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 September 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 **(State or other jurisdiction of incorporation or organization)**	**27-0821169** **(I.R.S. Employer Identification No.)**
Cobalt Center **920 Memorial City Way, Suite 100** **Houston, Texas** **(Address of principal executive offices)**	**77024** **(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 September 30, 2017: 29,916,693 shares.

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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)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 200,445	$ 613,534
Restricted cash	11,274	2,517
Joint interest and other receivables	186,239	167,573
Other current assets	34,628	23,149
Investments	325,235	340,418
Total current assets	757,821	1,147,191
Oil and natural gas properties, net of accumulated depletion of $48,610 and $20,204 as of September 30, 2017 and December 31, 2016, respectively	920,776	1,078,885
Other property, net of accumulated depreciation and amortization of $9,491 and $8,426, as of September 30, 2017 and December, 31, 2016, respectively	2,837	3,902
Other assets	10,950	500
Total assets	$ 1,692,384	$ 2,230,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade and other accounts payable	$ 26,280	$ 36,954
Accrued liabilities	193,604	227,418
Accrued contract amendment costs	—	19,582
Angolan preliminary consideration	250,000	250,000
Total current liabilities	469,884	533,954
Long-term debt	2,496,310	2,479,349
Long-term derivative liabilities	186,427	50,123
Asset retirement obligations	8,486	6,523
Other long-term liabilities	1,721	1,863
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value per share; 133,333,333 shares authorized, 29,624,874 and 29,422,864 issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	296	294
Additional paid-in capital	4,236,432	4,223,729
Accumulated deficit	(5,707,172)	(5,065,357)
Total stockholders' equity	(1,470,444)	(841,334)
Total liabilities and stockholders' equity	$ 1,692,384	$ 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Oil, natural gas and natural gas liquids revenues	$ 14,427	$ 4,228	$ 38,043	$ 9,037
Operating costs and expenses:				
Seismic and exploration costs	11,522	21,228	32,605	36,719
Dry hole costs and impairments	45,983	50,346	325,574	205,735
Loss on amendment of contract	—	95,908	—	95,908
Lease operating expenses	2,638	2,373	8,371	5,031
General and administrative expenses	19,934	31,251	66,558	82,571
Accretion expense	296	102	883	306
Depreciation, depletion and amortization	10,500	7,183	29,472	14,642
Total operating costs and expenses	90,873	208,391	463,463	440,912
Operating loss	(76,446)	(204,163)	(425,420)	(431,875)
Other (expense) income, net:				
Other income	169	—	10,870	4,375
Loss on embedded derivatives	(32,664)	—	(103,194)	—
Interest income	1,478	990	4,683	3,781
Interest expense	(42,155)	(15,034)	(128,380)	(46,650)
Total other expense, net	(73,172)	(14,044)	(216,021)	(38,494)
Net loss	$ (149,618)	$ (218,207)	$ (641,441)	$ (470,369)
Basic and diluted loss per share	$ (5.05)	$ (7.98)	$ (21.72)	$ (17.21)
Weighted average common shares outstanding (basic and diluted)	29,606	27,359	29,532	27,330

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	—	374	(374)	—
Equity based compensation	—	7,707	—	7,707
Effect of equity award modification	—	4,624	—	4,624
Issuance of common stock	2	(2)	—	—
Net loss	—	—	(641,441)	(641,441)
Balance, September 30, 2017	$ 296	$ 4,236,432	$ (5,707,172)	$ (1,470,444)

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash flows from operating activities:		
Net loss	$ (641,441)	$ (470,369)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Dry hole costs and impairments	325,574	205,735
Equity based compensation	7,620	11,052
Accretion expense	883	306
Depreciation, depletion and amortization	29,472	14,642
Loss on embedded derivatives	103,194	—
Amortization of premium on investment securities	121	129
Amortization of debt discount and debt issuance costs	26,172	77,041
Other	(192)	—
Changes in operating assets and liabilities:		
Joint interest and other receivables	(17,140)	6,748
Other current assets	(1,934)	41,313
Trade and other accounts payable	(7,757)	39,751
Accrued liabilities	18,659	(66,134)
Accrued contract amendment costs	(19,582)	50,908
Other	(3,934)	14,040
Net cash flows used in operating activities	(180,285)	(74,838)
Cash flows from investing activities:		
Additions to oil and natural gas properties	(225,896)	(545,874)
Capital expenditures for other property	—	(3,480)
Proceeds from maturity of investment securities	542,006	2,732,291
Purchase of investment securities	(528,472)	(1,805,516)
Net cash flows (used in) provided by investing activities	(212,362)	377,421
Cash flows from financing activities - payment to settle equity based compensation awards	(1,285)	—
(Decrease) increase in cash, cash equivalents and restricted cash	(393,932)	302,583
Cash, cash equivalents and restricted cash — beginning of year	616,051	138,886
Cash, cash equivalents and restricted cash — end of period	$ 222,119	$ 441,469

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.

As of September 30, 2017, we had $547.3 million in cash and cash equivalents, restricted cash, short–term investments and long–term restricted cash and $2,840.8 million in aggregate principal amount of long–term debt outstanding. We have interest payments of $167.0 million due on our outstanding long–term debt in the next twelve months, including an interest payment of $12.3 million due on November 15, 2017 on our 2024 Notes (as described below). In addition, we continue to incur significant net losses, which has caused us to have a stockholders' deficit of $1,470.4 million as of September 30, 2017.

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" and together with the First Lien Notes, 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. If the holders of the Secured Notes were to accelerate the indebtedness under the Secured Notes as a result of such default, such acceleration would cause a cross–default or cross–acceleration of all of our other outstanding indebtedness. Such a cross–default or cross–acceleration could have a wider impact on our liquidity than might otherwise arise from a default or acceleration of a single debt instrument. If an event of default occurs, or if other debt agreements cross–default, and the lenders under the affected debt agreements accelerate the maturity of the debt outstanding, we will not have sufficient liquidity to repay all of our outstanding indebtedness. Thus, we have concluded that there is substantial doubt about our ability to continue as a going concern.

