

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

#### FINANCIAL STATEMENTS AND SCHEDULES

We refer you to the index to Financial Statements and Supplementary Data in Item 8 of this report where these documents are listed.

Schedules and separate financial statements of subsidiaries are omitted because they are not required or applicable, or the required information is shown in the Consolidated Financial Statements or notes.

#### EXHIBITS

Exhibits filed as part of this report are listed below. Certain exhibits have been previously filed with the Commission and are incorporated in this Form 10-K by reference. Instruments defining the rights of holders of debt securities that do not exceed 10% of Nexen's consolidated assets have not been included. A copy of such instruments will be furnished to the Commission upon request.

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| <p>2.2 Agreement for the Sale and Purchase of EnCana (U.K.) Limited, between EnCana (U.K.) Holdings Limited and Nexen Energy Holdings International Limited dated October 28, 2004 (filed as Exhibit 2.1 to Form 8-K dated October 29, 2004).</p> <p>3.14 Restated Certificate and Articles of Incorporation of the Registrant dated May 20, 2005 (filed as Exhibit 3.12 to Form 10-Q for the quarterly period ended June 30, 2005).</p> <p>3.15 By-Law No. 3 of the Registrant enacted December 4, 2006, being a by-law relating generally to the transaction of the business and affairs of the Registrant (filed as Exhibit 3.15 to Form 8-K dated December 5, 2006).</p> <p>3.16 Certificate and Articles of Amendment of the Registrant dated April 26, 2007 (filed as Exhibit 3.16 to Form 8-K dated April 27, 2007).</p> <p>4.42 Trust Indenture dated April 28, 1998 between the Registrant and CIBC Mellon Trust Company providing for the issue of debt securities from time to time (filed as Exhibit 4.42 to Form 10-K for the year ended December 31, 2003).</p> <p>4.43 First Supplemental Indenture dated April 28, 1998 to the Trust Indenture dated April 28, 1998 between the Registrant and CIBC Mellon Trust Company pertaining to the issuance of US\$200 million, 7.40% notes due 2028 (filed as Exhibit 4.43 to Form 10-K for the year ended December 31, 2003).</p> | <p>4.46 Third Supplemental Indenture dated March 11, 2002 to the Trust Indenture dated April 28, 1998 between the Registrant and CIBC Mellon Trust Company pertaining to the issuance of \$500 million, 7.85% notes due 2032 (filed as Exhibit 4.46 to Form 10-K for the year ended December 31, 2003).</p> <p>4.47 Subordinated Debt Indenture dated November 4, 2003 between the Registrant and Deutsche Bank Trust Company Americas, pertaining to the issue of subordinated notes from time to time (filed as Exhibit 4.47 to Form 10-K for the year ended December 31, 2003).</p> <p>4.48 Officer's Certificate dated November 4, 2003 pursuant to the Subordinated Debt Indenture dated November 4, 2003 between the Registrant and Deutsche Bank Trust Company Americas, pertaining to the issuance of US\$460 million, 7.35% subordinated notes due 2043 (filed as Exhibit 4.48 to Form 10-K for the year ended December 31, 2003).</p> <p>4.51 Fourth Supplemental Indenture dated November 20, 2003 to the Trust Indenture dated April 28, 1998, between the Registrant and CIBC Mellon Trust Company pertaining to the issuance of US\$500 million, 5.05% notes due 2013 (filed as Exhibit 4.51 to Form 10-K for the year ended December 31, 2003).</p> <p>4.53 Fifth Supplemental Indenture dated March 10, 2005 to the Trust Indenture dated April 28, 1998, between the Registrant and CIBC Mellon Trust Company pertaining to the issuance of US\$250 million, 5.20% notes due 2015 and the issuance of US\$790 million, 5.875% notes due 2035 (filed as Exhibit 10.1 to Form 8-K dated March 11, 2005).</p> <p>4.54 Amended and Restated Shareholder Rights Plan Agreement dated April 27, 2005 between the Registrant and CIBC Mellon Trust Company, as Rights Agent, which includes the Form of Rights Certificate as Exhibit A (filed as Exhibit 4.54 to Form 10-K for the year ended December 31, 2005).</p> <p>4.55 Senior Debt Indenture dated May 4, 2007 between the Registrant and Deutsche Bank Trust Company Americas, pertaining to the issue of senior notes from time to time (filed as Exhibit 4.1 to Form 8-K dated May 7, 2007).</p> |
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- 4.56 First Supplemental Indenture dated May 4, 2007 to the Trust Indenture dated May 4, 2007 between the Registrant and Deutsche Bank Trust Company Americas pertaining to the issuance of US\$250 million, 5.65% notes due 2017 and the issuance of US\$1.25 billion, 6.40% notes due 2037 (filed as Exhibit 4.2 to Form 8-K dated May 7, 2007).
- 10.40 Amended and Restated Change of Control Agreements with Executive Officers dated during December, 2001 (filed as Exhibit 10.41 to Form 10-K for the year ended December 31, 2001).
- 10.41 Indemnification Agreements made between the Registrant and its directors and officers during 2002 (filed as Exhibit 10.41 to Form 10-K for the year ended December 31, 2002).
- 10.42 Indemnification Agreement made between the Registrant and one of its directors, Eric P. Newell, as of January 5, 2004 (filed as Exhibit 10.42 to Form 10-K for the year ended December 31, 2003).
- 10.43 Credit Agreement dated as of July 22, 2005 between the Registrant and the Toronto Dominion Bank, as Agent, and the Lenders (filed as Exhibit 10.1 to Form 8-K dated July 28, 2005).
- 10.44 Guarantee dated as of July 22, 2005 as Schedule K to the Credit Agreement (filed as Exhibit 10.2 to Form 8-K dated July 28, 2005).
- 10.46 Indemnification Agreement made between the Registrant and one of its directors, A. Anne McLellan P.C., as of July 5, 2006 (filed as Exhibit 10.2 to Form 8-K dated July 20, 2006).
- 10.47 Second Amending Agreement dated July 14, 2006 to the Credit Agreement, dated as of July 22, 2005, between the Registrant and the Toronto-Dominion Bank, as Agent, and the Lenders (filed as Exhibit 10.1 to Form 8-K dated July 20, 2006).
- 10.48 Indemnification Agreement made between the Registrant and Brendon Muller dated April 9, 2007 (filed as Exhibit 10.48 to Form 8-K dated April 12, 2007).
- 10.49 Amended and Restated Change of Control Agreement with Roger Thomas dated during December 2001 (filed as Exhibit 10.48 to Form 10-Q for the quarterly period ended March 31, 2007).
- 10.50 Pricing Agreement dated May 1, 2007 among the Registrant and Banc of America Securities LLC, Citigroup Global Markets Inc. and Deutsche Bank Securities Inc., as Underwriters (filed as Exhibit 10.1 to Form 8-K dated May 7, 2007).
- 10.51\* Change of Control Agreement with Gary Nieuwenburg dated during January 2002.
- 11.1\* Statement regarding the Computation of Per Share Earnings for the three years ended December 31, 2007.
- 21.1\* Subsidiaries of the Registrant.
- 23.1\* Consent of Independent Registered Chartered Accountants.
- 23.2\* Consent of William M. Cobb & Associates, Inc.
- 23.3\* Consent of Ryder Scott Company, L.P.
- 23.4\* Consent of McDaniel & Associates Consultants Ltd.
- 23.5\* Consent of DeGolyer and MacNaughton.
- 31.1\* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1\* Certification of periodic report by Chief Executive Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2\* Certification of periodic report by Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1\* Opinion of Internal Qualified Reserves Evaluator on National Instrument 51-101 Form F2 as required by certain Canadian securities regulatory authorities.

\* Filed with this Form 10-K.

## **CHANGE OF CONTROL AGREEMENT**

This agreement made as of the 4<sup>th</sup> day of January, 2002.

