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NEWS RELEASE

For immediate release

Nexen Provides Update on Gulf of Mexico Deepwater Drilling Rig

Calgary, Alberta, October 29, 2010 – Nexen Inc. announces that, as a result of issues arising from the moratorium in the Gulf of Mexico, it has signed an amended agreement with Ensco regarding the ENSCO 8502, an ultra-deepwater semi-submersible drilling rig. Under the amended agreement, Nexen is entitled to a special rate until such time as the rig is mobilized to the first drilling location designated by Nexen.

"We are pleased that the moratorium in the Gulf of Mexico has been lifted and we are looking forward to getting back to work here," said Marvin Romanow, Nexen's President and Chief Executive Officer. "We have submitted applications for permits to drill our near-term exploration prospects and are waiting on approvals. As we await these approvals, our estimated cost for non-productive time ranges from \$15 million to less than \$40 million assuming we are able to commence drilling later this year or at the beginning of the second quarter 2011. We are actively pursuing opportunities to further reduce this cost."

Nexen Inc. is an independent, Canadian-based global energy company, listed on the Toronto and New York stock exchanges under the symbol NXY. We are focused on three growth strategies: oil sands and unconventional gas in Western Canada and conventional exploration and development primarily in the North Sea, offshore West Africa and deepwater Gulf of Mexico. We add value for shareholders through successful full-cycle oil and gas exploration and development, and leadership in ethics, integrity, governance and environmental stewardship.

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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) or “forward-looking information” (within the meaning of applicable Canadian securities legislation). Such statements or information (together “forward-looking statements”) are generally identifiable by the forward-looking terminology used such as “anticipate”, “believe”, “intend”, “plan”, “expect”, “estimate”, “budget”, “outlook”, “forecast” 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 capital expenditures, their timing and their allocation to exploration and development activities; future earnings; future asset acquisitions or dispositions; future sources of funding for our capital program; future debt levels; availability of committed credit facilities; possible commerciality; development plans or capacity expansions; the expectation that we have the ability to substantially grow production at our oilsands facilities through controlled expansions; the expectation of achieving the production design rates from our oilsands facilities; the expectation that our oilsands production facilities continue to develop better and more sustainable practices; the expectation of cheaper and more technologically advanced operations; the expected timing and associated production impact of facilities turnarounds and maintenance;; the expectation that we can continue to operate our offshore exploration, development and production facilities safely and profitably; future ability to execute dispositions of assets or businesses; future sources of liquidity, cash flows and their uses; future drilling of new wells; ultimate recoverability of current and long-term assets; ultimate recoverability of reserves or resources; expected finding and development costs; expected operating costs; future cost recovery oil revenues from our Yemen operations; future demand for chemicals products; estimates on a per share basis; future foreign currency exchange rates; future expenditures and future allowances relating to environmental matters; dates by which certain areas will be developed, come on stream, or reach expected operating capacity; 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, upgrade and transport crude oil and natural gas to markets; ultimate effectiveness of design or design modifications to facilities; the results of exploration and development drilling and related activities; the cumulative impact of oilsands development on the environment; the impact of technology on operations and processes and how new complex technology may not perform as expected; the availability of pipeline and global refining capacity; risks inherent to the operation of any large, complex refinery units, especially the integration between production operations and an upgrader facility; availability of third-party bitumen for use in our oilsands production facilities; labour and material shortages; risk related to accidents, blowouts and spills in connection with our offshore exploration, development and production activities, particularly our deepwater activities; direct and indirect risk related to the imposition of moratoriums, suspensions or cancellations on our offshore exploration, development and production operations, particularly our deepwater activities; the impact of severe weather on our offshore exploration, development and production activities, particularly our deepwater activities; the effectiveness and reliability of our technology in harsh and unpredictable environments; risks related to the actions of our agents and contractors; 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 including, without limitation, those related to our offshore exploration, development and production activities; 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; and other factors, many of which are beyond our control. 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 2009 Annual Report on Form 10-K and Part II, Item 1A in our second quarter 2010 Quarterly Report on Form 10-Q for further discussion of the risk factors.