

what's **next**



billions of barrels of oil sands inventory

millions of deep-water barrels ready for development

thousands of acres of exploration potential

hundreds of opportunities to apply new technologies



Charlie Fischer

Nexen's President and CEO

“ It comes down to this one choice—build a sustainable energy company. From there, the decisions are easy. See beyond short-term market storms. Bring together passionate people, inspired by innovation. Accumulate an unbeatable inventory. Transform knowledge into power and possibilities into projects. Compromise nothing and improve everything. Build assets that create legacies like Yemen and Buzzard. Long Lake is next.”

president's review

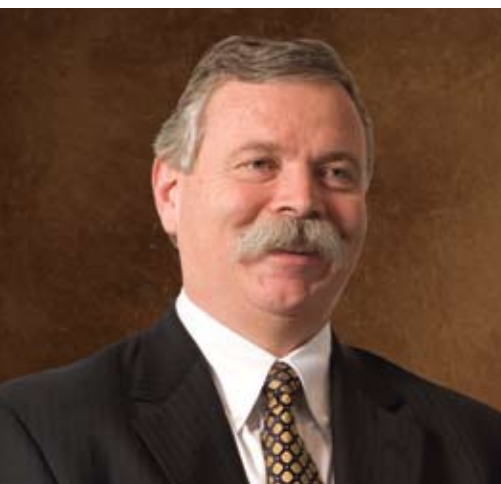
	2007	2006	2005
Cash Flow from Operations (\$ millions)	3,458	2,669	2,403
Cash Flow per Share (\$/share)	6.56	5.09	4.62
Net Income (\$ millions)	1,086	601	1,140
Net Income per Share (\$/share)	2.06	1.15	2.19
Capital Expenditures (\$ millions)	3,401	3,330	2,638

It was a year of solid accomplishments at Nexen. Operationally, we brought Buzzard on stream and increased production after royalties by 33%. Financially, we achieved net income of \$1.1 billion or \$2.06 per share and record cash flow of \$3.5 billion or \$6.56 per share as we benefited from the full impact of high oil prices. We also received a number of accolades for the way we do business including for our transparent disclosures and comprehensive sustainability reporting.

Our greatest achievement was the successful ramp up of Buzzard in the North Sea, which began producing early in 2007. Buzzard is one of the few mega projects worldwide in the last several years to be completed virtually on time and on budget. In its first year of operations, Buzzard achieved first quartile uptime performance for a new offshore facility in UK North Sea and was the single largest contributor to our 30% cash flow growth. Over its life, this world-class asset is expected to produce well over 600 million barrels of oil (260 million barrels net to us) and generate significant value for Nexen.

Despite success at Buzzard, we missed our 2007 production targets. In addition to modest timing delays at Buzzard, the start up at Long Lake was deferred almost six months and at Aspen in the Gulf of Mexico, we had disappointing results from development drilling. Going forward, we've already made a number of changes to improve project performance. At Buzzard, we're focusing on continuously improving uptime so the platform consistently operates at full rates. At Long Lake, we are integrating the lessons from Phase 1 and other projects into our plans for subsequent phases. To support our strategic initiatives in the US, we have restructured our operations to focus on improving our capabilities in the deep-water Gulf of Mexico. With these changes underway, we are well positioned for a successful 2008.

This year we are excited to bring Phase 1 of Long Lake on stream. We are currently steaming the reservoir through all well pads and upgrader construction is more than 97% complete. Our oil sands strategy integrates steam-assisted-gravity-drainage (SAGD) and upgrading technology to produce the highest quality synthetic crude in the region. The patented process minimizes the need



	2007	2006	2005
Production before Royalties (mboe/d)	254	212	242
Production after Royalties (mboe/d)	207	156	173
Proved Reserves ¹ (mmboe)	1,058	1,049	786
Proved + Probable Reserves ¹ (mmboe)	1,964	1,651	1,621

¹ Represents our working interest before royalties using year-end pricing and includes our Syncrude reserves.

for purchased natural gas and provides us with an expected \$10/bbl operating cost advantage over existing technologies. Phase 1 only develops about 10% of our oil sands leases. Once we gather enough operating history and receive clarity on proposed regulatory changes associated with climate change and royalty rates, we expect to sanction Phase 2. Future phases should follow on what will generally be a 3-year cycle. Over the next decade, we plan to grow our oil sands production to approximately 120,000 bbls/d. With our significant land position and cost advantage, it is easy to see that oil sands will generate value growth for many years.

Yet there's more to develop and bring on stream in our global portfolio. In the North Sea, our Ettrick development is progressing well towards first oil mid 2008. We expect production to ramp up to approximately 30,000 boe/d (24,000 boe/d net to us) by year end. We have also identified a number of exploration opportunities in the immediate area that could be tied back to Ettrick and plan to evaluate at least two of these in 2008. Throughout the North Sea, we have hundreds of thousands of undeveloped acres, including nine licenses offshore Norway where we hope to drill our first well in 2009.

Offshore Nigeria, development of the world-class Usan discovery continues to move forward, and we expect to award major deep-water facilities contracts soon. As we develop Usan, we also plan to continue exploring the highly prospective acreage in the area.

We also have a vast inventory of diverse opportunities in North America. In the Gulf of Mexico, we have significant deep-water acreage and have contracted two new deep-water rigs scheduled to arrive in mid 2009 and 2010. In addition to our active exploration program here, we also plan to appraise our exciting discoveries at Knotty Head and Vicksburg to define their potential. In Canada, we are the first company developing coalbed methane (CBM) in Alberta's Mannville coals where we have extensive land holdings. And in northeast British Columbia, we have a material land position in an emerging shale gas play and are currently testing this opportunity in what has the potential to be one of the most significant shale gas plays in Canada.

Looking at the company, I believe we have the talent and discipline to turn these opportunities into value-generating projects. I'm excited to see a new generation of employees at Nexen. They are young, energetic people who value integrity, diversity, innovative thinking and our rich portfolio of worldwide assets. Once again our employees named us one of the 50 Best Employers to work for in Canada. This is a great measure of our success in a world where human potential is truly the world's richest resource. I thank all employees, our participative Board of Directors and committed shareholders who all see value in **what's next**.