### **BETWEEN:**

**NEXEN INC. (formerly known as Canadian Occidental Petroleum Ltd.)**, a corporation incorporated under the laws of Canada

(hereinafter referred to as the "Corporation")

- and -

**GARY NIEUWENBURG**

(hereinafter referred to as the "Executive")

### **RECITALS:**

1. The Executive, as Vice President, Corporate Planning and Business Development of the Corporation, is considered by the Board to be an essential officer and employee of the Corporation, who is both integral to the operation and development of the Corporation, and has acquired outstanding skills, unique experience and possesses an extensive background in, and knowledge of, the Corporation's business, operations and the industry in which it is engaged.
2. In the event of a Change of Control, there is a possibility that the employment of the Executive would be terminated without just cause or adversely modified and the Executive has expressed concern in that regard to the Corporation.
3. The Board recognizes that it is essential and in the best interests of the Corporation and its shareholders that the Corporation retain the continued dedication of the Executive to the Executive's office and the Executive's employment during the uncertain period prior to, during and following a Change of Control.
4. The Board further believes that the past service of the Executive and the Executive's integral role in the development and operation of the Corporation requires that the Corporation ensure that in the event of a Change of Control the Executive is treated in a manner that is fair, reasonable, consistent with industry standards and in the best interests of the Corporation.
5. Both the Corporation and the Executive wish formally to agree on the terms and conditions which will govern the termination or modification of the employment of the Executive following a Change of Control.

**NOW THEREFORE**, in consideration of the mutual covenants and agreements set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, the Parties agree as follows:

**ARTICLE 1**  
**DEFINITIONS**

1.1 For the purposes of this Agreement, the following terms mean as follows:

- (a) **"Affiliate"** and **"Associate"** have the meaning ascribed to such terms in the CBCA.
- (b) **"Acting Jointly or in Concert"** for the purposes of this Agreement, a Person is acting jointly or in concert with another Person if such Person has any agreement, arrangement or understanding (whether formal or informal and whether or not in writing) with such other Person for the purpose of acquiring, or offering to acquire, any Common Shares of the Corporation (other than customary agreements with and between underwriters and banking group or selling group members with respect to a distribution of securities by way of prospectus or private placement or pursuant to a pledge of securities in the ordinary course of business).
- (c) **"Agreement"** means this agreement as it may be amended or supplemented from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby", and similar expressions refer to this Agreement and, unless otherwise indicated, refer to Articles or Sections in this Agreement only.
- (d) **"Annual Base Salary"** means the annual base salary of the Executive payable by the Corporation at the end of the month immediately preceding the Date of Termination.
- (e) **"Annual Target Bonus"** means the Executive's annual target bonus as determined by the Board to be in effect for the calendar year in which a Change of Control occurs.
- (f) **"Beneficial Owner"** for the purposes of this Agreement, a Person shall be deemed to be the **"Beneficial Owner"** and to have **"Beneficial Ownership"** of and to **"Beneficially Own"**:
  - (i) any securities as to which such Person or any of such Person's Affiliates or Associates is the owner at law or in equity;
  - (ii) any securities as to which such Person or any of such Person's Affiliates or Associates has a right to acquire (i) upon the exercise of any Convertible Securities or (ii) pursuant to any agreement, arrangement or understanding, whether such right is exercisable immediately within a period of sixty (60) days thereafter and whether or not on condition or the

happening of any contingency, (other than (a) customary agreements with and between underwriters and banking group and selling group members with respect to the distribution to the public or pursuant to a private placement of securities, or (b) pursuant to a pledge of securities in the ordinary course of business); and

- (iii) any securities which are Beneficially Owned within the meaning of clauses (a) or (b) above by any other Person with which such Person is Acting Jointly or in Concert,

provided, however, that a Person shall not be deemed the "Beneficial Owner" or to have "Beneficial Ownership" of or to "Beneficially Own" any security where such Person is the registered holder of securities as a result of carrying on the business of or acting as nominee for a securities depository.

For purposes of this Agreement, the percentage of Common Shares Beneficially Owned by any Person, shall be and be deemed to be the product determined by the formula:

$$100 \times A/B$$

Where:

- A = the number of votes for the election of all directors generally attaching to the Common Shares Beneficially Owned by such Person; and
- B = the number of votes for the election of all directors generally attaching to all outstanding Common Shares.

For the purposes of the foregoing formula, where a Person Beneficially Owns unissued Common Shares which may be acquired pursuant to Convertible Securities, such Common Shares shall be deemed to be outstanding for the purpose of calculating the percentage of Common Shares Beneficially Owned by such Person in both the numerator and the denominator, but no other unissued Common Shares which may be acquired pursuant to any other outstanding Convertible Securities shall, for the purposes of that calculation, be deemed to be outstanding.

- (g) **"Board"** means the Board of Directors of the Corporation as constituted from time to time.
- (h) **"CBCA"** means the *Canada Business Corporations Act*, as amended from time to time, and any successor legislation thereto.
- (i) **"Change of Control"** means the occurrence of any of:

- (i) the purchase or acquisition of any Common Shares or Convertible Securities by a Beneficial Owner which results in the Beneficial Owner owning, or exercising control or direction over, Common Shares or Convertible Securities such that, assuming only the conversion of Convertible Securities Beneficially Owned or over which control or direction is exercised by the Beneficial Owner, the Beneficial Owner would own, or exercise control or direction over, Common Shares carrying the right to cast more than thirty-five percent (35%) of the votes attaching to all Common Shares; or
  - (ii) the substantial completion of: (i) the liquidation, dissolution or winding-up of the Corporation; or (ii) the sale, lease or other disposition of all or substantially all of the assets of the Corporation; or
  - (iii) a situation in which individuals who were members of the Board immediately prior to:
    - (A) a meeting of the shareholders of the Corporation involving a contest for, or an item of business relating to, the election of directors; or
    - (B) an amalgamation, arrangement, merger or other consolidation or combination of the Corporation with another Person,  
  
shall not constitute a majority of the Board following such election or transaction; or
  - (iv) the completion of any transaction or the first of a series of transactions which would have the same or similar effect as any transaction or series of transactions referred to in paragraphs (i), (ii) or (iii) above; or
  - (v) a determination by the Board that there has been a change, whether by way of a change in the holding of the Common Shares, in the ownership of the Corporation's assets or by any other means, as a result of which any Person, or group of Persons Acting Jointly or in Concert, is in a position to effect a Change of Control.
- (j) **"Common Shares"** means the common shares of the Corporation.
- (k) **"Convertible Securities"** means:
- (i) any right (contractual or otherwise and regardless of whether such right constitutes a security) to acquire Common Shares from the Corporation; or
  - (ii) any security issued by the Corporation from time to time (other than the rights issued pursuant to a shareholders' rights protection plan, if any) carrying any exercise, conversion or exchange right,

which is then exercisable or exercisable within a period of sixty (60) days from that time pursuant to which the holder thereof may acquire Common Shares or other securities which are convertible into or exercisable or exchangeable for Common Shares (in each case, whether such right is then exercisable or exercisable within a period of sixty (60) days from that time and whether or not on condition or the happening of any contingency).

- (l) **"Date of Termination"** means the date upon which the Executive's employment is terminated pursuant to Section 4.1, 5.1 or 6.1. For greater clarity, the Date of Termination means the date upon which the Corporation provides the Executive with written, verbal or other notice that the Executive's employment has been or will be terminated pursuant to Section 4.1 or 5.1 or the date upon which the Executive provides the Corporation with written notice terminating the Executive's employment pursuant to Section 4.1 or for Good Reason pursuant to Section 6.1.
- (m) **"Disability"** means, where due to a physical or mental condition, the Executive is rendered totally and permanently unable to perform the Executive's duties for a consecutive period of two (2) years or more during which the Executive has been in receipt of long term disability insurance benefits from the insurance carrier normally utilized by the Corporation.
- (n) **"Effective Date"** means the date upon which a Change of Control occurs.
- (o) **"Employment Benefits"** means the employment benefits to which the Executive is entitled by virtue of any written, oral or implied agreement with the Corporation. For the purposes of this Agreement, "Employment Benefits" shall include, but is not limited to, the following:
  - (i) the Executive's entitlement to any dental or general medical care;
  - (ii) the Executive's entitlement to receive long term disability benefits from the insurance carrier normally utilized by the Corporation;
  - (iii) the Executive's entitlement to pension benefits under the terms of any pension plan with the Corporation;
  - (iv) the Executive's entitlement to a monthly car allowance from the Corporation;
  - (v) the Executive's entitlement to contributions by the Corporation to the Corporation's savings plan;
  - (vi) the Executive's entitlement to receive from the Corporation financial counseling services, at a cost of 3,500.00 per year (or as the same may be increased from time to time by the Corporation); and

