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

## FORM 10–Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended June 30, 2017**
**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**<br>**(State or other jurisdiction of incorporation or organization)** | **27-0821169**<br>**(I.R.S. Employer Identification No.)** |
| **Cobalt Center**<br>**920 Memorial City Way, Suite 100**<br>**Houston, Texas**<br>**(Address of principal executive offices)** | **77024**<br>**(Zip code)** |

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

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

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

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

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

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

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

Number of shares of the registrant's common stock outstanding at June 30, 2017: 29,887,931 shares (after adjustment for a one–for–fifteen reverse stock split effected on June 16, 2017).

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## CAUTIONARY NOTE REGARDING FORWARD–LOOKING STATEMENTS

This Quarterly Report on Form 10–Q contains forward–looking statements within the meaning of the federal securities laws including, but not limited to, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act (each a "forward–looking statement"). We have based our forward–looking statements 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 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 risk factors identified in the "Risk Factors" section included in Item 1A of our Annual Report on Form 10–K for the year ended December 31, 2016, may have a material adverse effect on our results as indicated in forward–looking statements. You should read this Quarterly Report on Form 10–Q 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 forward–looking statements may be influenced by the following factors, among others:

- our liquidity and ability to finance our exploration, appraisal, development, and acquisition activities and continue as a going concern;
- our ability to sell our interests in the U.S. Gulf of Mexico, Blocks 20 and 21 offshore Angola, or other assets on acceptable terms;
- the availability and cost of financing, and refinancing, our indebtedness;
- the financial and operational implications of the termination of the purchase and sale agreement with Sociedade Nacional de Combustiveis de Angola–Empresa Publica ("Sonangol") for the sale of our working interest in Blocks 20 and 21 offshore Angola, including the outcome of our Angolan arbitration proceedings;
- our ability to evaluate and execute upon potential strategic alternatives and initiatives to improve liquidity;
- our ability to meet our obligations under the agreements governing our current or any future indebtedness;
- our ability to maintain the listing of our common stock on the New York Stock Exchange or another national securities exchange;
- volatility and extended depression of oil and natural gas prices;
- our ability to successfully and efficiently execute our project appraisal, development and exploration activities;
- projected and targeted capital expenditures and other costs and commitments;
- lack or delay of partner, government and regulatory approvals related to our business or required pursuant to agreements to which we are party;
- changes in environmental, safety, health, climate change or greenhouse gas laws and regulations or the implementation or interpretation of those laws and regulations;
- current and future government regulation of the oil and natural gas industry and our operations;
- oil and natural gas production rates on our properties that are currently producing oil and natural gas;
- uncertainties inherent in making estimates of our oil and natural gas data;
- our and our partners' ability to obtain permits to drill and develop our properties;

- termination of or intervention in concessions, licenses, permits, rights or authorizations granted by the United States, Angolan and Gabonese governments to us;
- our dependence on our key management personnel and our ability to attract and retain qualified personnel;
- our ability to find, acquire or gain access to new 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 oil and natural gas transportation and infrastructure;
- military operations, civil unrest, disease, piracy, 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 the ability to collect under our insurance policies;
- the results or outcome of any legal proceedings or investigations; and
- other risk factors discussed in the "Risk Factors" section of our Annual Report on Form 10–K for the year ended December 31, 2016 that was filed with the Securities and Exchange Commission on March 14, 2017.

The words "anticipate," "believe," "may," "will," "aim," "estimate," "continue," "intend," "could," "expect," "plan," "project" and other similar expressions, and the negative thereof, are intended to identify forward–looking statements. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other "forward–looking" information. The 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. All of our forward–looking information involve risks and uncertainties that could cause actual results to differ materially from the results expected. Although it is not possible to identify all factors, these risks and uncertainties include the risk factors and the timing of any of the risk factors identified in the "Risk Factors" section included in Item 1A of our Annual Report on Form 10–K for the year ended December 31, 2016.

## PART I—FINANCIAL INFORMATION

**Item 1. Financial Statements.**

**COBALT INTERNATIONAL ENERGY, INC.**

**Cobalt International Energy, Inc.**
**Condensed Consolidated Balance Sheets**
***(In thousands, except number of shares and par value amounts)***
***(Unaudited)***

| | | June 30, 2017 | | December 31, 2016 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ | 191,608 | $ | 613,534 |
| Restricted cash | | 11,274 | | 2,517 |
| Joint interest and other receivables | | 195,260 | | 167,573 |
| Other current assets | | 16,506 | | 23,149 |
| Investments | | 383,766 | | 340,418 |
| Total current assets | | 798,414 | | 1,147,191 |
| | | | | |
| Oil and natural gas properties, net of accumulated depletion of $38,459 and $20,204 as of June 30, 2017 and December 31, 2016, respectively | | 961,849 | | 1,078,885 |
| Other property, net of accumulated depreciation and amortization of $9,143 and $8,426, as of June 30, 2017 and December, 31, 2016, respectively | | 3,185 | | 3,902 |
| Other assets | | 10,900 | | 500 |
| Total assets | $ | 1,774,348 | $ | 2,230,478 |
| | | | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| Current liabilities: | | | | |
| Trade and other accounts payable | $ | 33,187 | $ | 36,954 |
| Accrued liabilities | | 172,991 | | 227,418 |
| Accrued contract amendment costs | | — | | 19,582 |
| Angolan preliminary consideration | | 250,000 | | 250,000 |
| Total current liabilities | | 456,178 | | 533,954 |
| | | | | |
| Long-term debt | | 2,481,014 | | 2,479,349 |
| Long-term derivative liabilities | | 153,763 | | 50,123 |
| Asset retirement obligations | | 8,190 | | 6,523 |
| Other long-term liabilities | | 1,735 | | 1,863 |
| | | | | |
| Commitments and contingencies | | | | |
| | | | | |
| Stockholders' equity: | | | | |
| Common stock, $0.01 par value per share; 133,333,333 shares authorized, 29,528,008 and 29,422,864 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively | | 295 | | 294 |
| Additional paid-in capital | | 4,230,728 | | 4,223,729 |
| Accumulated deficit | | (5,557,555) | | (5,065,357) |
| Total stockholders' equity | | (1,326,532) | | (841,334) |
| Total liabilities and stockholders' equity | $ | 1,774,348 | $ | 2,230,478 |

See accompanying notes to unaudited condensed consolidated financial statements.

**Cobalt International Energy, Inc.**
**Condensed Consolidated Statements of Operations**
***(In thousands, except per share data)***
***(Unaudited)***

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Oil, natural gas and natural gas liquids revenues | $ 13,749 | $ 3,173 | $ 23,616 | $ 4,809 |
| Operating costs and expenses: | | | | |
| Seismic and exploration costs | 14,064 | 9,428 | 21,083 | 15,491 |
| Dry hole costs and impairments | 42,486 | 155,814 | 279,591 | 155,389 |
| Lease operating expenses | 3,035 | 1,702 | 5,733 | 2,658 |
| General and administrative expenses | 27,698 | 22,864 | 46,624 | 51,320 |
| Accretion expense | 297 | 102 | 587 | 204 |
| Depreciation, depletion and amortization | 10,093 | 4,289 | 18,972 | 7,459 |
| Total operating costs and expenses | 97,673 | 194,199 | 372,590 | 232,521 |
| Operating loss | (83,924) | (191,026) | (348,974) | (227,712) |
| Other (expense) income, net: | | | | |
| Other income | 10,762 | — | 10,701 | 4,375 |
| Loss on embedded derivatives | (72,436) | — | (70,530) | — |
| Interest income | 1,771 | 1,453 | 3,205 | 2,791 |
| Interest expense | (41,741) | (15,974) | (86,225) | (31,616) |
| Total other expense, net | (101,644) | (14,521) | (142,849) | (24,450) |
| Net loss | $ (185,568) | $ (205,547) | $ (491,823) | $ (252,162) |
| Basic and diluted loss per share | $ (6.28) | $ (7.52) | $ (16.68) | $ (9.23) |
| Weighted average common shares outstanding (basic and diluted) | 29,526 | 27,338 | 29,494 | 27,316 |

See accompanying notes to unaudited condensed consolidated financial statements.

