

PART IV

ITEM 15.

Exhibits, Financial Statement Schedules

FINANCIAL STATEMENTS AND SCHEDULES

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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| 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). | | notes due 2028 (filed as Exhibit 4.43 to Form 10-K for the year ended December 31, 2003). |
| 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). | 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). |
| 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). | 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). |
| 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). | 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). |
| 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). | 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). |
| 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% | | |

- 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).
- 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).
- 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).
- 4.57 Amended and Restated Shareholder Rights Plan Agreement, dated April 29, 2008 between the Registrant and CIBC Mellon Trust Company, as Rights Agent (filed as Exhibit 4.57 to Form 8-K dated April 30, 2008).
- 4.58 Second Supplemental Indenture dated July 30, 2009 to the Trust Indenture dated May 4, 2007 between the Registrant and Deutsche Bank Trust Company Americas pertaining to the issuance of US\$300 million, 6.20% notes due 2019 and the issuance of US\$700 million, 7.50% notes due 2039 (filed as Exhibit 4.1 to Form 8-K dated July 30, 2009).
- 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).
- 10.50 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).
- 10.52 Amended and Restated Agreement Respecting Change of Control and Executive Benefit Plan Entitlements with Executive Officers dated during August and September, 2008 (filed as Exhibit 10.52 to Form 10-Q for the quarterly period ended September 30, 2008).
- 10.53 Amended and Restated Agreement Respecting Change of Control and Executive Benefit Plan Entitlements with Kevin J. Reinhart dated as of September 16, 2008 (filed as Exhibit 10.53 to Form 8-K dated November 21, 2008).
- 10.54 Form of Indemnification Agreement between the Registrant and William B. Berry and Robert G. Bertram (filed as Exhibit 10.54 to Form 8-K dated December 10, 2008).
- 10.55 Amending Agreement dated as of December 9, 2008 to the Amended and Restated Agreement Respecting Change of Control and Executive Benefit Plan Entitlements with Marvin F. Romanow dated as of September 17, 2008 (filed as Exhibit 10.55 to Form 8-K dated December 10, 2008).
- 10.56 Tandem Option Plan amended June 30, 2007. (filed as Exhibit 10.56 to Form 10-K for the year ended December 31, 2008).
- 10.57 Termination of Employment and Retirement Agreement between the Registrant and Roger D. Thomas dated May 12, 2009 (filed as Exhibit 10.57 to Form 10-Q for the quarterly period ended June 30, 2009).

- 10.58 Pricing Agreement dated July 27, 2009 among the Registrant and Banc of America Securities LLC, BNP Paribas Securities Corp., Deutsche Bank Securities Inc., and HSBC Securities (USA) Inc. as representatives of the Underwriters (filed as Exhibit 10.1 to Form 8-K dated July 30, 2009).
- 10.59* Agreement Respecting Change of Control with Brian C. Reinsborough dated February 29, 2008.
- 10.60* Agreement Respecting Change of Control and Executive Benefit Plan Entitlements with James T. Arnold dated November 12, 2009.
- 10.61* Form of Indemnification Agreement between the Registrant and Brian C. Reinsborough and James T. Arnold.
- 11.1* Statement regarding the Computation of Per Share Earnings for the three years ended December 31, 2009.
- 21.1* Subsidiaries of the Registrant.
- 23.1* Consent of Independent Registered Chartered Accountants.
- 23.2* Report of Third Party, DeGolyer and MacNaughton (selected United Kingdom properties).
- 23.3* Report of Third Party, DeGolyer and MacNaughton (selected Yemen properties).
- 23.4* Report of Third Party, DeGolyer and MacNaughton (selected Nigeria properties).
- 23.5* Consent of DeGolyer and MacNaughton.
- 23.6* Report of Third Party, McDaniel & Associates Consultants Ltd. (selected Canadian properties).
- 23.7* Report of Third Party, McDaniel & Associates Consultants Ltd. (Syn crude).
- 23.8* Consent of McDaniel & Associates Consultants Ltd.
- 23.9* Report of Third Party, Ryder Scott Company L.P. (selected Gulf of Mexico properties).
- 23.10* Consent of Ryder Scott Company L.P.
- 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* Report 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 Change of Control Agreement made as of the 29th day of February, 2008.

BETWEEN:

NEXEN INC.

