inc.
[Name]	By: _____ Name: Title:

EXHIBIT 10.31

REGISTRATION RIGHTS AGREEMENT

by and among

the Persons listed on Schedule A hereto under the heading GSCP,

the Persons listed on Schedule A hereto under the heading C/R,

the Persons listed on Schedule A hereto under the heading FIRST RESERVE,

the Persons listed on Schedule A hereto under the heading KERN,

the Persons listed on Schedule A hereto under the heading MANAGEMENT

and

COBALT INTERNATIONAL ENERGY, INC.

Dated as of December 15, 2009

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This REGISTRATION RIGHTS AGREEMENT is made as of December 15, 2009, by and among Cobalt International Energy, Inc., a Delaware corporation ("Cobalt" or the "Company"), the Persons listed on Schedule A hereto under the heading GSCP (each a " GSCP Entity" and collectively, "GSCP"), the Persons listed on Schedule A hereto under the heading C/R (each a "C/R Entity" and collectively, "C/R"), the Persons listed on Schedule A hereto under the heading First Reserve (each a "First Reserve Entity" and collectively, "First Reserve"), the Persons listed on Schedule A hereto under the heading KERN (each a "KERN Entity" and collectively, "KERN") and the Persons listed on Schedule A hereto under the heading Management (" Management").

1. Certain Definitions. As used herein, the following terms shall have the following meanings:

"Additional Piggyback Rights" has the meaning set forth in Section 2.2(c).

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise; provided, however, that, for purposes hereof, neither the Company nor any Person controlled by the Company shall be deemed to be an Affiliate of any Holder.

"Agreement" means this Registration Rights Agreement, as this agreement may be amended, modified, supplemented or restated from time to time after the date hereof.

"Assign" means to directly or indirectly sell, transfer, assign, distribute, exchange, pledge, hypothecate, mortgage, grant a security interest in, encumber or otherwise dispose of Registrable Securities, whether voluntarily or by operation of law, including by way of a merger. " Assignor," "Assignee," "Assigning" and "Assignment" have meanings corresponding to the foregoing.

"automatic shelf registration statement" has the meaning set forth in Section 2.4.

"Board" means the Board of Directors of the Company.

"Business Day" shall mean any day ending at 11:59 p.m. (Eastern Time) other than a Saturday or Sunday or a day on which banks are required or authorized to close in the City of New York.

"Claims" has the meaning set forth in Section 2.9(a).

"Common Equity" means the common stock of the Company and any and all securities of any kind whatsoever of the Company which may be issued after the date hereof in respect of, or in exchange for, such shares of common stock of the Company pursuant to a merger, consolidation, stock split, stock dividend or recapitalization of the Company or otherwise.

"Common Equity Equivalents" means all options, warrants and other securities convertible into, or exchangeable or exercisable for (at any time or upon the occurrence of any

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event or contingency and without regard to any vesting or other conditions to which such securities may be subject) shares of Common Equity or other equity securities of the Company (including, without limitation, any note or debt security convertible into or exchangeable for Common Equity or other equity securities of the Company).

"Company" means Cobalt International Energy, Inc., any Subsidiary of Cobalt International Energy, Inc. and any successor to Cobalt International Energy, Inc.

"C/R" has the meaning set forth in the preamble.

"C/R Entity" has the meaning set forth in the preamble and any subsequent Holder who is Assigned all, but not less than all, of such C/R Entity's Registrable Securities in a single transaction in accordance with Section 4.5.

"Demand Exercise Notice" has the meaning set forth in Section 2.1(a).

"Demand Registration" has the meaning set forth in Section 2.1(a).

"Demand Registration Request" has the meaning set forth in Section 2.1(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expenses" means any and all fees and expenses incident to the Company's performance of or compliance with Article 2, including, without limitation: (i) SEC, stock exchange or FINRA registration and filing fees and all listing fees and fees with respect to the inclusion of securities on the New York Stock Exchange or on any other securities market on which the Common Equity is listed or quoted, (ii) fees and expenses of compliance with state securities or "blue sky" laws and in connection with the preparation of a "blue sky" survey, including, without limitation, reasonable fees and expenses of outside "blue sky" counsel, (iii) printing and copying expenses, (iv) messenger and delivery expenses, (v) expenses incurred in connection with any road show, (vi) fees and disbursements of counsel for the Company, (vii) with respect to each registration, the fees and disbursements of one counsel for the Participating Holder(s) (selected by the Majority Participating Holders), (viii) fees and disbursements of all independent public accountants (including the expenses of any audit and/or "cold comfort" letter and updates thereof) and fees and expenses of other Persons, including special experts, retained by the Company, (ix) fees and expenses payable to a Qualified Independent Underwriter, (x) any other fees and disbursements of underwriters, if any, customarily paid by issuers or sellers of securities and (xi) expenses for securities law liability insurance and, if any, rating agency fees.

"FINRA" means the Financial Industry Regulatory Authority.

"First Reserve" has the meaning set forth in the preamble.

"First Reserve Entity" has the meaning set forth in the preamble and any subsequent Holder who is Assigned all, but not less than all, of such First Reserve Entity's Registrable Securities in a single transaction in accordance with Section 4.5.

"GSCP" has the meaning set forth in the preamble.

"GSCP Entity" has the meaning set forth in the preamble and any subsequent Holder who is Assigned all, but not less than all, of such GSCP Entity's Registrable Securities in a single transaction in accordance with Section 4.5.

"Holder" or "Holders" means the GSCP Entities, the First Reserve Entities, the C/R Entities, the KERN Entities, Management or any transferee of Registrable Securities to whom any Person who is a party to this Agreement shall Assign any rights hereunder in accordance with Section 4.5.

"Initiating Holder(s)" has the meaning set forth in Section 2.1(a).

"IPO" means the first underwritten public offering of the common stock of the Company to the general public pursuant to a registration statement filed with the SEC.

"KERN" has the meaning set forth in the preamble.

"KERN Entity" has the meaning set forth in the preamble and any subsequent Holder who is Assigned all, but not less than all, of such KERN Entity's Registrable Securities in a single transaction in accordance with Section 4.5.

"Litigation" means any action, proceeding or investigation in any court or before any governmental authority.

"Lock-Up Agreement" means any agreement between the Company, or any of its Affiliates, and any member of Management that provides for restrictions on the transfer of Registrable Securities held by such member of Management.

"Majority Participating Holders" means Participating Holders holding more than 50% of the Registrable Securities proposed to be included in any registration or offering of Registrable Securities by such Participating Holders pursuant to Section 2.1 or Section 2.2.

"Management" has the meaning set forth in the preamble.

"Manager" has the meaning set forth in Section 2.1(c).

"NASD" means the National Association of Securities Dealers, Inc.

"Participating Holders" means all Holders of Registrable Securities which are proposed to be included in any registration or offering of Registrable Securities pursuant to Section 2.1 or Section 2.2.

"Partner Distribution" has the meaning set forth in Section 2.1(b)(ii).

"Person" means any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, governmental entity or agency or other entity of any kind or nature.

"Piggyback Shares" has the meaning set forth in Section 2.3(a)(iv).

"Qualified Independent Underwriter" means a "qualified independent underwriter" within the meaning of NASD Conduct Rule 2720.

"Registrable Securities" means (a) any shares of Common Equity held by the Holders at any time (including those held as a result of the conversion or exercise of Common Equity Equivalents) and (b) any shares of Common Equity issued or issuable, directly or indirectly in exchange for or with respect to the Common Equity referenced in clause (a) above by way of stock dividend, stock split or combination of shares or in connection with a reclassification, recapitalization, merger, share exchange, consolidation or other reorganization. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (A) a registration statement with respect to the sale of such securities shall have been declared effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, or (B) such securities shall have been sold (other than in a privately negotiated sale) in compliance with the requirements of Rule 144 under the Securities Act, as such Rule 144 may be amended (or any successor provision thereto).

"Rule 144" and "Rule 144A" have the meaning set forth in Section 4.2.

"SEC" means the Securities and Exchange Commission.

"Section 2.3(a) Sale Number" has the meaning set forth in Section 2.3(a).

"Section 2.3(b) Sale Number" has the meaning set forth in Section 2.3(b).

"Section 2.3(c) Sale Number" has the meaning set forth in Section 2.3(c).

"Securities Act" means the Securities Act of 1933, as amended.

"Stockholders Agreement" means the Stockholders Agreement, dated as of the date hereof, 2009, by and among the Company and the other parties thereto.

"Sponsors" means the GSCP Entities, the First Reserve Entities, the C/R Entities, and the KERN Entities.

"Subsidiary" means any direct or indirect subsidiary of the Company on the date hereof and any direct or indirect subsidiary of the Company organized or acquired after the date hereof, including Cobalt International Energy, L.P.

"Valid Business Reason" has the meaning set forth in Section 2.1(a)(v).

"WKSI" has the meaning set forth in Section 2.4.