On October 10, 2017, we received a notification from the New York Stock Exchange ("NYSE") that we are no longer in compliance with the continued listing standards because our average global market capitalization had fallen below $50.0 million for 30 consecutive trading days and our stockholders' equity was less than $50.0 million. If we are unable to maintain compliance with the NYSE listing requirements, our common stock will be delisted from the NYSE, which would constitute a "fundamental change" under the terms of the indentures governing our 2.625% Convertible Senior Notes due 2019 (the "2019 Notes") and our 3.125% Convertible Senior Notes due 2024 (the "2024 Notes" and together with our 2019 Notes, the "Convertible Notes"). In such case, we could be required to repurchase for cash any such Convertible Notes. A requirement by such holders for us to repurchase some or all of such notes for cash would cause a cross–default or cross–acceleration of all of our other outstanding indebtedness.

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. We have engaged Houlihan Lokey, Inc. as financial advisor and Kirkland & Ellis LLP as special legal advisor to advise management and our board of directors regarding potential strategic alternatives to enhance liquidity and address our current capital structure. Such strategic alternatives may include asset sales or liquidity–enhancing transactions that we have commenced previously, as well as restructuring some or all of our debt to preserve cash flow which may include seeking private restructuring or reorganization under Chapter 11 of the U.S. Bankruptcy Code (the "Bankruptcy Code").

The marketing efforts with respect to our Gulf of Mexico assets continue, but have taken longer than anticipated. If we are unable to sell our Gulf of Mexico assets or the entire company on favorable terms or at all, or enter into an alternative strategic transaction, we may seek bankruptcy protection to continue our efforts to restructure our business and capital structure and may have to liquidate our assets and may receive less than the value at which those assets are carried on our unaudited condensed consolidated financial statements.

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 have analyzed ASU 2014–09 and have determined the adoption will not have a material impact on our unaudited condensed consolidated financial statements. We continue to analyze ASU 2014–09 to determine the impact on our 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
Nine months ended September 30, 2016:		
Amortization of premium on investments	$ 472	$ 129
Joint interest and other receivables	6,411	6,748
Net cash flows used in operating activities	(74,832)	(74,838)
Change in restricted funds	14,492	—
Proceeds from maturity of investment securities	1,463,268	2,732,291
Purchase of investment securities	(639,556)	(1,805,516)
Net cash flows provided by investing activities	288,850	377,421
Increase in cash, cash equivalents and restricted cash	214,018	302,583

(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 nine months ended September 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:

	September 30, 2017	December 31, 2016
Corporate securities	$ 152,807	$ 227,854
Commercial paper	287,308	292,466
U.S. Treasury securities	—	161,778
Total	$ 440,115	$ 682,098

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

	September 30, 2017	December 31, 2016
Cash and cash equivalents	$ 114,880	$ 341,680
Short-term investments (1)	325,235	340,418
	$ 440,115	$ 682,098

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

At September 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 table 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 September 30, 2017:				
Embedded derivative liabilities:				
10.75% first lien notes due 2021	$ 14,670	$ —	$ —	$ 14,670
7.75% second lien notes due 2023	171,757	—	—	171,757
Total	$ 186,427	$ —	$ —	$ 186,427
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 September 30, 2017	Nine Months Ended September 30, 2017
Beginning of period	$ 153,763	$ 50,123
Issuance of additional 7.75% second lien notes due 2023	—	33,110
Change in fair value	32,664	103,194
End of period	$ 186,427	$ 186,427

Nonrecurring Basis

In the three months ended September 30, 2017, we performed an assessment taking into consideration various factors, including a recent sale in the area, and recorded an impairment charge of $43.3 million to write down our Diaman discovery and related unproved leaseholds offshore Gabon to $2.0 million.

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 September 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:

	September 30, 2017	December 31, 2016
10.75% first lien notes due 2021	$ 492,500	$ 482,250
7.75% second lien notes due 2023	592,461	327,449
2.625% convertible senior notes due 2019	146,278	305,378
3.125% convertible senior notes due 2024	142,625	332,344
	$ 1,373,864	$ 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:

	September 30, 2017	December 31, 2016
Proved oil and natural gas properties:		
Well and development costs	$ 128,517	$ 118,245
Accumulated depletion	(48,610)	(20,204)
Total proved oil and natural gas properties	79,907	98,041
Unproved oil and natural gas properties:		
Oil and natural gas leaseholds	570,553	651,295
Accumulated valuation allowance	(467,933)	(507,198)
	102,620	144,097
Exploratory wells	738,249	836,747
Total unproved oil and natural gas properties	840,869	980,844
Total oil and natural gas properties, net	$ 920,776	$ 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	139,568	416,825
Capitalized interest	44,413	89,067
Amounts charged to expense (1)	(282,479)	(152,798)
Balance as of September 30	$ 738,249	$ 2,080,275

(1) Amounts represent dry hole costs impairments related to exploratory wells which did not encounter commercial hydrocarbons or where it was determined that sufficient progress was not being made. Of the $282.5 million in 2017, $236.4 million relates to our Shenandoah discovery which was written off following the suspension of appraisal activity by the operator and $43.3 million relates to our Diaman exploratory well offshore Gabon (see Note 3). Of the $152.8 million in 2016, $149.6 million relates to the Goodfellow #1 exploratory well and sidetrack.

As of September 30, 2017, capitalized exploratory wells costs of $431.1 million associated with our North Platte, and Anchor 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:

	September 30, 2017	December 31, 2016
10.75% first lien notes due 2021:		
Principal outstanding	$ 500,000	$ 500,000
Unamortized discount (1)	(30,438)	(34,416)
Carrying amount	469,562	465,584
7.75% second lien notes due 2023:		
Principal outstanding	934,732	584,732
Unamortized discount (2)	(19,929)	(54,856)
Carrying amount	914,803	529,876
2.625% convertible senior notes due 2019:		
Principal outstanding	619,167	763,446
Unamortized discount and debt issuance costs (3)	(68,061)	(109,689)
Carrying amount	551,106	653,757
3.125% convertible senior notes due 2024:		
Principal outstanding	786,895	1,204,145
Unamortized discount and debt issuance costs (4)	(226,056)	(374,013)
Carrying amount	560,839	830,132
Total	$ 2,496,310	$ 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 nine months ended September 30, 2017, we consummated three follow–on debt exchange transactions (the "Transactions") with certain holders (the "Holders") of our outstanding 2019 Notes and 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 September 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, and we filed our appeal on October 10, 2017. 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 (the "Intervenors") settled claims against XL pursuant to which XL paid $11.5 million. In October 2017, we and the Intervenors settled claims against Axis pursuant to which Axis has agreed to pay $6.65 million. We continue to pursue our claims against AIG.

The XL settlement proceeds are included in "Other income" in our unaudited condensed consolidated statements of operations for the nine months ended September 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, 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 has been constituted, and we are in the process of agreeing with the parties the Terms of Reference for the arbitration.

