

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:)	Chapter 11
)	
COBALT INTERNATIONAL ENERGY, INC., <i>et.</i>)	Case No. 17-36709 (MI)
<i>al.</i> , ¹)	
)	
Debtor.)	(Jointly Administered)

**OBJECTION OF NEXEN PETROLEUM OFFSHORE U.S.A. INC.
AND NEXEN PETROLEUM U.S.A. INC. TO
DEBTORS' FOURTH AMENDED JOINT CHAPTER 11 PLAN**

Nexen Petroleum Offshore U.S.A. Inc. ("NPOU") and Nexen Petroleum USA, Inc. ("NPU", and collectively with NPOU, "Nexen") respectfully submit this objection (the "Objection") to the *Debtors' Fourth Amended Joint Chapter 11 Plan* (the "Plan")² filed by the Debtors.³

INTRODUCTION

1. Pursuant to the Plan, the Debtors are proposing to sell substantially all of their assets (the "Sale"). While Nexen generally does not object to the Sale, the Plan, Disclosure Statement, *Notice of Filing of Plan Supplement* (the "Plan Supplement"),⁴ and/or *Notice of Filing of Certain Successful Bid Documents* (the "Bid Documents")⁵ which includes a Purchase and Sale Agreement for the Shenandoah Prospect (the "Shenandoah PSA") are unclear as to whether

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Cobalt International Energy, Inc. (1169); Cobalt International Energy GP, LLC (7374); Cobalt International Energy, L.P. (2411); Cobalt GOM LLC (7188); Cobalt GOM # I LLC (7262); and Cobalt GOM # 2 LLC (7316) (collectively, the "Debtors"). The Debtors' service address is: 920 Memorial City Way, Suite 100, Houston, Texas 77024.

² Dkt. No. 561.

³ All capitalized terms not herein defined shall have the meanings ascribed to them in the Plan or the *Disclosure Statement for Fourth Amended Joint Chapter 11 Plan* [Dkt. No. 562] (the "Disclosure Statement"), respectively.

⁴ Dkt. No. 612.

⁵ Dkt. No. 594.



the Sale is intended to be free and clear of overriding royalty interests (“ORRIs”) that burden the leases being sold, including those of Nexen (the “Nexen ORRIs”). Debtors’ Counsel indicated that it is not the Debtors intention for the Sale to be free and clear of Nexen’s ORRIs, and Nexen and the Debtors are working on language for the confirmation order to resolve this issue.

2. Unfortunately, while Nexen is hopeful that it will resolve this issue shortly, out of an abundance of caution, Nexen files this Objection to clarify that it does not consent to the Sale free and clear of the Nexen ORRIs, and the Debtors therefore cannot sell their assets free and clear of the Nexen ORRIs. Accordingly, the confirmation order should expressly state that the Sale is made expressly subject to Nexen ORRIs.

BACKGROUND

A. General Background

3. On December 14, 2017 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors’ cases are being jointly administered. On December 21, 2017, the United States Trustee for the Southern District of Texas appointed an official committee of unsecured creditors pursuant to section 1102 of the Bankruptcy Code [Docket No. 117].

B. The Nexen ORRIs

4. Pursuant to that certain Letter Agreement dated March 31, 2008 (the “March 31 Letter Agreement”), between Anadarko E&P Company LP (“Anadarko”), Kerr-McGee Oil & Gas Corporation (“Kerr-McGee”), ConocoPhillips Company (“Conoco”) and NPOU, Conoco

and Kerr-McGee assigned overriding royalty interests in Blocks 51 and 52 in the Walker Ridge Area⁶:

- 1) Conoco assigned to NPOU an Overriding Royalty Interest of 0.50% of 8/8ths (the "Block 51 ORRI") in Lease OCS-G 31938, covering Walker Ridge Area, Block 51 (the "Block 51 Lease");⁷ and
- 2) KerrMcGee assigned to NPOU a 0.50% of 8/8ths Overriding Royalty Interest (the "Block 52 ORRI") in Lease OCS-G 25232 covering Walker Ridge Area, Block 52 (the "Block 52 Lease").⁸

5. Accordingly, the Nexen ORRIs were created pursuant to the Nexen ORRI Assignments, as required in the March 31 Letter Agreement.