2. Registration Rights.

2.1. Demand Registrations.

(a) If the Company shall receive from any of C/R, GSCP, First Reserve, or KERN, at any time after six (6) months after the closing of the IPO, a written request that the Company file

a registration statement with respect to Registrable Securities (a " Demand Registration Request," and the registration so requested is referred to herein as a "Demand Registration," and the sender(s) of such request or any similar request pursuant to this Agreement shall be known as the " Initiating Holder(s)"), then the Company shall, within five (5) days of the receipt thereof, give written notice (the " Demand Exercise Notice") of such request to all Holders, and subject to the limitations of this Section 2.1, use its reasonable best efforts to effect, as soon as practicable, the registration under the 1933 Act (including, without limitation, by means of a shelf registration pursuant to Rule 415 thereunder if so requested and if the Company is then eligible to use such a registration) of all Registrable Securities that the Holders request to be registered. The Company shall not be obligated to take any action to effect any Demand Registration:

(i) after it has effected a total of twelve (12) Demand Registrations pursuant to this Section 2.1, and such registrations have been declared or ordered effective. None of C/R acting individually, GSCP acting individually, First Reserve acting individually or KERN acting individually may make more than three (3) Demand Registration Requests, which registrations have been declared or ordered effective;

(ii) within three (3) months after a Demand Registration pursuant to this Section 2.1 that has been declared or ordered effective;

(iii) during the period starting with the date fifteen (15) days prior to its good faith estimate of the date of filing of, and ending on a date ninety (90) days after the effective date of, a Company initiated registration (other than a registration relating solely to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or to a Commission Rule 145 transaction), provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

(iv) where the anticipated offering price, net of any underwriting discounts or commissions, is equal to or less than $25,000,000;

(v) if the Company shall furnish to such Holders a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the Board, any registration of Registrable Securities should not be made or continued (or sales under a shelf registration statement should be suspended) because (i) such registration (or continued sales under a shelf registration statement) would materially interfere with a material financing, acquisition, corporate reorganization or merger or other material transaction or event involving the Company or any of its subsidiaries or (ii) the Company is in possession of material non-public information, the disclosure of which has been determined by the Board to not be in the Company's best interests (in either case, a "Valid Business Reason"), then (x) the Company may postpone filing a registration statement relating to a Demand Registration Request or suspend sales under an existing shelf registration statement until five (5) Business Days after such Valid Business Reason no longer exists, but in no event for more than sixty (60) days after the date the Board determines a Valid Business Reason exists and (y) in case a registration statement has been filed relating to a Demand Registration Request, if the Valid Business Reason has not resulted from actions taken by the Company, the Company may cause such registration statement to be withdrawn and its effectiveness terminated or may postpone amending or supplementing such registration statement until five (5) Business Days after such Valid Business Reason no

longer exists, but in no event for more than sixty (60) days after the date the Board determines a Valid Business Reason exists; and the Company shall give written notice to the Participating Holders of its determination to postpone or withdraw a registration statement or suspend sales under a shelf registration statement and of the fact that the Valid Business Reason for such postponement, withdrawal or suspension no longer exists, in each case, promptly after the occurrence thereof; provided, however, that the Company shall not defer its obligation in this manner more than once in any twelve (12) month period; or

(vi) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

If the Company shall give any notice of postponement, withdrawal or suspension of any registration statement pursuant to clause 2.1(a)(v), the Company shall not, during the period of postponement, withdrawal or suspension, register any Common Equity, other than pursuant to a registration statement on Form S-4 or S-8 (or an equivalent registration form then in effect). Each Holder of Registrable Securities agrees that, upon receipt of any notice from the Company that the Company has determined to withdraw any registration statement pursuant to clause (iii) above, such Holder will discontinue its disposition of Registrable Securities pursuant to such registration statement and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the prospectus covering such Registrable Securities that was in effect at the time of receipt of such notice. If the Company shall have withdrawn or prematurely terminated a registration statement filed pursuant to a Demand Registration (whether pursuant to clause 2.1(a)(v) or as a result of any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court), the Company shall not be considered to have effected an effective registration for the purposes of this Agreement until the Company shall have filed a new registration statement covering the Registrable Securities covered by the withdrawn registration statement and such registration statement shall have been declared effective and shall not have been withdrawn. If the Company shall give any notice of withdrawal or postponement of a registration statement, the Company shall, not later than five (5) Business Days after the Valid Business Reason that caused such withdrawal or postponement no longer exists (but in no event later than sixty (60) days after the date of the postponement or withdrawal), use its reasonable best efforts to effect the registration under the Securities Act of the Registrable Securities covered by the withdrawn or postponed registration statement in accordance with Section 2.1 (unless the Initiating Holders shall have withdrawn such request, in which case the Company shall not be considered to have effected an effective registration for the purposes of this Agreement), and such registration shall not be withdrawn or postponed pursuant to clause 2.1(a)(v).

(b)

(i) The Company, subject to Sections 2.3 and 2.6, shall include in a Demand Registration (x) the Registrable Securities of the Initiating Holders and (y) the Registrable Securities of any other Holder of Registrable Securities, which shall have made a written request to the Company for inclusion in such registration pursuant to Section 2.2 (which request shall specify the maximum number of Registrable Securities intended to be disposed of by such

Participating Holder) within thirty (30) days after the receipt of the Demand Exercise Notice (or fifteen (15) days if, at the request of the Initiating Holders, the Company states in such written notice or gives telephonic notice to all Holders, with written confirmation to follow promptly thereafter, that such registration will be on a Form S-3).

(ii) The Company shall, as expeditiously as possible, but subject to the limitations set forth in this Section 2.1, use its reasonable best efforts to (x) effect such registration under the Securities Act (including, without limitation, by means of a shelf registration pursuant to Rule 415 under the Securities Act if so requested and if the Company is then eligible to use such a registration) of the Registrable Securities which the Company has been so requested to register, for distribution in accordance with such intended method of distribution, including a distribution to, and resale by, the members or partners of a Holder (a "Partner Distribution") and (y) if requested by the Majority Participating Holders, obtain acceleration of the effective date of the registration statement relating to such registration.

(iii) Notwithstanding anything contained herein to the contrary, the Company shall, at the request of any Holder seeking to effect a Partner Distribution, file any prospectus supplement or post-effective amendments and otherwise take any action necessary to include therein all disclosure and language deemed necessary or advisable by such Holder if such disclosure or language was not included in the initial registration statement, or revise such disclosure or language if deemed necessary or advisable by such Holder, including filing a prospectus supplement naming the Holders, partners, members and shareholders to the extent required by law, to effect such Partner Distribution.

(c) In connection with any Demand Registration, the Majority Participating Holders shall have the right to designate the lead managing underwriter (any lead managing underwriter for the purposes of this Agreement, the "Manager") in connection with such registration and each other managing underwriter for such registration, in each case subject to consent of the Company, not be unreasonably withheld.

(d) If so requested by the Initiating Holder(s), the Company (together with all Holders proposing to distribute their securities through such underwriting) shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company in its sole discretion.

(e) Any Holder that intends to sell Registrable Securities by means of a shelf registration pursuant to Rule 415 thereunder, shall give the Company 2 (two) days notice of any such sale.

2.2. Piggyback Registrations.

(a) If, at any time or from time to time the Company will register or commence an offering of any of its securities for its own account or otherwise (other than pursuant to registrations on Form S-4 or Form S-8 or any similar successor forms thereto) (including but not limited to the registrations or offerings pursuant to Section 2.1), the Company will:

(i) promptly give to each Holder written notice thereof (in any event within five (5) Business Days); and

(ii) include in such registration and in any underwriting involved therein (if any), all the Registrable Securities specified in a written request or requests, made within twenty (20) days after mailing or personal delivery of such written notice from the Company, by any of the Holders, except as set forth in Sections 2.2(b) and 2.2(f), with the securities which the Company at the time proposes to register or sell to permit the sale or other disposition by the Holders (in accordance with the intended method of distribution thereof) of the Registrable Securities to be so registered or sold, including, if necessary, by filing with the SEC a post-effective amendment or a supplement to the registration statement filed by the Company or the prospectus related thereto. There is no limitation on the number of such piggyback registrations pursuant to the preceding sentence which the Company is obligated to effect. No registration of Registrable Securities effected under this Section 2.2(a) shall relieve the Company of its obligations to effect Demand Registrations under Section 2.1 hereof.

(b) If the registration in this Section 2.2 involves an underwritten offering, the right of any Holder to include its Registrable Securities in a registration or offering pursuant to this Section 2.2 shall be conditioned upon such Holder's participation in the underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall (together with the Company) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company.

(c) The Company, subject to Sections 2.3 and 2.6, may elect to include in any registration statement and offering pursuant to demand registration rights by any Person, (i) authorized but unissued shares of Common Equity or shares of Common Equity held by the Company as treasury shares and (ii) any other shares of Common Equity which are requested to be included in such registration pursuant to the exercise of piggyback registration rights granted by the Company after the date hereof and which are not inconsistent with the rights granted in, or otherwise conflict with the terms of, this Agreement ("Additional Piggyback Rights"); provided, however, that such inclusion shall be permitted only to the extent that it is pursuant to, and subject to, the terms of the underwriting agreement or arrangements, if any, entered into by the Initiating Holders.

