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BP deepens commitment to Oman; to extend licence and develop second phase of major Khazzan gas field

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BP deepens commitment to Oman; to extend licence and develop second phase of major Khazzan gas field

Date: 14 February 2016

BP and Oman Oil today signed a heads of agreement with the Government of the Sultanate of Oman committing to amend the Oman Block 61 exploration and production sharing agreement (EPSA), extending the licence area of the block and enabling a further development of the major Khazzan tight gas field. BP is the operator of Block 61 with a 60% interest and Oman Oil holds the other 40%.

Under the amended EPSA, the extension will add a further over 1000km² to the south and west of the original 2,700km² Block 61. The extension will allow a second phase of development, accessing additional resources in the area that have been identified by drilling activity within the original block. Development of this additional resource is subject to final approval of the Government of Oman and of BP; both expected in 2017.

The agreement was signed today in Muscat by His Excellency Dr. Mohammed Al Rumhy, Minister of Oil and Gas of the Sultanate of Oman, Bob Dudley, BP Group Chief Executive, and John Malcolm, Executive Managing Director of Oman Oil E&P.

Dr. Mohammed Al Rumhy stated: "I am delighted to see BP taking additional acreage that will result in realizing more gas reserves and more production of gas that our country needs to support our energy planning and requirements."

Bob Dudley commented: "Khazzan is a major resource with the potential to produce gas for Oman for decades. This expansion of its development will build on the success we are already seeing in our work on the first phase, working closely with our Omani partners and applying BP's leading technology and extensive tight gas experience. It clearly demonstrates our commitment to continue to invest in a superior project that will deliver long-term value to both BP and Oman."

The Khazzan reservoirs in Block 61 represent one of the Middle East's largest unconventional tight gas accumulations, with the potential to be a major new source of gas supply for Oman over many decades. Production from Khazzan will make a significant contribution to ensuring continuing stable and long-term domestic supplies of gas for Oman. Combined plateau production from Phases 1 and 2 is expected to total approximately 1.5 billion cubic feet of gas a day (bcf/d), equivalent to around 40% of Oman's current total domestic gas production.

The Phase 1 project, sanctioned in December 2013, remains on schedule to deliver first gas in late 2017. Subject to completion of the agreements and final sanction, the new Khazzan Phase 2 project will come on stream from 2020.

The two phases are expected to produce 1.5 bcf/d through development of 10.5 trillion cubic feet of recoverable gas resources. This will involve construction of a three-train central processing facility with associated gathering and export systems and drilling around 325 wells over a 15 year period. Improved reservoir performance, drilling efficiencies and

other improvements have reduced the well count by around 100 wells from the original Phase 1 plan.

Notes to editors

- Block 61 contains significant volumes of unconventional gas, distributed across several reservoirs. Owing to the tight nature of the rocks in the Khazzan reservoirs, the wells need to be hydraulically stimulated to flow gas at target rates.
- BP signed an agreement with the Government of Oman in January 2007 for the appraisal and development of Block 61. BP carried out one of its largest-ever onshore seismic surveys covering the 2,700km² Block 61 area and began appraisal well drilling activities in 2008.
- In March 2011 BP Oman achieved a milestone with the first gas delivery to the government from its extended well test project in Block 61. This successful pilot project helped to demonstrate the potential of a much larger scale development.
- Phase 1 is on track to deliver first gas by end 2017 producing 1 bcf/d through development of seven trillion cubic feet of recoverable gas resources. By end of 2015, 27 wells had been drilled and completed. Its two-train Central Processing Facility is more than 60% complete and around 11,000 people are currently working in the field. The estimated cost for developing Phase 1 and the Phase 2 extension is around \$16 billion.
- BP is preparing for the full field development of Khazzan on a number of fronts, most recently with the launch of its multi-year technicians' development programme for Omani nationals that will qualify up to 150 technicians to support the long term operations of the Khazzan project. BP is also investing in Omani capability development for graduates and mid-career staff. Over 70% of BP's staff in Oman are Omani nationals.

Further information

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Cautionary statement

This press release contains certain forward-looking statements concerning the heads of agreement between BP and the Government of the Sultanate of Oman regarding the EPSA and the development of the Khazzan gas fields in Oman, including plans and expectations regarding the scope of the extension of Block 61 and approval thereof by BP and the Government of Oman; plans and expectations regarding the expected production from the gas fields in Block 61 and the timing thereof; expectations regarding the development's contribution to future gas supply in Oman, BP's commitment to continue to invest in the development and the total cost of the project; and plans regarding development programs for Omani nationals, staff and graduates. Actual results may differ from those expressed in such statements, depending on a variety of factors including changes in public expectations and other changes to business conditions; the timing, quantum and nature of divestments; the receipt of relevant third-party and/or regulatory approvals; future levels of industry product supply; demand and pricing; OPEC quota restrictions; PSA effects; operational problems; regulatory or legal actions; economic and financial conditions generally or in various countries and regions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; exchange rate fluctuations; development and use of new technology; the success or otherwise of partnering; the actions of competitors, trading partners and others; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism, cyber-attacks or sabotage; and other factors discussed under "Principal risks and uncertainties" in our Stock Exchange Announcement for the period ended 30 June 2015 and under "Risk factors" in our Annual Report and Form 20-F 2014.

This press release contains references to non-proved resources and production outlooks based on non-proved resources that the SEC's rules prohibit us from including in our filings with the SEC. U.S. investors are urged to consider closely the disclosures in our Form 20-F, SEC File No. 1-06262. This form is available on our website at www.bp.com. You can also obtain this form from the SEC by calling 1-800-SEC-0330 or by logging on to their website at www.sec.gov

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