- (vii) the Executive's entitlement to receive from the Corporation security monitoring services at the Executive's personal residence.
- (p) **"Good Reason"** means any of the following, unless the Executive shall have given the Executive's express written consent thereto:
  - (i) Inconsistent Duties. The assignment to the Executive of any duties inconsistent with the Executive's status as an executive officer of the Corporation or a material alteration in the nature or status of the Executive's responsibilities or duties or reporting relationship from those in effect immediately prior to a Change of Control;
  - (ii) Reduced Salary. A reduction by the Corporation in the Executive's Annual Base Salary in effect on the Effective Date or as the same may be thereafter increased from time to time or the failure by the Corporation to grant the Executive salary increases at a rate commensurate with the increases accorded to other executives of the Corporation;
  - (iii) Relocation. The Corporation requiring the Executive to be based anywhere other than where the Executive is based at the time a Change of Control occurs, except for required travel on the Corporation's business to an extent substantially consistent with the Executive's business travel obligations in the ordinary course of business immediately prior to a Change of Control;
  - (iv) Incentive Compensation Plans. The failure by the Corporation to continue in effect any incentive compensation plan in which the Executive participates, including, but not limited to, the Incentive Compensation Plan or the Stock Option Plan or any other similar plans adopted prior to a Change of Control, unless the Executive is eligible to participate in, and is entitled to the opportunity to receive a comparable level of benefits under, an ongoing, substitute or alternative plan (it being understood that the manner or method of payment and the form of consideration need not be the same as existed in the original plans); or the failure by the Corporation to continue the Executive's participation therein on at least as favourable a basis, both in terms of the amount of benefits available to the Executive and the level of the Executive's participation relative to other participants, as existed at the time a Change of Control occurs;
  - (v) Employment Benefits and Perquisites. The failure by the Corporation to continue to provide the Executive with Employment Benefits at least as favourable as those enjoyed by the Executive immediately prior to a Change of Control, including any pension plan, benefit plan or any retirement arrangement established for the Executive, or any of the Corporation's life insurance, medical, health and accident, disability or savings plans in which the Executive was participating at the time a

Change of Control occurs; the taking of any action by the Corporation that would directly or indirectly materially reduce any such benefits or deprive the Executive of any material perquisite enjoyed by the Executive at the time a Change of Control occurs, including, without limitation and to the extent applicable, the use of a car, aircraft, secretarial services, office space, telephones, computer facilities, expense reimbursement, financial counseling, and professional fees and club dues reimbursement; or the failure by the Corporation to provide the Executive with the number of paid vacation days to which the Executive is entitled in accordance with the Corporation's normal vacation practice in effect at the time a Change of Control occurs;

- (vi) No Assumption by Successor. The failure of the Corporation to obtain a satisfactory agreement from a successor to assume and agree to perform this Agreement. Alternatively, if the business or undertaking in connection with which the Executive's services are principally performed is sold at any time after a Change of Control occurs, and the Executive's employment is transferred as a result, the failure or refusal of the purchaser of such business or undertaking to provide the Executive with the same or a comparable position, duties, compensation and benefits, as described in paragraphs (iv) and (v) above, as provided to the Executive by the Corporation immediately prior to a Change of Control;
- (vii) Disposition of "All or Substantially All". The disposition by the Corporation of all or substantially all of the assets of the Corporation, as contemplated herein, notwithstanding that the Executive's services were or were not principally performed for such business.
- (q) **"Incentive Compensation Plan"** means any bonus or incentive compensation plan of the Corporation in which the Executive is entitled to receive benefits in the month immediately preceding a Change of Control.
- (r) **"Just Cause"** means:
  - (i) the failure by the Executive to substantially perform the Executive's duties according to the terms of the Executive's employment in existence immediately prior to a Change of Control after the Corporation has given the Executive reasonable notice of such failure and a reasonable opportunity to correct it; or
  - (ii) where the Executive engages in any criminal act or dishonesty resulting or intended to result, directly or indirectly, in the personal gain of the Executive at the Corporation's expense.

- (s) **"Monthly Base Salary"** means the monthly salary payable to the Executive by the Corporation in effect at the end of the month immediately preceding the Effective Date.
- (t) **"Parties"** means the Corporation, and its successors and permitted assigns, and the Executive and the Executive's heirs, executors and administrators and **"Party"** means either one of them.
- (u) **"Person"** includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative and any national, provincial, state or municipal government or any agency thereof.
- (v) **"Securitization Procedure"** means the Statement of Company Procedure Regarding the Securitization of Nexen Inc. Restated Executive Benefit Plan, as amended from time to time.
- (w) **"Severance Period"** means the twenty-four (24) month period immediately following the Date of Termination.
- (x) **"Stock Option Plan"** means any stock option plan or plans of the Corporation pursuant to which the Executive is granted options by the Corporation to acquire Common Shares.
- (y) **"Subsidiary"** has the meaning ascribed to it in the CBCA.
- (z) **"Term"** has the meaning referred to in Section 3.1.

## **ARTICLE 2**

### **SCOPE OF AGREEMENT**

- 2.1 The Parties intend that this Agreement sets out their respective rights and obligations upon the occurrence of a Change of Control. This Agreement does not provide for any other terms of the Executive's employment with the Corporation, and shall create no rights or obligations of the Parties prior to, or in circumstances other than, a Change of Control or beyond the Term.
- 2.2 This Agreement shall automatically terminate upon the death of the Executive or where due to the Disability of the Executive, the Executive is materially incapacitated from performing the Executive's duties. In the event of the death or Disability of the Executive, the Executive (or the Executive's estate) shall be entitled to receive from the Corporation all unpaid Annual Base Salary, Employment Benefits, unpaid business expenses and vacation entitlement accrued to the date of the death or Disability of the Executive. The Executive (or the Executive's estate) shall also be entitled to receive any and all death or Disability benefits in a manner consistent with, and at least equal in amount to, those provided by the Corporation to senior executives (or their estate) under such plans, programs and policies in effect at the date of Disability or death of the

Executive, and the Corporation shall have no further obligations to the Executive or the Executive's estate under this Agreement.

- 2.3 If the Executive's employment is terminated by either Party, for any reason, prior to a Change of Control in any manner, other than expressly provided for in this Agreement, this Agreement shall automatically terminate and the Corporation shall have no obligations to the Executive hereunder.

**ARTICLE 3**  
**TERM OF AGREEMENT**

- 3.1 Subject to termination of this Agreement prior to a Change of Control, this Agreement shall remain in effect for a period concluding twelve (12) months following the Effective Date (the "Term"), at which time this Agreement shall terminate; provided however that the payment of compensation and benefits to the Executive under this Agreement shall continue beyond the end of the Term in accordance with the applicable provisions of this Agreement.

**ARTICLE 4**  
**TERMINATION FOR JUST CAUSE OR FOR OTHER THAN GOOD REASON**

- 4.1 If the Executive's employment is terminated for Just Cause, or is terminated by the Executive, other than for Good Reason, following a Change of Control, the Corporation shall pay to the Executive, if not already paid, the fraction of the unpaid Annual Base Salary accrued during the then current fiscal year of the Corporation, all accrued Employment Benefits, all unpaid reasonable business expenses and all unpaid vacation pay accrued up to and including the Date of Termination, and thereafter, the Corporation shall have no further obligations to the Executive under this Agreement.
- 4.2 Nothing in this Agreement shall serve to derogate from the vested rights of the Executive to pension benefits, Stock Option Plans or any other Employment Benefits to which the Executive is entitled up to the Date of Termination.

**ARTICLE 5**  
**TERMINATION BY CORPORATION**

- 5.1 If the Executive's employment is terminated by the Corporation within the twelve (12) month period following the Effective Date, for reason other than Just Cause, death or Disability, the Corporation shall pay to the Executive the remuneration referred to in Article 7.

**ARTICLE 6**  
**TERMINATION FOR GOOD REASON**

- 6.1 In the event of a Change of Control, the Executive may, within the twelve (12) month period following the Effective Date and upon providing the Corporation with ten (10)

days written notice, terminate the Executive's employment with the Corporation for Good Reason. Upon being provided with such notice, the Corporation shall pay to the Executive the remuneration referred to in Article 7.