(d) If, at any time after giving written notice of its intention to register or sell any equity securities and prior to the effective date of the registration statement filed in connection with such registration or sale of such equity securities, the Company shall determine for any reason not to register or sell or to delay registration or sale of such equity securities, the Company may, at its election, give written notice of such determination to all Holders of record of Registrable Securities and (i) in the case of a determination not to register or sell, shall be relieved of its obligation to register or sell any Registrable Securities in connection with such abandoned registration or sale, without prejudice, however, to the rights of Holders under Section 2.1, and (ii) in the case of a determination to delay such registration or sale of its equity securities, shall be permitted to delay the registration or sale of such Registrable Securities for the same period as the delay in registering such other equity securities.

(e) Notwithstanding anything contained herein to the contrary, the Company shall, at the request of any Holder (including to effect a Partner Distribution), file any prospectus

supplement or post-effective amendments and otherwise take any action necessary to include therein all disclosure and language deemed necessary or advisable by such Holder if such disclosure or language was not included in the initial registration statement, or revise such disclosure or language if deemed necessary or advisable by such Holder including filing a prospectus supplement naming the Holders, partners, members and shareholders to the extent required by law.

(f) Notwithstanding anything in this Agreement to the contrary, the rights of each member of Management set forth in this Agreement are subject to any Lock-Up Agreement that such member of Management has entered into with the Company.

2.3. Allocation of Securities Included in Registration Statement or Offering .

(a) Notwithstanding any other provision of this Agreement, in connection with an underwritten offering initiated by Demand Registration Request, if the Manager advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten (such number, the "Section 2.3(a) Sale Number") within a price range acceptable to the Majority Participating Holders, the Initiating Holders shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the Company shall use its reasonable best efforts to include in such registration or offering, as applicable, the number of shares of Registrable Securities in the registration and underwriting as follows:

(i) first, all Registrable Securities requested to be included in such registration or offering by the Holders thereof (including pursuant to the exercise of piggyback rights pursuant to Section 2.2); provided, however, that if such number of Registrable Securities exceeds the Section 2.3(a) Sale Number, the number of such Registrable Securities (not to exceed the Section 2.3(a) Sale Number) to be included in such registration shall be allocated among all such Holders requesting inclusion thereof in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by such Holders at the time of filing of the registration statement or the time of the offering, as applicable;

(ii) second, if by the withdrawal of Registrable Securities by a Participating Holder, a greater number of Registrable Securities held by other Holders, may be included in such registration or offering (up to the Section 2.3(a) Sale Number), then the Company shall offer to all Holders who

have included Registrable Securities in the registration or offering the right to include additional Registrable Securities in the same proportions as set forth in 2.3(a)(i).

(iii) third, to the extent that the number of Registrable Securities to be included pursuant to clause (i) and (ii) of this Section 2.3(a) is less than the Section 2.3(a) Sale Number, and if the underwriter so agrees, any securities that the Company proposes to register or sell, up to the Section 2.3(a) Sale Number; and

(iv) fourth, to the extent that the number of securities to be included pursuant to clauses (i), (ii) and (iii) of this Section 2.3(a) is less than the Section 2.3(a) Sale Number, the remaining securities to be included in such registration or offering shall be allocated on a pro rata basis among all Persons requesting that securities be included in such registration or offering

pursuant to the exercise of Additional Piggyback Rights (" Piggyback Shares"), based on the aggregate number of Piggyback Shares then owned by each Person requesting inclusion in relation to the aggregate number of Piggyback Shares owned by all Persons requesting inclusion, up to the Section 2.3(a) Sale Number.

Notwithstanding anything in this Section 2.3(a) to the contrary, no employee shareholder of the Company, other than a member of Management, will be entitled to include Registrable Securities in a registration requested pursuant to Section 2.1 to the extent the Manager of such offering shall determine in good faith that the participation of such employee shareholder would adversely affect the marketability of the securities being sold by the Initiating Holder(s) in such registration.

(b) Notwithstanding any other provision of this Agreement, in a registration involving an underwritten offering on behalf of the Company, which was initiated by the Company, if the Manager determines that marketing factors require a limitation of the number of shares to be underwritten (such number, the "Section 2.3(b) Sale Number") the Company shall so advise all Holders whose securities would otherwise be registered and underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated as follows:

(i) first, all equity securities that the Company proposes to register for its own account;

(ii) second, to the extent that the number of securities to be included pursuant to clause (i) of this Section 2.3(b) is less than the Section 2.3(b) Sale Number, among all Holders in proportion, as nearly as practicable, to the respective amounts of Registrable Securities requested for inclusion in such registration by Holders pursuant to Section 2.2 up to the Section 2.3(b) Sale Number; and;

(iii) third, to the extent that the number of securities to be included pursuant to clauses (i) and (ii) of this Section 2.3(b) is less than the Section 2.3(b) Sale Number, the remaining securities to be included in such registration shall be allocated on a pro rata basis among all Persons requesting that securities be included in such registration pursuant to the exercise of Additional Piggyback Rights, based on the aggregate number of Piggyback Shares then owned by each Person requesting inclusion in relation to the aggregate number of Piggyback Shares owned by all Persons requesting inclusion, up to the Section 2.3(b) Sale Number.

(c) If any registration pursuant to Section 2.2 involves an underwritten offering that was initially requested by any Person(s) other than a Holder to whom the Company has granted registration rights which are not inconsistent with the rights granted in, or otherwise conflict with the terms of, this Agreement and the Manager (as selected by the Company or such other Person) shall advise the Company that, in its view, the number of securities requested to be included in such registration exceeds the number (the " Section 2.3(c) Sale Number") that can be sold in an orderly manner in such registration within a price range acceptable to the Company, the Company shall include shares in such registration as follows:

(i) first, the shares requested to be included in such registration shall be allocated on a pro rata basis among such Person(s) requesting the registration and all Holders requesting that Registrable Securities be included in such registration pursuant to the exercise of piggyback rights pursuant to Section 2.2, based on the aggregate number of securities or Registrable Securities, as applicable, then owned by each of the foregoing requesting inclusion in relation to the aggregate number of securities or Registrable Securities, as applicable, owned by all such Holders and Persons requesting inclusion, up to the Section 2.3(c) Sale Number;

(ii) second, to the extent that the number of securities to be included pursuant to clause (i) of this Section 2.3(c) is less than the Section 2.3(c) Sale Number, the remaining shares to be included in such registration shall be allocated on a pro rata basis among all Persons requesting that securities be included in such registration pursuant to the exercise of Additional Piggyback Rights, based on the aggregate number of Piggyback Shares then owned by each Person requesting inclusion in relation to the aggregate number of Piggyback Shares owned by all Persons requesting inclusion, up to the Section 2.3(c) Sale Number; and

(iii) third, to the extent that the number of securities to be included pursuant to clauses (i) and (ii) of this Section 2.3(c) is less than the Section 2.3(c) Sale Number, the remaining shares to be included in such registration shall be allocated to shares the Company proposes to register for its own account, up to the Section 2.3(c) Sale Number.

(d) If any Holder of Registrable Securities disapproves of the terms of the underwriting, or if, as a result of the proration provisions set forth in

clauses (a), (b) or (c) of this Section 2.3, any Holder shall not be entitled to include all Registrable Securities in a registration or offering that such Holder has requested be included, such Holder may elect to withdraw such Holder's request to include Registrable Securities in such registration or offering or may reduce the number requested to be included; provided, however, that (x) such request must be made in writing, to the Company, Manager and, if applicable, the Initiating Holder(s), prior to the execution of the underwriting agreement with respect to such registration and (y) such withdrawal or reduction shall be irrevocable and, after making such withdrawal or reduction, such Holder shall no longer have any right to include such withdrawn Registrable Securities in the registration as to which such withdrawal or reduction was made to the extent of the Registrable Securities so withdrawn or reduced.