**Cobalt International Energy, Inc.**
**Condensed Consolidated Statement of Changes in Stockholders' Equity**
***(In thousands)***
***(Unaudited)***

| | Common Stock | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|
| Balance, December 31, 2016 | $ 294 | $ 4,223,729 | $ (5,065,357) | $ (841,334) |
| Cumulative effect of change in accounting for equity based compensation | — | 375 | (375) | — |
| Equity based compensation | — | 6,625 | — | 6,625 |
| Issuance of common stock | 1 | (1) | — | — |
| Net loss | — | — | (491,823) | (491,823) |
| Balance, June 30, 2017 | $ 295 | $ 4,230,728 | $ (5,557,555) | $ (1,326,532) |

See accompanying notes to unaudited condensed consolidated financial statements.

**Cobalt International Energy, Inc.**
**Condensed Consolidated Statements of Cash Flows**
***(In thousands)***
***(Unaudited)***

| | Six Months Ended June 30, | |
|---|---|---|
| | **2017** | **2016** |
| Cash flows from operating activities: | | |
| Net loss | $ (491,823) | $ (252,162) |
| Adjustments to reconcile net loss to net cash flows used in operating activities: | | |
| Dry hole costs and impairments | 279,591 | 155,389 |
| Equity based compensation | 6,553 | 2,826 |
| Accretion expense | 587 | 204 |
| Depreciation, depletion and amortization | 18,972 | 7,459 |
| Loss on embedded derivatives | 70,530 | — |
| Amortization of premium on investment securities | 259 | 519 |
| Amortization of debt discount and debt issuance costs | 25,907 | 52,420 |
| Other | (128) | — |
| Changes in operating assets and liabilities: | | |
| Joint interest and other receivables | (26,242) | 3,171 |
| Other current assets | 6,717 | 12,265 |
| Trade and other accounts payable | (4,540) | 22,496 |
| Accrued liabilities | (18,088) | (63,062) |
| Accrued contract amendment costs | (19,582) | — |
| Other | — | 7,152 |
| Net cash flows used in operating activities | (151,287) | (51,323) |
| Cash flows from investing activities: | | |
| Additions to oil and natural gas properties | (206,430) | (391,313) |
| Capital expenditures for other property | — | (3,432) |
| Proceeds from maturity of investment securities | 345,829 | 1,571,724 |
| Purchase of investment securities | (390,881) | (1,039,870) |
| Net cash flows (used in) provided by investing activities | (251,482) | 137,109 |
| Cash flows from financing activities | — | — |
| (Decrease) increase in cash, cash equivalents and restricted cash | (402,769) | 85,786 |
| Cash, cash equivalents and restricted cash — beginning of year | 616,051 | 138,886 |
| Cash, cash equivalents and restricted cash — end of period | $ 213,282 | $ 224,672 |

See accompanying notes to unaudited condensed consolidated financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### General

Cobalt International Energy, Inc., together with its wholly–owned subsidiaries ("we," "our" or "us") is an independent exploration and production company with operations in the deepwater U.S. Gulf of Mexico and offshore Angola and Gabon in West Africa. We operate in one reportable segment as our chief operating decision maker, the Chief Executive Officer, assesses performance and allocates resources based on the consolidated results of our business.

### Liquidity and Going Concern

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The unaudited condensed consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Although we commenced initial production from our Heidelberg project in January 2016, our ongoing capital and operating expenditures will vastly exceed the revenue we expect to receive from our oil and natural gas operations for the foreseeable future. In order to grow production, we need to develop our discoveries into producing oil and natural gas properties, which will require that we raise substantial additional funding. If we are unable to raise substantial additional funding on a timely basis or on acceptable terms, we may be required to significantly curtail our exploration, appraisal and development activities or sell assets.

In assessing whether there is substantial doubt about our ability to continue as a going concern, we considered our projected cash inflows and outflows as well as any cash related covenants associated with our financing structure. The indentures governing our 10.75% first lien notes due 2021 (the "First Lien Notes") and our 7.75% second lien notes due 2023 (the "Second Lien Notes") (collectively, the "Secured Notes") contain certain covenants including the maintenance of a minimum consolidated cash balance (as defined in such indenture) of at least $200.0 million. If we are unsuccessful in our current marketing efforts with respect to the sale of our Gulf of Mexico assets and do not make or receive any payments to or from Sonangol, we expect our projected cash balance would be out of compliance with the minimum consolidated cash balance covenant during the first quarter of 2018. Thus, we have concluded that there is substantial doubt about our ability to continue as a going concern.

Our ability to continue as a going concern is subject to, among other factors, (i) our ability to monetize assets, obtain financing or refinance existing indebtedness and continue our cost cutting efforts; (ii) the production rates achieved from Heidelberg; (iii) oil and natural gas prices; (iv) the number of commercially viable hydrocarbon discoveries made and the quantities of hydrocarbons discovered; (v) the speed and cost with which we can bring such discoveries to production; (vi) whether and to what extent we invest in additional oil leases and concessional licenses; and (vii) the actual cost of exploration, appraisal and development of our prospects.

There can be no assurance that we will be able to obtain additional funding on satisfactory terms or at all. In addition, no assurance can be given that any such financing, if obtained, will be adequate to meet our capital needs and support our growth. If additional funding cannot be obtained on a timely basis and on satisfactory terms, then our operations would be materially negatively impacted.

Marketing efforts with respect to our Gulf of Mexico assets continue. We expect these efforts to conclude in late third quarter of 2017.

If we become unable to continue as a going concern, we may find it necessary to file a voluntary petition for reorganization under the Bankruptcy Code in order to provide us additional time to identify an appropriate solution to our financial situation and implement a plan of reorganization aimed at improving our capital structure.

**Basis of Presentation**

Our unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. We believe that the presentations and disclosures herein are adequate to make the information not misleading. The unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) for a fair presentation of the interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in Item 8 of our Annual Report on Form 10–K for the year ended December 31, 2016.

On June 16, 2017, we effected a one–for–fifteen reverse stock split of our common stock through an amendment to our second amended and restated certificate of incorporation. As of the effective time of the reverse stock split, every 15 shares of issued and outstanding common stock were converted into one share of common stock, without any change in par value. The amendment to our second amended and restated certificate of incorporation also reduced the number of our authorized shares of common stock from 2.0 billion shares to 133.3 million shares. No fractional shares were issued in connection with the reverse stock split. Instead, each fractional share was rounded up to the nearest whole share of common stock. However, any fractional shares resulting from adjustments to the number of shares underlying stock options and stock appreciation rights were rounded down to the nearest whole share of common stock. All references to shares of common stock, all per share data and all equity compensation activity for all periods presented in the unaudited condensed consolidated financial statements and notes to the unaudited condensed consolidation financial statements have been adjusted to reflect the reverse stock split on a retroactive basis.

All intercompany accounts and transactions have been eliminated in consolidation. In the Notes to Unaudited Condensed Consolidated Financial Statements, all dollar and share amounts in tabulations are in thousands of dollars and shares, respectively, unless otherwise indicated.

**Recently Issued Accounting Standards**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014–09, *Revenue from Contracts with Customers.* This ASU superseded virtually all of the revenue recognition guidance in generally accepted accounting principles in the United States. The core principle of the five–step model is that an entity will recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. Entities can choose to apply the standard using either the full retrospective approach or a modified retrospective approach. The provisions of ASU 2014–09 are applicable to annual reporting periods beginning after December 15, 2017 and interim periods within those annual periods. We plan to adopt ASU 2014-09 as of January 1, 2018 using the modified retrospective method with the cumulative effect, if any, of initial adoption to be recognized at the date of initial application. We do not expect the adoption to have a material impact on our unaudited condensed consolidated financial statements, but we continue to analyze ASU 2014–09 in order to finalize implementation and determine the impact on our unaudited condensed consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current accounting guidance, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily depends on its classification as a finance or operating lease. However, unlike current accounting guidance, which requires only capital leases to be recognized on the balance sheet, ASU 2016–02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 will also require disclosures to help investors and other financial statement users to better understand the amount, timing and uncertainty of cash flows arising from leases. Although ASU 2016–02 does not apply to leases for oil and natural gas properties, it does apply to equipment used to explore and develop oil and natural gas resources. ASU 2016–02 is effective for annual and interim periods beginning after December 15, 2018 and is to be applied using the modified retrospective approach. We plan to adopt ASU 2016–02 effective January 1, 2019 and are currently evaluating the impact on our unaudited condensed consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation*. This ASU simplifies several aspects of the accounting for employee share–based payment transactions, including the accounting for income taxes, forfeitures and statutory withholding requirements, as well as classification in the statement of cash flows. We adopted ASU 2016–09 on January 1, 2017 and elected to change our policy to account for forfeitures as they occur rather than by applying an estimated forfeiture rate at the time of grant. As a result, we recorded a $0.4 million cumulative effect adjustment to beginning accumulated deficit and additional paid in capital on January 1, 2017. Prior periods have not been retrospectively adjusted. There was no cumulative effect adjustment for previously unrecognized excess tax benefits as the related deferred tax assets were fully offset by a valuation allowance.