We also filed a separate RFA with the ICC against Sonangol Pesquisa e Produção, S.A. ("Sonangol P&P") seeking recovery of over $178.9 million, including applicable interest and costs, representing the joint interest receivable owed to us for operations on Block 21 offshore Angola. The arbitral tribunal has been constituted, the Terms of Reference agreed, and the parties are currently working with the tribunal on a procedural timetable for the arbitration hearings.

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.

Settlement of Equity–Based Awards

In August 2017, we entered in retention agreements with certain of our officers (see Note 10). Included in these agreements were payments totaling $12.2 million for the repurchase of certain PSUs and RSUs (collectively, the "Awards") that had been issued to these officers in February. Each of the payments is subject to clawback and repayment by the applicable officer in the event such officer is terminated with cause or resigns without good reason before the one–year anniversary of the agreement. The repurchase of the Awards was accounted for as a modification of the original Awards with a revised service period of 18 months (date of grant through the end of the clawback period).

As the Awards were not vested as of the repurchase date, we recognized $7.0 million of equity compensation cost in the three months and nine months ended September 30, 2017. This amount corresponds to the percentage of the service period that had been rendered prior to the modification date. The remainder of the equity compensation cost will be recognized over the remaining service period of the Awards.

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 equity compensation costs recognized in our unaudited condensed consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Equity awards	$ 1,082	$ 5,237	$ 7,707	$ 8,068
Effect of equity award modification	7,031	—	7,031	—
Liability awards	(15)	1,339	(87)	2,984
Total	$ 8,098	$ 6,576	$ 14,651	$ 11,052

These costs are included in “General and administrative expenses” in our unaudited condensed consolidated statements of operations. As of September 30, 2017, there was $21.7 million of unrecognized equity compensation costs which are expected to be recognized over a weighted average period of 1.2 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Weighted average common shares outstanding (basic and diluted)	29,606	27,359	29,532	27,330
Anti-dilutive shares excluded from diluted loss per share (1)	4,100	7,004	4,602	7,004

(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 September 30,	
	2017	2016
Cash and cash equivalents	$ 200,445	$ 294,189
Restricted cash	11,274	147,280
Other assets	10,400	—
Cash, cash equivalents and restricted cash	$ 222,119	$ 441,469

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 September 30,	
	2017	2016
Non-cash disclosure - changes in accrued capital expenditures	$ (55,251)	$ (9,241)

Accrued liabilities consist of the following:

	September 30, 2017	December 31, 2016
Costs for additions to oil and natural gas properties	$ 5,443	$ 73,808
Social obligation payments	86,206	86,473
Funds from release of letter of credit on Block 9	18,375	18,375
Interest	56,703	13,793
Angolan consumption tax and withholding on services	9,796	9,796
Bonuses	2,419	8,900
Seismic and other operating costs	8,658	5,625
General expenses	4,933	5,849
Other	1,071	4,799
Total accrued liabilities	$ 193,604	$ 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. We have been cooperating with the SEC, and have been providing requested information regarding the Technology Center and other aspects of our Angolan operations.

In August 2017, we entered into retention agreements with certain of our officers and employees. The retention agreements provided for one–time lump sum payments totaling $16.1 million. Of this amount, $12.2 million was paid to certain officers for the repurchase of the Awards (see Note 7) and $3.9 million was paid as retention bonuses to certain employees. Each of the payments is subject to clawback and repayment by the applicable officer and 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. As of September 30, 2017, $13.2 million of these payments, consisting of equity compensation costs of $9.8 million (see Note 7) and compensation expense of $3.4 million, are included in “Other current assets” in our unaudited condensed consolidated balance sheets and will be recognized over the remaining service period. In the three months and nine months ended September 30, 2017, $7.5 million of these payments are included in “General and administrative expenses” in our unaudited condensed consolidated statements of operations.

NOTE 11. SUBSEQUENT EVENTS

As described in more detail in Note 6, in October 2017, we and the Intervenors settled claims against Axis pursuant to which Axis has agreed to pay $6.65 million. We continue to pursue our claims against AIG.

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 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

- Net production from Heidelberg averaged approximately 3,450 barrels of oil equivalent per day ("boepd") during the three months ended September 30, 2017, and is currently producing approximately 3,400 boepd on a net basis.

- During the third quarter of 2017 we completed the North Platte appraisal program and are currently planning to file for a suspension of production ("SOP") during the fourth quarter of 2017. As a contingency to the SOP process, we are also currently in the planning stages for a North Platte #5 well.

- At Anchor, the operator plans to file an application with the Bureau of Safety and Environmental Enforcement to expand the existing Anchor unit to include the two leases located immediately south of the unit (Green Canyon blocks 850 and 851). Assignments submitted for the south Anchor leases were approved by the Bureau of Ocean Energy Management in August 2017. The operator currently intends to file for an SOP for the Anchor unit.

- At Shenandoah, the operator is currently concluding studies to verify the suitability of a more cost effective facility as the production host and is also evaluating future drilling options.

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 has been constituted, and we are in the process of agreeing with the parties the Terms of Reference for the arbitration.

We also filed a separate RFA with the ICC against Sonangol P&P seeking recovery of over $178.9 million, including applicable interest and costs, representing the joint interest receivable owed to us for operations on Block 21 offshore Angola. The arbitral tribunal has been constituted, the Terms of Reference agreed, and the parties are currently working with the tribunal on a procedural timetable for the arbitration proceedings.

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 September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Production data:				
Oil (MBbls)	286.4	97.7	752.9	226.0
Natural gas (MMcf)	94.0	25.6	235.3	52.3
Natural gas liquids (MBbls)	15.4	3.2	37.5	6.2
Net production (MBOE)	317.5	105.2	829.7	240.9
Average sales price per unit:				
Oil (Bbls)	$ 47.67	$ 41.75	$ 48.04	$ 38.79
Natural gas (Mcf)	3.27	3.28	3.44	2.85
Natural gas liquids (Bbls)	30.33	20.03	28.30	19.52
BOE	45.44	40.19	45.85	37.51
Average unit cost per BOE:				
Lease operating expenses	$ 8.31	$ 22.56	$ 10.09	$ 20.88
Depreciation, depletion and amortization	33.07	68.29	35.52	60.78

Three Months Ended September 30, 2017 Compared With the Three Months Ended September 30, 2016

Net loss for the three months ended September 30, 2017 was $149.6 million compared with $218.2 million for the three months ended September 30, 2016. The significant factors in the change were (i) a decrease of $95.9 million in loss on the amendment of our Rowan contract, (ii) a decrease of $11.3 million in general and administrative ("G&A") expenses and (iii) a $10.2 million increase in oil, natural gas and natural gas liquids revenues offset by (iv) a $32.7 million increase in loss on embedded derivatives and (v) a $27.1 million increase in interest expense.