**ARTICLE 7**  
**COMPENSATION UPON TERMINATION**

- 7.1 If the Executive's employment is terminated in accordance with Section 5.1 or 6.1:
- (a) the Corporation shall forthwith, but in any event within ten (10) days from receipt by the Corporation of a Release executed by the Executive substantially in the form of Schedule "A", pay to the Executive:
    - (i) if not previously paid, that portion of the Executive's accrued but unpaid Monthly Base Salary, any accrued but unpaid bonus to which the Executive is entitled for the preceding calendar year under any Incentive Compensation Plan, all unpaid reasonable business expenses and all accrued but unused vacation pay earned or payable to the Executive by the Corporation for the period from the beginning of the Corporation's then current fiscal year, up to and including the Date of Termination;
    - (ii) a lump sum cash payment equal to the Executive's Monthly Base Salary and one-twelfth (1/12) of the Executive's Annual Target Bonus for each month of the Severance Period;
    - (iii) a lump sum payment equal to thirteen percent (13%) of the Executive's Annual Base Salary for the Severance Period. The Executive may elect to continue the Executive's then current dental and general medical care and/or life insurance benefits and/or long term disability benefits (on such terms and conditions in effect in the month immediately preceding the Date of Termination) for the Severance Period, or until the date on which the Executive obtains alternative employment if earlier than the date of termination of the Severance Period. The cost to the Corporation of continuing these benefits on behalf of the Executive shall be deducted by the Corporation from the Executive's thirteen percent (13%) Annual Base Salary lump sum payment referred to herein;
    - (iv) a lump sum payment representing the value of the Executive's monthly car allowance for the Severance Period;
    - (v) a lump sum payment representing the value of the Corporation's contributions to the Corporation's savings plan (at a rate of six percent (6%) of the Executive's Annual Base Salary) for the Severance Period;

- (vi) a lump sum payment representing the value of the Executive's entitlement to receive from the Corporation financial counselling services for the Severance Period; and
  - (vii) a lump sum payment representing the value of the Executive's entitlement to receive from the Corporation security monitoring services at the Executive's personal residence for the Severance Period;
- (b) with respect to the Executive's entitlement to pension benefits under the Pension Plan for Employees of Nexen Inc. (Defined Contribution Option) (the "Defined Contribution Pension Plan") and the Executive's related entitlement under the Nexen Inc. Restated Executive Benefit Plan (the "Executive Benefit Plan"):
- (i) the Corporation shall make a contribution to the Defined Contribution Pension Plan in an amount which is equal to the additional contributions which would have been made by both the Executive and the Corporation to the Defined Contribution Pension Plan on the Executive's behalf during the Severance Period had the Executive remained in the employ of the Corporation during such period. Such contribution shall be calculated at the rate in effect in respect of the Executive immediately prior to the Date of Termination. To the extent that it is not legally permissible to make such contribution to the Defined Contribution Pension Plan, the Corporation shall make a lump sum payment to the Executive in an amount equal to such contribution;
  - (ii) the Corporation shall recognize the Severance Period for purposes of determining the Executive's entitlement under the Executive Benefit Plan;
  - (iii) for calculation purposes, the Executive's entitlement under the Executive Benefit Plan is the bonus-related benefit which would have been determined assuming that the Executive had been employed throughout the Severance Period, including recognition of:
    - (A) additional service that would have been credited for the Severance Period;
    - (B) pensionable bonus for the year of the Date of Termination, and for each subsequent year or portion thereof during the Severance Period, determined at the Annual Target Bonus level. Average bonus will be determined over the three years to the end of the Severance Period, including any partial calendar years; and
    - (C) if the Executive would have been eligible for retirement at the end of the Severance Period, the Executive shall be deemed to retire, and the pension to commence, upon completion of the Severance Period. In such case, the Executive's attained age at the end of the

Severance Period will be recognized for purposes of calculating the early retirement reduction factor, if applicable;

- (iv) with respect to the entitlement described in Section 7.1(b)(ii), the Corporation shall pay to the Executive a lump sum payment representing the settlement value thereof determined in accordance with the assumptions set forth in Schedule "B"; and
  - (v) any entitlements of the Executive under the Executive Benefit Plan which have previously been funded in accordance with the terms of the Securitization Procedure but not previously settled in accordance with the terms of the Securitization Procedure shall be settled by the Corporation in accordance with the settlement mechanism set forth in the Securitization Procedure and the assumptions set forth in Schedule "B";
- (c) the Corporation shall provide the Executive with executive outplacement counseling to be provided by a firm to be selected by the Executive, at a cost to the Corporation not to exceed \$25,000.00;
  - (d) all of the Executive's outstanding unexercisable stock options under any Stock Option Plan shall become exercisable;
  - (e) where the Executive has been relocated, at the request of the Corporation, within the two (2) year period immediately prior to the Effective Date, if so requested by the Executive, the Corporation shall relocate the Executive back to the Executive's prior location; and
  - (f) as soon as is reasonably practicable following the execution of this Agreement, the Corporation shall be required to provide security for the performance of its obligation to make the lump sum payments described in this Article 7.
- 7.2 The estimated value as of October 1, 2001 of Sections 7.1(a)(ii) to 7.1(c) are set out in Schedule "C". Schedule "C" provides estimated values only and actual values shall be calculated in accordance with this Agreement at the time of entitlement or payment under this Agreement.
- 7.3 Subject to Section 7.1(a)(iii), if the Executive's employment is terminated in the circumstances described in Section 5.1 or 6.1, the remuneration and benefits payable under this Article 7 shall not be reduced if the Executive obtains alternative employment.
- 7.4 Unless expressly provided otherwise in this Agreement, all payments to be made to the Executive under this Article 7 shall be subject to required statutory deductions at source by the Corporation.

**ARTICLE 8**  
**CONFIDENTIAL INFORMATION**

- 8.1 If the Executive's employment is terminated in any manner whatsoever due to or following a Change of Control, the Executive agrees to keep confidential all information of a confidential or proprietary nature concerning the Corporation, its Affiliates, Associates and Subsidiaries and their respective operations, opportunities, areas of present, past or future interests, assets, finances, technology, intellectual property, business and affairs, and further agrees not to use such information, data or technology for personal advantage, provided that nothing herein shall prevent the disclosure of information which is publicly available or which is required to be disclosed by the Executive under appropriate statute, rules of law or legal process.

**ARTICLE 9**  
**RIGHTS AND OBLIGATIONS OF EXECUTIVE UPON TERMINATION**

- 9.1 Subject to Section 8.1, the Executive shall not be prohibited in any manner whatsoever from obtaining alternative employment with or otherwise forming or participating in a business competitive to the business of the Corporation after the termination of the Executive's employment with the Corporation.
- 9.2 Upon the termination of the Executive's employment for any reason, the Executive shall tender the Executive's resignation from any position the Executive may hold as an officer or director of the Corporation or any of its Affiliates, Associates or Subsidiaries.
- 9.3 If the Executive's employment is terminated in the circumstances described in Section 5.1 or 6.1, the Corporation shall continue to purchase and maintain, to the extent available in the marketplace at reasonable cost to the Corporation, on behalf of the Executive, director and officer liability insurance for the applicable limitation period following the date upon which the Executive ceases to serve as a director or officer of the Corporation, and the Executive's existing agreement to receive indemnity from the Corporation for acts taken by the Executive in the Executive's capacity as an officer of the Corporation shall remain in effect.
- 9.4 Upon termination of the Executive's employment pursuant to Section 5.1 or 6.1, the Corporation shall reimburse the Executive for ongoing legal fees and disbursements which the Executive may reasonably incur in connection with this Agreement (but this Agreement only), including any litigation concerning the validity or enforceability of, or liability under, any provision of this Agreement or any action by the Executive. The Corporation shall pay such fees and reimbursements to the Executive promptly as such fees and disbursements become due.