In November 2016, the FASB issued ASU 2016–18, *Statement of Cash Flows*, which requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning–of–period and end–of–period total amounts shown on the statement of cash flows. The provisions of ASU 2016–18 are effective for annual and interim periods beginning after December 15, 2017. We elected to early adopt the provisions of ASU 2016–18 on December 31, 2016, which required that we apply the guidance on a retrospective basis, wherein our unaudited condensed consolidated statements of cash flows was adjusted to reflect the effects of applying the guidance. The following table shows the effects of applying the guidance:

| | Prior to Adoption (1) | After Adoption |
|---|---|---|
| Six months ended June 30, 2016: | | |
| Amortization of premium on investments | $ 742 | $ 519 |
| Joint interest and other receivables | 2,834 | 3,171 |
| Net cash flows used in operating activities | (51,437) | (51,323) |
| Change in restricted funds | 14,489 | — |
| Proceeds from maturity of investment securities | 1,166,266 | 1,571,724 |
| Purchase of investment securities | (639,556) | (1,039,870) |
| Net cash flows provided by investing activities | 146,454 | 137,109 |
| Increase in cash, cash equivalents and restricted cash | 95,017 | 85,786 |

(1) Amounts are after reclassification of Angolan operations to no longer reflect these operations as discontinued.

In May 2017, the FASB issued ASU 2017–09, *Compensation – Stock Compensation*, which provides guidance about which changes to the terms or conditions of a share–based payment award require an entity to apply modification accounting in Topic 718. Under ASU 2017–09, an entity should not apply modification accounting (i) if the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (ii) if the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (iii) the classification of the modified award is the same as the classification of the original award immediately before the original award is modified. The provisions of ASU 2017–09 are effective for annual and interim periods beginning after December 15, 2017 and is to be applied prospectively to an award modified on or after the adoption date.

No other new accounting pronouncements issued or effective during the six months ended June 30, 2017 had or are expected to have a material impact on our unaudited condensed consolidated financial statements.

**NOTE 2. INVESTMENTS**

Our investments in held–to–maturity securities consist of the following:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Corporate securities | $ 234,957 | $ 227,854 |
| Commercial paper | 198,763 | 292,466 |
| U.S. Treasury securities | — | 161,778 |
| Total | $ 433,720 | $ 682,098 |

These investments are recorded in our unaudited condensed consolidated balance sheets as follows:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Cash and cash equivalents | $ 49,954 | $ 341,680 |
| Short-term investments (1) | 383,766 | 340,418 |
| | $ 433,720 | $ 682,098 |

(1) As of December 31, 2016, $9.1 million of these investments served as collateral for certain of our obligations.

At June 30, 2017 and December 31, 2016, the contractual maturities of our investments were within one year. Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

**NOTE 3. FAIR VALUE MEASUREMENTS**

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets or liabilities. Level 2 refers to fair values determined based on quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration. Level 3 refers to fair values determined based on unobservable inputs used in the measurement of assets and liabilities at fair value.

**Recurring Basis**

The following tables presents the fair value hierarchy for our liabilities that are required to be measured at fair value on a recurring basis:

| | | Fair Value Measurements at the End of the Reporting Period | | |
|---|---|---|---|---|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| As of June 30, 2017: | | | | |
| Embedded derivative liabilities: | | | | |
| 10.75% first lien notes due 2021 | $ 18,729 | $ — | $ — | $ 18,729 |
| 7.75% second lien notes due 2023 | 135,034 | — | — | 135,034 |
| Total | $ 153,763 | $ — | $ — | $ 153,763 |
| As of December 31, 2016: | | | | |
| Embedded derivative liabilities: | | | | |
| 10.75% first lien notes due 2021 | $ 27,012 | $ — | $ — | $ 27,012 |
| 7.75% second lien notes due 2023 | 23,111 | — | — | 23,111 |
| Total | $ 50,123 | $ — | $ — | $ 50,123 |

The fair values of these embedded derivatives were estimated using the "with" and "without" method. Using this methodology, the First Lien Notes and the Second Lien Notes were first valued with the embedded derivatives (the "with" scenario) and subsequently valued without the embedded derivative (the "without" scenario). The fair values of the embedded derivatives were estimated as the difference between the fair values of the First Lien Notes and Second Lien Notes in the "with" and "without" scenarios. The fair values of the First Lien Notes and Second Lien Notes in the "with" and "without" scenarios were estimated using a risk–neutral probability of default model. Significant Level 3 assumptions used in the valuation of the embedded derivatives were the fair values of our long–term debt, the expected recovery rates, the risk–neutral probability of default and the risk–free rates.

The reconciliation of changes in the fair value of our embedded derivatives is as follows:

| | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2017 |
|---|---|---|
| Beginning of period | $ 54,117 | $ 50,123 |
| Issuance of additional 7.75% second lien notes due 2023 | 27,210 | 33,110 |
| Change in fair value | 72,436 | 70,530 |
| End of period | $ 153,763 | $ 153,763 |

**Financial Instruments**

The estimated fair values of our financial instruments have been determined at discrete points in time based on relevant market information. Our financial instruments consist of cash and cash equivalents, joint interest and other receivables, held–to–maturity investments, accounts payable and accrued liabilities. The carrying amounts of our financial instruments, other than held–to–maturity–investments and long–term debt, approximate fair value because of the short–term nature of the items.

There were no significant unrecognized holding gains or losses related to our held–to–maturity investments as of June 30, 2017 and December 31, 2016. Accordingly, the carrying value of our held–to–maturity investments approximates their fair value. Our held–to–maturity investments are not traded on a public exchange and the fair value of these investments is based on inputs using valuations obtained from independent brokers. As these valuations use readily observable market parameters that are actively quoted and can be validated through external sources, we have categorized these investments as Level 2.

The estimated fair values of our long–term debt are as follows:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| 10.75% first lien notes due 2021 | $ 473,125 | $ 482,250 |
| 7.75% second lien notes due 2023 | 566,681 | 327,449 |
| 2.625% convertible senior notes due 2019 | 162,148 | 305,378 |
| 3.125% convertible senior notes due 2024 | 157,379 | 332,344 |
| | $ 1,359,333 | $ 1,447,421 |

The fair values of our long–term debt were estimated using quoted market prices. As these valuations use quoted prices in active markets for identical assets or liabilities, we have categorized the long–term debt as Level 1.

**NOTE 4. OIL AND NATURAL GAS PROPERTIES**

Oil and natural gas properties consist of the following:

| | | June 30, 2017 | | December 31, 2016 |
|---|---|---|---|---|
| Proved oil and natural gas properties: | | | | |
| Well and development costs | $ | 128,849 | $ | 118,245 |
| Accumulated depletion | | (38,459) | | (20,204) |
| Total proved oil and natural gas properties | | 90,390 | | 98,041 |
| | | | | |
| Unproved oil and natural gas properties: | | | | |
| Oil and natural gas leaseholds | | 594,945 | | 651,295 |
| Accumulated valuation allowance | | (491,271) | | (507,198) |
| | | 103,674 | | 144,097 |
| Exploratory wells | | 767,785 | | 836,747 |
| Total unproved oil and natural gas properties | | 871,459 | | 980,844 |
| | | | | |
| Total oil and natural gas properties, net | $ | 961,849 | $ | 1,078,885 |

**Capitalized Exploratory Well Costs**

Costs for exploratory wells that find reserves that cannot yet be classified as proved are capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well and we are making sufficient progress assessing the reserves and the economic and operating viability of the project. Often, the ability to move into the development phase and record proved reserves is dependent on obtaining permits and government or partner approvals, the timing of which is ultimately beyond our control. Exploratory well costs remain suspended as long as we are actively pursuing such approvals and permits, and believe they will be obtained. For complex exploratory projects, it is not unusual to have exploratory wells remain suspended on the balance sheet for several years while additional appraisal drilling and seismic work is performed on the field or while we seek government or partner approval of development plans. Our assessment of suspended exploratory well costs is continuous until a determination is made to either sanction the project or to expense the well costs as dry hole costs as sufficient progress has not been made in assessing the reserves and the economic and operating viability of the project.