(hereinafter referred to as the "Corporation")

- and -

BRIAN REINSBOROUGH

(hereinafter referred to as the "Executive")

RECITALS:

1. The Executive, as Senior Vice President – US Oil and Gas of the Corporation, is considered by the Board to be an essential officer and employee of the Corporation, who is integral to the operation and development of the Corporation, has acquired outstanding skills and 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. 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) **“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, offering to acquire, or voting 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).
- (b) **“Affiliate”** and **“Associate”** have the meaning ascribed to such terms in National Instrument 45-106 for purposes of Section 1.1(f); provided, however, that for all other purposes of this Agreement, as well as Schedule A and the Final Release attached to this Agreement, **“Affiliate”** and **“Associate”** shall mean any individual, corporation, partnership, trust, unincorporated organization, association, or other business entity that, directly or indirectly through one or more intermediaries, is under common control with the specified person or entity; and provided further, that **“ERISA Affiliate”** means any corporation or trade or business that is considered to be a single employer with the specified person or entity under section 414(b) or 414(c) of the U.S. Internal Revenue Code of 1986, as amended.
- (c) **“Agreement”** means this change of control agreement as it may be amended, restated 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 or an Affiliate of 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 under the annual bonus program of the Corporation or an Affiliate of the Corporation, 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 or 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 (i) or (ii) 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 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, for purposes of this Agreement, a Change of Control has occurred or is imminent.
- (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 terminates pursuant to Section 4.1, 5.1 or 6.1.
- (m) **“Disability”** means and shall be deemed to occur when (i) the Executive receives benefits under a long term disability plan maintained by the Corporation or an Affiliate of the Corporation; or (ii) the Corporation’s Board of Directors, upon the written report of a qualified physician designated by the Corporation and the Executive (or his spouse or representative in the event the Executive is incapacitated), shall have determined (after a complete physical examination of the Executive at any time after he has been absent for a period of at least 180 consecutive calendar days or 180 total days in any one-year period) that the Executive has become physically or mentally incapable of performing his essential job functions with or without reasonable accommodation as required by law.
- (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 or its Affiliate. 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 or its Affiliate;
 - (iii) the Executive’s entitlement to pension benefits under the terms of any pension plan with the Corporation or its Affiliate;
 - (iv) the Executive’s entitlement to a monthly car allowance from the Corporation or its Affiliate;

- (v) the Executive's entitlement to employer contributions to the savings plan maintained by the Corporation or its Affiliate;
 - (vi) the Executive's entitlement to receive financial counseling services, at a cost of \$10,500 per year (or as the same may be increased from time to time by the Corporation or its Affiliate); and
 - (vii) the Executive's entitlement to receive 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) Duties. A material diminution in the Executive's authority, duties or responsibilities from those in effect immediately prior to a Change of Control.
 - (ii) Base Salary. A material diminution in the Executive's Monthly Base Salary or as the same may be increased after the Effective Date from time to time.
 - (iii) Relocation. A material change in the geographic location at which the Executive must perform services from where the Executive is based at the time of a Change of Control, not including reasonable business travel.
 - (iv) Breach. Any other action or inaction that constitutes a material breach by the Corporation of this Agreement.
- (q) **“Incentive Compensation Plan”** means any bonus or incentive compensation plan of the Corporation or its Affiliate 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 notice of such failure and a 30-day 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 expense of the Corporation or its Affiliate.
- (s) **“Monthly Base Salary”** means the monthly salary payable to the Executive by the Corporation or its Affiliate 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) **“Severance Period”** means the twenty-four (24) month period immediately following the Date of Termination.
- (w) **“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.
- (x) **“Subsidiary”** means any corporation, partnership, trust, unincorporated organization, association, or other business entity that, directly or indirectly through one or more intermediaries, is controlled by the specified person or entity.
- (y) **“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. Other than expressly provided for in this Agreement, this Agreement does not provide for any other terms of the Executive’s employment with the Corporation or its Affiliates, does not guarantee that the Executive shall be employed by the Corporation or its Affiliates for any specific term, 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. Nothing in this Agreement shall require the Corporation to enter into any transaction resulting in any Change of Control.
- 2.2 This Agreement shall automatically terminate and have no further force or effect upon the termination of the Executive’s employment with the Corporation and its Affiliates on account of the death or the Disability of the Executive. In the event of the termination of Executive’s employment on account of death or the Disability of the Executive, the Executive (or the Executive’s estate) shall be entitled to receive from the Corporation or its Affiliates all accrued and earned unpaid Annual Base Salary and reasonable business expenses, and accrued and earned unpaid vacation pay up to and including the date of the termination of Executive’s employment on account of death or the Disability of the Executive, and the Corporation shall have no further obligations to the Executive or the Executive’s estate under this Agreement.