**ARTICLE 10**  
**EXPEDITED ARBITRATION**

- 10.1 If, pursuant to Section 6.1, the Executive provides written notice of the Executive's intention to terminate the Executive's employment for Good Reason, and the Corporation believes that there is no Good Reason, or, alternatively, that Just Cause exists which justified the Executive's termination, the Corporation shall, within ten (10) days of having been provided such notice, provide written notice ("Notice of Dispute") to the Executive of the dispute (the "Dispute").
- 10.2 The Parties agree that any and all Disputes under Section 10.1 will be resolved by way of a single Arbitrator.
- 10.3 (a) Within fifteen (15) days of provision of the Notice of Dispute, the Parties shall agree upon and appoint a neutral Arbitrator from the then current roster maintained by the Alberta Mediation and Arbitration Society to act as Arbitrator of the Dispute; or
- (b) If no person acceptable to both Parties has been agreed upon and appointed within fifteen (15) days, then either Party may make immediate application to the Court of Queen's Bench of Alberta, Judicial District of Calgary, to have an Arbitrator appointed.
- 10.4 The Parties acknowledge and agree that the purpose of this Article 10 is to avoid delays and facilitate resolution of the Dispute in a just, speedy and cost-effective manner.
- 10.5 Consistent with the expedited nature of arbitration, the Arbitrator will direct and control the scope and timing of the exchange of information between the Parties and will take such steps as the Arbitrator deems necessary to achieve a just, speedy and cost-effective resolution of the Dispute. The Arbitrator has the exclusive right and power to resolve all issues related to the exchange of information in the arbitration process.
- 10.6 The Parties agree that the Arbitrator is only authorized to determine whether the Executive had Good Reason for terminating the Executive's employment, or alternatively, whether the Corporation had Just Cause to terminate the Executive's employment.
- 10.7 A hearing will occur within forty-five (45) days of the appointment of the Arbitrator (the "Hearing"). The time of the Hearing (the "Hearing Date") will be scheduled by the Arbitrator after consultation with the Parties. The Hearing will be governed by the rules set out in the *Arbitration Act* S.A. 1991, c.A-43, as modified by the Arbitrator in the interests of achieving a just, speedy and cost-effective resolution of the Dispute. The Arbitrator may require written submissions of fact in the Dispute to be provided seven (7) days before the Hearing Date.

- 10.8 The Arbitrator will use best efforts to provide a written decision within seven (7) days of the conclusion of the Hearing.
- 10.9 The Parties agree that the decision of the Arbitrator will be final and binding upon the Parties.

**ARTICLE 11**  
**GENERAL**

- 11.1 The headings of the Articles and paragraphs in this Agreement are inserted for convenience only and shall not affect the meaning or construction of this Agreement.
- 11.2 This Agreement shall be construed and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada as applicable therein.
- 11.3 If any provision of this Agreement is determined to be void or unenforceable in whole or in part, it shall be and be deemed to be severed from this Agreement without affecting or impairing the validity of any other provision herein.
- 11.4 Any notice required or permitted to be given under this Agreement shall be in writing and shall be properly given if delivered, by hand delivery or mail or other form of electronic communication capable of transmission confirmation, to the following address:
- a. in the case of the Corporation to:
- Nexen Inc.  
#1500, 635 – 8<sup>th</sup> Avenue SW  
Calgary, AB T2P 3Z7  
Attention: Chief Executive Officer
- b. in the case of the Executive to:
- the last address of the Executive in the records of the Corporation or to such other address as the Parties may from time to time specify by notice given in accordance herewith.
- 11.5 This Agreement shall enure to the benefit of and be binding upon the Executive and the Executive's heirs, executors and administrators and upon the Corporation and its successors and assigns.
- 11.6 This Agreement constitutes the entire agreement relating to the respective rights and obligations of the Parties upon the occurrence of a Change of Control. No amendment or waiver of this Agreement shall be binding unless executed in writing by the Parties.
- 11.7 The Parties agree that the rights, entitlements and benefits set out in this Agreement to be paid to the Executive upon a Change of Control shall be in full satisfaction of all rights of the Executive under applicable law in effect from time to time as a result thereof.

11.8 Neither Party can waive or shall be deemed to have waived any right it has under this Agreement except to the extent that such waiver is in writing.

The Parties have executed this Agreement effective the date first written above.

**NEXEN INC.**

Per: /s/ Charles W. Fischer

Per: /s/ John B. McWilliams

**SIGNED, SEALED & DELIVERED**

in the presence of

/s/ Marcelle Leveille

**WITNESS**

/s/ Gary Nieuwenburg

**GARY NIEUWENBERG**

## **SCHEDULE "A"**

### **CHANGE OF CONTROL AGREEMENT**

In order to receive the entitlements referred to in this Agreement, the Executive shall execute the attached Release, fully releasing the Corporation from all further claims in relation to the Executive's employment or Employment Benefits and the termination thereof upon payment of the remuneration and benefits referred to in Article 7 of this Agreement. The attached Release shall not, however, require that the Executive relinquish or release any rights to indemnity which the Executive may, as an officer or director of the Corporation or any of its Affiliates, Associates and Subsidiaries, have as against the Corporation or any of its Affiliates, Associates and Subsidiaries for costs, charges and expenses reasonably incurred by the Executive in respect of any civil, criminal or administrative action or proceeding to which the Executive is made a party by reason of being or having been a director or officer of the Corporation or any of its Affiliates, Associates and Subsidiaries where:

- (a) the Executive has acted honestly and in good faith with a view to the best interests of the Corporation or any of its Affiliates, Associates and Subsidiaries; and
- (b) in the case of a criminal or administrative action or proceeding enforced by a monetary penalty, the Executive had reasonable grounds for believing the Executive's conduct was lawful.

**FINAL RELEASE**

**KNOW ALL MEN BY THESE PRESENTS** that I, **GARY NIEUWENBURG** of the City of Calgary, in the Province of Alberta, in consideration of the amounts provided in that certain Change of Control Agreement (the "Change of Control Agreement") dated as of the \_\_\_\_\_ day of December, 2001 between myself and **NEXEN INC.** (the "Corporation") and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, do for myself, my executors and assigns hereby remise, release and forever discharge the Corporation, and any associated, affiliated, predecessor or parent corporation of the Corporation and their present and former directors, officers, agents and employees (the "Releasees"), including each of their respective successors, heirs, administrators and assigns, from all manner of actions, causes of action, debts, obligations, covenants, claims or demands, whatsoever which I may ever have had, now have, or can, shall or may hereafter have against the Releasees or any of them, by reason of or arising out of any cause, matter or thing whatsoever done, occurring or existing up to and including the present date and, in particular, without in any way restricting the generality of the foregoing, in respect of all claims of any nature whatsoever, past, present or future, directly or indirectly related to or arising out of or in connection with my relationship with the Releasees, as an employee, officer or director, and the termination of my employment from the Corporation including, but not limited to, any claims related to any entitlement I may have or may have had to any payment or claim either at common law or under the *Employment Standards Code, Human Rights, Citizenship and Multiculturalism Act* or any other applicable legislation governing or related to my employment with the Releasees.

**AND FOR THE SAID CONSIDERATION**, I, **GARY NIEUWENBURG**, represent and warrant that I have not assigned to any person, firm or corporation any of the actions, causes of action, claims, suits, executions or demands which I release by this Release, or with respect to which I agree not to make any claim or take any proceeding herein.

**IT IS FURTHER ACKNOWLEDGED** that the payment to me includes full compensation and consideration for the loss of my employment benefits, as provided by the Releasees, and that all of my employment benefits and privileges shall cease on the date of termination of my

employment, except as otherwise provided in the Change of Control Agreement. I further acknowledge that I have received all benefits due to me and have no further claim against the Releasees for such benefits. I further accept sole responsibility to replace such benefits which I wish to continue or to exercise conversion privileges where applicable with respect to such benefits and, in particular any life insurance and long-term disability benefits. In the event that I become disabled following termination of my employment, I covenant not to sue the Releasees for insurance or other benefits or loss of same and hereby release the Releasees from any and all further obligations or liabilities arising therefrom.

Notwithstanding anything contained herein, this Release shall not extend to or affect, or constitute a release of, my right to sue, claim against or recover from the Releasees and shall not constitute an agreement to refrain from bringing, taking or maintaining any action against the Releasees in respect of:

- (a) any corporate indemnity existing by statute, contract or pursuant to any of the constating documents of the Corporation provided in my favour in respect of my having acted at any time as a director, officer or both of the Corporation;
- (b) my entitlement to any insurance maintained for the benefit or protection of the directors and/or officers of the Corporation, including without limitation, directors' and officers' liability insurance; or
- (c) my entitlement to any amounts or compensation due to me under the terms of my employment pursuant to the Change of Control Agreement.