The net changes in the costs of capitalized exploratory wells (excluding any related leasehold costs) are as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Balance as of January 1 | $ | 836,747 | $ | 1,727,181 |
| Additions to capitalized exploration | | | | |
| Exploratory well costs | | 139,398 | | 343,543 |
| Capitalized interest | | 29,513 | | 60,267 |
| Amounts charged to expense (1) | | (237,873) | | (110,209) |
| Balance as of June 30 | $ | 767,785 | $ | 2,020,782 |

(1) Amounts represent dry hole costs related to exploratory wells which did not encounter commercial hydrocarbons or where it was determined that sufficient progress was not being made. Of the $237.9 million in 2017, $236.4 million relates to our Shenandoah discovery which was written off following the suspension of appraisal activity by the operator. Of the $110.2 million in 2016, $107.5 million relates to the Goodfellow #1 exploratory well and sidetrack.

As of June 30, 2017, capitalized exploratory wells costs of $467.9 million associated with our North Platte, Anchor and Diaman discoveries have been suspended for a period greater than one year after completion of drilling. As of December 31, 2016, capitalized exploratory well costs of $609.9 million associated with our North Platte, Anchor, Shenandoah and Diaman discoveries have been suspended for a period greater than one year after completion.

These 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. We believe these discoveries exhibit sufficient indications of hydrocarbons to justify potential development and are 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 discoveries, the associated costs will be expensed at that time.

**NOTE 5. LONG–TERM DEBT, NET**

Long–term debt, net consisted of the following:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| 10.75% first lien notes due 2021: | | |
| Principal outstanding | $ 500,000 | $ 500,000 |
| Unamortized discount (1) | (31,806) | (34,416) |
| Carrying amount | 468,194 | 465,584 |
| 7.75% second lien notes due 2023: | | |
| Principal outstanding | 934,732 | 584,732 |
| Unamortized discount (2) | (20,543) | (54,856) |
| Carrying amount | 914,189 | 529,876 |
| 2.625% convertible senior notes due 2019: | | |
| Principal outstanding | 619,167 | 763,446 |
| Unamortized discount and debt issuance costs (3) | (75,169) | (109,689) |
| Carrying amount | 543,998 | 653,757 |
| 3.125% convertible senior notes due 2024: | | |
| Principal outstanding | 786,895 | 1,204,145 |
| Unamortized discount and debt issuance costs (4) | (232,262) | (374,013) |
| Carrying amount | 554,633 | 830,132 |
| Total | $ 2,481,014 | $ 2,479,349 |

(1) Effective interest rate of 12.6%
(2) Effective interest rate of 8.2%
(3) Effective interest rate of 8.2%
(4) Effective interest rate of 8.9%

In the six months ended June 30, 2017, we consummated three follow–on debt exchange transactions (the "Transactions") with certain holders (the "Holders") of our outstanding 2.625% convertible senior notes due 2019 (the "2019 Notes") and 3.125% convertible senior notes due 2024 (the "2024 Notes") whereby we issued an aggregate principal amount of $350.0 million in additional Second Lien Notes in exchange for $144.3 million aggregate principal amount of the 2019 Notes and $417.2 million aggregate principal amount of the 2024 Notes held by the Holders. We have fully utilized the availability under our senior secured indentures to issue additional second lien secured indebtedness.

Our Secured Notes have requirements to pay an applicable premium upon a change in control or an event of default and also have a requirement to repay amounts outstanding using the proceeds from an asset sale. These requirements were determined to be an embedded derivative that requires us to bifurcate and fair value the derivative as of the date of each of the Transactions and to fair value the derivative as of each subsequent reporting date (see Note 3). As of June 30, 2017, we recognized additional derivative liabilities of $33.1 million for our Second Lien Notes, which decreased the carrying value of these notes.

We accounted for the Transactions as troubled debt restructurings. We did not recognize any gain or loss on the Transactions and have prospectively adjusted the effective interest rates on the 2019 Notes and 2024 Notes. Costs related to the Transactions totaled $3.0 million and are included in "General and administrative expenses" in our unaudited condensed consolidated statements of operations.

**NOTE 6. COMMITMENTS AND CONTINGENCIES**

We are currently, and from time to time we may become, involved in various legal and regulatory proceedings arising in the normal course of business.

In November 2014, two purported stockholders, St. Lucie County Fire District Firefighters' Pension Trust Fund and Fire and Police Retiree Health Care Fund, San Antonio, filed a class action lawsuit in the U.S. District Court for the Southern District of Texas on behalf of a putative class of all purchasers of our securities from February 21, 2012 through November 4, 2014 (the "St. Lucie lawsuit"). The St. Lucie lawsuit, filed against us and certain officers, former and current members of the Board of Directors, underwriters, and investment firms and funds, asserted violations of federal securities laws based on alleged misrepresentations and omissions in SEC filings and other public disclosures, primarily regarding compliance with the U.S. Foreign Corrupt Practices Act ("FCPA") in our Angolan operations and the performance of certain wells offshore Angola.

In December 2014, Steven Neuman, a purported stockholder, filed a substantially similar lawsuit against us and certain of our officers in the U.S. District Court for the Southern District of Texas on behalf of a putative class of all purchasers of our securities from February 21, 2012 through August 4, 2014 (the "Neuman lawsuit"). Like the St. Lucie lawsuit, the Neuman lawsuit asserted violations of federal securities laws based on alleged misrepresentations and omissions in SEC filings and other public disclosures regarding our compliance with the FCPA in our Angolan operations.

In March 2015, the Court entered an order consolidating the Neuman lawsuit with the St. Lucie lawsuit (the "Consolidated Action") and also entered an order in the Consolidated Action appointing Lead Plaintiffs and Lead Counsel. Lead Plaintiffs filed their consolidated amended complaint in May 2015. Among other remedies, the Consolidated Action seeks damages in an unspecified amount, along with an award of attorney fees and other costs and expenses to the plaintiffs. We filed a motion to dismiss the consolidated amended complaint in June 2015, and the other defendants also filed motions to dismiss. The Court denied our motion to dismiss in January 2016, and, in March 2016, the Court also denied our motion requesting that the Court certify its order on the motions to dismiss so that we may seek interlocutory appellate review of the order. In June 2017, the Court certified a class of all persons and entities who purchased or otherwise acquired our securities between March 1, 2011 and November 3, 2014. In July 2017, we filed a petition for permission to file an interlocutory appeal challenging the class certification order. On August 4, 2017, the Fifth Circuit Court of Appeals granted our petition for permission to file the interlocutory appeal. The matter remains ongoing.

In May 2016, Gaines, a purported stockholder, filed a derivative action in the 295th District Court in Harris County, Texas against us, as a nominal defendant, certain of our current and former officers and directors, and certain investment firms and funds. The lawsuit alleges that current and former officers and directors breached their fiduciary duties by making, and permitting us to make, alleged misrepresentations about two of our exploration wells offshore Angola; that certain officers received performance-based compensation in excess of what they were entitled; and that the investment firms and funds owed a fiduciary duty to us as controlling stockholders and breached that duty by engaging in insider trading. The lawsuit further alleges that demand was wrongfully refused. The plaintiff asserts claims for breach of fiduciary duty and unjust enrichment and seeks damages in an unspecified amount, disgorgement of profits, appropriate equitable relief, and an award of attorney fees and other costs and expenses. In July 2016, we filed our answer and special exceptions challenging the plaintiff's standing to bring such claims against us. The Court heard arguments on our special exceptions in December 2016. The matter remains ongoing.

In November 2016, McDonaugh, a purported stockholder, filed a derivative action in the 80th District Court in Harris County, Texas against us, as a nominal defendant, and certain of our current and former officers and directors. The lawsuit alleges that defendants breached their fiduciary duties by failing to maintain adequate internal controls and by permitting or failing to prevent alleged misrepresentations and omissions in our SEC filings and other public disclosures, including in relation to compliance with the FCPA in our Angolan operations and regarding the performance of certain wells offshore Angola. The lawsuit also alleges that defendants received compensation or other benefits in excess of what they were entitled and that certain officers and directors engaged in unlawful trading and misappropriation of information. The lawsuit further alleges that demand was wrongfully refused. The plaintiff asserts claims for breach of fiduciary duty and unjust enrichment and seeks damages in an unspecified amount, reform of our governance and internal controls, restitution and disgorgement of profits, and an award of attorney fees and other costs and expenses. We filed our answer and special exceptions challenging the plaintiff's standing to bring such claims against us in January 2017. The matter remains ongoing.