2.4. Registration Procedures. If and whenever the Company is required by the provisions of this Agreement to use its reasonable best efforts to effect or cause the registration of any Registrable Securities under the Securities Act as provided in this Agreement, the Company shall, as expeditiously as possible (but, in any event, within sixty (60) days after a Demand Registration Request in the case of Section 2.4(a) below), in connection with the Registration of the Registrable Securities and, where applicable, a takedown off of a shelf registration statement:

(a) prepare and file with the SEC a registration statement on an appropriate registration form of the SEC for the disposition of such Registrable Securities in accordance with the intended method of disposition thereof (including, without limitation, a Partner Distribution), which registration form (i) shall be selected by the Company and (ii) shall, in the case of a shelf registration, be available for the sale of the Registrable Securities by the selling Holders thereof

and such registration statement shall comply as to form in all material respects with the requirements of the applicable registration form and include all financial statements required by the SEC to be filed therewith, and the Company shall use its reasonable best efforts to cause such registration statement to become effective and remain continuously effective from the date such registration statement is declared effective until the earliest to occur (i) the first date as of which all of the Registrable Securities included in the registration statement have been sold or (ii) a period of ninety (90) days in the case of an underwritten offering effected pursuant to a registration statement other than a shelf registration statement and a period of three years in the case of a shelf registration statement (provided, however, that before filing a registration statement or prospectus or any amendments or supplements thereto, or comparable statements under securities or state "blue sky" laws of any jurisdiction, or any free writing prospectus related thereto, the Company will furnish to one counsel for the Holders participating in the planned offering (selected by the Majority Participating Holders) and to one counsel for the Manager, if any, copies of all such documents proposed to be filed (including all exhibits thereto), which documents will be subject to the reasonable review and reasonable comment of such counsel (provided that the Company shall be under no obligation to make any changes suggested by the Holders), and the Company shall not file any registration statement or amendment thereto, any prospectus or supplement thereto or any free writing prospectus related thereto to which the Majority Participating Holders or the underwriters, if any, shall reasonably object);

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement continuously effective for the period set forth in Section 2.4(a) and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Registrable Securities covered by such registration statement in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement (and, in connection with any shelf registration statement, file one or more prospectus supplements covering Registrable Securities upon the request of one or more Holders wishing to offer or sell Registrable Securities whether in an underwritten offering or otherwise);

(c) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the Manager of such offering;

(d) furnish, without charge, to each Participating Holder and each underwriter, if any, of the securities covered by such registration statement such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits), the prospectus included in such registration statement (including each preliminary prospectus and any summary prospectus), any other prospectus filed under Rule 424 under the Securities Act and each free writing prospectus utilized in connection therewith, in each case, in conformity with the requirements of the Securities Act, and other documents, as such seller and underwriter may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities owned by such seller (the Company hereby consenting to the use in accordance with all applicable law of each such registration statement (or amendment or post-effective amendment thereto) and each such prospectus (or preliminary prospectus or supplement thereto) or free writing prospectus by each such Participating Holder and the underwriters, if any,

in connection with the offering and sale of the Registrable Securities covered by such registration statement or prospectus);

(e) use its reasonable best efforts to register or qualify the Registrable Securities covered by such registration statement under such other securities or state "blue sky" laws of such jurisdictions as any sellers of Registrable Securities or any managing underwriter, if any, shall reasonably request in writing, and do any and all other acts and things which may be reasonably necessary or advisable to enable such sellers or underwriter, if any, to consummate the disposition of the Registrable Securities in such jurisdictions (including keeping such registration or qualification in effect for so long as such registration statement remains in effect), except that in no event shall the Company be required to qualify to do business as a foreign corporation in any jurisdiction where it would not, but for the requirements of this paragraph (e), be required to be so qualified, to subject itself to taxation in any such jurisdiction or to consent to general service of process in any such jurisdiction;

(f) promptly notify each Participating Holder and each managing underwriter, if any: (i) when the registration statement, any pre-effective

amendment, the prospectus or any prospectus supplement related thereto, any post-effective amendment to the registration statement or any free writing prospectus has been filed and, with respect to the registration statement or any post-effective amendment, when the same has become effective; (ii) of any request by the SEC or state securities authority for amendments or supplements to the registration statement or the prospectus related thereto or for additional information; (iii) of the issuance by the SEC of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose; (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or state "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose; (v) of the existence of any fact of which the Company becomes aware which results in the registration statement or any amendment thereto, the prospectus related thereto or any supplement thereto, any document incorporated therein by reference, any free writing prospectus or the information conveyed to any purchaser at the time of sale to such purchaser containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make any statement therein not misleading; and (vi) if at any time the representations and warranties contemplated by any underwriting agreement, securities sale agreement, or other similar agreement, relating to the offering shall cease to be true and correct in all material respects; and, if the notification relates to an event described in clause (v), the Company shall promptly prepare and furnish to each such seller and each underwriter, if any, a reasonable number of copies of a prospectus supplemented or amended so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they were made not misleading;

(g) comply (and continue to comply) with all applicable rules and regulations of the SEC (including, without limitation, maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) in accordance with the Exchange Act), and make generally available to its security holders, as soon as reasonably practicable after the effective date of the

registration statement (and in any event within forty-five (45) days, or ninety (90) days if it is a fiscal year, after the end of such twelve (12) month period described hereafter), an earnings statement (which need not be audited) covering the period of at least twelve (12) consecutive months beginning with the first day of the Company's first calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(h) (i) (A) cause all such Registrable Securities covered by such registration statement to be listed on the principal securities exchange on which similar securities issued by the Company are then listed (if any), if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (B) if no similar securities are then so listed, to cause all such Registrable Securities to be listed on a national securities exchange and, without limiting the generality of the foregoing, take all actions that may be required by the Company as the issuer of such Registrable Securities in order to facilitate the managing underwriter's arranging for the registration of at least two market makers as such with respect to such shares with FINRA, and (ii) comply (and continue to comply) with the requirements of any self-regulatory organization applicable to the Company, including without limitation all corporate governance requirements;

(i) provide and cause to be maintained a transfer agent and registrar for all such Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(j) enter into such customary agreements (including, if applicable, an underwriting agreement) and take such other actions as the Majority Participating Holders or the underwriters shall reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (it being understood that the Holders of the Registrable Securities which are to be distributed by any underwriters shall be parties to any such underwriting agreement and may, at their option, require that the Company make to and for the benefit of such Holders the representations, warranties and covenants of the Company which are being made to and for the benefit of such underwriters);

(k) use its reasonable best efforts (i) to obtain an opinion from the Company's counsel and a "cold comfort" letter and updates thereof from the Company's independent public accountants who have certified the Company's financial statements included or incorporated by reference in such registration statement, in each case, in customary form and covering such matters as are customarily covered by such opinions and "cold comfort" letters (including, in the case of such "cold comfort" letter, events subsequent to the date of such financial statements) delivered to underwriters in underwritten public offerings, which opinion and letter shall be dated the dates such opinions and "cold comfort" letters are customarily dated and otherwise reasonably satisfactory to the underwriters, if any, and to the Majority Participating Holders, and (ii) furnish to each Holder participating in the offering and to each underwriter, if any, a copy of such opinion and letter addressed to such underwriter;

(l) deliver promptly to counsel for each Participating Holder and to each managing underwriter, if any, copies of all correspondence between the SEC and the Company, its counsel or auditors and all memoranda relating to discussions with the SEC or its staff with respect to the

registration statement, and, upon receipt of such confidentiality agreements as the Company may reasonably request, make reasonably available for inspection by counsel for each Participating Holder, by counsel for any underwriter, participating in any disposition to be effected pursuant to such registration statement and by any accountant or other agent retained by any Participating Holder or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by any such counsel for a Participating Holder, counsel for an underwriter, accountant or agent in connection with such registration statement;

(m) use its reasonable best efforts to obtain the prompt withdrawal of any order suspending the effectiveness of the registration statement, or the prompt lifting of any suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction;

(n) provide a CUSIP number for all Registrable Securities, not later than the effective date of the registration statement;

(o) use its best efforts to make available its employees and personnel for participation in "road shows" and other marketing efforts and otherwise provide reasonable assistance to the underwriters (taking into account the needs of the Company's businesses and the requirements of the marketing process) in marketing the Registrable Securities in any underwritten offering;

(p) prior to the filing of any document which is to be incorporated by reference into the registration statement or the prospectus (after the initial filing of such registration statement), and prior to the filing of any free writing prospectus, provide copies of such document to counsel for each Participating Holder and to each managing underwriter, if any, and make the Company's representatives reasonably available for discussion of such document and make such changes in such document concerning the Participating Holders prior to the filing thereof as counsel for the Participating Holders or underwriters may reasonably request;

(q) furnish to counsel for each Participating Holder and to each managing underwriter, without charge, at least one signed copy of the registration statement and any post-effective amendments or supplements thereto, including financial statements and schedules, all documents incorporated therein by reference, the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus), any other prospectus filed under Rule 424 under the Securities Act and all exhibits (including those incorporated by reference) and any free writing prospectus utilized in connection therewith;

(r) cooperate with the Participating Holders and the managing underwriter, if any, to facilitate the timely preparation and delivery of certificates not bearing any restrictive legends representing the Registrable Securities to be sold, and cause such Registrable Securities to be issued in such denominations and registered in such names in accordance with the underwriting agreement at least three (3) Business Days prior to any sale of Registrable Securities to the underwriters or, if not an underwritten offering, in accordance with the instructions of the Participating Holders at least three (3) Business Days prior to any sale of Registrable Securities and instruct any transfer agent and registrar of Registrable Securities to release any stop transfer orders in respect thereof;

(s) cooperate with any due diligence investigation by any Manager, underwriter or Participating Holder and make available such documents and records of the Company and its Subsidiaries that they reasonably request (which, in the case of the Participating Holder, may be subject to the execution by the Participating Holder of a customary confidentiality agreement in a form which is reasonably satisfactory to the Company);

(t) take no direct or indirect action prohibited by Regulation M under the Exchange Act; provided, however, that to the extent that any prohibition is applicable to the Company, the Company will take such action as is necessary and feasible to make any such prohibition inapplicable;

(u) use its reasonable best efforts to cause the Registrable Securities covered by the applicable registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the Participating Holders or the underwriters, if any, to consummate the disposition of such Registrable Securities;

(v) take all such other commercially reasonable actions as are necessary or advisable in order to expedite or facilitate the disposition of such Registrable Securities;

(w) take all reasonable action to ensure that any free writing prospectus utilized in connection with any registration covered by Section 2.1 or 2.2 complies in all material respects with the Securities Act, is filed in accordance with the Securities Act to the extent required thereby, is retained in accordance with the Securities Act to the extent required thereby and, when taken together with the related prospectus, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(x) in connection with any underwritten offering, if at any time the information conveyed to a purchaser at the time of sale includes any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, promptly file with the SEC such amendments or supplements to such information as may be necessary so that the statements as so amended or supplemented will not, in light of the circumstances, be misleading.