Charlie Fischer
President and CEO

Our 2007 highlights include record cash flow, 33% growth in net production and the successful ramp up of Buzzard. What's next? In 2008, we'll bring on Long Lake and Ettrick, and drill up to 11 exploration wells.

today, tomorrow and beyond



Marvin Romanow
*Executive Vice President
and Chief Financial Officer*

We asked Marvin: In 2007, Nexen's net production grew by 33%, but you don't expect growth of this magnitude for a few years until projects like Usan, Knotty Head and Phase 2 of Long Lake come on stream. Do you believe growth should be the company's strategic focus?

If we grow volumes but no value, our shareholders are worse off—we'll have paid too much for the barrels. If we focus solely on growth, we'll walk away from properties as soon as we see the slightest decline, leaving lots of value in the ground.

Our capacity to add value is driven by the quality of three ingredients: portfolio, projects and people. We have all of these in abundance. Our portfolio includes undeveloped conventional discoveries, oil sands development, non-conventional plays such as CBM and shale gas, and exploration prospects. That's a rich inventory with numerous opportunities to mitigate production declines in mature properties.

Our projects are high quality as well. For example, Buzzard's low operating costs and no royalties allow us to realize about 85% of the price of Brent before taxes. This means that at current oil prices, we expect to recover our total investment in Buzzard, including acquisition costs, in less than two years. We also did not hedge away the upside and our shareholders are benefiting 100% from strong oil prices. Equally impressive, Buzzard is helping us generate significantly higher company-wide operating cash netbacks per barrel—in some cases 50% better than our peers. This means for every barrel we produce, some competitors have to produce one and a half barrels to generate the same cash flow. All barrels are not created equal and the more value we create with each barrel, the more capacity we have to plan for what's next.

The final ingredient is our people. We must engage people's minds, inspire creativity and reward success. Part of this is deploying people in roles they are best suited for and developing their passions and strengths. The other part is creating a great work environment that allows talent to flourish. I believe when a company does these things well, value creation is the natural outcome.

We asked Roger: Since the Long Lake pilot performed below initial expectations and there's proprietary upgrading technology involved, what gives you confidence this project will be a great success?

We're very confident in Long Lake and excited to bring it on stream this year. Any time you break new ground with a new technology or process, there's initial skepticism surrounding its success. I'd say our greatest indicator that we're on track is that many competitors are now trying to make gasification work for them.



Roger Thomas
*Executive Vice President,
North America*

Did you know we have a diverse and experienced executive management team? Learn more about our leaders at www.nexeninc.com/reports/A2.asp

And here's why. With our integrated gasification process, we convert the bottom of the barrel into synthetic gas, which substantially reduces our need to purchase natural gas—a key cost driver in oil sands production. At current prices, this translates into an estimated \$10/bbl operating cost advantage.

The appeal of the patented process is its simplicity. It takes conventional “pots and pans” and uniquely configures them. We know the “pots and pans” work—gasifiers and hydrocrackers have been operating globally for decades. We also know the OrCrude process works—it was successfully tested in a demonstration plant for two years.

The SAGD pilot provided us with valuable learnings, including how to operate wells drilled into lean zones where less than half the zone is bitumen and steam oil ratios are higher. We now have over 300 cored wells within our commercial area and our geologic mapping indicates lean zones represent less than 3% of the total reservoir volume. So we're confident our commercial performance at Long Lake will exceed results from the pilot and steam oil ratios will be better than other projects in the area.

Phase 1 is just the beginning of what's next as Long Lake will only develop about 10% of our oil sands leases. We can therefore potentially duplicate Long Lake up to 9 times. With a \$10/bbl operating cost advantage and low development costs per barrel, this is a legacy asset in the making.

We asked Larry: Buzzard was one of few global mega projects in the last several years to be completed virtually on time and on budget, yet it missed its 2007 production goal. What happened?

Buzzard was definitely a highlight in 2007. We committed to a safe start up for this asset taking care to protect our people and the environment, and achieved that goal. Let me take you through the story.

We set an aggressive first-year target for Buzzard—to safely ramp up production to 190,000 boe/d gross, or 95% of name-plate design through the latter half of 2007. Instead we achieved 88% of this target which is still first quartile performance for a new offshore facility in the UK North Sea. A few factors set us back. A two-month delay in start up cost us about 9,000 boe/d in lost production. Considering Buzzard was a 42-month project, this delay was modest. We lost similar volumes due to operational downtime typical with commissioning and start up of a new facility. And the remaining shortfall was caused by third-party export facility outages. We're pleased to have these setbacks largely behind us and Buzzard is now operating well. In fact, production for January 2008 was over 220,000 boe/d (95,000 boe/d net).

Buzzard is a world-class asset that keeps getting better. When we acquired it in 2004, we expected the field's ultimate recovery to be around 486 million boe gross. Since then, our reserves estimate has grown 35%. With current oil prices almost three times higher than when we made the acquisition and a facility that can handle greater volumes than originally forecasted, we see exceptional value from Buzzard.

Looking back, I am proud of how we delivered and operated Buzzard in 2007. We did not take shortcuts to achieve production goals and operated in a safe and responsible manner, keeping with Nexen's values and how we operate around the world.