6. On July 3, 2008, the Nexen ORRIs were filed with BOEM as non-required filings.

7. Conoco subsequently assigned 20% of the record title in the Block 51 Lease to Cobalt International Energy, L.P. ("Cobalt") pursuant to that certain assignment made effective May 1, 2008 (the "Block 51 Cobalt Assignment").⁹ The assignment was expressly subject to the March 31 Letter Agreement:

The Assignment of Record Title Interest is made by Assignor and accepted by Assignee subject to the terms and conditions of...that certain Letter Agreement by and between Nexen Petroleum Offshore USA Inc., Anadarko E&P Company L.P., Kerr-McGee Oil & Gas Corporation and ConocoPhillips Company, dated March 31 2008.

8. Kerr-McGee subsequently assigned 70% record title in the Block 52 Lease to Conoco, and Conoco subsequently assigned 20% record title to Cobalt (the "Block 52 Cobalt").

⁶ The March 31 Letter Agreement was amended by a Letter Agreement dated May 29, 2008 (the "May 29 Letter Agreement"). However, the May 29 Letter Agreement did not change the Nexen ORRIs.

⁷ Conoco formally assigned the 0.50% of 8/8ths ORRI in the Block 51 Lease through that certain Assignment made effective February 1, 2008 (the "Block 51 Assignment").

⁸ KerrMcGee formally assigned the 0.50% of 8/8ths ORRI in the Block 52 Lease through that certain Assignment made effective February 1, 2008 (the "Block 52 Assignment", and together with the Block 51 Assignment, the "Nexen ORRI Assignments").

⁹ The Block 51 Cobalt Assignment is attached as Exhibit A.

Assignment”, and together with the Block 51 Cobalt Assignment, the “Cobalt Assignments”).¹⁰

The assignment was expressly subject to the March 31 Letter Agreement:

The Assignment of Record Title Interest is made by Assignor and accepted by Assignee subject to the terms and conditions of...that certain Letter Agreement by and between Nexen Petroleum Offshore USA Inc., Anadarko E&P Company L.P., Kerr-McGee Oil & Gas Corporation and ConocoPhillips Company, dated March 31 2008.

C. The Plan and Sale

9. Pursuant to the Plan, the Debtors are seeking authority to sell substantially all their assets,¹¹ including selling their interests in the leases in Blocks 51, 52, and 53 in the Walker Ridge Area (the “Walker Ridge Leases”) to Navitas Petroleum US, LLC (“Navitas”).¹²

10. The sale of such leases is expressly subject to “the terms, conditions, covenants, and obligations set forth in the Leases...”¹³ The Block 51 Lease and Block 52 Lease, however, predated the assignments of the Nexen ORRIs, and therefore the Nexen ORRIs are not referenced in the Leases themselves; rather, they are referenced in the Cobalt Assignments. Both of the Cobalt Assignments are burdened by the Nexen ORRIs.

11. On March 21, 2018, just 6 days before the confirmation objection deadline, the Debtors filed the Plan Supplement. The Plan Supplement does not list the March 31 Letter Agreement or the Cobalt Assignments on the list of assumed contracts (the “Assumption List”)¹⁴ or on the list of rejected contracts (the “Rejection List”). Likewise, neither the March 31 Letter Agreement nor the Cobalt Assignments are referenced in the Shenandoah PSA. Accordingly, whether the Debtors intend for the Sale to be free and clear of the Nexen ORRIs is unclear.

¹⁰ The Block 52 Cobalt Assignment is attached as **Exhibit B**.

¹¹ Plan at Art. 4(c).

¹² See Shenandoah PSA at Exhibit A.

¹³ Shenandoah PSA at Art. 2.1(b)(i).

¹⁴ While the Cobalt Assignments are real property interests, and one would not normally expect such assignments to be listed on the Assumption List, the Debtors listed all of their real property oil & gas leases on the Assumption List. Thus, whether the Debtors are taking the position that the real property ORRIs are executory contracts subject to rejection is unclear.

ARGUMENT

D. The Sale Cannot Be Approved Free and Clear of the Nexen ORRIs.

12. Pursuant to section 363(f) of the bankruptcy code, a trustee may sell property:

free and clear of any interest in such property of an entity other than the estate, only if:

- 1) Applicable non-bankruptcy law permits sale of such property free and clear of such interest;
- 2) Such entity consents;
- 3) Such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
- 4) Such interest is in bona fide dispute; or
- 5) Such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f).