In April 2017, Hafkey, a purported stockholder, filed a derivative action in the 295th District Court in Harris County, Texas against us, as a nominal defendant, and certain of our current and former officers and directors. The lawsuit alleges that current and former officers and directors breached their fiduciary duties by making, and permitting us to make, alleged misrepresentations about two of our exploratory wells offshore Angola; that certain directors caused us to waste corporate assets; and that certain officers received performance–based compensation in excess of what they were entitled. The lawsuit further alleges that demand was wrongfully refused. The plaintiff asserts claims for breach of fiduciary duty, corporate waste, and unjust enrichment and seeks damages in an unspecified amount, disgorgement of profits, appropriate equitable relief, and an award of attorney fees and other costs and expenses. We filed our answer and special exceptions challenging the plaintiff's standing to bring such claims against us in June 2017. The matter remains ongoing.

In May 2016, we filed suit against XL Specialty Insurance Company ("XL") in Harris County District Court in Houston, Texas. We assert XL improperly denied coverage for insurance claims made in July 2012 and other claims subsequently submitted to them in connection with our defending against the St. Lucie lawsuit and other investigations and actions. In December 2016, we amended our petition to add Axis Insurance Company ("Axis"). Axis provides coverage in excess of the XL policy's limit of liability. We allege breach of contract, violation of the Texas Prompt Payment of Claims Act, and seek a declaratory judgment that XL and Axis are obligated to pay any additional loss suffered by us due to the circumstances, investigation, and claims described in the suit. In December 2016, we also amended our petition to add claims against Illinois National Insurance Company, an AIG subsidiary ("AIG"), which served as our insurer after XL. Against AIG, we allege breach of contract, violation of the Texas Prompt Payment of Claims Act, violation of the Texas Deceptive Trade Practices-Consumer Protection Act, and seek a declaratory judgment that AIG is obligated to pay any additional loss suffered by us due to the circumstances, investigations, and actions related to the Lontra and/or Loengo wells. In April 2017, we and certain of our current and former officers and directors settled claims against XL pursuant to which XL paid $11.5 million. We continue to pursue our claims against both Axis and AIG.

The settlement is included in "Other income" in our unaudited condensed consolidated statements of operations for the three months and the six months ended June 30, 2017. Of the $11.5 million, $10.4 million is being held in escrow for the benefit of the insured persons under the XL policy. This restricted cash is included in "Other assets" in our unaudited condensed consolidated balance sheets.

We are vigorously defending against the current lawsuits and do not believe they will have a material adverse effect on our business. However, we cannot predict the occurrence or outcome of these proceedings with certainty, and if we are unsuccessful in these litigations and any loss exceeds our available insurance, this could have a material adverse effect on our results of operations.

On March 8, 2017, we submitted a Notice of Dispute to Sonangol pursuant to the purchase and sale agreement (the "Agreement") for the sale by us to Sonangol of the entire issued and outstanding share capital of our indirect wholly–owned subsidiaries, CIE Angola Block 20 Ltd. and CIE Angola Block 21 Ltd., which respectively hold our 40% working interest in each of Block 20 and Block 21 offshore Angola. Subsequently, we filed a Request for Arbitration ("RFA") with the International Chamber of Commerce ("ICC") against Sonangol for breach of the Agreement. Through this arbitration proceeding, we are requesting an award against Sonangol in excess of $2 billion dollars, plus applicable interest and costs. On July 17, 2017, Sonangol filed an Answer to our RFA and

Counterclaim, asking for repayment of the $250.0 million initial payment that Sonangol made to us under the Agreement. The arbitral tribunal is currently being constituted.

We also filed a separate RFA with the ICC against Sonangol Pesquisa e Produção, S.A. ("Sonangol P&P") seeking recovery of over $174 million, plus applicable interest and costs, representing the joint interest receivable owed to us for operations on Block 21 offshore Angola. The arbitral tribunal is currently being constituted.

Unless resolved to our satisfaction, we intend to continue to vigorously prosecute these claims in arbitration and seek all available remedies in law and equity. We also intend to vigorously defend against any counterclaims Sonangol and Sonangol P&P might assert.

## NOTE 7. EQUITY–BASED COMPENSATION

We grant various forms of equity–based compensation to our employees and non–employee directors. These equity–based awards consist of restricted stock awards, non–qualified stock options, performance stock units ("PSUs"), restricted stock units ("RSUs") and stock appreciation rights.

### Grants in 2017

*Performance Stock Units*

In February 2017, we issued 0.4 million PSUs to our employees. These PSUs vest in March 2020 subject to our common stock attaining a specified return by the vesting date. These PSUs may be settled by, at our discretion, either the issuance of our common stock, cash or a combination thereof. As these PSUs had both service and market conditions, we estimated the fair value of these PSUs using the Monte Carlo simulation model. The fair value of these PSUs on the date of grant was $4.3 million.

*Restricted Stock Units*

In February 2017, we issued 0.7 million RSUs to our employees. These RSU's vest in three equal annual installments by, at our discretion, either the issuance of our common stock, cash, or a combination thereof. The fair value of these RSUs on the date of grant was $7.5 million.

### Compensation Costs

Equity–based compensation cost is measured at the date of grant based on the calculated fair value of the award and is generally recognized on a straight–line basis over the requisite service period, including those with graded vesting. We account for forfeitures as they occur rather than by applying an estimated forfeiture rate at the time of grant.

The following table presents the compensation costs recognized in our unaudited condensed consolidated statements of operations:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Equity awards | $ 2,961 | $ (4,937) | $ 6,625 | $ 2,826 |
| Liability awards | (1) | — | (72) | — |
| Total | $ 2,960 | $ (4,937) | $ 6,553 | $ 2,826 |

These costs are included in "General and administrative expenses" in our unaudited condensed consolidated statements of operations. As of June 30, 2017, there was $21.5 million of unrecognized compensation costs which are expected to be recognized over a weighted average period of 1.9 years.

**NOTE 8. EARNINGS PER SHARE**

A reconciliation of the number of shares used for the basic and diluted loss per share computations is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Weighted average common shares outstanding (basic and diluted) | 29,526 | 27,338 | 29,494 | 27,316 |
| Anti-dilutive shares excluded from diluted loss per share (1) | 5,156 | 6,923 | 5,590 | 6,923 |

(1) Includes restricted stock awards, non–qualified stock options, PSUs, RSUs, stock appreciation rights, the 2019 Notes and the 2024 Notes that are potentially issuable as their effect, if included, would have been anti–dilutive.

**NOTE 9. OTHER SUPPLEMENTAL INFORMATION**

Cash, cash equivalents and restricted cash are recorded in our unaudited condensed consolidated balance sheet as follows:

| | As of June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Cash and cash equivalents | $ 191,608 | $ 175,188 |
| Restricted cash | 11,274 | 49,484 |
| Other assets | 10,400 | — |
| Cash, cash equivalents and restricted cash | $ 213,282 | $ 224,672 |

The restricted cash serves as collateral for certain of our obligations and is invested in interest–bearing accounts. The $10.4 million of restricted cash included in other assets consists of the funds held in escrow for the benefit of the insured persons under the XL policy (see Note 6).

Supplemental noncash transactions are as follows:

| | As of June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Non-cash disclosure - changes in accrued capital expenditures | $ (35,757) | $ 21,665 |

Accrued liabilities consist of the following:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Costs for additions to oil and natural gas properties | $ 26,440 | $ 73,808 |
| Social obligation payments | 86,206 | 86,473 |
| Funds from release of letter of credit on Block 9 | 18,375 | 18,375 |
| Interest | 14,944 | 13,793 |
| Angolan consumption tax and withholding on services | 9,796 | 9,796 |
| Bonuses | 6,678 | 8,900 |
| Seismic and other operating costs | 2,277 | 5,625 |
| General expenses | 5,756 | 5,849 |
| Other | 2,519 | 4,799 |
| Total accrued liabilities | $ 172,991 | $ 227,418 |

## NOTE 10. OTHER MATTERS

In March 2017, the SEC informed us by telephone that they have initiated an informal inquiry regarding the Sonangol Research and Technology Center (the "Technology Center"). As background, in December 2011, we executed the Block 20 Production Sharing Contract under which we and BP Exploration Angola (Kwanza Benguela) Limited are required to make certain social contributions to Sonangol, including for the Technology Center. In March 2017, we also received a voluntary request for information regarding such inquiry. We believe our activities in Angola have complied with all applicable laws, including the Foreign Corrupt Practices Act, and we are cooperating with the SEC's inquiry.