Laurence Murphy
*Executive Vice President,
International Oil & Gas*

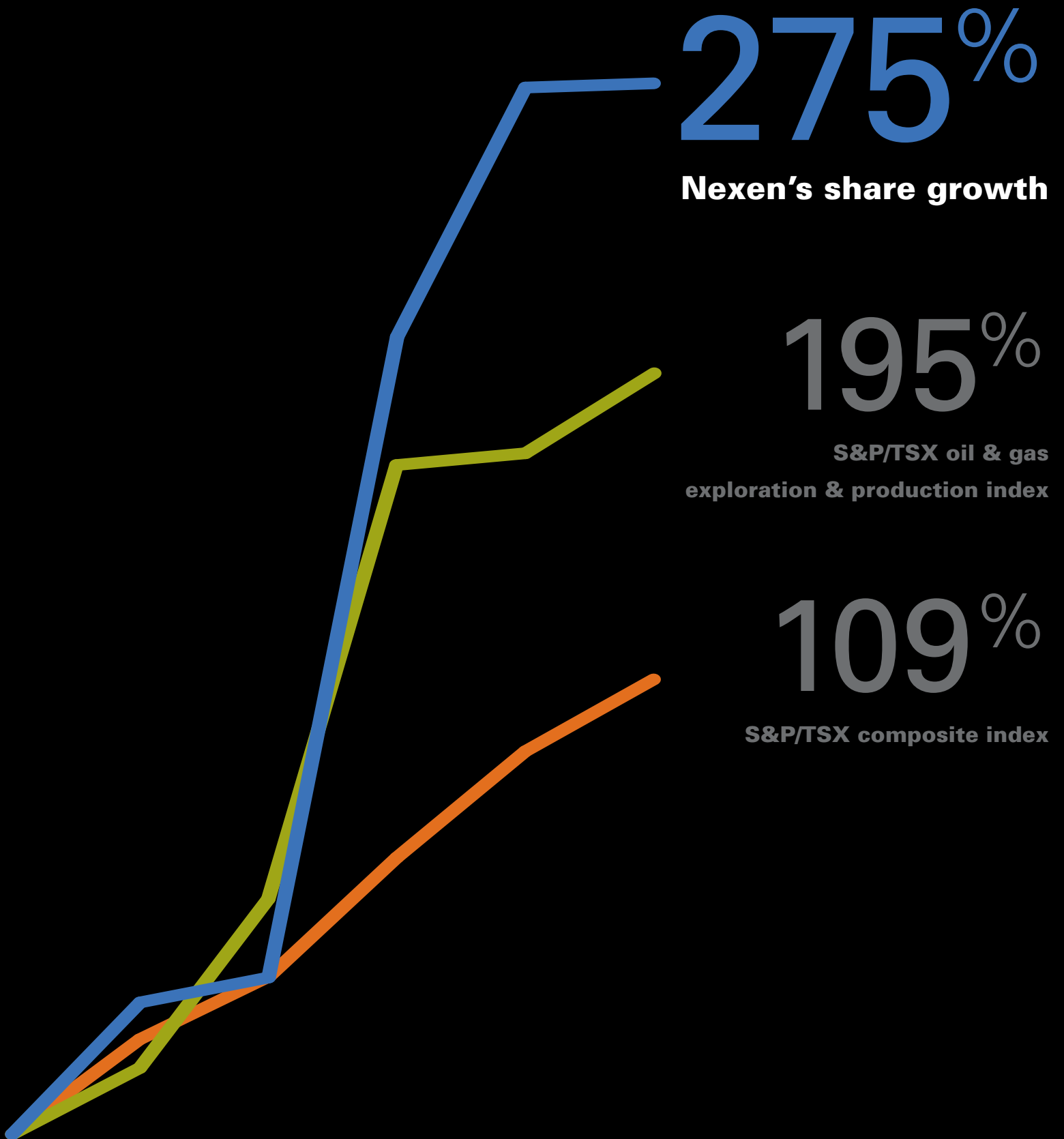
why invest in Nexen

Whether you are a shareholder or an employee, you invest in Nexen because we're creating value. Over the past five years, our share price increased **275%**, outperforming many of our peers and several major indices. How do we do it? We look beyond today and capture early positions in oil sands, CBM and shale gas lands. We rise to the challenge and turn mega projects, like Yemen and Buzzard, into legacies. And we do the right things for the right reasons and never compromise safety, ethics, or the environment. See the value and join us in an exciting future as we bring on **what's next**.

Did you know we've been profitable every year, except one, in our 37-year history? Learn more about Nexen as a great long-term investment at www.nexeninc.com/reports/A3.asp