13. Here, Nexen did not and does not consent to a sale free and clear of the Nexen ORRIs. Furthermore, the Nexen ORRIs are not in bona fide dispute. The Nexen ORRIs are also not liens; rather, they are a vested real property burden on the Walker Ridge Leases. *See, e.g., In re ATP Oil & Gas Corp.*, 12-36187ADV 12-03443, 2014 WL 61408, at *8 (Bankr. S.D. Tex. Jan. 6, 2014) (“Under Louisiana law, an overriding royalty is classified as a “real right” in “incorporeal immovable property.”); *Terry v. Terry*, 565 So. 2d 997 (La. App.-1st Cir. 1990) (overriding royalties are classified as real rights and incorporeal immovables in Louisiana); *Kelly Oil v. Svetlik*, 975 S.W.2d 762, 764 (Tex. App.—Corpus Christi 1998), pet. denied. (ORRIs are real property interests); *Alamo Nat. Bank of San Antonio v. Hurd*, 485 S.W.2d 335, 338–39 (Tex.

Civ. App. 1972) (“[T]here can be no doubt in Texas but that an overriding royalty, whether payable in money or by the delivery of oil, is an interest in land[.]”).¹⁵

14. Furthermore, ORRIs are not property of the estate, and cannot be rejected as an executory contract. *See Foothills Tex., Inc. v. MTGLQ Investors, L.P. (In Re Foothills Tex., Inc.)*, 476 B.R. 143, 151 (Bankr. D. Del. 2012) (conveyances of overriding royalties held to create interests in real property under Texas law and not to constitute executory contracts under section 365 of the Bankruptcy Code). In fact, ORRIs are expressly excluded from the definition of property of the estate pursuant to Section 541(b)(4)(B):

Property of the estate does not include any interest of the debtor in liquid or gaseous hydrocarbons to the extent that the debtor has transferred such interest pursuant to a written conveyance of a production payment to an entity that does not participate in the operation of the property from which such production payment is transferred.

11 U.S.C. § 541(b)(4)(B).

15. Production payment means “a term overriding royalty satisfiable in cash or in kind contingent on the production of a liquid or gaseous hydrocarbon from particular real property . . . determined without regard to production costs.” 11 U.S.C. § 101(24).

16. For these reasons, this Court and many others have routinely approved requests to pay ORRIs in the ordinary course of business. *See, e.g., In re Memorial Production Partners LP*, No. 17-30262 (MI) (Bankr. S.D. Tex. Jan. 23, 2017) [Dkt. No. 120]; *In re Linn Energy, LLC*,

¹⁵ *See also Team Bank v. Meridian Oil Inc.*, 118 N.M. 147, 149 (1994) (“[A]n overriding interest is an interest in real property[.]”); *ANR W. Coal Dev. Co. v. Basin Elec. Power Co-op.*, 276 F.3d 957, 965 (8th Cir. 2002) (recognizing that “[o]verriding royalty holders have an interest that is a form of real property under North Dakota law”); *De Mik v. Cargill*, 485 P.2d 229, 231 (Okla. 1971) (noting that “[a]n overriding royalty interest generally is held to be an interest in real property” under Oklahoma law); *Johnson v. Anderson*, 768 P.2d 18, 23 (Wyo. 1989) (overriding royalty interest is a nonpossessory interest in real property). An overriding royalty interest may also be considered “an interest in real estate regarded as a covenant running with the land as between the assignor and assignee, and enforceable by the assignor against the assignee.” *Phillips Petroleum Co. v. Taylor*, 116 F.2d 994, 995 (5th Cir. 1941).

No. 16-60040 (DRJ) (Bankr. S.D. Tex. July 1, 2016) [Dkt. No. 450]; *In re Parallel Energy LP*, Dkt. No. 84, Case No. 15-12263 (KG) (Bankr. D. Del. Dec. 2, 2015).

17. Further, because the Nexen ORRIs were filed with BOEM, applicable non-bankruptcy law would not permit the sale of the lease free and clear of the Nexen ORRIs. *See, e.g., Westland Oil Dev. Corp. v. Gulf Oil Corp.*, 637 S.W.2d 903 (Tex. 1982) (reference to an operating agreement in the chain of title placed competing interests on notice of the operating agreement). Finally, Nexen could not be compelled to accept a money satisfaction for the Nexen ORRIs.