To the extent the Company is a well-known seasoned issuer (as defined in Rule 405 under the Securities Act) (a " WKSI") at the time any Demand Registration Request is submitted to the Company, and such Demand Registration Request requests that the Company file an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) (an "automatic shelf registration statement") on Form S-3, the Company shall file an automatic shelf registration statement which covers those Registrable Securities which are requested to be registered. The Company shall use its reasonable best efforts to remain a WKSI (and not become an ineligible issuer (as defined in Rule 405 under the Securities Act)) during the period during which the Registrable Securities remain Registrable Securities. If the Company does not pay the filing fee covering the Registrable Securities at the time the automatic shelf registration statement is filed, the Company agrees to pay such fee at such time or times as the Registrable Securities are to be sold. If the automatic shelf registration statement has been outstanding for at least three years, at the end of the third year the Company shall refile a new automatic shelf

registration statement covering the Registrable Securities. If at any time when the Company is required to re-evaluate its WKSI status the Company determines that it is not a WKSI, the Company shall use its reasonable best efforts to refile the shelf registration statement on Form S-3 and, if such form is not available, Form S-1 and keep such registration statement effective during the period during which such registration statement is required to be kept effective.

If the Company files any shelf registration statement for the benefit of the holders of any of its securities other than the Holders, the Company agrees that it shall include in such registration statement such disclosures as may be required by Rule 430B under the Securities Act (referring to the unnamed selling security holders in a generic manner by identifying the initial offering of the securities to the Holders) in order to ensure that the Holders may be added to such shelf registration statement at a later time through the filing of a prospectus supplement rather than a post-effective amendment.

It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 2.1, 2.2, or 2.4 that each Participating Holder shall furnish to the Company such information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such securities as the Company may from time to time reasonably request provided that such information is necessary for the Company to consummate such registration and shall be used only in connection with such registration.

If any such registration statement or comparable statement under state "blue sky" laws refers to any Holder by name or otherwise as the Holder of any securities of the Company, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to such Holder and the Company, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, or (ii) in the event that such reference to such Holder by name or otherwise is not in the judgment of the Company, as advised by counsel, required by the Securities Act or any similar federal statute or any state "blue sky" or securities law then in force, the deletion of the reference to such Holder.

2.5. Registration Expenses. All Expenses incurred in connection with any registration, filing, qualification or compliance pursuant to Article 2 shall be borne by the Company, whether or not a registration statement becomes effective. All underwriting discounts and all selling commissions relating to securities registered by the Holders shall be borne by the holders of such securities pro rata in accordance with the number of shares sold in the offering by such Participating Holder.

2.6. Certain Limitations on Registration Rights. In the case of any registration under Section 2.1 pursuant to an underwritten offering, or, in the case of a registration under Section 2.2, all securities to be included in such registration shall be subject to the underwriting agreement and no Person may participate in such registration or offering unless such Person (i) agrees to sell such Person's securities on the basis provided therein and completes and executes all reasonable questionnaires, and other documents (including custody agreements and powers of attorney) which must be executed in connection therewith; provided, however, that all such

documents shall be consistent with the provisions hereof and (ii) provides such other information to the Company or the underwriter as may be necessary to register such Person's securities.

2.7. Limitations on Sale or Distribution of Other Securities.

(a) Each Holder agrees, (i) to the extent requested in writing by a managing underwriter, if any, of any registration effected pursuant to Section 2.1, not to sell, transfer or otherwise dispose of, including any sale pursuant to Rule 144 under the Securities Act, any Common Equity, or any other equity security of the Company or any security convertible into or exchangeable or exercisable for any equity security of the Company (other than as part of such underwritten public offering) during the time period reasonably requested by the managing underwriter, not to exceed ninety (90) days (and the Company hereby also so agrees (except that the Company may effect any sale or distribution of any such securities pursuant to a registration on Form S-4 (if reasonably acceptable to such managing underwriter) or Form S-8, or any successor or similar form which is (x) then in effect or (y) shall become effective upon the conversion, exchange or exercise of any then outstanding Common Equity Equivalent), to use its reasonable best efforts to cause each holder of any equity security or any security convertible into or exchangeable or exercisable for any equity security of the Company purchased from the Company at any time other than in a public offering so to agree), and (ii) to the extent requested in writing by a managing underwriter of any underwritten public offering effected by the Company for its own account, not to sell any Common Equity (other than as part of such underwritten public offering) during the time period reasonably requested by the managing underwriter, which period shall not exceed ninety (90) days.

(b) The Company hereby agrees that, if it shall previously have received a request for registration pursuant to Section 2.1 or 2.2, and if such previous registration shall not have been withdrawn or abandoned, the Company shall not sell, transfer, or otherwise dispose of, any Common Equity, or any other equity security of the Company or any security convertible into or exchangeable or exercisable for any equity security of the Company (other than as part of such underwritten public offering, a registration on Form S-4 or Form S-8 or any successor or similar form which is (x) then in effect or (y) shall become effective upon the conversion, exchange or exercise of any then outstanding Common Equity Equivalent), until a period of ninety (90) days shall have elapsed from the effective date of such previous registration; and the Company shall (i) so provide in any registration rights agreements hereafter entered into with respect to any of its securities and (ii) use its reasonable best efforts to cause each holder of any equity security or any security convertible into or exchangeable or exercisable for any equity security of the Company purchased from the Company at any time other than in a public offering to so agree.

2.8. No Required Sale. Nothing in this Agreement shall be deemed to create an independent obligation on the part of any Holder to sell any Registrable Securities pursuant to any effective registration statement.

2.9. Indemnification.

(a) In the event of any registration and/or offering of any securities of the Company under the Securities Act pursuant to this Article 2, the Company will, and hereby agrees to, and hereby does, indemnify and hold harmless, to the fullest extent permitted by law, each Holder, its

directors, officers, fiduciaries, employees, stockholders, members or general and limited partners (and the directors, officers, fiduciaries, employees, stockholders, members or general and limited partners thereof), any underwriter (as defined in the Securities Act) for such Holder and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or Exchange Act, from and against any and all losses, claims, damages or liabilities, joint or several, actions or proceedings (whether commenced or threatened) and expenses (including reasonable fees of counsel and any amounts paid in any settlement effected with the Company's consent, which consent shall not be unreasonably withheld or delayed) to which each such indemnified party may become subject under the Securities Act or otherwise in respect thereof (collectively, "Claims"), insofar as such Claims arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement under which such securities were registered under the Securities Act or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary or final prospectus or any amendment or supplement thereto, together with the documents incorporated by reference therein, or any free writing prospectus utilized in connection therewith, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) any untrue statement or alleged untrue statement of a material fact in the information conveyed by the Company to any purchaser at the time of the sale to such purchaser, or the omission or alleged omission to state therein a material fact required to be stated therein, or (iv) any violation by the Company of any federal, state or common law rule or regulation applicable to the Company and relating to action required of or inaction by the Company in connection with any such registration, and the Company will reimburse any such indemnified party for any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such Claim as such expenses are incurred; provided, however, that the Company shall not be liable to any such indemnified party in any such case to the extent such Claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact or omission or alleged omission of a material fact made in such registration statement or amendment thereof or supplement thereto or in any such prospectus or any preliminary or final prospectus or free writing prospectus in reliance upon and in conformity with written information furnished to the Company by or on behalf of such indemnified party specifically for use therein. Such indemnity and reimbursement of expenses shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of such securities by such seller.