**5-year
share performance**



275%

Nexen's share growth

195%

**S&P/TSX oil & gas
exploration & production index**

109%

S&P/TSX composite index





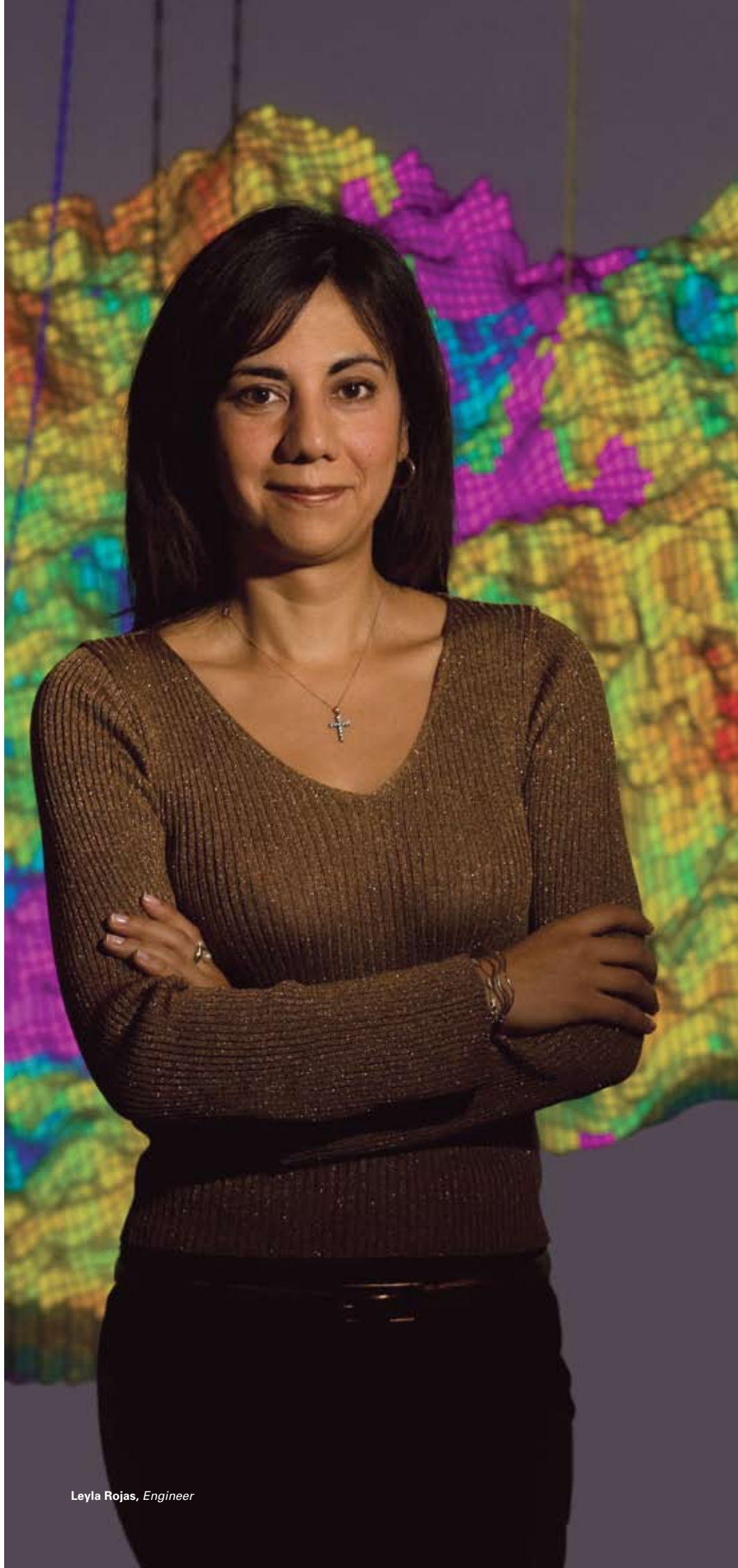
what drives our success

we commit to powerful strategies

Studies show that applying new technology could increase worldwide supply just as much as successful exploration. Quantum results occur when that technology is applied to a critical mass. Take Long Lake. Years ago we identified hurdles in developing oil sands, accumulated significant inventory and formed a strategy that disrupts conventional wisdom. The patented process substantially reduces the need to purchase natural gas, resulting in an expected \$10/bbl cost advantage. Apply this to additional phases, and the rewards are massive. With significant CBM, shale gas and deep-water inventory, we're planning strategies for **what's next**.

Did you know Long Lake is named after a nearby lake, which is more round than long? Learn more about the project at www.nexeninc.com/reports/A4.asp

Leyla Rojas, Engineer



strategy

up to 9

more phases of
Long Lake

Phase 1 of Long Lake will only develop about 10% of our total oil sands leases. We will continue to develop this asset in phases, leveraging our unique technology to generate tremendous value.

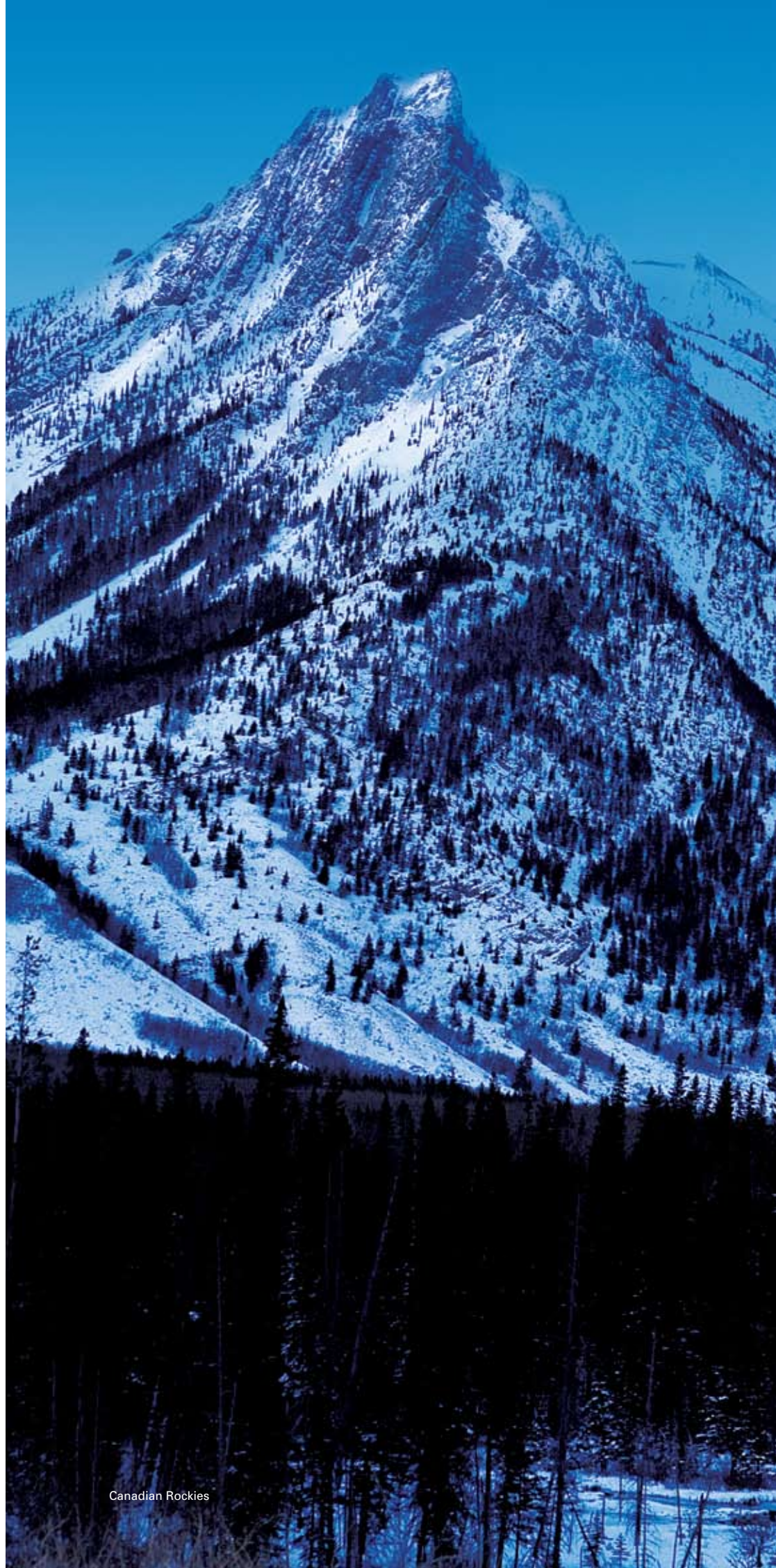


we explore a world of opportunities

Our opportunity inventory is simply unbeatable in both quality and size. Built with foresight, it is global and diverse, making us more sustainable in changing market conditions. Here in Canada, we have billions of barrels of oil sands inventory plus significant land positions with CBM and shale gas potential. Internationally, we have thousands of unexplored acres in the North Sea and the Gulf of Mexico. Now our job is to turn these opportunities into value-generating projects. In 2008, we'll bring on Long Lake and Ettrick, and drill up to 11 exploration wells worldwide. Any one of these wells could be **what's next**.

