press release

8 November 2016

**BP and Oman sign extended licensing agreements paving the way for second phase of Khazzan gas field project**

MUSCAT, Sultanate of Oman -- BP and Oman Oil Exploration & Production today signed an agreement with the Government of the Sultanate of Oman amending the Oman Block 61 exploration and production sharing agreement (EPSA) to extend the licence area, paving the way for further development of the giant Khazzan tight gas field.

Under the amended EPSA, the extension adds more than 1000 square kilometres to the south and west of the original 2,700 square kilometres of Block 61. The extension will allow a second phase of development, accessing additional gas in the area already 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.

BP is the operator of Block 61 with a 60% interest and Oman Oil Exploration & Production holds the other 40%.

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 Eng. Isam bin Saud Al Zidjali, CEO of Oman Oil Company on behalf of Oman Oil E&P.

Dr. Mohammed Al Rumhy commented: “BP recently reached over 80% progression on the Khazzan project completion and is on track to deliver first gas near the end of 2017, and 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: “I am very pleased to be in Muscat to sign this important agreement with our partners. BP is proud to expand our cooperation in the Khazzan project which will be the major source of energy for the Omani economy for decades to come. This expansion will build on our work on the first phase, working closely with our Omani partners and demonstrates our commitment to invest in a significant project that will deliver long-term value to both Oman and BP.”

The Khazzan reservoirs in Block 61 represent one of the Middle East’s largest unconventional tight gas accumulations and are expected 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 is expected to represent around 40% of the country’s current total domestic gas production.

Eng. Isam bin Saud Al Zidjali, commented “Today’s signing marks another milestone in our strategic partnership with BP, and complements the existing licensing agreements. This project contributes to Oman’s economy in various ways; to begin with, the gas will provide feedstock for development of downstream/petrochemical industries. Once the project is on stream it will increase the overall supplies of gas and adds additional resources to the country.”
The Phase 1 project, sanctioned in December 2013, is more than 80% complete and remains on schedule to deliver first gas in late 2017. Subject to final approval, Khazzan Phase 2 project is expected to come on stream around 2020.

Taken together, the two phases are expected to produce 1.5 bcf/d of gas 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 over 300 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 3Q2016, 37 development wells had been drilled and completed. Its two-train Central Processing Facility is more than 80% 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 over 80 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 65% of BP's staff in Oman are Omani nationals.

Further information:

BP press office, London: +44 20 7496 4076, bppress@bp.com
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 Bock 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.

In order to utilize the ‘safe harbor’ provisions of the United States Private Securities Litigation Reform Act of 1995 (the ‘PSLRA’), BP is providing the following cautionary statement. This press release contains certain forward-looking statements concerning BP’s Khazzan gas project in Oman, including expectations regarding the delivery of first gas and the timing thereof; plans and expectations regarding future production levels and the contribution thereof to Oman’s natural gas supply and economy; and plans and expectations regarding the drilling of additional wells. 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 2016 and under “Risk factors” in our Annual Report and Form 20-F 2015.

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.

-- ENDS --