## NOTE 11. SUBSEQUENT EVENTS

On August 7, 2017, we entered into retention agreements with our CEO and CFO, among other officers and employees of the company. The retention agreements provide for a one–time lump sum payment of $4.0 million for our CEO and $1.5 million for our CFO. Each of the payments will be subject to clawback and repayment by the applicable officer or employee in the event such officer or employee is terminated with cause or resigns without good reason before the one–year anniversary of the agreement. We have determined that the retention agreements were necessary to ensure that we have the continued services of our management and key employees. The aggregate amount of the August 2017 retention payments authorized by our Board of Directors is $16.1 million.

We evaluated subsequent events for appropriate accounting and disclosure through the date these unaudited condensed consolidated financial statements were issued and determined that there were no other material items that required recognition or disclosure in our unaudited condensed consolidated financial statements.

## ITEM 2. 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" and "Cautionary Note Regarding Forward–Looking Statements" and other matters set forth in this Quarterly Report on Form 10–Q. The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto, as well as our Annual Report on Form 10–K for the year ended December 31, 2016.*

## OVERVIEW

We are an independent exploration and production company with operations in the deepwater U.S. Gulf of Mexico and offshore Angola and Gabon in West Africa. In the U.S. Gulf of Mexico, we have four discoveries: North Platte, Shenandoah, Anchor and Heidelberg. Heidelberg began initial production in January 2016, and North Platte, Shenandoah and Anchor are currently being appraised. In Angola, we have made seven aggregate discoveries offshore Angola on Blocks 20 (Orca, Zalophus, Golfinho and Lontra) and 21 (Cameia, Bicuar and Mavinga). We also have a non–operated interest in the Diaba block offshore Gabon, where we have one discovery (Diaman).

### Operational Highlights

- In April 2017 and May 2017, we completed additional follow–on debt exchange transactions with certain holders of our outstanding convertible notes whereby we issued an aggregate principal amount of $210.8 million in additional Second Lien Notes in exchange for $6.4 million aggregate principal amount of the 2019 Notes and $357.2 million aggregate principal amount of the 2024 Notes held by these holders.

- Net production from Heidelberg averaged approximately 3,400 barrels of oil equivalent per day ("boepd") during the three months ended June 30, 2017, and is currently producing approximately 3,500 boepd on a net basis.

- In May 2017, we completed North Platte #4 Sidetrack 2 operations. This well was drilled approximately one–half mile updip of the North Platte #4 Sidetrack 1 location and encountered approximately 400 feet of high quality Lower Wilcox pay. In June 2017, we completed a bypass for core operation adjacent to the North Platte #4 Sidetrack 2 location and recovered approximately 200 feet of Lower Wilcox conventional core. Following the abandonment of the wellbore, the Rowan Reliance rig was released from operations on June 26, 2017.

- In July 2017, we entered into an agreement with Chevron and the other co–owners in the Anchor development to unitize our two leases immediately south of the existing Anchor unit (Green Canyon blocks 850 and 851) into such Anchor unit. We believe the inclusion of these leases in the Anchor unit will optimize the development plan and maximize oil recovery from the Anchor development. The transfer of these interests and the revised Anchor unit remain subject to customary regulatory approval, following which we would retain our 20% working interest in the revised Anchor unit.
- The Shenandoah co–owners are continuing to explore development options for the field. Well planning is underway for a drilling operation expected in the first six months of 2018.

- Marketing efforts with respect to our Gulf of Mexico assets continue. We expect these efforts to conclude in late third quarter of 2017.

**Changes to Continuous Operations Regulations**

On May 5, 2017, President Trump signed into law the Consolidated Appropriations Act, 2017 (the "CAA"). As mandated by the CAA, on June 9, 2017, the Bureau of Safety and Environmental Enforcement published a final rule revising certain regulations regarding the continuous operation requirements for offshore oil and natural gas leases in the U.S. Gulf of Mexico. Prior to this rule change, such leases could be held by lessees beyond their primary terms if continuing operations were conducted every 180 days. Continuing operations includes drilling, well re–working or production in paying quantities. This meant that, absent production from the lease or receipt of a Suspension of Production (an “SOP”), drilling or well re–working operations could not be discontinued for more than 180 days on leases beyond their primary term, or such leases would expire.

The final rule, among other things, changes the continuous operations requirement from 180 days to one year. We believe this is a significant positive development for us. As previously disclosed, certain of our leases associated with our North Platte, Anchor and Shenandoah discoveries are beyond their primary term and are held by continuous operations, requiring us to conduct operations every 180 days or, absent an SOP or production, lose the related leases. The change from 180 days to one year allows us the flexibility to defer drilling related capital spend up to an additional six months and to appropriately develop technical studies and commercial activities prior to drilling additional wells.

For example, since we finished our well operations at North Platte during the second quarter of 2017, the new rule has extended the deadline by which we will need to either obtain an SOP or recommence drilling or well–reworking operations from the fourth quarter 2017 to the second quarter 2018. We believe this significantly increases our flexibility in capital allocation and preservation while optimizing the timing and sequencing of our operations.

**Angola**

On March 8, 2017, we submitted a Notice of Dispute to Sonangol pursuant to the Agreement for the sale by us to Sonangol of the entire issued and outstanding share capital of our indirect wholly–owned subsidiaries, CIE Angola Block 20 Ltd. and CIE Angola Block 21 Ltd., which respectively hold our 40% working interest in each of Block 20 and Block 21 offshore Angola. Subsequently, we filed a RFA with the ICC against Sonangol for breach of the Agreement. Through this arbitration proceeding, we are requesting an award against Sonangol in excess of $2 billion dollars, plus applicable interest and costs. On July 17, 2017, Sonangol filed an Answer to our RFA and Counterclaim, asking for repayment of the $250.0 million initial payment that Sonangol made to us under the Agreement. The arbitral tribunal is currently being constituted.

We also filed a separate RFA with the ICC against Sonangol P&P seeking recovery of over $174 million, plus applicable interest and costs, representing the joint interest receivable owed to us for operations on Block 21 offshore Angola. The arbitral tribunal is currently being constituted.

Unless resolved to our satisfaction, we intend to continue to vigorously prosecute these claims in arbitration and seek all available remedies in law and equity. We also intend to vigorously defend against any counterclaims Sonangol and Sonangol P&P might assert.

**RESULTS OF OPERATIONS**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Production data: | | | | |
| Oil (MBbls) | 277.7 | 72.7 | 466.5 | 128.3 |
| Natural gas (MMcf) | 86.2 | 13.6 | 141.3 | 26.7 |
| Natural gas liquids (MBbls) | 13.8 | 2.9 | 22.1 | 2.9 |
| Net production (MBOE) | 305.9 | 77.9 | 512.2 | 135.7 |
| Average sales price per unit: | | | | |
| Oil (Bbls) | $ 47.19 | $ 42.33 | $ 48.27 | $ 36.54 |
| Natural gas (Mcf) | 3.56 | 2.96 | 3.55 | 2.43 |
| Natural gas liquids (Bbls) | 24.43 | 18.99 | 26.89 | 18.96 |
| BOE | 44.94 | 40.74 | 46.11 | 35.43 |
| Average unit cost per BOE: | | | | |
| Lease operating expenses | $ 9.92 | $ 21.87 | $ 11.19 | $ 19.59 |
| Depreciation, depletion and amortization | 32.99 | 55.08 | 37.04 | 54.96 |

**Three Months Ended June 30, 2017 Compared With the Three Months Ended June 30, 2016**

Net loss for the three months ended June 30, 2017 was $185.6 million compared with $205.5 million for the three months ended June 30, 2016. The significant factors in the change were (i) a decrease of $113.3 million in dry hole costs and impairments; (ii) a $72.4 million increase in loss on embedded derivatives; (iii) a $25.8 million increase in interest expense; (iv) a $10.8 million increase in other income; and (v) an increase of $10.6 million in oil, natural gas and natural gas liquids revenues.

Oil, natural gas and natural gas liquids revenues for the three months ended June 30, 2017 increased $10.6 million compared with the three months ended June 30, 2016 due to $9.1 million from higher production at Heidelberg and $1.5 million from improved prices.