Did you know we employ about 3,500 people worldwide and opened an office in Norway? Learn more about our global operations at www.nexeninc.com/reports/A5.asp

Canadian Rockies



inventory

top
10

deep-water leaseholder
in Gulf of Mexico

We are constantly investing in our future. In 2007, we acquired deep-water acreage and now hold about 200 blocks, placing us in the top 10. With several drill-ready prospects, we're excited to discover what's next.

we develop world-class assets

Globally speaking, we are a small company with big company assets. And in this industry, size matters. Oil and gas is largely a fixed cost business—so larger fields and volumes yield lower unit capital and operating costs. Worldwide, there are just over 100 fields producing more than 100,000 boe/d. Buzzard in the North Sea and Masila in Yemen are part of this elite group. Next is Usan, offshore Nigeria, expected to produce around 180,000 boe/d (36,000 boe/d net to us). Long Lake in Canada and Knotty Head in the Gulf of Mexico could soon belong here too. With such exciting mega projects, we can't wait to develop **what's next**.

Did you know our marketing group sells our Buzzard and Masila crude, and power too? Learn more about our dynamic marketing business at www.nexeninc.com/reports/A6.asp



Matt Staines, Project Engineer

projects

1.6 billion

our Buzzard pre-tax
cash flow in 2007

We transform possibilities into exciting projects. Buzzard came on stream in 2007 generating significant value for shareholders and winning Energy Engineering Project of the Year. We're proud to be part of this legacy.



we build sustainable businesses

We are committed to exemplary corporate governance, environmental and social responsibility, and the health and safety of our workforce. We believe that over the long term, companies that steward to such business practices will be more sustainable and will outperform those with narrower priorities. But don't just take our word—see for yourself. We are recognized as a leader in corporate governance and sustainability reporting, winning awards for both. For the first time ever, our Scott/Telford offshore UK operations went 2 years without a lost-time injury. And we've been included in the Dow Jones Sustainability Index for the past 7 years. Living our values brings value today and to **what's next.**

Did you know Soderglen Wind Farm produces enough green energy to power about 25,000 homes? Learn more about sustainability at Nexen by visiting www.nexeninc.com/reports/A7.asp

Soderglen Wind Farm



stewardship

top 50

employer in Canada

We value our employees and they value us. For five of the past six years, we have been named one of the 50 best employers in Canada. Join us and see why.



reserves

Reserve bookings capture only a glimpse of what's next. In 2007, we added 102 million boe of proved reserves, replacing about 110% of our annual production. Our year-end proved and probable reserves totaled 2.0 billion boe. Yet there's more—just look at our oil sands. So far we've booked 791 million barrels of proved and probable reserves for Phases 1 and 2 of Long Lake—but we have enough land to potentially develop up to 10 phases. Our booked reserves also reflect little for our undeveloped discoveries in the Gulf of Mexico and UK, and the unconventional CBM and shale gas in our leases in western Canada. As these projects take shape, we expect to book significantly more reserves, proving **what's next**.

Did you know 98% of our proved reserves were assessed by independent qualified consultants in 2007? Learn more about our reserve estimates at www.nexeninc.com/reports/A8.asp



(mmboe)	Oil and Gas Activities									Mining		Total Oil, Gas and Mining
	International				United States		Canada			Total Oil and Gas	Syncrude ³	
	Yemen	United Kingdom	Gas	Other Int'l	Oil	Gas	Oil	Gas	Bitumen			
	Oil	Oil	Gas	Oil	Oil	Gas	Oil	Gas	Bitumen	Total Oil and Gas	Syncrude ³	Total Oil, Gas and Mining
Proved Reserves¹												
December 31, 2006	66	179	3	40	34	39	57	61	246	725	324	1,049
Extensions and Discoveries	2	10	–	–	1	3	1	6	–	23	8	31
Acquisitions	–	1	–	–	3	8	–	–	–	12	–	12
Dispositions	–	–	–	–	–	(2)	–	–	–	(2)	–	(2)
Revisions	1	43	1	–	(7)	(5)	4	2	22	61	–	61
Production	(28) ⁴	(30)	–	(2)	(6)	(6)	(6)	(7)	–	(85)	(8)	(93)
December 31, 2007	41	203	4	38	25	37	56	62	268	734	324	1,058
Probable Reserves^{1,2}												
December 31, 2006	22	152	8	59	69	30	22	40	154	556	46	602
Extensions, Discoveries and Conversions	(4)	(29)	(2)	–	0	2	1	(2)	378	344	–	343
Acquisitions	–	2	–	–	1	6	–	–	–	9	–	9
Dispositions	–	–	–	–	(15)	(9)	–	–	–	(24)	–	(24)
Revisions	(3)	14	(1)	1	(16)	(8)	1	(4)	(9)	(25)	–	(24)
December 31, 2007	15	139	5	60	39	21	24	34	523	860	46	906
Proved + Probable Reserves^{1,2}												
December 31, 2006	88	331	11	99	103	69	79	101	400	1,281	370	1,651
Extensions, Discoveries and Conversions	(2)	(19)	(2)	–	1	5	2	4	378	367	8	374
Acquisitions	–	3	–	–	4	14	–	–	–	21	–	21
Dispositions	–	–	–	–	(15)	(11)	–	–	–	(26)	–	(26)
Revisions	(2)	57	–	1	(23)	(13)	5	(2)	13	36	–	37
Production	(28) ⁴	(30)	–	(2)	(6)	(6)	(6)	(7)	–	(85)	(8)	(93)
December 31, 2007	56	342	9	98	64	58	80	96	791	1,594	370	1,964

¹ We internally evaluate all of our reserves and have at least 80% of our proved reserves assessed by independent qualified consultants each year; 98% were assessed this year. Our reserves are also reviewed and approved by our Reserves Committee and our Board of Directors. Reserves represent our working interest before royalties at year-end constant pricing using Securities and Exchange Commission rules. Gas is converted to equivalent oil at a 6:1 ratio.