Oil, natural gas and natural gas liquids revenues for the three months ended September 30, 2017 increased $10.2 million compared with the three months ended September 30, 2016 due to $8.3 million from higher production at Heidelberg and $1.9 million from improved prices.

Seismic and exploration costs for the three months ended September 30, 2017 decreased $9.7 million compared with the three months ended September 30, 2016 as a result of decreases of $9.4 million in costs incurred for development studies for our Gulf of Mexico discoveries and $0.3 million in delay rental payments.

In the three months ended September 30, 2017, we incurred $46.0 million of dry hole costs and impairments. Of this amount, $43.3 million related to the write off of costs associated with our Diaman discovery offshore Gabon. In the three months ended September 30, 2016, we incurred $50.3 million of dry hole costs and impairments. Of this amount, $42.1 million related to the write off of costs associated with our Goodfellow #1 exploratory well and related unproved leaseholds and $6.9 million related to impairment of unproved leaseholds.

In the three months ended September 30, 2016, we entered into an amendment to our drilling contract with Rowan and recorded a charge of $95.9 million.

Lease operating expenses of $2.6 million for the three months ended September 30, 2017 were relatively unchanged compared with lease operating expenses of $2.4 million for the three months ended September 30, 2016; however, unit operating expenses decreased significantly from $22.56 per BOE in the three months ended September 30, 2016 to $8.31 per BOE in the three months ended September 30, 2017 due to higher production volumes.

G&A expenses for the three months ended September 30, 2017 decreased $11.3 million compared with the three months ended September 30, 2016. The decrease was primarily attributable to an overall decrease in expenses related to lower activity levels in Angola and our workforce reduction plan that was undertaken in 2016.

Depreciation, depletion and amortization ("DD&A") for the three months ended September 30, 2017 increased $3.3 million compared with the three months ended September 30, 2016 as a result of $14.5 million from increased production at Heidelberg offset by $11.2 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 $33.07 per BOE in the three months ended September 30, 2017 compared with $68.29 per BOE in the three months ended September 30, 2016.

Loss on embedded derivatives for the three months ended September 30, 2017 was $32.7 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 September 30, 2017 increased $27.1 million compared with the three months ended September 30, 2016 due to $22.5 million of increased interest expense related to the effects of the debt exchanges and $13.9 million of decreased interest capitalization as we are no longer capitalizing interest on our Angolan exploratory wells offset by a decrease of $9.3 million associated with the amortization of debt discounts and debt issuance costs.

Nine Months Ended September 30, 2017 Compared With the Nine Months Ended September 30, 2016

Net loss for the nine months ended September 30, 2017 was $641.4 million compared with $470.4 million for the nine months ended September 30, 2016. The significant factors in the change were (i) a decrease of $95.9 million in loss on the amendment of our Rowan contract and (ii) a $29.0 million increase in oil, natural gas and natural gas liquids revenues offset by (iii) a $119.8 million increase in dry hole costs and impairments; (iv) a $81.7 million increase in interest expense and (v) a $103.2 million increase in loss on embedded derivatives.

Oil, natural gas and natural gas liquids revenues for the nine months ended September 30, 2017 increased $29.0 million compared with the nine months ended September 30, 2016 due to $21.6 million from higher production at Heidelberg and $7.4 million from improved prices.

Seismic and exploration costs decreased $4.1 million during the nine months ended September 30, 2017 compared with the nine months ended September 30, 2016 as a result of an increase of $5.7 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 $1.4 million in delay rental payments for our Gulf of Mexico unproved oil and natural gas leaseholds.

In the nine months ended September 30, 2017, we incurred $325.6 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, $43.3 million related to the write off of costs associated with our Diaman discovery offshore Gabon, and $42.8 million related to impairment of unproved leaseholds. In the nine months ended September 30, 2016, we incurred $205.7 million of dry hole costs and impairments. Of this amount, $191.6 million related to costs associated with the Goodfellow #1 exploratory well and sidetrack and the impairment of the underlying leases.

In the nine months ended September 30, 2016, we entered into an amendment to our drilling contract with Rowan and recorded a charge of $95.9 million.

Lease operating expenses for the nine months ended September 30, 2017 increased $3.3 million compared with the nine months ended September 30, 2016. This increase is driven by a full nine months of lease operating expenses in the nine months ended September 30, 2017 as well as higher production volumes. Unit operating expenses decreased significantly from $20.88 per BOE in the nine months ended September 30, 2016 to $10.09 per BOE in the nine months ended September 30, 2017 due to higher production volumes.

G&A expenses for the nine months ended September 30, 2017 decreased $16.0 million compared with the nine months ended September 30, 2016. The decrease was primarily attributable to an overall decrease in expenses related to lower activity levels in Angola and our workforce reduction plan that was undertaken in 2016 offset by an increase of $4.9 million in legal expenses related to costs associated with our securities related litigation and Angolan arbitrations.

DD&A for the nine months ended September 30, 2017 increased $14.8 million compared with the nine months ended September 30, 2016 as a result of $35.8 million from increased production at Heidelberg offset by $21.0 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 $35.52 per BOE in the nine months ended September 30, 2017 compared with $60.78 per BOE in the nine months ended September 30, 2016.

In the nine months ended September 30, 2017, other income of $10.9 million consisted of $11.5 million related to the settlement of claims against XL offset by net losses of $0.6 million related to sales of excess inventory. In the nine months ended September 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 nine months ended September 30, 2017 was $103.2 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 nine months ended September 30, 2017 increased $81.7 million compared with the nine months ended September 30, 2016 due to $65.1 million of increased interest expense related to the effects of the debt exchanges and $44.6 million of decreased interest capitalization as we are no longer capitalizing interest on our Angolan exploratory wells offset by decreases of $23.4 million associated with the amortization of debt discounts and debt issuance costs and $4.6 million associated with our borrowing base facility that was terminated in 2016.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2017, we had $547.3 million in cash and cash equivalents, restricted cash, short–term investments and long–term restricted cash and $2,840.8 million in aggregate principal amount of long–term debt outstanding. We have interest payments of $167.0 million due on our outstanding long–term debt in the next twelve months, including an interest payment of $12.3 million due on November 15, 2017 on our 2024 Notes. The cash amount of $547.3 million (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 our disputes with Sonangol are resolved, and (ii) excludes the $178.9 million receivable (including 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 addition, we continue to incur significant net losses, which has caused us to have a stockholders' deficit of $1,470.4 million as of September 30. 2017.