(b) Each Participating Holder shall, severally and not jointly, indemnify and hold harmless (in the same manner and to the same extent as set forth in paragraph (a) of this Section 2.9) to the extent permitted by law the Company, its officers and directors, each Person controlling the Company within the meaning of the Securities Act, each underwriter (within the meaning of the 1933 Act) of the Company's securities covered by such a registration statement, any Person who controls such underwriter, and any other Holder selling securities in such registration statement and each of its directors, officers, partners or agents or any Person who controls such Holder with respect to any untrue statement or alleged untrue statement of any material fact in, or omission or alleged omission of any material fact from, such registration statement, any preliminary or final prospectus contained therein, or any amendment or

supplement thereto, or any free writing prospectus utilized in connection therewith, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company or its representatives by or on behalf of such Participating Holder, specifically for use therein and reimburse such indemnified party for any legal or other expenses reasonably incurred in connection with investigating or defending any such Claim as such expenses are incurred; provided, however, that the aggregate amount which any such Participating Holder shall be required to pay pursuant to this Section 2.9(b) and Sections 2.9(c) and (e) shall in no case be greater than the amount of the net proceeds actually received by such Participating Holder upon the sale of the Registrable Securities pursuant to the registration statement giving rise to such Claim. The Company and each Participating Holder hereby acknowledge and agree that, unless otherwise expressly agreed to in writing by such Participating Holders to the contrary, for all purposes of this Agreement, the only information furnished or to be furnished to the Company for use in any such registration statement, preliminary or final prospectus or amendment or supplement thereto or any free writing prospectus are statements specifically relating to (a) the beneficial ownership of shares of Common Equity by such Participating Holder and its Affiliates and (b) the name and address of such Participating Holder. Such indemnity and reimbursement of expenses shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of such securities by such Holder.

(c) Indemnification similar to that specified in the preceding paragraphs (a) and (b) of this Section 2.9 (with appropriate modifications) shall be given by the Company and each Participating Holder with respect to any required registration or other qualification of securities under any applicable securities and state "blue sky" laws.

(d) Any Person entitled to indemnification under this Agreement shall notify promptly the indemnifying party in writing of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 2.9, but the failure of any indemnified party to provide such notice shall not relieve the indemnifying party of its obligations under the preceding paragraphs of this Section 2.9, except to the extent the indemnifying party is materially and actually prejudiced thereby and shall not relieve the indemnifying party from any liability which it may have to any indemnified party otherwise than under this Article 2. In case any action or proceeding is brought against an indemnified party, the indemnifying party shall be entitled to (x) participate in such action or proceeding and (y), unless, in the reasonable opinion of outside counsel to the indemnified party, a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, assume the defense thereof jointly with any other indemnifying party similarly notified, with counsel reasonably satisfactory to such indemnified party. The indemnifying party shall promptly notify the indemnified party of its decision to assume the defense of such action or proceeding. If, and after, the indemnified party has received such notice from the indemnifying party,

the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense of such action or proceeding other than reasonable costs of investigation; provided, however, that (i) if the indemnifying party fails to take reasonable steps necessary to defend diligently the action or proceeding within twenty (20) days after receiving notice from such indemnified party that the indemnified party believes it has failed to do so; or (ii) if such indemnified party who is a defendant in any action or proceeding which is also brought against the indemnifying party

reasonably shall have concluded that there may be one or more legal or equitable defenses available to such indemnified party which are not available to the indemnifying party or which may conflict with those available to another indemnified party with respect to such Claim; or (iii) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct, then, in any such case, the indemnified party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all indemnified parties in each jurisdiction, except to the extent any indemnified party or parties reasonably shall have made a conclusion described in clause (ii) or (iii) above) and the indemnifying party shall be liable for any expenses therefor. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim), unless such settlement or compromise (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party. The indemnity obligations contained in Sections 2.9(a) and 2.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the indemnified party which consent shall not be unreasonably withheld.

(e) If for any reason the foregoing indemnity is held by a court of competent jurisdiction to be unavailable to an indemnified party under Sections 2.9(a), (b) or (c), then each applicable indemnifying party shall contribute to the amount paid or payable to such indemnified party as a result of any Claim in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, with respect to such Claim as well as any other relevant equitable considerations. The relative fault shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. If, however, the allocation provided in the second preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults but also the relative benefits of the indemnifying party and the indemnified party as well as any other relevant equitable considerations. The parties hereto agree that it would not be just and equitable if any contribution pursuant to this Section 2.9(e) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the preceding sentences of this Section 2.9(e). The amount paid or payable in respect of any Claim shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such Claim. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. Notwithstanding anything in this Section 2.9(e) to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 2.9(e) to contribute any amount greater than the amount of the net proceeds actually received by such indemnifying party upon the sale of the Registrable Securities

pursuant to the registration statement giving rise to such Claim, less the amount of any indemnification payment made by such indemnifying party pursuant to Sections 2.9(b) and (c).

(f) The indemnity and contribution agreements contained herein shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract and shall remain operative and in full force and effect regardless of any investigation made or omitted by or on behalf of any indemnified party and shall survive the transfer of the Registrable Securities by any such party and the completion of any offering of Registrable Securities in a registration statement. In the event one or more Holders effect a Partner Distribution pursuant to a registration statement in which the name of partners, members or shareholders who receive a distribution are named in a prospectus supplement or registration statement, the partners, members or shareholders so named shall be entitled to indemnification and contribution by the Company to the same extent as a Holder hereunder.

(g) The indemnification and contribution required by this Section 2.9 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred; provided, however, that the recipient thereof hereby undertakes to repay such payments if and to the extent it shall be determined by a court of competent jurisdiction that such recipient is not entitled to such payment hereunder.

3. Underwritten Offerings.

3.1. Requested Underwritten Offerings. If the Initiating Holders request an underwritten offering pursuant to a registration under Section 2.1 (pursuant to a request for a registration statement to be filed in connection with a specific underwritten offering or a request for a shelf takedown in the form of an underwritten offering), the Company shall enter into a customary underwriting agreement with the underwriters. Such underwriting agreement shall (i) be satisfactory in form and substance to the Majority Participating Holders, (ii) contain terms not inconsistent with the provisions of this Agreement and (iii) contain such representations and warranties by, and such other agreements on the part of, the Company and such other terms as are generally prevailing in agreements of that type, including, without limitation, indemnities and contribution agreements on substantially the same terms as those contained herein. Any Participating Holder shall be a party to such underwriting agreement and may, at its option, require that any or all of the representations and warranties

by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such Participating Holder and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such Participating Holder; provided, however, that the Company shall not be required to make any representations or warranties with respect to written information specifically provided by a Participating Holder for inclusion in the registration statement. Each such Participating Holder shall not be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Participating Holder, its ownership of and title to the Registrable Securities, any written information specifically provided by such Participating Holder for inclusion in the registration statement and its intended method of distribution; and any liability of such Participating Holder to any underwriter or other Person under such underwriting agreement

shall be limited to the amount of the net proceeds received by such Holder upon the sale of the Registrable Securities pursuant to the registration statement and shall be limited to liability for written information specifically provided by such Participating Holder.

3.2. Piggyback Underwritten Offerings. In the case of a registration pursuant to Section 2.2 which involves an underwritten offering, the Company shall enter into an underwriting agreement in connection therewith and all of the Participating Holders' Registrable Securities to be included in such registration shall be subject to such underwriting agreement. Any Participating Holder may, at its option, require that any or all of the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters shall also be made to and for the benefit of such Participating Holder and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of such Participating Holder; provided, however, that the Company shall not be required to make any representations or warranties with respect to written information specifically provided by a Participating Holder for inclusion in the registration statement. Each such Participating Holder shall not be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Participating Holder, its ownership of and title to the Registrable Securities, any written information specifically provided by such Participating Holder for inclusion in the registration statement and its intended method of distribution; and any liability of such Participating Holder to any underwriter or other Person under such underwriting agreement shall be limited to the amount of the net proceeds received by such Participating Holder upon the sale of the Registrable Securities pursuant to the registration statement and shall be limited to liability for written information specifically provided by such Participating Holder.

4. General.

4.1. Adjustments Affecting Registrable Securities. The Company agrees that it shall not effect or permit to occur any combination or subdivision of shares of Common Equity which would adversely affect the ability of any Holder of any Registrable Securities to include such Registrable Securities in any registration or offering contemplated by this Agreement or the marketability of such Registrable Securities in any such registration or offering. The Company agrees that it will take all reasonable steps necessary to effect a subdivision of shares of Common Equity if in the reasonable judgment of (a) the Majority Participating Holders or (b) the managing underwriter for the offering in respect of such Demand Registration Request, such subdivision would enhance the marketability of the Registrable Securities. Each Holder agrees to vote all of its shares of capital stock in a manner, and to take all other actions necessary, to permit the Company to carry out the intent of the preceding sentence including, without limitation, voting in favor of an amendment to the Company's organizational documents in order to increase the number of authorized shares of capital stock of the Company. In any event, the provisions of this Agreement shall apply, to the full extent set forth herein with respect to the Registrable Securities, to any and all shares of capital stock of the Company or any successor or assign of the Company (whether by merger, share exchange, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for or in substitution of, Registrable Securities and shall be appropriately adjusted for any stock dividends, splits, reverse splits, combinations, recapitalizations and the like occurring after the date hereof.