ARTICLE 3
TERM OF AGREEMENT; CHANGE OF CONTROL

- 3.1 Subject to earlier termination of this Agreement according to the terms of this Agreement, 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. Notwithstanding any other provision in this Agreement to the contrary, (a) the Corporation shall have the unilateral right to terminate this Agreement at any time during the Executive’s employment with the Corporation and its Affiliates and before a Change of Control by providing at least twelve (12) months’ advance notice to the Executive; (b) this Agreement shall immediately terminate and have no further force or effect if (i) the Executive ceases to be an officer of the Corporation at any time before a Change of Control; or (ii) the Executive’s employment with the Corporation is terminated by either Party for any reason before a Change of Control.
- 3.2 Upon the Effective Date and continuing during the Term, the Corporation agrees that:
- (a) the Corporation shall, or shall cause its Subsidiaries to, continue in effect any incentive compensation plan in which the Executive participates, including, but not limited to, the Incentive Compensation Plan and the Stock Option Plan and any other similar plans, at the time of 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); and the Corporation shall, or shall cause its Subsidiaries to, continue the Executive’s participation therein on at least as favorable 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;
 - (b) the Corporation shall, or shall cause its Subsidiaries to, continue to provide the Executive with Employment Benefits at least as favorable on an aggregate basis 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 or its Affiliate’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 Corporation shall not, and shall cause its Subsidiaries to not, 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, secretarial services, office space, telephones, computer facilities, expense reimbursement, financial counseling, and professional fees and club dues reimbursement, and the Corporation shall, or shall cause its Subsidiaries to,

provide the Executive with the number of paid vacation days to which the Executive is entitled in accordance with the normal vacation practice in effect at the time a Change of Control occurs.

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 (or shall cause its Affiliates to) within 30 days of the Date of Termination, pay to the Executive, if not already paid, all accrued and earned but unpaid Annual Base Salary and reasonable business expenses, and accrued and earned unpaid vacation pay up to and including the Date of Termination, and thereafter, the Corporation shall have no further obligations to the Executive under this Agreement. The Executive shall not be deemed to have terminated employment with the Corporation following a Change of Control for purposes of this Section 4.1 unless and until the Executive has separated from service with the Corporation and all ERISA Affiliates of the Corporation.
- 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 reasons other than Just Cause, death or Disability, the Corporation shall (or shall cause its Affiliates to) pay to the Executive the remuneration referred to in Article 7. The Executive's employment with the Corporation shall not be deemed to have terminated for purposes of this Section 5.1 unless and until the Executive has separated from service with the Corporation and all ERISA Affiliates of the Corporation.

ARTICLE 6

TERMINATION FOR GOOD REASON

- 6.1 In the event of a Change of Control, the Executive may terminate his employment with the Corporation for Good Reason; provided, however, that the Executive will not be treated as having a termination of employment for Good Reason unless (i) the condition giving rise to Good Reason occurs after the Change of Control and during the Term of the Agreement, (ii) the Executive gives notice to the Corporation in writing or other medium acceptable to the Corporation of the existence of the condition within the period ending 30 days after the initial existence of the condition, (iii) the condition giving rise to Good Reason is not remedied by the Corporation or its Affiliates within the 30-day period following receipt of such notice, and (iv) the Executive's termination of employment occurs within 14 days after the expiration of such 30-day remedy period; and, provided further, that the Executive shall not be deemed to have terminated

employment with the Corporation for purposes of this Section 6.1 unless and until the Executive has separated from service with the Corporation and all ERISA Affiliates of the Corporation. Any termination of employment for Good Reason satisfying these conditions shall be deemed to have been effective within the Term for purposes of this Agreement. Upon such termination for Good Reason, the Corporation shall (or shall cause its Affiliates to) 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 (or shall cause its Affiliates to) forthwith, but in any event within ten (10) business days from receipt by the Corporation of a Release executed by the Executive and delivered to the Corporation no later than forty-five (45) days following the Date of Termination (and not revoked during the permitted seven (7)-day revocation period) in the form of Schedule "A", pay to the Executive:
 - (i) if not previously paid, that portion of the Executive's accrued and earned but unpaid Annual Base Salary, any accrued and earned 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 or its Affiliates 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 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 Monthly Base Salary for each month of the Severance Period representing the value of group health and welfare benefits for the Severance Period;
 - (iv) a lump sum payment equal to 24 times the value of the Executive's monthly car allowance in effect immediately before a Change of Control;
 - (v) a lump sum payment representing (A) the value of the employer contributions to the Nexen Pension Plan, or other pension plan maintained by the Corporation or its Affiliate covering the Executive as of the Effective Date, (the "Pension Plan") for the Severance Period calculated by reference to the contribution formula and other provisions relevant to the calculation of contributions in effect under the Pension Plan immediately prior to the Effective Date and determining the Executive's compensation for such purpose by reference to his Monthly Base Salary

and Annual Target Bonus and other items of compensation as in effect immediately prior to the Effective Date, plus (B) the related employer pension restoration contributions to the Nexen Restoration Plan, or other similar excess benefit plan maintained by the Corporation or its Affiliate covering the Executive as of the Effective Date, for the Severance Period based on the employer's practice, if any, of making such contributions as in effect for the plan year ending immediately prior to the Effective Date;