² Probable reserves are determined according to SPE/WPC definitions. US investors should read the Cautionary Note to US Investors at the end of this report.

³ US investors should read the Cautionary Note to US Investors at the end of this report.

⁴ Production includes volumes used for fuel in Yemen.

performance review

(Cdn\$ millions, except share and production data)	2007	2006	2005	2004	2003
Highlights					
Net Sales ¹	5,583	3,936	3,932	2,944	2,632
Cash Flow from Operations ²	3,458	2,669	2,403	1,942	1,795
Per Common Share (\$/share)	6.56	5.09	4.62	3.78	3.63
Net Income	1,086	601	1,140	793	578
Per Common Share (\$/share)	2.06	1.15	2.19	1.54	1.17
Capital Expenditures	3,401	3,330	2,638	1,681	1,494
Business Acquisitions	–	78	–	2,583	–
Dispositions	4	27	911	34	293
Production^{3,4}					
Production Before Royalties (mboe/d)	254	212	242	250	269
Production After Royalties (mboe/d)	207	156	173	174	185
Financial Position					
Working Capital	412	476	29	40	1,399
Property, Plant and Equipment, Net	12,498	11,739	9,594	8,643	4,550
Total Assets	18,075	17,156	14,590	12,383	7,717
Net Debt ⁵	4,404	4,730	3,639	4,285	1,430
Long-Term Debt	4,610	4,673	3,687	4,259	3,089
Shareholders' Equity	5,610	4,636	3,996	2,867	2,075
Shares and Dividends					
Common Shares Outstanding (millions)	528.3	525.0	522.2	516.8	502.4
Number of Registered Common Shareholders	1,569	1,454	1,294	1,329	1,420
Closing Common Share Price (TSX) (Cdn\$/share)	32.10	32.10	27.71	12.18	11.73
Dividends Declared per Common Share (Cdn\$/share)	0.10	0.10	0.10	0.10	0.08
Cash Flow from Operations²					
Oil and Gas					
Yemen	664	877	929	581	530
Canada	179	229	397	426	490
United States	480	573	667	700	623
United Kingdom	2,101	477	284	30	–
Other Countries	87	94	48	57	64
Marketing	73	432	138	100	126
Syncrude	319	240	223	183	105
	3,903	2,922	2,686	2,077	1,938
Chemicals	90	83	95	82	74
	3,993	3,005	2,781	2,159	2,012
Interest and Other Corporate Items	(350)	(254)	(335)	(196)	(208)
Income Taxes	(185)	(82)	(43)	(21)	(9)
Total Cash Flow from Operations	3,458	2,669	2,403	1,942	1,795

1 Represents net sales from continuing operations.

2 Cash flow from operations is defined as cash generated from operating activities before changes in non-cash working capital and other.

3 Production is Nexen's working interest share and includes our share of production from Syncrude.

4 Natural gas is converted at 6 mcf per equivalent barrel of oil.

5 Net Debt is defined as long-term debt and short-term borrowings less cash and cash equivalents.

Did you know our Statistical Supplement provides years of historical financial and operational information? Download your copy at www.nexeninc.com/reports/A9.asp

performance review

	2007	2006	2005	2004	2003
Production Before Royalties					
Crude Oil and NGLs (mmbbls/d)					
Yemen	71.6	92.9	112.7	107.3	116.8
Canada	17.1	20.0	29.2	36.2	46.3
United States	16.4	17.0	22.2	30.0	28.3
United Kingdom	81.2	16.9	12.6	1.5	–
Australia	–	–	–	2.7	6.1
Other Countries	6.2	6.3	5.6	5.3	5.4
Syncrude	22.1	18.7	15.5	17.2	15.3
	214.6	171.8	197.8	200.2	218.2
Natural Gas (mmcf/d)					
Canada	118	108	124	146	158
United States	101	111	116	148	145
United Kingdom	16	20	23	3	–
	235	239	263	297	303
Total Production Before Royalties (mboe/d)	254	212	242	250	269
Production After Royalties					
Crude Oil and NGLs (mmbbls/d)					
Yemen	39.8	51.8	60.6	53.5	57.5
Canada	13.4	15.8	22.6	28.2	35.4
United States	14.5	15.0	19.6	26.5	25.0
United Kingdom	81.2	16.9	12.6	1.5	–
Australia	–	–	–	2.5	5.6
Other Countries	5.7	5.7	5.1	4.7	4.6
Syncrude	18.8	16.9	15.3	16.6	15.2
	173.4	122.1	135.8	133.5	143.3
Natural Gas (mmcf/d)					
Canada	98	91	101	115	125
United States	86	94	99	126	122
United Kingdom	16	20	23	3	–
	200	205	223	244	247
Total Production After Royalties (mboe/d)	207	156	173	174	185
Oil and Gas Cash Netback Before Royalties¹ (\$/boe)					
Producing Assets					
Yemen	25.52	26.35	22.56	14.99	12.58
Canada	20.07	22.87	25.46	21.24	19.46
United States	42.28	40.42	45.85	35.35	32.48
United Kingdom	67.85	55.53	42.93	39.19	–
Australia	–	–	–	14.28	21.10
Syncrude	41.94	37.86	43.34	31.07	20.92
Other Countries	61.94	57.71	49.18	35.82	25.06
Company-Wide Oil and Gas	43.22	32.75	30.57	22.66	19.24

¹ Defined as average sales price less royalties and other, operating costs and in-country taxes in Yemen. Calculation details can be found in the Statistical Supplement on our website.

executive management



Charles W. Fischer
President and
Chief Executive Officer



Marvin Romanow
Executive Vice President
and Chief Financial Officer



Laurence Murphy
Executive Vice President,
International Oil & Gas



Roger D. Thomas
Executive Vice President,
North America



Gary H. Nieuwenburg
Senior Vice President,
Synthetic Crude



Kevin J. Reinhart
Senior Vice President,
Corporate Planning and
Business Development