4.2. Rule 144 and Rule 144A. If the Company shall have filed a registration statement pursuant to the requirements of Section 12 of the Exchange Act or a registration statement pursuant to the requirements of the Securities Act in respect of the Common Equity or Common Equity Equivalents, the Company covenants that (i) so long as it remains subject to the reporting provisions of the Exchange Act, it will timely file the reports required to be filed by it under the Securities Act or the Exchange Act (including, but not limited to, the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144 under the Securities Act, as such Rule may be amended (" Rule 144")) or, if the Company is not required to file such reports, it will, upon the request of any Holder, make publicly available other information so long as necessary to permit sales by such Holder under Rule 144, Rule 144A under the Securities Act, as such Rule may be amended ("Rule 144A"), or any similar rules or regulations hereafter adopted by the SEC, and (ii) it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144, (B) Rule 144A or (C) any similar rule or regulation hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement by the Company that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company and such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

4.3. Amendments and Waivers. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the Sponsors holding a majority of the Registrable Securities then held by all Sponsors; provided that any amendment or waiver that results in a non-pro rata material adverse effect on the rights of

Management vis-à-vis the rights of the Sponsors under this Agreement will require the written consent of Management holding a majority of the Registrable Securities then held by all Management. Any amendment or waiver effected in accordance with this Section 4.3 shall be binding upon each Holder and the Company. Any waiver of any breach or default by any other party of any of the terms of this Agreement effected in accordance with this Section 4.3 shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default waived. No waiver of any provision of this Agreement shall be implied from any course of dealing between the parties hereto or from any failure by any party to assert its or his or her rights hereunder on any occasion or series of occasions.

4.4. Notices. Unless otherwise specified herein, all notices, consents, approvals, reports, designations, requests, waivers, elections and other communications authorized or required to be given pursuant to this Agreement shall be in writing and shall be given, made or delivered (and shall be deemed to have been duly given, made or delivered upon receipt) by personal hand-delivery, by facsimile transmission, by electronic mail, by mailing the same in a sealed envelope, registered first-class mail, postage prepaid, return receipt requested, or by air courier guaranteeing overnight delivery, addressed to the Company at the address set forth below

or to the applicable Holder at the address indicated on Schedule A hereto (or at such other address for a Holder as shall be specified by like notice):

(i) If to the Company, to:

Cobalt International Energy, Inc.
Two Post Oak Central
1980 Post Oak Blvd., Suite 1200
Houston, TX 77056
Attention: Joseph H. Bryant
Facsimile No.: (713) 579-9184
E-mail: joe.bryant@cobaltintl.com

with copies to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Attention: Christopher Mayer
Richard D. Truesdell, Jr.
Facsimile No.: (212) 701-5338
(212) 701-5674
E-mail: chris.mayer@davispolk.com
richard.truesdell@davispolk.com

4.5. Successors and Assigns. A Holder may Assign his rights in this Agreement without the Company's consent to an Assignee of Registrable Securities which (i) is with respect to any Holder, the spouse, parent, sibling, child, step-child or grandchild of such Holder, or the spouse thereof and any trust, limited liability company, limited partnership, private foundation or other estate planning vehicle for such Holder or for the benefit of any of the foregoing or other persons pursuant to the laws of descent and distribution, or (ii) is a legatee, executor or other fiduciary pursuant to a last will and testament of the Holder or pursuant to the terms of any trust which take effect upon the death of the Holder. Furthermore, any Holder may Assign its rights in this Agreement without the Company's prior written consent to any party; provided that such Assignment occurs in connection with the transfer of all, but not less than all, of such Holder's Registrable Securities in a single transaction (to the extent such transfer is otherwise permissible). Any Assignment shall be conditioned upon prior written notice to the Company or identifying the name and address of such Assignee and any other material information as to the identity of such Assignee as may be reasonably requested, and Schedule A hereto shall be updated to reflect such Assignment. Notwithstanding anything to the contrary contained in this Section 4.5, any Holder may elect to transfer all or a portion of its Registrable Securities to any third party (to the extent such transfer is otherwise permissible) without Assigning its rights hereunder with respect thereto, provided that in any such event all rights under this Agreement with respect to the Registrable Securities so transferred shall cease and terminate. This Agreement may not be Assigned by the Company, without the prior written consent of the Sponsors holding a majority of the Registrable Securities held by all Sponsors.

4.6. Limitations on Subsequent Registration Rights. From and after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public, the Company may, without the prior written consent of the Holders, enter into any agreement with any holder or prospective holder of any securities of the Company which provides such holder or prospective holder of securities of the Company comparable, but not more favorable or conflicting, information and registration rights granted to the Holders hereby.

4.7. Goldman, Sachs & Co. and Affiliates. Notwithstanding anything in this Agreement, none of the provisions of this Agreement shall in any way limit Goldman, Sachs & Co. or any of its Affiliates (other than any GSCP Entity as expressly set forth in this Agreement) from engaging in any brokerage, investment advisory, financial advisory, anti-raid advisory, principaling, merger advisory, financing, asset management, trading, market making, arbitrage, investment activity and other similar activities conducted in the ordinary course of their business.

4.8. Entire Agreement. This Agreement, the Stockholders Agreement and the other agreements referenced herein and therein constitute the entire agreement among the parties hereto with respect to the subject matter hereof, and supersede any prior agreement or understanding among them with respect to the matters referred to herein.

4.9. Governing Law; Waiver of Jury Trial; Jurisdiction.

(a) Governing Law. This Agreement is governed by and will be construed in accordance with the laws of the State of New York, excluding any conflict-of-laws rule or principle (whether of New York or any other jurisdiction) that might refer the governance or the construction of this Agreement to the law of another jurisdiction.

(b) Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF THE PARTIES HERETO IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT THEREOF. The Company or any Holder may file an original counterpart or a copy of this Section 4.9(b) with any court as written evidence of the consent of any of the parties hereto to the waiver of their rights to trial by jury.

(c) Jurisdiction. Each of the parties hereto (i) consents to submit itself to the personal jurisdiction of the courts of the State of New York located in the county and city of New York in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from such court, (iii) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the courts of the State of New York located in the county and city of New York and (iv) to the fullest extent permitted by law, consents to service being made through the notice procedures set forth in Section 4.4. Each party hereto hereby agrees that, to the fullest extent permitted by law, service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth in Section 4.4 shall be effective service of process for any suit or proceeding in connection with this Agreement or the transactions contemplated hereby

4.10. Interpretation; Construction.

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

(b) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

4.11. Counterparts. This Agreement may be executed in any number of separate counterparts each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

4.12. Severability. In the event that any provision of this Agreement shall be invalid, illegal or unenforceable, such provision shall be construed by limiting it so as to be valid, legal and enforceable to the maximum extent provided by law and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

4.13. Specific Performance. It is hereby agreed and acknowledged that it will be impossible to measure the money damages that would be suffered if the parties fail to comply with any of the obligations imposed on them by this Agreement and that, in the event of any such failure, an aggrieved party will be irreparably damaged and will not have an adequate remedy at law. Each party hereto shall, therefore, be entitled (in addition to any other remedy to which such party may be entitled at law or in equity) to injunctive relief, including specific performance, to enforce such obligations, without the posting of any bond, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law.

4.14. Further Assurances. Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

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COMPANY

COBALT INTERNATIONAL ENERGY, INC.

By: /s/ Joseph H. Bryant

[*Signature page to the Registration Rights Agreement*]

SPONSORS:

C/R COBALT INVESTMENT PARTNERSHIP, L.P.

By: CARLYLE/RIVERSTONE
ENERGY PARTNERS II, L.P.,
its general partner

By: C/R ENERGY GP II, LLC,
its general partner

By: /s/ Pierre F. Lapeyre, Jr
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

C/R ENERGY COINVESTMENT II, L.P.

By: CARLYLE/RIVERSTONE
ENERGY PARTNERS II, L.P.,
its general partner

By: C/R ENERGY GP II, LLC,
its general partner

By: /s/ Pierre F. Lapeyre, Jr
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

RIVERSTONE ENERGY COINVESTMENT III, L.P.

By: RIVERSTONE COINVESTMENT GP, LLC

By: RIVERSTONE HOLDINGS, LLC

By: /s/ Pierre F. Lapeyre, Jr
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

[*Signature page to the Registration Rights Agreement*]

CARLYLE ENERGY COINVESTMENT III, L.P.

By: CARLYLE ENERGY COINVESTMENT III GP, L.L.C.,
its general partner

By: TCG HOLDINGS, L.L.C.
its sole member

By: /s/ Daniel A. D'Aniello
Name: Daniel A. D'Aniello
Title: Managing Director

C/R ENERGY III COBALT PARTNERSHIP, L.P.