In 2017, we currently expect to spend approximately $250.0 million for our development activities, of which approximately $225.9 million has been spent as of September 30, 2017. We do not expect any significant cash outlays for our development activities for the remainder of 2017 as we have completed our drilling activities. Total cash outlays in 2017 are currently expected to be approximately $537.0 million, of which approximately $409.2 million has been spent as of September 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, Shenandoah 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. If the holders of the Secured Notes were to accelerate the indebtedness under the Secured Notes as a result of such default, such acceleration would cause a cross–default or cross–acceleration of all of our other outstanding indebtedness. Such a cross–default or cross–acceleration could have a wider impact on our liquidity than might otherwise arise from a default or acceleration of a single debt instrument. If an event of default occurs, or if other debt agreements cross–default, and the lenders under the affected debt agreements accelerate the maturity of the debt outstanding, we will not have sufficient liquidity to repay all of our outstanding indebtedness. Thus, we have concluded that there is substantial doubt about our ability to continue as a going concern.

On October 10, 2017, we received a notification from the NYSE that we are no longer in compliance with the continued listing standards because our average global market capitalization had fallen below $50.0 million for 30 consecutive trading days and our stockholders' equity was less than $50.0 million. If we are unable to maintain compliance with the NYSE listing requirements, our common stock will be delisted from the NYSE, which would constitute a "fundamental change" under the terms of the indentures governing our Convertible Notes. In such case, we could be required to repurchase for cash any such Convertible Notes. A requirement by such holders for us to repurchase some or all of such notes for cash would cause a cross–default or cross–acceleration of all of our other outstanding indebtedness.

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. We have engaged Houlihan Lokey, Inc. as financial advisor and Kirkland & Ellis LLP as special legal advisor to advise management and our board of directors regarding potential strategic alternatives to enhance liquidity and address our current capital structure. Such strategic alternatives may include asset sales or liquidity–enhancing transactions that we have commenced previously, as well as restructuring some or all of our debt to preserve cash flow which may include seeking private restructuring or reorganization under Chapter 11 of the Bankruptcy Code.

The marketing efforts with respect to our Gulf of Mexico assets continue, but have taken longer than anticipated. If we are unable to sell our Gulf of Mexico assets or the entire company on favorable terms or at all, or enter into an alternative strategic transaction, we may seek bankruptcy protection to continue our efforts to restructure our business and capital structure and may have to liquidate our assets and may receive less than the value at which those assets are carried on our unaudited condensed consolidated financial statements.

Long–term Debt

As of September 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:

	Nine Months Ended September 30,	
	2017	**2016**
Operating activities	$ (180,285)	$ (74,838)
Investing activities	(212,362)	377,421
Financing activities	(1,285)	—

Operating Activities

Cash flows from operating activities used $180.3 million and $74.8 million in the nine months ended September 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, retention bonus payments of $14.8 million and an unfavorable change in working capital offset by our decreased cash operating expenditures.

Investing Activities

During the nine months ended September 30, 2017, cash flows provided by investing activities consisted of $542.0 million in proceeds from maturity of our held–to–maturity investments offset by $528.5 million of purchases of held–to–maturity investments and $225.9 million for additions to our oil and natural gas properties.

During the nine months ended September 30, 2016, cash flows provided by investing activities consisted of $2,732.3 million in proceeds from maturity of our held–to–maturity investments offset by $1,805.5 million of purchases of held–to–maturity investments, $545.9 million for additions to our oil and natural gas properties and $3.5 million of additions to other property.

Financing Activities

During the nine months ended September 30, 2017, we repurchased certain equity–based awards that had been issued to certain officers for $1.3 million as part of a retention program.

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 September 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 September 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

Set forth below are certain material changes to the Risk Factors disclosed in our Annual Report on Form 10–K for the year ended December 31, 2016:

We may not be able to generate or obtain sufficient cash flows to service all of our indebtedness, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We may be unable to generate sufficient cash flows from operations or to obtain alternative sources of financing in an amount sufficient to fund our liquidity needs. Our operating cash inflows are typically used for capital expenditures, operating expenses, debt service costs and working capital needs.

Based upon current commodity prices, we do not expect our cash flows from operations to be sufficient to repay our indebtedness or trade payables in the long term, and we anticipate we may ultimately seek a restructuring, amendment or refinancing of our debt. We cannot predict at this time whether we will be able to secure any such transaction, even if market conditions and our financial condition improve between now and then. Even if such transactions were available to us, we may not find them suitable or at comparable interest rates to the indebtedness being refinanced or restructured and they may require us to comply with more onerous covenants, which could further restrict our operations. In addition, the terms of existing or future debt agreements may restrict us from securing such a transaction on terms that are available to us at that time. We also may be required to dispose of material assets to meet our debt service and other obligations. We may not be able to consummate such dispositions on commercially favorable terms or at all, and any disposition of assets could negatively impact our future performance by reducing our production and reserves. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations when due. We could also be required to reorganize in our entirety.

As of October 31, 2017, we had cash and cash equivalents of approximately $540.4 million. Absent a material improvement in oil and natural gas prices or a refinancing or some restructuring of our debt obligations or other improvement in liquidity, we will not be in compliance with certain covenants under the Secured Notes, 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. In addition, the current commodity environment creates substantial uncertainty in determining fair market value of oil and natural gas assets which accordingly may impact our ability to continue to give the required solvency representation.

Moreover, our business requires substantial capital expenditures to explore for and develop oil and natural gas properties. We have ceased drilling activities and have significantly reduced our planned capital spending on drilling and completion activities in 2017 as compared with prior years. This reduction in capital expenditures will curtail the development of our properties, which in turn will lead to our inability to grow our production and reserves. The inability to grow our production and reserves may further reduce our liquidity and ability to satisfy our debt obligations by negatively impacting our cash flow from operations and the value of our assets.