Brian Reinsborough
Senior Vice President,
United States Oil & Gas



Tim Thomas
Senior Vice President,
Canadian Oil & Gas



Bob Black
Vice President,
Energy Marketing



Randy Jahrig
Vice President,
Human Resources and
Corporate Services



Kim McKenzie
Vice President and
Chief Information Officer



Eric Miller
Vice President, General Counsel
and Secretary



Una M. Power
Treasurer



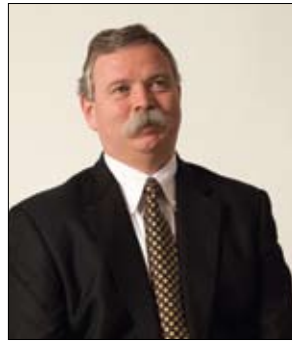
Brendon Muller
Controller

Did you know our board of directors was ranked the top board in Canada in 2007? Learn more about our directors by visiting www.nexeninc.com/reports/A10.asp

board of directors



Francis M. Saville, O.C.
Chair of the Board
Calgary, Alberta,
Canada



Charles W. Fischer
President and CEO
Calgary, Alberta,
Canada



Dennis G. Flanagan
Calgary, Alberta,
Canada



David A. Hentschel
Tulsa, Oklahoma,
United States



S. Barry Jackson
Calgary, Alberta,
Canada



Kevin J. Jenkins
Calgary, Alberta,
Canada



**The Honourable
A. Anne McLellan, P.C.**
Edmonton, Alberta,
Canada



Eric P. Newell, O.C.
Edmonton, Alberta,
Canada



Thomas C. O'Neill
Toronto, Ontario,
Canada



Richard M. Thomson, O.C.
Toronto, Ontario,
Canada



John M. Willson
Vancouver, British Columbia,
Canada



Victor J. Zaleschuk
Calgary, Alberta,
Canada

corporate information

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Investor Relations Contact

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Vice President, Investor Relations
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Annual General and Special Meeting

11:00 a.m. M.T.
Tuesday, April 29, 2008
The Metropolitan Centre
333 - 4th Avenue SW
Calgary, Alberta, Canada

Stock Symbol—NXY

Toronto Stock Exchange (TSX)
New York Stock Exchange (NYSE)

Preferred Securities

7.35% Subordinated Notes
TSX—NXY.PR.U
NYSE—NXYPRB

Common Share Transfer Agent and Registrars

CIBC Mellon Trust Company
Calgary, Toronto, Montreal and
Vancouver, Canada

The Bank of New York Mellon
Jersey City, New Jersey, US

Dividend Reinvestment Plan

The offering circular (and for US residents, a prospectus) and authorization form may be obtained by calling CIBC Mellon Trust Company at 1.800.387.0825 or at www.cibcmellon.com

Auditors

Deloitte & Touche LLP
Calgary, Alberta, Canada

Conversions

Natural gas is converted at 6 mcf per equivalent barrel of oil.

Dollar Amounts

In Canadian dollars unless otherwise stated.

Operating Entities

Canada

Nexen Oil Sands Partnership

United States

Nexen Petroleum Offshore U.S.A. Inc.
Nexen Petroleum U.S.A. Inc.

International

Canadian Nexen Petroleum
East Al Hajr Ltd.
Canadian Nexen Petroleum Yemen
Nexen Ettrick U.K. Limited
Nexen Exploration Norge AS
Nexen Exploration U.K. Limited
Nexen Petroleum Colombia Limited
Nexen Petroleum Nigeria Limited
Nexen Petroleum U.K. Limited

Marketing

Nexen Energy Marketing Europe Limited
Nexen Energy Marketing London Limited
Nexen Marketing
Nexen Marketing International Ltd.
Nexen Marketing Singapore Pte. Ltd.
Nexen Marketing U.S.A. Inc.

Chemicals

Canexus Chemicals Canada
Limited Partnership
Canexus U.S. Inc.
Canexus Quimica Brasil Ltda.

officers

Francis M. Saville, Q.C.

Chair of the Board

Charles W. Fischer

President and Chief Executive Officer

Marvin F. Romanow

Executive Vice President
and Chief Financial Officer

Laurence Murphy

Executive Vice President,
International Oil & Gas

Roger D. Thomas

Executive Vice President,
North America

Gary H. Nieuwenburg

Senior Vice President,
Synthetic Crude

Kevin J. Reinhart

Senior Vice President,
Corporate Planning and
Business Development

Brian Reinsborough

Senior Vice President,
United States Oil & Gas

Tim Thomas

Senior Vice President,
Canadian Oil & Gas

Randy Jahrig

Vice President,
Human Resources and
Corporate Services

Kim McKenzie

Vice President and
Chief Information Officer

Eric Miller

Vice President,
General Counsel and Secretary

Una M. Power

Treasurer

Brendon Muller

Controller

Rick C. Beingessner

Assistant Secretary

Sylvia L. Groves

Assistant Secretary

For more information on our officers and directors, please see Item 10 in our Form 10-K.

Forward-looking Statements

Certain statements in this report constitute “forward-looking statements” (within the meaning of the United States *Private Securities Litigation Reform Act of 1995*, Section 21E of the United States *Securities Exchange Act of 1934*, as amended, and Section 27A of the United States *Securities Act of 1933*, as amended) or “forward-looking information” (within the meaning of applicable Canadian securities legislation). Such statements or information (“forward-looking statements”) are generally identifiable by the terminology used such as “anticipate”, “believe”, “intend”, “plan”, “expect”, “estimate”, “budget”, “outlook” or other similar words and include statements relating to or associated with individual wells, regions or projects. Any statements as to possible future crude oil, natural gas or chemicals prices, future production levels, future cost recovery oil revenues from our Yemen operations, future capital expenditures and their allocation to exploration and development activities, future earnings, future asset dispositions, future sources of funding for our capital program, future debt levels, possible commerciality, development plans or capacity expansions, future ability to execute dispositions of assets or businesses, future cash flows and their uses, future drilling of new wells, ultimate recoverability of reserves or resources, expected finding and development costs, expected operating costs, future demand for chemicals products, estimates on a per share basis, sales, future expenditures and future allowances relating to environmental matters and dates by which certain areas will be developed or will come on stream, and changes in any of the foregoing are forward-looking statements. Statements relating to “reserves” or “resources” are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others: market prices for oil and gas and chemicals products; our ability to explore, develop, produce and transport crude oil and natural gas to markets; the results of exploration and development drilling and related activities; volatility in energy trading markets; foreign-currency exchange rates; economic conditions in the countries and regions in which we carry on business; governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations; renegotiations of contracts; results of litigation, arbitration or regulatory proceedings; and political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict, including conflict between states. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management’s future course of action would depend on our assessment of all information at that time.

Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements. Undue reliance should not be placed on the statements contained herein, which are made as of the date hereof and, except as required by law, Nexen undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement. Readers should also refer to Items 1A and 7A in our 2007 Annual Report on Form 10-K for further discussion of the risk factors.

Cautionary Note to US Investors—The United States Securities and Exchange Commission (SEC) permits oil and gas companies, in their filings with the SEC, to discuss only proved reserves that are supported by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. In this disclosure, we may refer to “recoverable reserves”, “probable reserves” and “recoverable resources” which are inherently more uncertain than proved reserves. These terms are not used in our filings with the SEC. Our reserves and related performance measures represent our working interest before royalties, unless otherwise indicated. Please refer to our Annual Report on Form 10-K available from us or the SEC for further reserve disclosure.

In addition, under SEC regulations, the Syncrude oil sands operations are considered mining activities rather than oil and gas activities. Production, reserves and related measures in this disclosure include results from the Company’s share of Syncrude. Under SEC regulations, we are required to recognize bitumen reserves rather than the upgraded premium synthetic crude oil we will produce and sell from Long Lake.

Cautionary Note to Canadian Investors—Nexen is required to disclose oil and gas activities under *National Instrument 51-101—Standards of Disclosure for Oil and Gas Activities (NI 51-101)*. However, the Canadian securities regulatory authorities (CSA) have granted us exemptions from certain provisions of NI 51-101 to permit US style disclosure. These exemptions were sought because we are a US Securities and Exchange Commission (SEC) registrant and our securities regulatory disclosures, including Form 10-K and other related forms, must comply with SEC requirements. Our disclosures may differ from those of Canadian companies who have not received similar exemptions under NI 51-101.

Please read the “Special Note to Canadian Investors” in Item 7A in our 2007 Annual Report on Form 10-K, for a summary of the exemption granted by the CSA and the major differences between SEC requirements and NI 51-101. The summary is not intended to be all-inclusive or to convey specific advice. Reserve estimation is highly technical and requires professional collaboration and judgment.

Because reserves data are based on judgments regarding future events, actual results will vary and the variations may be material. Variations as a result of future events are expected to be consistent with the fact that reserves are categorized according to the probability of their recovery.

Please note that the differences between SEC requirements and NI 51-101 may be material.

Our probable reserves disclosure applies the Society of Petroleum Engineers/World Petroleum Council (SPE/WPC) definition for probable reserves. *The Canadian Oil and Gas Evaluation Handbook* states there should not be a significant difference in estimated probable reserve quantities using the SPE/WPC definition versus NI 51-101.

In this disclosure, we refer to oil and gas in common units called barrel of oil equivalent (boe). A boe is derived by converting six thousand cubic feet of gas to one barrel of oil (6mcf:1bbl). This conversion may be misleading, particularly if used in isolation, since the 6mcf:1bbl ratio is based on an energy equivalency at the burner tip and does not represent the value equivalency at the well head.

annual publications

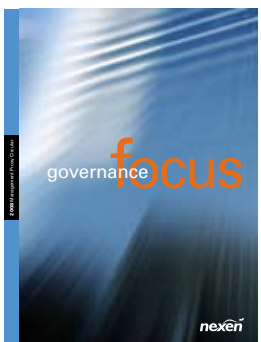
The following reports are available on our website at www.nexeninc.com/investors and hard copies may be ordered online or by calling **403.699.5931**.



2007 Annual Report



2007 Sustainability Report
Available June 2008



2008 Management Proxy
Circular



2007 Statistical Supplement

awards and recognition

50 Best Employers in Canada
Hewitt Associates

Top 25 Employers in Alberta
Mediacorp Canada Inc.

**Energy Engineering Project
of the Year—Buzzard**
Platts Global Energy Awards

Dow Jones Sustainability Index
Recognized as a global sustainability
leader by being included on the
index for seven years in a row.

Sustainability Report Award
Oilweek/ATB Financial
Annual Report Awards

**National Award in Governance,
Private Sector**
The Conference Board of Canada

**North America's Best: IR Website,
Disclosure Procedures and
Governance Practices**
IR Global Rankings

#1 of Top 25 Boards in Canada
Canadian Business Magazine

Excellence for Electronic Disclosure
Canadian Institute of
Chartered Accountants

**Excellence in Corporate Governance
Disclosure—Honourable Mention**
Canadian Institute of
Chartered Accountants

**Governance Gavel Award for
Director Disclosure—Honourable
Mention**
Canadian Coalition for
Good Governance

Top 50 Corporate Citizens
Corporate Knights Magazine

Global 100 List
For the most sustainable
international corporations.
Corporate Knights/Innovest

Corporate Social Responsibility
Third out of 10, Oil and Gas Category
Globe and Mail and Jantzi Research

**Honourary Bachelor of
Applied Technology Degree**
Charlie Fischer,
President and CEO
Southern Alberta Institute
of Technology

Energy Executive of the Year
Marvin Romanow,
Executive VP and CFO
Petroleum Economist Magazine

CFO of the Year
Marvin Romanow,
Executive VP and CFO
PricewaterhouseCoopers LLP,
Financial Executives International
Canada, and Caldwell Partners
International

Honourary Doctorate of Laws Degree
Dr. Randy Gossen,
*VP, Health, Safety, Environment
and Social Responsibility*
University of Calgary

Order of the British Empire
Paul Doble,
Buzzard General Manager

**Two Year LTI (Lost Time Injury)
Free Award—Scott Platform**
Production Services Network

**Top Benefit and Pension Plans
in Canada**
Benefits Canada Magazine

Senator Thelma Chalifoux Award
For commitment to Aboriginal
student success.
Northern Alberta Institute
of Technology

Woodlands County Business Award
For assisting the Fort Assiniboine
community towards sustainability.
Woodlands County

Thanks a Million Award
For raising over \$1 million
United Way of Calgary



follow **what's next** at nexeninc.com

**Nexen is a Canadian-based global energy company
growing value responsibly. Our common shares trade on the
TSX in Canada and NYSE in the US.**



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