**IT IS HEREBY AGREED** that the terms of the Change of Control Agreement and of this Release will be kept confidential. No party hereto shall communicate any such terms to any third party under any circumstances whatsoever, excepting any necessary communication with my legal and financial advisors, as required, on the express condition that they maintain the

confidentiality thereof, and any disclosure which is required by law, although either party shall be at liberty to disclose to third parties that a mutually acceptable Release was agreed upon. The invalidity and unenforceability of any provision of this Release shall not affect the validity or enforceability of any other provision of this Release, which shall remain in full force and effect.

**I HEREBY DECLARE** that I have read all of this Release, fully understand the terms of this Release and voluntarily accept the consideration stated herein as the sole consideration for this Release for the purpose of making a full and final settlement with the Releasees. I further acknowledge and confirm that I have been given an adequate period of time to obtain independent legal counsel regarding the meaning and the significance of the terms herein and the covenants mutually exchanged.

**IT IS HEREBY AGREED THAT** as a term of the termination of my employment from the Corporation, and in consideration of the amount noted above, I hereby resign as officer and director of the Corporation and its affiliates.

**IN WITNESS WHEREOF**, I have hereunto set my hand and seal this \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_.

\_\_\_\_\_  
**GARY NIEUWENBURG**

\_\_\_\_\_  
WITNESS (signature)

\_\_\_\_\_  
WITNESS (print name)

## **SCHEDULE "B"**

### **CHANGE OF CONTROL AGREEMENT Methodology and Assumptions for Determining Settlement Value**

#### **Purpose**

Pursuant to Section 7.1(b)(iv) of the Agreement, the purpose of this Schedule "B" is to ensure that after tax has been paid on a lump sum settlement value, the remaining balance shall be sufficient to provide after-tax monthly payments equivalent to the after-tax monthly payments the Executive would have received under the terms of the Executive Benefit Plan.

#### **Overview**

Section 7 of the Securitization Procedure provides in part that:

"the Company reserves the right to settle the Obligations by way of a lump sum payment to each Executive provided that the amount of each such payment is determined by the Actuary in such manner so as to be of equivalent present value after tax to such Executive and persons claiming through him as the after-tax periodic payments provided for in the Plan."

The following outlines the actuarial methods, assumptions and calculation process to be used in determining the lump sum settlement value of pension entitlements under the Executive Benefit Plan when settlement occurs in accordance with the Securitization Procedure. Section 300 of the Income Tax Regulations establishes the procedure applicable in using an after-tax lump sum to purchase a prescribed annuity:

1. A prescribed annuity payment consists of two components: (a) the deemed capital element of the annuity payment on which no tax is payable, and (b) the deemed non-capital portion of the annuity payment which is taxed at the marginal rate.
2. The capital portion of each future annuity payment is considered to be a return of the original after-tax lump sum amount.
3. The non-capital portion of each annuity payment is assumed to be provided by the investment return on the original after-tax lump sum amount and has therefore not yet been taxed.
4. A constant percentage of each future payment is deemed to be a return of the original lump sum capital.

#### **Calculation Methodology**

1. Equivalent after-tax payments:
  - a. Determine initial gross annual pension entitlement under the Executive Benefit Plan.

- b. Determine after-tax annual pension entitlement under the Executive Benefit Plan based on Individual Tax Rate.
  - c. Determine the capital element based on the non-indexed present value of the pension payments divided by life expectancy.
  - d. Determine the monthly payment which provides an after-tax pension equal to the after-tax pension determined in 1.b. above in accordance with the prescribed annuity methodology.
2. Present value of periodic payments from 1. above:
- a. Determine the present value of the pension determined in 1.d. above using the assumptions described below in this Schedule "B". For greater certainty, the value of the post-retirement indexation is to be reflected in determining the present value of the accrued pension entitlement in respect of post-1992 service, and any accrued pension in respect of service granted during the Severance Period.
3. Tax adjustment:
- a. Gross-up the present value determined in 2.a. above to reflect the tax assumed to be required to be paid on the lump sum.
  - b. Gross-up the amount determined in 3.a. above to reflect the tax assumed to be required to be paid on investment earnings in respect of the lump sum payment during the deferral period prior to assumed pension commencement, if any.
4. Equivalent present value after tax as the after-tax monthly payments:
- a. The amount determined in 3.b. above shall be the lump sum settlement value of the Executive's pension entitlement.

### **Assumptions**

#### Interest Discount Rate:

-- during deferral period                      Yield on long-term Government of Canada bonds as published in the Bank of Canada Review for month-end immediately preceding the date of calculation rounded down to next lower 0.5%.

-- after assumed pension commencement      Yield on long-term Government of Canada bonds as published in the Bank of Canada Review for month-end immediately preceding the date of calculation rounded down to next lower 0.5%, less assumed escalation of pensions after retirement.

Increase in Consumer Price Index:              Yield on long-term Government of Canada bonds as published in the Bank of Canada Review for month-

end immediately preceding the date of calculation rounded down to next lower 0.5%

less

Yield on long-term Government of Canada Real Return bonds as published in the Bank of Canada Review for month-end immediately preceding the date of calculation rounded down to next lower 0.5%.

Mortality:

-- for life expectancy

1994 Uninsured Pensioner Mortality Table with mortality improvements projected to 2014.

-- for present values

- prior to assumed pension commencement

Nil.

after assumed pension commencement

1994 Uninsured Pensioner Mortality Table with mortality improvements projected to 2014.

Marital Status:

Actual status at Date of Termination.

Age of Spouse:

Based on actual date of birth.

Individual Tax Rate:

Maximum individual marginal tax rate for employee's province of employment.

## SCHEDULE "C"

### **Estimated<sup>1</sup> Entitlement to Compensation Pursuant to Article 7 of the Agreement**

Monthly Base Salary (24 Months)	\$446,200.00
Bonus Target Value	89,240.00
Benefits Uplift (13%)	58,006.00
Car Allowance	38,400.00
Savings Plan	26,772.00
Financial Counselling Services	10,500.00
Security Monitoring Services	2,400.00
Executive Outplacement	<u>25,000.00</u>
<b>TOTAL VALUE</b>	<b>\$696,518.00</b>
<b>Additional Lump Sum Settlement Value of Pension<sup>2</sup></b>	<b>88,000.00</b>
<b>TOTAL ESTIMATED ENTITLEMENT under this Restated Agreement</b>	<b>\$784,518.00</b>

**IN ADDITION** to the above pension entitlement under the Agreement, the Executive has accrued entitlements under the Defined Contribution Pension Plan and Executive Benefit Plan. The value of the bonus related benefit under the Executive Benefit Plan is shown below. As is the case with the figures shown above, these values are estimated values (as of October 1, 2001) and are for illustrative purposes only. Actual values will be calculated as of the date of the entitlement or payment, and therefore may be subject to change.

- Lump Sum Settlement Value of Executive Benefit Plan<sup>3</sup>                      \$102,000.00

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<sup>1</sup> As stated in Section 7.2 of the Agreement, the above calculations represent only the current estimated value (as of October 1, 2001) of the Executive's entitlement to compensation upon a Change of Control. Accordingly, the above calculations are for illustrative purposes only.

<sup>2</sup> Calculated in accordance with Section 7.1(b) of the Agreement, including the bonus related benefit contemplated under the Executive Benefit Plan.

<sup>3</sup> Based on lump sum settlement value methodology and assumptions outlined in Schedule "B" as provided in Article 7.1(b) of the Agreement.