18. Accordingly the Sale cannot be free and clear of the Nexen ORRIs, and the Court should deny confirmation unless the confirmation order expressly states that the Sale is subject to the Nexen ORRIs. *See In re Rosbottom*, 09-11674, 2010 WL 4956924, at *5 (Bankr. W.D. La. Dec. 1, 2010) (including provision in sale order that “**the Sale of the Estate's Mineral Assets SHALL NOT be free and clear of** (i) the rights of royalty holders or overriding royalty holders.”) (emphasis not added).

RESERVATION OF RIGHTS

19. Nexen reserves all rights to supplement or amend this Objection, or to join any other objections.

CONCLUSION

WHEREFORE, Nexen respectfully requests that this Court (a) enter an order denying confirmation of the Plan unless the confirmation order expressly states that the Sale is not free and clear of the Nexen ORRIs, and (b) grant Nexen such other and further relief as the Court deems proper, both at law and in equity.

Dated: March 27, 2018

THOMPSON & KNIGHT LLP

By: /s/ Demetra L. Liggins

Demetra L. Liggins
Texas State Bar No. 24026844
811 Main Street, Suite 2500
Houston, TX 77002
Telephone: 713.654.8111
Facsimile: 713.654.1871
E-mail: demetra.liggins@tklaw.com

-and-

Steven J. Levitt
Texas State Bar No. 24092690
One Arts Plaza
1722 Routh Street, Suite 1500
Dallas, TX 75201
Telephone: 214.969.1700
Facsimile: 214.969.1751
E-mail: steven.levitt@tklaw.com

**ATTORNEYS FOR NEXEN
PETROLEUM OFFSHORE USA INC.
AND NEXEN PETROLEUM USA INC.**

CERTIFICATE OF SERVICE

I hereby certify that on March 27, 2018, a true and correct copy of the foregoing was served by first-class, postage-prepaid U.S. Mail on the below listed parties. I further certify that all parties entitled to notice via the Court's electronic notification system were served at the time of electronic filing.

/s/ Demetra L. Liggins

Demetra L. Liggins

Counsel to Debtors

James H.M. Sprayregen, P.C.

Marc Kieselstein, P.C.

Chad J. Husnick, P.C.

Brad Weiland

Laura Krucks

KIRKLAND & ELLIS LLP

300 North LaSalle Street

Chicago, IL 60654

Zack A. Clement

ZACK A. CLEMENT PLLC

3753 Drummond Street

Houston, TX 77025

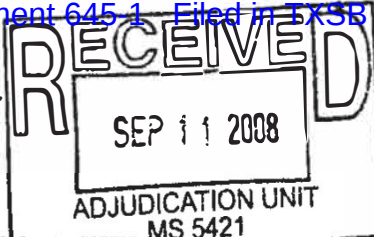
United States Trustee

Office of the United States Trustee

515 Rusk Avenue

Houston, TX 77002

U. S. Department of the Interior
Minerals Management Service



OMB Control Number: 1010-0006

OMB Approval Expires: 05/31/2010

OCS-G 31938

Lease No.

December 1, 2007

Lease Effective Date

**ASSIGNMENT OF RECORD TITLE INTEREST IN
FEDERAL OCS OIL AND GAS LEASE**

New Lease No. (MMS Use Only)

Part A: Assignment

Legal description of land/area being assigned:

All of Block 51, Walker Ridge, OCS Official Protraction Diagram, NG 15-06

Assignor(s) does hereby sell, assign, transfer and convey unto Assignee(s) the following undivided right, title and interest:

Insert name and Company number of each Assignor and Assignee.

Assignor(s):

ConocoPhillips Company (00056)

Percentage Interest Conveyed

20%

Assignee(s):

Cobalt International Energy, L.P. (02873)

Percentage Interest Received

20%

The approval of this assignment is restricted to record title interest only.

☒ Exhibit "A," which sets forth other provisions between Assignor(s) and Assignee(s), is attached to and made a part of this assignment.

For MMS Use only – Do Not Type Below This Line

This Assignment of Record Title Interest has been filed as of the date stamped on this document and hereby approved by the Minerals Management Service on the date below.

By

Authorized Official for MMS

Supervisor, Adjudication Unit

Title

Approval Date

9/18/08

mp

Paperwork Reduction Act of 1995 (PRA) Statement: The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to use in the adjudication process involved in leasing and lease operations. The MMS uses the information to track ownership of leases in the Federal OCS. Responses are mandatory (43 U.S.C. 1334). Proprietary data are covered under 30 CFR 250.197. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden of this form is estimated to average 30 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Mail Stop 4230, Minerals Management Service, 1849 C Street, NW, Washington, DC 20240.