By: CARLYLE/RIVERSTONE ENERGY
PARTNERS III, L.P.,
its general partner

By: C/R ENERGY GP III, LLC,
its general partner

By: /s/ Pierre F. Lapeyre, Jr
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

CARLYLE/RIVERSTONE GLOBAL ENERGY AND POWER FUND III, L.P.

By: CARLYLE/RIVERSTONE
ENERGY PARTNERS III, L.P.,
its general partner

By: C/R ENERGY GP III, LLC,
its general partner

By: /s/ Pierre F. Lapeyre, Jr
Name: Pierre F. Lapeyre, Jr.
Title: Authorized Person

[*Signature page to the Registration Rights Agreement*]

GSCP V COBALT HOLDINGS, LLC

By: GS CAPITAL PARTNERS V FUND, L.P.,
its sole member

By: GSCP V ADVISORS, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GSCP V OFFSHORE COBALT HOLDINGS, LLC

By: GSCP V OFFSHORE COBALT
HOLDINGS, L.P.,
its sole member

By: GS CAPITAL PARTNERS V OFFSHORE FUND, L.P.,
its general partner

By: GSCP V OFFSHORE ADVISORS, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

[*Signature page to the Registration Rights Agreement*]

GS CAPITAL PARTNERS V INSTITUTIONAL, L.P.,

By: GS ADVISORS V, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GSCP V GMBH COBALT HOLDINGS, LLC

By: GSCP V GmbH Cobalt Holdings, L.P.,
its sole member

By: GSCP V GmbH Cobalt Holdings,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

[*Signature page to the Registration Rights Agreement*]

GSCP VI COBALT HOLDINGS, LLC

By: GS CAPITAL PARTNERS VI FUND, L.P.,
its sole member

By: GSCP VI ADVISORS, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

GSCP VI OFFSHORE COBALT HOLDINGS, LLC

By: GSCP VI OFFSHORE COBALT
HOLDINGS, L.P.,
its sole member

By: GS CAPITAL PARTNERS VI OFFSHORE FUND, L.P.,
its general partner

By: GSCP VI OFFSHORE ADVISORS, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

[*Signature page to the Registration Rights Agreement*]

GS CAPITAL PARTNERS VI PARALLEL, L.P.,

By: GS ADVISORS VI, L.L.C.,
its general partner

By: /s/ Kenneth Pontarelli

Name: Kenneth Pontarelli
Title: Managing Director

GSCP VI GMBH COBALT HOLDINGS, LLC

By: GSCP VI GmbH Cobalt Holdings, L.P.,
its sole member

By: GSCP VI GmbH Cobalt Holdings,
its general partner

By: /s/ Kenneth Pontarelli
Name: Kenneth Pontarelli
Title: Managing Director

[Signature page to the Registration Rights Agreement]

KERN COBALT CO-INVEST PARTNERS AP LP

By: KERN Cobalt Group Management, Ltd.,
its general partner

By: /s/ Jeffrey van Steenbergen
Name: Jeffrey van Steenbergen
Title: Director

[Signature page to the Registration Rights Agreement]

FIRST RESERVE FUND XI, L.P.

By: First Reserve GP XI, L.P.,
its general partner

By: First Reserve GP XI, Inc.,
its general partner

By: /s/ Kenneth W. Moore
Name: Kenneth W. Moore
Title: Managing Director

FR XI ONSHORE AIV L.P.

By: First Reserve GP XI, L.P.,
its manager

By: First Reserve GP XI, Inc.,
its general partner

By: /s/ Kenneth W. Moore
Name: Kenneth W. Moore
Title: Managing Director

MANAGEMENT:

/s/ Joseph H. Bryant
Joseph H. Bryant

/s/ Samuel H. Gillespie, III
Samuel H. Gillespie, III

/s/ James W. Farnsworth
James W. Farnsworth

/s/ James H. Painter
James H. Painter

/s/ Van P. Whitfield
Van P. Whitfield

/s/ Richard A. Smith
Richard A. Smith

/s/ John P. Wilkirson
John P. Wilkirson

/s/ Rodney L. Gray
Rodney L. Gray

[Signature page to the Registration Rights Agreement]

Schedule A

GSCP

GSCP V Cobalt Holdings, LLC
GSCP V Offshore Cobalt Holdings, LLC
GS Capital Partners V Institutional, L.P.
GSCP V GmbH Cobalt Holdings, LLC
GSCP VI Cobalt Holdings, LLC
GSCP VI Offshore Cobalt Holdings, LLC
GS Capital Partners VI Parallel, L.P.
GSCP VI GmbH Cobalt Holdings, LLC

85 Broad St, 10th Floor
New York, NY 10004
Attn: Ken Pontarelli

C/R

Riverstone Energy Coinvestment III, L.P.
Carlyle Energy Coinvestment III, L.P.
C/R Energy III Cobalt Partnership, L.P.
Carlyle/Riverstone Global Energy and Power Fund III, L.P.
C/R Energy Coinvestment II, L.P.
C/R Cobalt Investment Partnership, L.P.

c/o Riverstone Holdings LLC
712 Fifth Avenue, 51st Floor
New York, NY 10019
Attn: Greg Beard

First Reserve

First Reserve Fund XI, L.P. FR XI Onshore AIV L.P.	c/o First Reserve Corporation One Lafayette Place Greenwich, CT 06830 Attn: Alan G. Schwartz

KERN

KERN Cobalt Co-Invest Partners AP LP	100 Doll Block 116-8th Avenue Calagary, Alberta, Canada T26 0K4 Attn: Jeff van Steenbergen

Management

Joseph H. Bryant Samuel H. Gillespie, III James W. Farnsworth James H. Painter Van P. Whitfield Richard A. Smith John P. Wilkirson Rodney L. Gray	c/o Cobalt International Energy, L.P. Two Post Oak Central 1980 Post Oak Blvd., Suite 1200 Houston, TX 77056

Exhibit 21.1

Cobalt International Energy, Inc. Subsidiary List

Subsidiary	Jurisdiction of Formation
Cobalt International Energy GP, LLC	Delaware
Cobalt International Energy, L.P.	Delaware
Cobalt GOM LLC	Delaware
Cobalt GOM #1 LLC	Delaware
Cobalt GOM #2 LLC	Delaware
Cobalt International Energy Overseas Ltd.	Cayman Islands
Cobalt International Energy Angola Ltd.	Cayman Islands
CIE Angola Block 9 Ltd.	Cayman Islands
CIE Angola Block 20 Ltd.	Cayman Islands
CIE Angola Block 21 Ltd.	Cayman Islands
Cobalt International Energy Gabon Ltd.	Cayman Islands
CIE Gabon Diaba Ltd.	Cayman Islands

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Cobalt International Energy, Inc. Subsidiary List

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-164624) pertaining to the Cobalt International Energy, Inc. Non-Employee Directors Compensation Plan and Cobalt International Energy, Inc. Non-Employee Directors Deferral Plan, Form S-8 (No. 333-163883) pertaining to the Cobalt International Energy, Inc. Long Term Incentive Plan and Cobalt International Energy, L.P. Deferred Compensation Plan and Form S-3 (No. 333-171536) related to the Prospectus of Cobalt International Energy, Inc. for the registration of common stock, preferred stock, debt securities, warrants, purchase contracts and units, respectively, of our reports dated February 20, 2012, with respect to the consolidated financial statements of Cobalt International Energy, Inc. and the effectiveness of internal control over financial reporting of Cobalt International Energy, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2011.

/s/ Ernst & Young LLP
Houston, Texas
February 20, 2012

QuickLinks

EXHIBIT 31.1

Certification by Joseph H. Bryant
Pursuant to Securities Exchange Act Rule 13a-14(a)

I, Joseph H. Bryant, certify that:

1. I have reviewed this annual report on Form 10-K of Cobalt International Energy, Inc.;

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 functions):

   (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: February 21, 2012

/s/ JOSEPH H. BRYANT

Joseph H. Bryant

QuickLinks

EXHIBIT 31.2

Certification by John P. Wilkirson
Pursuant to Securities Exchange Act Rule 13a-14(a)

I, John P. Wilkirson, certify that:

1. I have reviewed this annual report on Form 10-K of Cobalt International Energy, Inc.;

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 functions):

   (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: February 21, 2012

/s/ JOHN P. WILKIRSON

John P. Wilkirson

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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 Annual Report on Form 10-K of Cobalt International Energy, Inc. (the "Company") for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Joseph H. Bryant, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

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

Date: February 21, 2012

/s/ JOSEPH H. BRYANT

Joseph H. Bryant
Chairman of the Board of Directors and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Cobalt International Energy, Inc. and will be retained by Cobalt International Energy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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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 Annual Report on Form 10-K of Cobalt International Energy, Inc. (the "Company") for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), John P. Wilkirson, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

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

Date: February 21, 2012

/s/ JOHN P. WILKIRSON

John P. Wilkirson
Chief Financial Officer and Executive Vice President

A signed original of this written statement required by Section 906 has been provided to Cobalt International Energy, Inc. and will be retained by Cobalt International Energy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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