**Nexen Inc.**

**Statement re: Computation of Earnings per Share - U.S. GAAP  
For the Year Ended December 31, 2007**

(Amounts in Cdn \$ millions, except shares and per share amounts)

	2007					2006	2005
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual	Annual	Annual
Net income from continuing operations available to common stockholders (U.S. GAAP)	\$118	\$354	\$388	\$152	\$1,012	\$579	\$658
Net income available to common stockholders (U.S. GAAP)	\$118	\$354	\$388	\$152	\$1,012	\$579	\$1,110
<u>Basic</u>							
Weighted average number of common shares outstanding (thousands)	525.9	527.0	527.4	528.1	527.1	524.2	520.7
<b>Basic earnings per share from continuing operations</b>	<b>\$0.22</b>	<b>\$0.67</b>	<b>\$0.74</b>	<b>\$0.29</b>	<b>\$1.92</b>	<b>\$1.10</b>	<b>\$1.26</b>
<b>Basic earnings per share</b>	<b>\$0.22</b>	<b>\$0.67</b>	<b>\$0.74</b>	<b>\$0.29</b>	<b>\$1.92</b>	<b>\$1.10</b>	<b>\$2.13</b>
<u>Diluted</u>							
Weighted average number of common shares outstanding (thousands)	525.9	527.0	527.4	528.1	527.1	524.2	520.7
Net additional shares issuable pursuant to stock options (thousands):							
Issuable on exercise	28.4	26.9	25.7	21.3	26.6	27.7	26.8
Re-purchasable from proceeds	(15.8)	(15.6)	(15.3)	(12.4)	(15.7)	(14.0)	(14.8)
Net dilutive effect of stock options (thousands)	12.6	11.3	10.4	8.9	10.9	13.7	12.0
Adjusted number of common shares (thousands)	538.5	538.3	537.8	537.0	538.0	537.9	532.7
<b>Diluted earnings per share from continuing operations</b>	<b>\$0.22</b>	<b>\$0.66</b>	<b>\$0.72</b>	<b>\$0.28</b>	<b>\$1.88</b>	<b>\$1.08</b>	<b>\$1.23</b>
<b>Diluted earnings per share</b>	<b>\$0.22</b>	<b>\$0.66</b>	<b>\$0.72</b>	<b>\$0.28</b>	<b>\$1.88</b>	<b>\$1.08</b>	<b>\$2.08</b>

## **SUBSIDIARIES OF NEXEN AS AT JANUARY 31, 2008**

### **1219391 Alberta Ltd.**

Incorporated pursuant to the laws of Alberta

### **Canadian Nexen Petroleum East Al Hajr Ltd.**

Incorporated pursuant to the laws of Alberta

### **Canadian Nexen Petroleum Yemen**

A partnership doing business in Yemen

### **Canadian Petroleum Vietnam Ltd.**

Incorporated pursuant to the laws of Barbados

### **Canadian Petroleum Yemen Limited**

Incorporated pursuant to the laws of Jersey

### **CanadianOxy Offshore Production Co.**

Incorporated pursuant to the laws of Delaware

### **Canexus Limited Partnership**

A partnership formed pursuant to the laws of Alberta

### **ICH Capital Management Hungary Limited Liability Company**

Incorporated pursuant to the laws of Hungary

### **ICM Assurance Ltd.**

Incorporated pursuant to the laws of Barbados

### **ICM Capital Limited**

Incorporated pursuant to the laws of Barbados

### **International Capital Holdings Limited**

Incorporated pursuant to the laws of Malta

### **Long Lake Finance Management Ltd.**

Incorporated pursuant to the laws of Alberta

### **Long Lake Synthetic Crude Management Company Ltd.**

Incorporated pursuant to the laws of Alberta

### **Nexen Chemicals Holdings U.S.A. Inc.**

Incorporated pursuant to the laws of Delaware

### **Nexen Chemicals U.S.A.**

A partnership formed pursuant to the laws of Delaware

**Nexen Chemicals U.S.A. Inc.**

Incorporated pursuant to the laws of Delaware

**Nexen Crossfield Partnership**

A partnership formed pursuant to the laws of Alberta

**Nexen E & P Services Nigeria Limited**

Incorporated pursuant to the laws of Nigeria

**Nexen Energy Holdings International Limited**

Incorporated pursuant to the laws of Jersey

**Nexen Energy Marketing Europe Limited**

Incorporated pursuant to the laws of the United Kingdom

**Nexen Energy Marketing London Limited**

Incorporated pursuant to the laws of the United Kingdom

**Nexen Energy Services International Ltd.**

Incorporated pursuant to the laws of the United Kingdom

**Nexen Ettrick U.K. Limited**

Incorporated pursuant to the laws of the United Kingdom

**Nexen Exploration Norge AS**

Incorporated pursuant to the laws of Norway

**Nexen Exploration U.K. Limited**

Incorporated pursuant to the laws of the United Kingdom

**Nexen Field Services Nigeria Limited**

Incorporated pursuant to the laws of Nigeria

**Nexen Holdings U.S.A. Inc.**

Incorporated pursuant to the laws of Delaware

**Nexen Holdings West Africa Limited**

Incorporated pursuant to the laws of Jersey

**Nexen Marketing**

A partnership formed pursuant to the laws of Alberta

**Nexen Marketing International Ltd.**

Incorporated pursuant to the laws of Barbados

**Nexen Marketing Singapore Pte Ltd.**

Incorporated pursuant to the laws of Singapore

**Nexen Marketing U.S.A. Inc.**

Incorporated pursuant to the laws of Delaware

**Nexen Med Hat-Hatton Partnership**

A partnership formed pursuant to the laws of Alberta

**Nexen No. 6 Ltd.**

Incorporated pursuant to the laws of Alberta

**Nexen of California, Inc.**

Incorporated pursuant to the laws of Delaware

**Nexen Oil and Gas U.S.A. Inc.**

Incorporated pursuant to the laws of Wyoming

**Nexen Oil Sands Partnership**

A partnership formed pursuant to the laws of Alberta

**Nexen Oilfield Services Nigeria Ltd.**

Incorporated pursuant to the laws of Barbados

**Nexen Petroleum Australia Pty Limited**

Incorporated pursuant to the laws of Australia

**Nexen Petroleum Capital Management U.S.A. Inc.**

Incorporated pursuant to the laws of Delaware

**Nexen Petroleum Colombia Limited**

Incorporated pursuant to the laws of Jersey

**Nexen Petroleum Deepwater Nigeria Limited**

Incorporated pursuant to the laws of Nigeria

**Nexen Petroleum do Brasil Ltda.**

Incorporated pursuant to the laws of Brazil

**Nexen Petroleum Equatorial Guinea Limited**

Incorporated pursuant to the laws of Jersey

**Nexen Petroleum Exploration and Production Nigeria Limited**

Incorporated pursuant to the laws of Nigeria

**Nexen Petroleum Holdings Australia Pty Limited**

Incorporated pursuant to the laws of Australia

**Nexen Petroleum Holdings U.S.A. Inc.**

Incorporated pursuant to the laws of Delaware

**Nexen Petroleum International Co.**  
Amalgamated pursuant to the laws of Nova Scotia

**Nexen Petroleum International (U.S.A.) Inc.**  
Incorporated pursuant to the laws of Delaware

**Nexen Petroleum Libya Ltd.**  
Incorporated pursuant to the laws of Alberta

**Nexen Petroleum Madagascar Limited**  
Incorporated pursuant to the laws of Jersey

**Nexen Petroleum Nigeria Limited**  
Incorporated pursuant to the laws of Nigeria

**Nexen Petroleum Nigeria Offshore Ltd.**  
Incorporated pursuant to the laws of Alberta

**Nexen Petroleum North Africa Limited**  
Incorporated pursuant to the laws of Jersey

**Nexen Petroleum Offshore Equatorial Guinea Ltd.**  
Incorporated pursuant to the laws of Alberta

**Nexen Petroleum Offshore U.S.A. Inc.**  
Incorporated pursuant to the laws of Delaware

**Nexen Petroleum Operations Yemen Limited**  
Continued pursuant to the laws of Jersey

**Nexen Petroleum Sales U.S.A. Inc.**  
Incorporated pursuant to the laws of Texas

**Nexen Petroleum U.K. Holdings Limited**  
Incorporated pursuant to the laws of the United Kingdom

**Nexen Petroleum U.K. Limited**  
Incorporated pursuant to the laws of the United Kingdom

**Nexen Petroleum U.S.A. Inc.**  
Incorporated pursuant to the laws of Delaware

**Nexen Services Jersey Limited**  
Incorporated pursuant to the laws of Jersey

**Quadra Energy 2006 Ltd.**  
Incorporated pursuant to the laws of Alberta

**Quadra Energy Trading Ltd.**

Incorporated pursuant to the laws of Alberta

**Quadra Fuel Trading, Inc.**

Incorporated pursuant to the laws of Delaware

**Quadra Petroleum, Inc.**

Incorporated pursuant to the laws of Delaware

**Wascana Energy 2001 Ltd.**

Incorporated pursuant to the laws of Saskatchewan

## CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the incorporation by reference in the following Registration Statements of Nexen Inc.:

- Registration Statement No.'s 033-26582, 033-34467, 033-43426, 033-66538, 033-81334, 333-05494, 333-07344, 333-09286, 333-13574, 333-118019 and 333-119276 on Form S-8;
- Registration Statement No.'s 333-09288, 333-10646, 333-84786 and 333-142670 on Form F-3; and
- Registration Statement No.'s 333-125019, 333-128510 and 333-143380 on Form F-10.

of our reports dated February 13, 2008, relating to the financial statements of Nexen Inc. (which report expresses an unqualified opinion on the financial statements and includes a separate report on Canada-United States of America reporting difference) and the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Nexen Inc. for the year ended December 31, 2007.