Part B – Certification and Acceptance

1. Assignor(s) certifies it is the owner of the record title interest in the above-described lease that is hereby assigned to the Assignee(s) specified above.
2. **DEBARMENT COMPLIANCE:** Assignee shall comply with the Department of the Interior's nonprocurement debarment and suspension regulations as required by Subpart B of 2 CFR Part 1400 and shall communicate the requirement to comply with these regulations to persons with whom it does business related to this record title interest assignment by including this term in its contracts and transactions.
3. **EQUAL OPPORTUNITY AND AFFIRMATIVE ACTION COMPLIANCE CERTIFICATION:** Assignor(s) and Assignee(s) certify that they are in full compliance with Equal Opportunity Executive Order 11246, as amended, and the implementing regulations at 41 CFR 60-01 – Obligations of Contractors and Subcontractors; and 41 CFR 60-2 – Affirmative Action Programs. These requirements are for the purpose of preventing discrimination against persons on the basis of race, color, religion, sex, or national origin. These regulations have specific performance requirements.
4. Assignee's execution of this assignment constitutes acceptance of all applicable terms, conditions, stipulations and restrictions pertaining to the lease described herein. Applicable terms and conditions include, but are not limited to, an obligation to conduct all operations on the leasehold in accordance with the terms and conditions of the lease, to condition all wells for proper abandonment, to restore the leased lands upon completion of any operations as described in the lease, and to furnish and maintain bond(s) pursuant to regulations at 30 CFR 256. This assignment is subject to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (the "Act"), and Assignee(s) is subject to, and shall fully comply with, all applicable regulations now or to be issued under the Act. Notwithstanding any agreement between the Assignor(s) and Assignee(s), the parties' liability to the Minerals Management Service is governed by 30 CFR 256.

This Assignment of Record Title Interest will be made effective between the parties hereto as of May 1, 2008, upon approval by the Minerals Management Service, United States Department of the Interior.

This instrument may be executed in any number of counterparts, each of which will be deemed an original instrument, but all of which together shall constitute but one and the same instrument provided, however, this instrument and any other counterpart hereof, will not be binding unless and until executed by all of the parties, and will not be accepted by the Minerals Management Service unless all counterparts are filed simultaneously.

I certify that the statements made herein by the undersigned are true, complete and correct to the best of my knowledge and belief and are made in good faith.

Title 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

ASSIGNOR ConocoPhillips Company (00056)

ASSIGNOR

By: 

Name: Jim M. Higgins

Title: Attorney-in-Fact

AUG 27 2008

Execution Date

By: _____

Name: _____

Title: _____

Execution Date

ASSIGNEE Cobalt International Energy, L.P.
(02873)

ASSIGNEE

By: 

Name: Lynne L. Hackedorn

Title: Attorney-in-Fact

9/5/08

Execution Date

By: _____

Name: _____

Title: _____

Execution Date

Attach Notary Acknowledgement (not mandatory)

Exhibit "A"

ASSIGNMENT OF RECORD TITLE INTEREST IN FEDERAL OCS OIL & GAS LEASE

ASSIGNOR: ConocoPhillips Company (00056)
600 N. Dairy Ashford
Houston, TX 77079

ASSIGNEE: Cobalt International Energy, L.P. (02873)
Two Post Oak Central
1980 Post Oak Boulevard
Suite 1200
Houston Texas 77056

By this instrument, the Assignor identified above, in return for the receipt of adequate consideration, assigns to the above identified Assignee an undivided Twenty Percent (20%) record title interest in the Federal Oil & Gas Lease described below (hereinafter the "Assigned Lease"):

Serial Number: OCS-G 31938
Effective Date: December 1, 2007
Lease Description: All of Block 51, Walker Ridge, OCS Official Protraction Diagram, NG 15-06, containing approximately 5760 acres;

all the Assigned Lease (and all appurtenant property, if any) being located on the Outer Continental Shelf of the Gulf of Mexico. To have and to hold the Assigned Lease unto the Assignee forever, subject to and in accordance with all the terms and provisions of the Assigned Lease and subject to the limitations, exceptions, reservations, and conditions set forth in this document.