Seismic and exploration costs increased $4.6 million during the three months ended June 30, 2017 compared with the three months ended June 30, 2016 as a result of an increase of $7.6 million in costs incurred for development studies for our Gulf of Mexico discoveries offset by decreases of $2.4 million in costs in Angola due to lower activity levels and $0.6 million in delay rental payments.

In the three months ended June 30, 2017, we incurred $42.5 million of dry hole costs and impairments. Of this amount, $37.3 million related to impairment of unproved leaseholds, $5.5 million related to write offs of costs of exploratory wells that had been previously written off and $(0.3) million related to additional Angola impairments. In the three months ended June 30, 2016, we incurred $155.8 million of dry hole costs and impairments. Of this amount, $149.9 million related to the write off of costs associated with our Goodfellow #1 exploratory well and related unproved leaseholds, $2.9 million related to impairment of unproved leaseholds and $3.0 million related to write offs of costs of exploratory wells that had been previously written off.

Lease operating expenses for the three months ended June 30, 2017 increased $1.3 million compared with the three months ended June 30, 2016 as the result of $5.0 million of higher costs from increased production at Heidelberg offset by $3.7 million from a lower unit cost per BOE. Lease operating expenses were $9.92 per BOE in the three months ended June 30, 2017 compared with $21.87 per BOE in the three months ended June 30, 2016.

General and administrative ("G&A") expenses for the three months ended June 30, 2017 increased $4.8 million compared with the three months ended June 30, 2016. The increase was primarily attributable to increases of $7.9 million in equity based compensation costs and $5.4 million in legal expenses related to costs associated with our securities related litigation and Angolan arbitrations, offset by an overall decrease in other expenses related to lower activity levels in Angola and our workforce reduction plan that was undertaken in 2016. The $7.9 million increase in equity based compensation costs is primarily due to an $11.3 million reversal of expense in the three months ended June 30, 2016 related to forfeitures of unvested equity awards associated with our workforce reduction plan.

Depreciation, depletion and amortization ("DD&A") for the three months ended June 30, 2017 increased $5.8 million compared with the three months ended June 30, 2016 as a result of $12.6 million from increased production at Heidelberg offset by $6.8 million from a lower unit cost per BOE. The lower average DD&A rate per BOE reflects the change that prices and additional wells had on our reserves estimates. DD&A was $32.99 per BOE in the three months ended June 30, 2017 compared with $55.08 per BOE in the three months ended June 30, 2016.

In the three months ended June 30, 2017, other income of $10.8 million consisted of $11.5 million related to the settlement of claims against XL offset by net losses of $0.7 million related to sales of excess inventory.

Loss on embedded derivatives for the three months ended June 30, 2017 was $72.4 million, which is attributable to changes in the fair value of our long–term debt, expected recovery rates, the risk–neutral probability of default and the risk–free rates.

Interest expense for the three months ended June 30, 2017 increased $25.8 million compared with the three months ended June 30, 2016 due to $21.7 million of increased interest expense related to the effects of the debt exchanges and $16.3 million of decreased interest capitalization as we are no longer capitalizing interest on our Angolan exploratory wells offset by decreases of $8.0 million associated with the amortization of debt discounts and debt issuance costs and $4.2 million associated with our borrowing base facility that was terminated in 2016.

**Six Months Ended June 30, 2017 Compared With the Six Months Ended June 30, 2016**

Net loss for the six months ended June 30, 2017 was $491.8 million compared with $252.2 million for the six months ended June 30, 2016. The significant factors in the change were (i) an increase of $124.2 million in dry hole costs and impairments; (ii) $70.5 million increase in loss on embedded derivatives; (iii) an increase of $54.6 million in interest expense; and (iv) an $11.5 million increase in DD&A; offset by (v) an $18.8 million increase in oil, natural gas and natural gas liquids revenues; and (vi) a $6.3 million increase in other income.

Oil, natural gas and natural gas liquids revenues for the six months ended June 30, 2017 increased $18.8 million compared with the six months ended June 30, 2016 due to $13.0 million from higher production at Heidelberg and $5.8 million from improved prices.

Seismic and exploration costs increased $5.6 million during the six months ended June 30, 2017 compared with the six months ended June 30, 2016 as a result of an increase of $15.0 million in costs incurred for development studies for our Gulf of Mexico discoveries offset by decreases of $8.4 million of costs in Angola due to lower activity levels and $1.0 million in delay rental payments for our Gulf of Mexico unproved oil and natural gas leaseholds.

In the six months ended June 30, 2017, we incurred $279.6 million of dry hole costs and impairments. Of this amount, $236.4 million related to the write off of costs associated with our Shenandoah discovery and $41.8 million related to impairment of unproved leaseholds. In the six months ended June 30, 2016, we incurred $155.4 million of dry hole costs and impairments. Of this amount, $149.9 million related to costs associated with the Goodfellow #1 exploratory well and sidetrack and the impairment of the underlying leases and $7.2 million related to impairment of unproved leaseholds.

Lease operating expenses for the six months ended June 30, 2017 increased $3.1 million compared with the six months ended June 30, 2016 as the result of $7.4 million from higher costs from increased production at Heidelberg offset by $4.3 million from a lower unit cost per BOE. Lease operating expenses were $11.19 per BOE in the six months ended June 30, 2017 compared with $19.59 per BOE in the six months ended June 30, 2016.

G&A expenses for the six months ended June 30, 2017 decreased $4.7 million compared with the six months ended June 30, 2016. The decrease was primarily attributable to an overall decrease in other expenses related to lower activity levels in Angola and our workforce reduction plan that was undertaken in 2016 offset by increases of

$3.7 million in equity based compensation costs and a $6.7 million increase in legal expenses related to costs associated with our securities related litigation and Angolan arbitrations.

DD&A for the six months ended June 30, 2017 increased $11.5 million compared with the six months ended June 30, 2016 as a result of $20.7 million from increased production at Heidelberg offset by $9.2 million from a lower unit cost per BOE. The lower average DD&A rate per BOE reflects the change that prices and additional wells had on our reserves estimates. DD&A was $37.04 per BOE in the six months ended June 30, 2017 compared with $54.96 per BOE in the six months ended June 30, 2016.

In the six months ended June 30, 2017, other income of $10.8 million consisted of $11.5 million related to the settlement of claims against XL offset by net losses of $0.8 million related to sales of excess inventory. In the six months ended June 30, 2016, other income consisted of a gain of $4.4 million on the release of the Block 9 letter of credit.

Loss on embedded derivatives for the six months ended June 30, 2017 was $70.5 million, which is attributable to changes in the fair value of our long–term debt, expected recovery rates, the risk–neutral probability of default and the risk–free rates.

Interest expense for the six months ended June 30, 2017 increased $54.6 million compared with the six months ended June 30, 2016 due to $42.5 million of increased interest expense related to the effects of the debt exchanges and $30.8 million of decreased interest capitalization as we are no longer capitalizing interest on our Angolan exploratory wells offset by decreases of $16.5 million associated with the amortization of debt discounts and debt issuance costs and $2.2 million associated with our borrowing base facility that was terminated in 2016.

**LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 2017, we had approximately $597.0 million in cash and cash equivalents, restricted cash, short–term investments and long–term restricted cash. This amount (i) includes the $250.0 million paid to us by Sonangol pursuant to the purchase and sale agreement that we intend to retain, along with other payments due to Sonangol, until the matters with respect to the extensions are resolved, and (ii) excludes the $159.1 million receivable (excluding interest and costs) owed to us by Sonangol as disclosed in more detail in "Part I—Item 1. Business – Angola Transaction" in our Annual Report on Form 10–K for the year ended December 31, 2016.

In 2017, we currently expect to spend approximately $250.0 million for our development activities, of which approximately $206.4 million has been spent as of June 30, 2017. We expect that our cash outlays will significantly decrease for the remainder of 2017 as we completed our drilling activities at our North Platte discovery during the second quarter of 2017. Total cash outlays in 2017 are currently expected to be approximately $550.0 million, of which approximately $359.0 million has been spent as of June 30, 2017.

Our ongoing capital and operating expenditures will vastly exceed the revenue we expect to receive from our oil and natural gas operations for the foreseeable future. We expect to incur substantial expenditures and generate significant operating losses as we:

- progress our North Platte and Anchor discoveries toward project sanction;
- selectively conduct exploration drilling on our current acreage;
- incur increased interest expense; and
- incur expenses related to operating as a public company and compliance with regulatory requirements.