We are currently evaluating strategic alternatives to address our liquidity issues and high debt levels, but we cannot assure you that any of our strategies will yield sufficient funds to meet our working capital or other liquidity needs, including for payments of interest and principal on our debt in the future, and any such alternative measures may be unsuccessful or may not permit us to meet scheduled debt service obligations, which could cause us to default on our obligations. As a result, we may seek bankruptcy court protection under a Chapter 11 proceeding to continue our efforts to restructure our business and capital structure and may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements.

Events of default may occur under our debt instruments. If events of default occur or lenders under these debt instruments accelerate the obligations thereunder, cross–defaults will exist under certain of our remaining indebtedness and we will not be able to repay the obligations that become immediately due.

Events of default may occur under our debt instruments. If events of default occur or lenders under these debt instruments accelerate the obligations thereunder, cross–defaults will exist under certain of our remaining indebtedness and we will not be able to repay the obligations that become immediately due. For example, we have interest payments of $167.0 million due on our outstanding long–term debt in the next twelve months, including an interest payment of $12.3 million due on November 15, 2017 on our 2024 Notes. The failure by us to make any of these interest payments within 30 days following the due date would constitute an event of default, and the related indebtedness could be declared immediately due and payable. For additional information regarding defaults, cross–defaults and potential cross–defaults, please see "Part I—Financial Information—Item 1. Financial Statements" contained herein. If any of our debt obligations are accelerated due to the events of default or future cross–defaults, we may not be able to repay the obligations that become immediately due and will have severe liquidity restraints.

Our substantial indebtedness, liquidity issues and potential to seek protection under the federal bankruptcy laws has impacted, and may continue to impact, our business and operations.

Due to the uncertainty about our future, there is risk that, among other things:

- third parties' confidence in our ability to explore and produce oil and natural gas could erode, which could impact our ability to execute on our business strategy;
- it may become more difficult to retain, attract or replace key employees;

- employees could be distracted from performance of their duties or more easily attracted to other career opportunities; and
- our suppliers, vendors and service providers could renegotiate the terms of our arrangements, terminate their relationship with us or require financial assurances from us.

The occurrence of certain of these events has already negatively affected our business and may have a material adverse effect on our business, results of operations and financial condition.

We may seek protection from our creditors under Chapter 11 of the Bankruptcy Code or an involuntary petition for bankruptcy may be filed against us, either of which could have a material adverse impact on our business, financial condition, results of operations, and cash flows and could place our shareholders at significant risk of losing all of their investment in our shares.

We have engaged financial and legal advisors to assist us in, among other things, analyzing various strategic alternatives to address our liquidity and capital structure, including strategic and refinancing alternatives to restructure our indebtedness in private transactions. However, if our attempts are unsuccessful or we are unable to complete such a restructuring on satisfactory terms, we may choose to pursue a filing under Chapter 11 under the Bankruptcy Code.

Seeking bankruptcy court protection could have a material adverse effect on our business, financial condition, results of operations and liquidity. For as long as a Chapter 11 proceeding continued, our senior management would be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing on our business operations. Bankruptcy court protection also could make it more difficult to retain management and other key personnel necessary to the success and growth of our business. In addition, during the period of time we are involved in a bankruptcy proceeding, our customers and suppliers might lose confidence in our ability to reorganize our business successfully and could seek to establish alternative commercial relationships.

Additionally, all of our indebtedness is senior to the existing common stock in our capital structure. As a result, we believe that seeking bankruptcy court protection under a Chapter 11 proceeding could cause the shares of our existing common stock to be canceled, resulting in a limited recovery, if any, for shareholders of our common stock, and would place shareholders of our common stock at significant risk of losing all of their investment in our shares.

We may be unable to sell our Gulf of Mexico assets or the entire company on favorable terms, or at all.

We are currently engaged in a marketing process for certain of our Gulf of Mexico assets, and anticipated these efforts would result in an agreement in the third quarter of 2017. We are also currently engaged in a marketing process for the sale of the entire company. These marketing efforts have taken longer than anticipated and we may not be able to enter into an agreement to sell our Gulf of Mexico assets or the entire company on favorable terms, or at all. In the event we do enter into an agreement to sell our Gulf of Mexico assets or the entire company, such agreement may contain closing conditions, including a potential need for certain regulatory approvals and financing, which may be beyond our control. If we are unable to timely sell our Gulf of Mexico assets or the entire company on acceptable terms, or at all, we may seek bankruptcy protection to continue our efforts to restructure our business and capital structure and may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements.

We have received several notices from the NYSE that we do not meet its continued listing requirements. If we cannot meet the continued listing requirements of the NYSE, the NYSE may delist our common stock, which would have an adverse impact on our business, financial condition, prospects and liquidity and value of our common stock.

Our common stock is currently listed on the NYSE, and the continued listing of our common stock is subject to our compliance with a number of listing standards. On February 27, 2017, we were notified by the NYSE that we were no longer in compliance with the continued listing standards because the average closing price of our common stock had fallen below $1.00 per share over a period of 30 consecutive trading days. Under NYSE rules, a company can avoid delisting if, during the six month period following receipt of the NYSE notice and on the last trading day of any calendar month, a company's common stock price per share and 30 trading–day average share price is at least $1.00. During this six month period, a company's common stock will continue to be traded on the NYSE, subject to compliance with other continued listing requirements. The NYSE notification did not affect our business operations or our SEC reporting requirements and did not conflict with or cause an event of default under any of our material debt or other agreements.

On June 16, 2017, we announced a 1–for–15 reverse stock split of our common stock to cure the deficiency, and we subsequently regained compliance within the requisite time period.

On October 10, 2017, we received another notification from the NYSE that we are no longer in compliance with the continued listing standards because our average global market capitalization had fallen below $50.0 million for 30 consecutive trading days and our stockholders' equity was less than $50.0 million. The NYSE requires that a listed company's average total market capitalization not be less than $50.0 million for a period of over 30 consecutive trading days and that its last reported stockholder equity not be less than $50.0 million. In accordance with the NYSE rules, we intend to respond to the notice within 45 days of its receipt with the submission of a business plan demonstrating how we intend to return to compliance with the market capitalization standards within 18 months of receipt of the notice. There can be no assurance, however, that the NYSE will accept our business plan or that we will be able to successfully implement our plan. Further, even if our business plan is approved and successfully implemented, there can be no assurance that such action will directly or indirectly cure any non-compliance with NYSE continued listing standards.