Assignment Subject to Prior Contracts

This Assignment of Record Title Interest is made by Assignor and accepted by Assignee subject to the terms and conditions of 1) the oil and gas lease governing the Assigned Lease, 2) that certain Joint Operating Agreement dated effective April 1, 2008, between Assignor, Kerr-McGee Oil & Gas Corporation and Anadarko E&P Company LP, 3) the Participation Agreement dated May 7, 2008, between Assignor and Assignee, 4) that certain Letter Agreement by and between ExxonMobil Corporation, Anadarko E&P Company L.P., Kerr-McGee Oil & Gas Corporation and ConocoPhillips Company, dated March 26, 2008, and 5) that certain Letter Agreement by and between Nexen Petroleum Offshore USA Inc., Anadarko E&P Company L.P., Kerr-McGee

Oil & Gas Corporation and ConocoPhillips Company, dated March 31, 2008 (collectively, the "Prior Contracts"). Should any terms of this assignment conflict with the terms of the Participation Agreement, the terms of the Participation Agreement shall control. There shall be no merger of any of the Participation Agreement with this assignment; rather, the Participation Agreement shall survive the granting of this assignment.

Limited Warranty of Title

Assignor hereby warrants title to the Assigned Lease, limited to claims arising by, through, and under Assignor but not otherwise, and this assignment is made with full substitution and subrogation of Assignee in and to all covenants and warranties Assignor has against third parties. This assignment is made subject to the lessor's royalty and any overriding royalty interest that may be reserved under any of the Prior Contracts but is free and clear of any additional royalty interests, net profits interests, production payments, liens, mortgages, or any other burdens.

Binding Effect

This assignment and the rights, titles, interests, and obligations assigned, reserved, excepted, or retained in this assignment, shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Assignor and Assignee. The covenants, obligations and agreements contained in this assignment shall be construed as covenants running with the land and the Assigned Lease.

Effective Date

This assignment is made effective as of May 1, 2008, and shall be filed for approval by the Minerals Management Service, United States Department of the Interior.

ASSIGNOR

ConocoPhillips Company

By: Jim M. Higgins *Jim M. Higgins*
Title: Attorney-in-Fact

WITNESS:
A. Walk
Dee Syly

ASSIGNEE

Cobalt International Energy, L.P.

By: Lynne L. Hackedorn *Lynne L. Hackedorn*
Title: Attorney-in-Fact

WITNESS:
Rhonda Vaughn
Victoria Mercer

ACKNOWLEDGMENTS

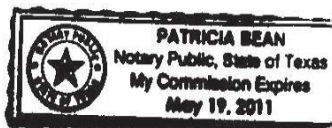
STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Jim M. Higgins, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he, being fully authorized to do so, executed and delivered the same as Attorney-in-Fact for ConocoPhillips Company, a Delaware corporation, on the day and year therein mentioned and as the act and deed of said corporation, for the purpose and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 27 day of August, 2008.

Patricia Bean
Notary Public in and for the State of Texas

My Commission Expires: 5-19-11



STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Lynne L. Hackedorn, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that she, being fully authorized to do so, executed and delivered the same as Attorney-in-Fact for Cobalt International Energy, L.P., a Delaware limited partnership, on the day and year therein mentioned and as the act and deed of said limited partnership, for the purpose and consideration therein expressed.

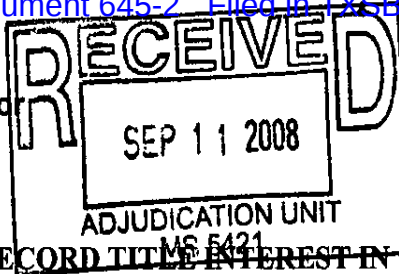
GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 5 day of Sept, 2008.

Elyse C. Sony
Notary Public in and for the State of Texas

My Commission Expires: 9/5/09



U. S. Department of the Interior
Minerals Management Service



**ASSIGNMENT OF RECORD TITLE INTEREST IN
FEDERAL OCS OIL AND GAS LEASE**

OMB Control Number: 1010-0006
OMB Approval Expires: 05/31/2010

OCS-G 25232

Lease No.

June 1, 2003

Lease Effective Date

New Lease No. (MMS Use Only)

Part A: Assignment

Legal description of land/area being assigned:

All of Block 52, Walker Ridge, OCS Official Protraction Diagram, NG 15-06

Assignor(s) does hereby sell, assign, transfer and convey unto Assignee(s) the following undivided right, title and interest:

Insert name and Company number of each Assignor and Assignee.