*Deloitte : Touche LLP*

Independent Registered Chartered Accountants  
Calgary, Canada

February 21, 2008

# WILLIAM M. COBB & ASSOCIATES, INC.

Worldwide Petroleum Consultants

12770 Coit Road, Suite 907  
Dallas, Texas

(972) 385-0354  
Fax: (972) 788-5165  
E-Mail: office@wmcobb.com

February 21, 2008

Nexen Inc.  
801 7<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3P7  
Canada

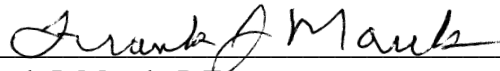
Attention: Reserves Review Committee of the  
Board of Directors of Nexen Inc.

The Board of Directors:

We hereby consent to references to our firm relating to the evaluation and/or audit of certain oil and gas properties of Nexen Inc. (the "Company") contained in the section entitled "Basis of Reserves Estimates" within "Reserves, Production and Related Information" as set out in Part I, Items 1 & 2 Business and Properties of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Sincerely,

WILLIAM M. COBB & ASSOCIATES, INC.



Frank J. Marek, P.E.  
Senior Vice President

FJM:jf

\\Nexen\ConsentLetters\Annual0208.doc

Dallas, Texas  
February 21, 2008



**RYDER SCOTT COMPANY**  
**PETROLEUM CONSULTANTS**

1100 LOUISIANA SUITE 3800

HOUSTON, TEXAS 77002-5218

FAX (713) 651-0849  
TELEPHONE (713) 651-9191

February 21, 2008

Nexen Inc.  
801 7<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3P7

Board of Directors:

We hereby consent to references to Ryder Scott Company L.P. relating to the evaluation of certain oil and gas properties of Nexen Inc. (the "Company") contained in the section entitled "Basis of Reserves Estimates" within "Reserves, Production and Related Information" as set out in Part I, Items 1&2 Business and Properties of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Very Truly Yours,

/s/ RYDER SCOTT COMPANY, L.P.

**RYDER SCOTT COMPANY, L.P.**

Houston Texas  
February 21, 2008

**Principals**

P. A. Welch P. Eng.

G. M. Heath P. Eng.

B. H. Emslie P. Eng.

R. F. Ott P. Geol.

C. B. Kowalski P. Eng.

B. J. Wurster P. Eng.

February 21, 2008

Nexen Inc.  
801 7<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 3P7

Board of Directors:

We hereby consent to references to McDaniel and Associates Consultants Ltd. relating to the evaluation of certain oil and gas properties of Nexen Inc. (the "Company") and audit of the Company's interest in Syncrude, contained in the section entitled "Basis of Reserves Estimates" within "Reserves, Production and Related Information" as set out in Part I, Items 1&2 Business and Properties of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Sincerely,

**McDANIEL & ASSOCIATES CONSULTANTS LTD.**



P.A. Welch, P.Eng.  
President and Managing Director

Calgary Alberta  
February 21, 2008

**DEGOLYER AND MACNAUGHTON**

5001 SPRING VALLEY ROAD  
SUITE 800 EAST  
DALLAS, TEXAS 75244

February 21, 2008

Nexen Inc.  
801-7<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3P7

Board of Directors:

We hereby consent to references to DeGolyer and MacNaughton relating to our evaluation of certain oil and gas properties of Nexen Inc. (Nexen) contained in the section entitled "Basis of Reserves Estimates" within "Reserves, Production and Related Information" as set out in Part I, Items 1&2 Business and Properties of Nexen's Annual Report on Form 10-K for the year ended December 31, 2007.

Very truly yours,

/s/ DeGOLYER and MacNAUGHTON

DeGOLYER and MacNAUGHTON

**EXHIBIT 31.1****Certifications**

I, Charles W. Fischer, certify that:

1. I have reviewed this annual report on Form 10-K of Nexen Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2008

/s/ Charles W. Fischer

Charles W. Fischer

President and Chief Executive Officer

**EXHIBIT 31.2****Certifications**

I, Marvin F. Romanow, certify that:

1. I have reviewed this annual report on Form 10-K of Nexen Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2008

/s/ Marvin F. Romanow  
 Marvin F. Romanow  
 Executive Vice President  
 and Chief Financial Officer

**EXHIBIT 32.1****Certification Of Periodic Report**

I, Charles W. Fischer, President and Chief Executive Officer of Nexen Inc., a Canadian Corporation (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2008

/s/ Charles W. Fischer

Charles W. Fischer

President

and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Nexen Inc. and shall be retained by Nexen Inc. and furnished to the Securities and Exchange Commission or its staff on request.

**EXHIBIT 32.2**

**Certification Of Periodic Report**

I, Marvin F. Romanow, Executive Vice President and Chief Financial Officer of Nexen Inc., a Canadian Corporation (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 21, 2008

/s/ Marvin F. Romanow  
Marvin F. Romanow  
Executive Vice President  
and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Nexen Inc. and shall be retained by Nexen Inc. and furnished to the Securities and Exchange Commission or its staff on request.

**AMENDED FORM 51-101F2  
REPORT ON RESERVES DATA BY  
INTERNAL QUALIFIED RESERVES EVALUATOR**

To the Board of Directors of Nexen Inc. (the "Company"):

1. Company staff and I have evaluated the Company's reserves data as at December 31, 2007. The reserves data consist of the following:
  - (a) proved oil and gas reserve quantities estimated as at last day of the Company's most recently completed financial year using constant prices and costs; and
  - (b) the related standardized measure.

(both (a) and (b) form part of the "FAS 69 Disclosures about Oil and Gas Producing Activities" contained in the Company's Supplementary Financial Information in its Annual Report on Form 10-K).
2. The reserves data have been prepared in accordance with:
  - (a) United States' Securities and Exchange Commission (SEC) requirements;
  - (b) generally accepted industry practices in the United States; and
  - (c) the standards of the Canadian Oil and Gas Evaluation Handbook modified to the extent necessary to reflect SEC requirements.

(collectively, the Nexen Reserves Standards).
3. The reserves data are the responsibility of the Company's management. My responsibility is to express an opinion whether the evaluation was carried out in accordance with the Nexen Reserves Standards.
4. I am not independent of the Company, within the meaning of the term "independent" under National Instrument 51-101.
5. Among other things, with respect to matters regarding royalties, operating costs, development plans and costs, abandonment plans and costs, and income taxes (where applicable), I have placed reasonable reliance on the information and decisions of others in their areas of authority, responsibility and expertise within the Company.

6. In my opinion, the reserves data has, in all material respects, been prepared in accordance with the Nexen Reserves Standards.
7. Reserves are estimates only and not exact quantities. Estimates of economically recoverable oil and natural gas reserves and future net cash flows are based on a number of variable factors, assumptions and judgements regarding future events. It is believed that the factors and assumptions used and judgements made in estimating reserves are reasonable based on the information available at the time the estimates were prepared. Actual results will vary and such variances could be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.
8. I have no responsibility to update this opinion for events and circumstances occurring after the date of this opinion.
9. I have signed this Form F2 in my capacity as an employee of Nexen Inc. and not in my personal capacity.

/s/ Ian McDonald

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**Ian McDonald**  
**Nexen Inc.**  
**Internal Qualified Reserves Evaluator**  
**Calgary, Alberta**

**February 13, 2008**