If the NYSE accepts the plan, our common stock will continue to be listed and traded on the NYSE, subject to compliance with the other NYSE continued listing standards. If we are unable to maintain compliance with the NYSE listing requirements, our common stock will be delisted from the NYSE. In addition, if our average global market capitalization falls below $15.0 million for 30 consecutive trading days or if the NYSE at any time considers the stock price to be "abnormally low," the NYSE will begin delisting procedures immediately, even if our business plan has been accepted, and, under the NYSE's continued listing standards, we will not have any opportunity to regain compliance.

In the event of a delisting, our common stock could be traded on the over–the–counter bulletin board, also known as the "pink sheets." A delisting of our common stock could have a material adverse effect on us by, among other things:

- reducing the liquidity and market price of our common stock;
- reducing the number of investors, including institutional investors, willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing;
- limiting our ability to issue additional securities, obtain additional financing or pursue strategic restructuring, refinancing or other transactions; and
- adversely impacting our reputation, including our relationship with business partners.

The failure of our common stock to be listed on any of the NYSE, the NASDAQ Global Select Market or the NASDAQ Global Market would constitute a "fundamental change" under the terms of the indentures governing our Convertible Notes. In such case, we would be required to provide notice to the holders of our Convertible Notes of such fundamental change and could be required, at the option of the holders of our Convertible Notes, to repurchase for cash any such Convertible Notes following the date of the notice. A requirement by such holders for us to repurchase some or all of such notes for cash will have a material adverse effect on our business, financial condition and results of operations, including if we do not have sufficient funds or are otherwise unable to comply with such requirement in accordance with the indentures governing our Convertible Notes.

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

None.

ITEM 6. EXHIBITS

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

10.1*	Form of Retention Agreement
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.

EXHIBIT INDEX

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** 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: November 2, 2017

Exhibit 10.1

Cobalt International Energy, Inc.
Retention Bonus Agreement
Personal and Confidential

August 7, 2017

[Name]

Re: Retention Bonus

Dear [Name]:

On behalf of Cobalt International Energy, Inc. (the "***Company***"), I am pleased to offer you the opportunity to receive a retention bonus, if you agree to the terms and conditions contained in this Retention Bonus Agreement (this "***Agreement***"), which shall be effective as of the date set forth below in Section 6 (the "***Effective Date***").

1. **Retention Bonus.** Subject to the terms and conditions set forth herein, you will receive a cash payment in the gross amount of [$______] (the "***Retention Bonus***"), subject to the Company's receipt of your countersignature on this Agreement. As a condition to the receipt of your Retention Bonus, you agree to, and hereby do, forfeit 100% of the long-term incentive equity grant made to you on February 22, 2017.

Notwithstanding the foregoing, in the event you voluntarily terminate your employment with the Company without Good Reason (defined below), or the Company terminates your employment for Cause (defined below), in either case, before the earlier of (x) the twelve-month anniversary of the Effective Date, and (y) a Change in Control (as applicable, the "***Retention Date***"), you will be required to promptly repay to the Company (and in any event no later than ten days of such termination), an amount equal to the After-Tax Value of the Retention Bonus. The "***After-Tax Value of the Retention Bonus***" is equal to the Retention Bonus, reduced by all taxes the Company actually withholds therefrom. For the avoidance of doubt, in the event of death or Disability prior to the Retention Date, you (or your estate, as applicable), shall not be subject to the repayment obligations of this Agreement. For purposes of this Agreement, (i) "***Change in Control***" means (A) the sale of all or substantially all of the assets of the Company and its subsidiaries, on a consolidated basis or (B) the direct or indirect acquisition by a person or group (whether or not acting in concert) of a majority of the outstanding stock of the Company, in either of cases (A) or (B), in one or more transactions (and regardless of the form of the transaction) under Section 363 of the United States Bankruptcy Code or pursuant to a confirmed chapter 11 plan or similar provision under the laws of any other jurisdiction (such date, the "***Retention Date***"). For the avoidance of doubt, you will not be required to repay any portion of your Retention Bonus if you terminate your employment anytime following a "Change in Control."

For purposes of this Agreement, "***Disability***" means you have become entitled to receive long-term disability benefits under the Company's long-term disability plan that covers you, as in effect from time to time; provided, however, that if there is no such plan, "Disability" means you are unable to perform the essential functions of your position (after accounting for reasonable accommodation, if applicable), due to an illness or physical or mental impairment or other incapacity that continues, or can reasonably be expected to continue, for a period in excess of 120 days, whether or not consecutive.

For purposes of this Agreement, "***Cause***" means your (a) willful failure to substantially perform your duties (other than any such failure resulting from your physical or mental incapacity); (b) willful misconduct, gross negligence, breach of fiduciary duty, fraud, theft or embezzlement, in each case, that results in demonstrable harm to the Company or any of its Affiliates (defined below); (c) material breach of this Agreement that results in demonstrable harm to the Company or any of its Affiliates; (d) conviction of, or plea of nolo contendere to, any felony (or state law equivalent) or any crime involving moral turpitude; (e) commission of an act of fraud, embezzlement, or misappropriation, in each case, against the Company or any of its Affiliates, or (f) material breach of any material policy or code of conduct established by the Company or any of its Affiliates (including policies relating to anti-corruption or trade and economic sanctions), as such policies may be amended from time to time, that results in material economic harm. Notwithstanding the foregoing, except for a failure, breach or refusal that, by its nature, cannot reasonably be expected to be cured, you shall have 30 days following the delivery of written notice by the Company or one of its Affiliates within which to cure any actions or omissions described in clauses (a), (b), (c) or (f) constituting Cause; provided, however, that, if the Company reasonably expects irreparable injury from a delay of 30 days, the Company or one of its Affiliates may give you notice of such shorter period within which to cure as is reasonable under the circumstances, which may include the termination of your employment without notice and with immediate effect.

For purposes of this Agreement, "***Good Reason***" means any of the following, in each case, without your consent: (a) the assignment of duties materially inconsistent with your title or position or the removal of substantially all of your duties and responsibilities, (b) a reduction of 20% or more of your annual base salary as in effect on the Effective Date or as the same may be increased from time to time, (c) a relocation of the geographic location of your principal place of employment by more than 75 miles from Houston, Texas or (d) a breach by the Company of any material obligation owed to you in connection with your employment with the Company, including without limitation, any indemnification obligations, to which you may be entitled from time to time.