Assignor(s):

ConocoPhillips Company (00056)

Percentage Interest Conveyed

20%

Assignee(s):

Cobalt International Energy, L.P. (02873)

Percentage Interest Received

20%

The approval of this assignment is restricted to record title interest only.

☒ Exhibit "A," which sets forth other provisions between Assignor(s) and Assignee(s), is attached to and made a part of this assignment.

For MMS Use only – Do Not Type Below This Line

This Assignment of Record Title Interest has been filed as of the date stamped on this document and hereby approved by the Minerals Management Service on the date below.

By

Authorized Official for MMS

Supervisor, Adjudication Unit

Title

9/18/08

Approval Date

Paperwork Reduction Act of 1995 (PRA) Statement: The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to use in the adjudication process involved in leasing and lease operations. The MMS uses the information to track ownership of leases in the Federal OCS. Responses are mandatory (43 U.S.C. 1334). Proprietary data are covered under 30 CFR 250.197. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden of this form is estimated to average 30 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Mail Stop 4230, Minerals Management Service, 1849 C Street, NW, Washington, DC 20240.

Part B – Certification and Acceptance

1. Assignor(s) certifies it is the owner of the record title interest in the above-described lease that is hereby assigned to the Assignee(s) specified above.
2. **DEBARMENT COMPLIANCE:** Assignee shall comply with the Department of the Interior's nonprocurement debarment and suspension regulations as required by Subpart B of 2 CFR Part 1400 and shall communicate the requirement to comply with these regulations to persons with whom it does business related to this record title interest assignment by including this term in its contracts and transactions.
3. **EQUAL OPPORTUNITY AND AFFIRMATIVE ACTION COMPLIANCE CERTIFICATION:** Assignor(s) and Assignee(s) certify that they are in full compliance with Equal Opportunity Executive Order 11246, as amended, and the implementing regulations at 41 CFR 60-01 – Obligations of Contractors and Subcontractors; and 41 CFR 60-2 – Affirmative Action Programs. These requirements are for the purpose of preventing discrimination against persons on the basis of race, color, religion, sex, or national origin. These regulations have specific performance requirements.
4. Assignee's execution of this assignment constitutes acceptance of all applicable terms, conditions, stipulations and restrictions pertaining to the lease described herein. Applicable terms and conditions include, but are not limited to, an obligation to conduct all operations on the leasehold in accordance with the terms and conditions of the lease, to condition all wells for proper abandonment, to restore the leased lands upon completion of any operations as described in the lease, and to furnish and maintain bond(s) pursuant to regulations at 30 CFR 256. This assignment is subject to the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462; 43 U.S.C. 1331 et seq., as amended (the "Act"), and Assignee(s) is subject to, and shall fully comply with, all applicable regulations now or to be issued under the Act. Notwithstanding any agreement between the Assignor(s) and Assignee(s), the parties' liability to the Minerals Management Service is governed by 30 CFR 256.

This Assignment of Record Title Interest will be made effective between the parties hereto as of May 1, 2008, upon approval by the Minerals Management Service, United States Department of the Interior.


This instrument may be executed in any number of counterparts, each of which will be deemed an original instrument, but all of which together shall constitute but one and the same instrument provided, however, this instrument and any other counterpart hereof, will not be binding unless and until executed by all of the parties, and will not be accepted by the Minerals Management Service unless all counterparts are filed simultaneously.

I certify that the statements made herein by the undersigned are true, complete and correct to the best of my knowledge and belief and are made in good faith.

Title 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

ASSIGNOR ConocoPhillips Company (00056)

ASSIGNOR

By: 
 Name: Jim M. Higgins
 Title: Attorney-in-Fact
AUG 27 2008

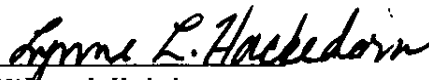
Execution Date

By: _____
 Name: _____
 Title: _____

Execution Date

ASSIGNEE Cobalt International Energy, L.P.
 (02873)

ASSIGNEE

By: 
 Name: Lynne L. Hackedorn
 Title: Attorney-in-Fact
9/5/08
 Execution Date

By: _____
 Name: _____
 Title: _____
 Execution Date

Attach Notary Acknowledgement (not mandatory)

Exhibit "A"

ASSIGNMENT OF RECORD TITLE INTEREST IN FEDERAL OCS OIL & GAS LEASE

ASSIGNOR: ConocoPhillips Company (00056)
600 N. Dairy Ashford
Houston, TX 77079

ASSIGNEE: Cobalt International Energy, L.P. (02873)
Two Post Oak Central
1980 Post Oak Boulevard
Suite 1200
Houston Texas 77056