These activities will require that we raise substantial additional funding. If we are unable to raise substantial additional funding on a timely basis or on acceptable terms, we may be required to significantly curtail our exploration, appraisal and development activities or sell assets.

In assessing whether there is substantial doubt about our ability to continue as a going concern, we considered our projected cash inflows and outflows as well as any cash related covenants associated with our financing structure. The indentures governing our Secured Notes contain certain covenants including the maintenance of a minimum consolidated cash balance (as defined in such indenture) of at least $200.0 million. If we are unsuccessful in our current marketing efforts with respect to the sale of our Gulf of Mexico assets and do not make or receive any payments to or from Sonangol, we expect our projected cash balance would be out of compliance with the minimum consolidated cash balance covenant during the first quarter of 2018. Thus, we have concluded that there is substantial doubt about our ability to continue as a going concern.

Our ability to continue as a going concern is subject to, among other factors, (i) our ability to monetize assets, obtain financing or refinance existing indebtedness and continue our cost cutting efforts; (ii) the production rates achieved from Heidelberg; (iii) oil and natural gas prices; (iv) the number of commercially viable hydrocarbon discoveries made and the quantities of hydrocarbons discovered; (v) the speed and cost with which we can bring such discoveries to production; (vi) whether and to what extent we invest in additional oil leases and concessional licenses; and (vii) the actual cost of exploration, appraisal and development of our prospects.

There can be no assurance that we will be able to obtain additional funding on satisfactory terms or at all. In addition, no assurance can be given that any such financing, if obtained, will be adequate to meet our capital needs and support our growth. If additional funding cannot be obtained on a timely basis and on satisfactory terms, then our operations would be materially negatively impacted.

Marketing efforts with respect to our Gulf of Mexico assets continue. We expect these efforts to conclude in late third quarter of 2017.

If we become unable to continue as a going concern, we may find it necessary to file a voluntary petition for reorganization under the Bankruptcy Code in order to provide us additional time to identify an appropriate solution to our financial situation and implement a plan of reorganization aimed at improving our capital structure.

**Long–term Debt**

As of June 30, 2017, we have $2,840.8 million in aggregate principal amount of long–term debt outstanding. For additional information about our long–term debt, please see “Part I—Financial Information—Item 1. Financial Statements” contained herein.

**Cash Flows**

Cash flows provided by (used in) type of activity were as follows:

| | Six Months Ended June 30, | |
|---|---|---|
| | **2017** | **2016** |
| Operating activities | $ (151,287) | $ (51,323) |
| Investing activities | (251,482) | 137,109 |
| Financing activities | — | — |

*Operating Activities*

Cash flows from operating activities used $151.3 million and $51.3 million in the six months ended June 30, 2017 and 2016, respectively. The significant factors in the change were $42.2 million of increased interest payments, $19.6 million related to the final payment under the amendment of the Rowan contract and an unfavorable change in working capital offset by our decreased cash operating expenditures.

*Investing Activities*

During the six months ended June 30, 2017, cash flows provided by investing activities consisted of $345.8 million in proceeds from maturity of our held–to–maturity investments offset by $390.9 million of purchases of held–to–maturity investments and $206.4 million for additions to our oil and natural gas properties.

During the six months ended June 30, 2016, cash flows provided by investing activities consisted of $1,571.7 million in proceeds from maturity of our held–to–maturity investments offset by $1,039.9 million of purchases of held–to–maturity investments, $391.3 million for additions to our oil and natural gas properties and $3.4 million of additions to other property.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk refers to the risk of loss arising from changes in commodity prices, interest rates, foreign currency exchange rates and other relevant market risks. We are exposed to certain market risks that are inherent in our financial statements that arise in the normal course of business. We may enter into various derivative instruments to manage or reduce market risk, but we will not enter into derivative instruments for speculative purposes.

### Commodity Price Risk

Our major market risk exposure is to prices for oil, natural gas and natural gas liquids. These prices have historically been volatile, and, as such, future earnings are impacted by changes in these prices. Realized prices are primarily driven by the prevailing worldwide price for oil and regional spot prices for natural gas production.

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 flows. While we currently have no outstanding hedges or similar instruments, any such contracts would be settled with cash and would not require the delivery of physical volumes to satisfy settlement. While in times of rising 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 could outweigh the potential costs.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

In accordance with Exchange Act Rule 13a–15 and 15d–15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2017 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### Changes in Internal Controls Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the three months ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Please refer to the information in “Part I—Financial Information—Item 1. Financial Statements” contained herein.

### ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10–K for the year ended December 31, 2016.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

On August 7, 2017, we entered into retention agreements with our CEO and CFO, among other officers and employees of the company. The retention agreements provide for a one–time lump sum payment of $4.0 million for our CEO and $1.5 million for our CFO. Each of the payments will be subject to clawback and repayment by the applicable officer or employee in the event such officer or employee is terminated with cause or resigns without good reason before the one–year anniversary of the agreement. We have determined that the retention agreements were necessary to ensure that we have the continued services of our management and key employees. The aggregate amount of these August 2017 retention payments authorized by our Board of Directors is $16.1 million.

### ITEM 6. EXHIBITS

The exhibits listed below are filed or furnished as part of this report:

| | |
|---|---|
| 3.1 | Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of the Cobalt International Energy, Inc. dated June 16, 2017 (incorporated by reference from Exhibit 3.1 to Cobalt International Energy, Inc.’s Current Report on Form 8–K filed with the SEC on June 16, 2017) |
| 10.1 | Exchange Agreement, dated April 24, 2017, among Cobalt International Energy, Inc., the Guarantors party thereto and the Holders named in Schedule I thereto (incorporated by reference from Exhibit 10.1 to Cobalt International Energy, Inc.’s Current Report on Form 8–K filed with the SEC on April 24, 2017) |
| 10.2 | Second Supplemental Indenture, dated as of April 24, 2017, among Cobalt International Energy, Inc., the Guarantors party thereto and Wilmington Trust, National Association related to the 7.75% Second Lien Senior Secured Notes due 2023 (incorporated by reference from Exhibit 10.2 to Cobalt International Energy, Inc.’s Current Report on Form 8–K filed with the SEC on April 24, 2017) |
| 10.3 | Exchange Agreement, dated May 18, 2017, among Cobalt International Energy, Inc., the Guarantors party thereto and the Holders named in Schedule I thereto (incorporated by reference from Exhibit 10.1 to Cobalt International Energy, Inc.’s Current Report on Form 8–K filed with the SEC on May 18, 2017) |

| | |
|---|---|
| 10.4 | Third Supplemental Indenture, dated as of May 18, 2017, among Cobalt International Energy, Inc., the Guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent (incorporated by reference from Exhibit 10.2 to Cobalt International Energy, Inc.'s Current Report on Form 8–K filed with the SEC on May 18, 2017) |
| 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* | Interactive Data Files |

* Filed herewith.

** Furnished herewith.

## SIGNATURES

Pursuant to the requirements 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/ Timothy J. Cutt
Name: Timothy J. Cutt
Title: Chief Executive Officer

By: /s/ David D. Powell
Name: David D. Powell
Title: Chief Financial Officer

Dated: August 8, 2017

## EXHIBIT INDEX

| | |
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| 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 |
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| 101* | Interactive Data Files |

* Filed herewith.

** Furnished herewith.

**Exhibit 31.1**

**CERTIFICATIONS**

I, Timothy J. Cutt, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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; and
   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: August 8, 2017

/s/ Timothy J. Cutt
Timothy J. Cutt
*Chief Executive Officer*

**Exhibit 31.2**

## CERTIFICATIONS

I, David D. Powell, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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; and
   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: August 8, 2017

/s/ David D. Powell
David D. Powell
*Chief Financial Officer and*
*Executive Vice President*

**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 Quarterly Report on Form 10-Q of Cobalt International Energy, Inc. (the "Company") for the quarterly period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Timothy J. Cutt, 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:

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

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

By: /s/ Timothy J. Cutt
Name: Timothy J. Cutt
Title: *Chief Executive Officer*

Date: August 8, 2017

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

**Exhibit 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Cobalt International Energy, Inc. (the "Company") for the quarterly period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David D. Powell, 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:

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

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

By: /s/ David D. Powell
Name: David D. Powell
Title: *Chief Financial Officer and Executive Vice President*

Date: August 8, 2017

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