The occurrence of an event that would otherwise constitute Good Reason will cease to be an event constituting Good Reason, if you do not timely provide notice to the Company within thirty (30) days of the date on which you first become aware of the occurrence of that event. The Company shall have fifteen (15) days following receipt of your written notice in which to correct in all material respects the circumstances constituting Good Reason, and you must terminate employment within thirty (30) days following expiration of the Company's fifteen-day cure period. Otherwise, any claim of such circumstances constituting "Good Reason" shall be deemed irrevocably waived by you.

You acknowledge and agree that the definitions of "Cause" and "Good Reason" set forth above (along with the notice and cure provisions) is deemed to be incorporated by reference into any employment agreement, severance arrangement, or other similar agreement with the Company or its Affiliates to which you are party that includes such terms (or any similar term) and will supersede and replace any such definition.

For purposes of this Agreement, "***Affiliate***" means with respect to any person, any other person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting securities, by contract or otherwise.

In the event you become entitled to a Severance Payment under Section [__] "Qualifying Termination Within a CIC Protection Period" of the [Name of Plan/Agreement] due to a qualifying termination of employment before the Retention Date, such Severance Payments will be reduced by the amount of the Retention Bonus (but in no case below zero).

2. **Taxes.** The Company may withhold from any and all amounts payable to you hereunder such federal, state and local taxes as the Company determines in its sole discretion may be required to be withheld pursuant to any applicable law or regulation.

3. **No Right to Continued Employment.** Nothing in this Agreement will confer upon you any right to continued employment with the Company (or its subsidiaries or their respective successors) or to interfere in any way with the right of the Company (or its subsidiaries or their respective successors) to terminate your employment at any time.

4. **Other Benefits.** The Retention Bonus is a special payment to you and will not be taken into account in computing the amount of salary or compensation for purposes of determining any bonus, incentive, pension, retirement, death or other benefit under any other bonus, incentive, pension, retirement, insurance or other employee benefit plan of the Company, unless such plan or agreement expressly provides otherwise.

5. **No Assignments; Successors.** This Agreement is personal to each of the parties hereto. Except as provided in this paragraph, no party may assign or delegate any right or obligation hereunder without first obtaining the written consent of the other party hereto. The Company may assign this Agreement to any successor to all or substantially all of the business and/or assets of the Company; provided that the Company will require such successor to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

6. **Effectiveness.** This Agreement shall be effective August 7, 2017.

7. **Governing Law.** This Agreement will be governed by, and construed under and in accordance with, the internal laws of the State of Texas, without reference to rules relating to conflicts of laws.

8. **Costs of Enforcement**. In the event a party commences any legal action (regardless of whether or not a lawsuit is actually brought) to protect any rights under, or to enforce any provisions of this Agreement (including, but not limited to, the collection the After-Tax Value of the Retention Bonus), the prevailing party shall be entitled to recover from the losing party all reasonable costs, expenses, and attorneys' fees incurred by the party in connection with such proceedings, including, attorneys' fees incurred for consultation and other legal services performed prior to the filing of such proceeding.

9. **No Unauthorized Use or Disclosure**. For purposes of this Section 9, "Company" shall include the Company and each of its Affiliates. The term "Confidential Information" shall mean any and all confidential or proprietary information and materials, as well as all trade secrets, belonging to the Company. Confidential Information includes, regardless of whether such information or materials are expressly identified or marked as confidential or proprietary, and whether or not patentable: (1) technical information and materials of the Company; (2) business information and materials of the Company; (3) any information or material that gives the Company an advantage with respect to its competitors by virtue of not being known by those

competitors; and (4) other valuable, confidential information and materials and/or trade secrets of the Company. All Confidential Information shall be the sole and exclusive property of the Company. Upon termination of your employment with the Company, for any reason, you shall promptly deliver all documents and materials (including electronically stored information) containing or reflecting Confidential Information, and all copies thereof, to the Company. Notwithstanding the preceding provisions of this Section 9, the term Confidential Information does not include (i) any information that, at the time of disclosure by the Company, is available to the public other than as a result of any unauthorized act by you, or (ii) any information that becomes available to you on a non-confidential basis from a source other than the Company or any of its respective directors, officers, employees, agents or advisors; provided, that such source is not known by you to be bound by a confidentiality agreement with or other obligation of secrecy to the Company regarding the information.

You agree to preserve and protect the confidentiality of all Confidential Information. You agree that you will not, at any time during your term of employment or thereafter, make any unauthorized disclosure of Confidential Information, or make any use thereof, except, in each case, in the carrying out your responsibilities to the Company. You further agree to preserve and protect the confidentiality of all confidential information of third parties provided to the Company by such third parties with an expectation of confidentiality. You shall use commercially reasonable efforts to cause all persons or entities to whom any Confidential Information shall be disclosed by you hereunder to preserve and protect the confidentiality of such Confidential Information. You shall have no obligation hereunder to keep confidential any Confidential Information if and to the extent disclosure thereof is specifically required by applicable laws; provided, however, that in the event disclosure is required by applicable laws and you are making such disclosure, you shall provide the Company with prompt notice of such requirement prior to making any such disclosure, so that the Company may seek an appropriate protective order.

Nothing in this Agreement will prevent you from: (a) making a good faith report of possible violations of applicable law to any governmental agency or entity; or (b) making disclosures that are protected under the whistleblower provisions of applicable law.

10. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

11. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement between you and the Company with respect to the Retention Bonus and supersedes any and all prior agreements or understandings between you and the Company with respect to the Retention Bonus, whether written or oral. This Agreement may be amended or modified only by a written instrument executed by you and the Company.

12. **Section 409A Compliance.** Although the Company does not guarantee the tax treatment of the Retention Bonus, the intent of the parties is that the Retention Bonus be exempt from the requirements of Section 409A of the Internal Revenue Code and the regulations and guidance promulgated thereunder, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted in a manner consistent therewith.

[Signature Page Follows]

This Agreement is intended to be a binding obligation on you and the Company. If this Agreement accurately reflects your understanding as to the terms and conditions of the Retention Bonus, please sign and date one copy of this Agreement no later than August 14, 2017 and return the same to me for the Company's records. The Company reserves the right to withdraw this Agreement if you have not executed and returned a signed copy back to me by such date, in which case this Agreement shall be null and void. You should make a copy of the executed Agreement for your records.

Very truly yours,

Cobalt International Energy, Inc.

The above terms and conditions accurately reflect our understanding regarding the terms and conditions of the Retention Bonus, and I hereby confirm my agreement to the same.

Dated:

[Name]
[Job Title]

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: November 2, 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: November 2, 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 September 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: November 2, 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 September 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: November 2, 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.