By this instrument, the Assignor identified above, in return for the receipt of adequate consideration, assigns to the above identified Assignee an undivided Twenty Percent (20%) record title interest in the Federal Oil & Gas Lease described below (hereinafter the "Assigned Lease"):

Serial Number: OCS-G 25232
Effective Date: June 1, 2003
Lease Description: All of Block 52, Walker Ridge, OCS Official Protraction Diagram, NG 15-06, containing approximately 5760 acres;

all the Assigned Lease (and all appurtenant property, if any) being located on the Outer Continental Shelf of the Gulf of Mexico. To have and to hold the Assigned Lease unto the Assignee forever, subject to and in accordance with all the terms and provisions of the Assigned Lease and subject to the limitations, exceptions, reservations, and conditions set forth in this document.

Assignment Subject to Prior Contracts

This Assignment of Record Title Interest is made by Assignor and accepted by Assignee subject to the terms and conditions of 1) the oil and gas lease governing the Assigned Lease, 2) that certain Joint Operating Agreement dated effective April 1, 2008, between Assignor, Kerr-McGee Oil & Gas Corporation and Anadarko E&P Company LP, 3) the Participation Agreement dated May 7, 2008, between Assignor and Assignee, 4) that certain Letter Agreement by and between ExxonMobil Corporation, Anadarko E&P Company L.P., Kerr-McGee Oil & Gas Corporation and ConocoPhillips Company, dated March 26, 2008, and 5) that certain Letter Agreement by

and between ~~Neven~~ Petroleum Offshore USA Inc., Anadarko E&P Company L.P., Kerr-McGee Oil & Gas Corporation and ConocoPhillips Company, dated March 31, 2008 (collectively, the "Prior Contracts"). Should any terms of this assignment conflict with the terms of the Participation Agreement, the terms of the Participation Agreement shall control. There shall be no merger of any of the Participation Agreement with this assignment; rather, the Participation Agreement shall survive the granting of this assignment.

Limited Warranty of Title

Assignor hereby warrants title to the Assigned Lease, limited to claims arising by, through, and under Assignor but not otherwise, and this assignment is made with full substitution and subrogation of Assignee in and to all covenants and warranties Assignor has against third parties. This assignment is made subject to the lessor's royalty and any overriding royalty interest that may be reserved under any of the Prior Contracts but is free and clear of any additional royalty interests, net profits interests, production payments, liens, mortgages, or any other burdens.

Binding Effect

This assignment and the rights, titles, interests, and obligations assigned, reserved, excepted, or retained in this assignment, shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Assignor and Assignee. The covenants, obligations and agreements contained in this assignment shall be construed as covenants running with the land and the Assigned Lease.

Effective Date

This assignment is made effective as of May 1, 2008, and shall be filed for approval by the Minerals Management Service, United States Department of the Interior.

ASSIGNOR

ConocoPhillips Company

By: Jim M. Higgins
Title: Attorney-in-Fact

WITNESS:
Jim M. Higgins
Jim M. Higgins

ASSIGNEE

Cobalt International Energy, L.P.

By: Lynne L. Hackedorn
Title: Attorney-in-Fact

WITNESS:
Rhonda Vaughn
Victoria Mercer

ACKNOWLEDGMENTS

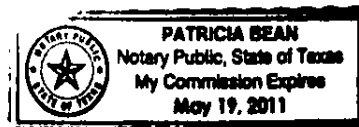
STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Jim M. Higgins, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he, being fully authorized to do so, executed and delivered the same as Attorney-in-Fact for ConocoPhillips Company, a Delaware corporation, on the day and year therein mentioned and as the act and deed of said corporation, for the purpose and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 27 day of August, 2008.

Patricia Bean
Notary Public in and for the State of Texas

My Commission Expires: 5-19-11



STATE OF TEXAS §
 §
COUNTY OF HARRIS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Lynne L. Hackedorn, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that she, being fully authorized to do so, executed and delivered the same as Attorney-in-Fact for Cobalt International Energy, L.P., a Delaware limited partnership, on the day and year therein mentioned and as the act and deed of said limited partnership, for the purpose and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 5 day of Sept., 2008.

Elyse C. Sony
Notary Public in and for the State of Texas

My Commission Expires: 9/5/09