- (vi) a lump sum payment of \$10,500 representing the value of the Executive's entitlement to receive financial counseling services in respect of the Severance Period;
- (vii) a lump sum payment equal to 24 times the monthly value of the Executive's employer provided security monitoring services at the Executive's personal residence as in effect immediately preceding the Effective Date;
- (viii) a lump sum payment representing the value of the employer matching contributions to the Nexen Savings Plan, or other tax-qualified savings plan maintained by the Corporation or its Affiliate covering the Executive as of the Effective Date, and related matching contributions to the Nexen Restoration Plan, or other similar excess benefit plan maintained by the Corporation or its Affiliate covering the Executive as of the Effective Date, for the Severance Period, calculated at the same level of pay, and the Executive's actual contribution rate and matching contribution rate in effect under said plans in respect of the Executive immediately prior to the Date of Termination;
- (ix) a lump sum payment of \$25,000 representing the value of executive outplacement counseling; and
- (x) where the Executive has been relocated at the request of the Corporation or its Affiliate within the two (2) year period immediately prior to the Effective Date, a lump sum payment of \$50,000 representing the estimated cost of relocating Executive back to the Executive's prior location.

7.2 The estimated value as of January 31, 2008 of Sections 7.1(a)(ii) to 7.1(a)(x) are set out in Schedule "B". Schedule "B" 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 If the Executive's employment is terminated in the circumstances described in Section 5.1 or 6.1 after a Change of Control, the remuneration and benefits payable under this Article 7 shall not be reduced if the Executive obtains subsequent 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 applicable withholdings and deductions.

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 and not to disclose to any third party 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 or to advantage any third party, 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. For purposes of this Agreement, information of a confidential or proprietary nature concerning the Corporation, its Affiliates, Associates and Subsidiaries shall include without limitation financial information, such as earnings, assets, debts, prices, pricing structures, volume of purchases or sales or other financial data; compilations of information, records, specifications and various geological data, geological information, seismic data, maps, core samples, logs, engineering data, computer programs and other similar data; information disclosed to the Executive or known by the Executive as a consequence of or through the Executive's employment by the Corporation, its Affiliates, Associates and Subsidiaries, not generally known in the industry in which Corporation, its Affiliates, Associates and Subsidiaries, are or may become engaged, about processes, services and activities, including, without limitations, information relating to accounting, engineering and marketing; proprietary data and technological information; sales forecasts or results of marketing efforts or information about impending transactions; personnel information, such as medical histories, compensation, or other terms of employment, actual or proposed promotions, qualifications, performances, hirings, resignations, disciplinary actions, terminations or reasons therefor, or other employee personal information; customer information; software, manuals, handbooks, files, patents, copyrights, trademarks, financial data, business prospects, and business information regarding the business operations or future plans of the Corporation, its Affiliates, Associates and Subsidiaries.; trade secrets as defined by applicable law; and all other information owned and used by the Corporation, its Affiliates, Associates and Subsidiaries that is not generally known to the public and that allows them an opportunity to obtain an advantage over competitors. The Executive's obligations concerning confidential or proprietary information under this Agreement shall supplement, rather than supplant, any obligations the Executive owes to the Corporation, its Affiliates, Associates and Subsidiaries under any contract or applicable policy.

ARTICLE 9
RIGHTS AND OBLIGATIONS OF EXECUTIVE UPON TERMINATION

9.1 Subject to Section 8.1, the Executive shall not be prohibited from obtaining subsequent employment with or otherwise forming or participating in a business competitive to the business of the Corporation or its Affiliates after the termination of the Executive's

employment with the Corporation and its Affiliates. During the Executive's employment with the Corporation and its Affiliates and for twelve (12) months after the termination of his employment with the Corporation and its Affiliates, regardless of the reason for such termination, he shall not directly or indirectly, on behalf of himself or any other Person, solicit, induce, communicate with about employment, hire, or otherwise engage as an employee, independent contractor, subcontractor, or otherwise, any person who is an employee, independent contractor, or subcontractor of the Corporation or its Affiliates or was an employee, independent contractor, or subcontractor of the Corporation or its Affiliates during the final year of the Executive's employment with the Corporation and its Affiliates.

- 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 (or shall cause its Affiliates to) continue to purchase and maintain, to the extent available in the marketplace at reasonable cost, 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 or its Affiliates, and the Executive's existing agreement to receive indemnity from the Corporation and its Affiliates for acts taken by the Executive in the Executive's capacity as an officer of the Corporation and its Affiliates shall remain in effect.
- 9.4 If either Party breaches this Agreement, or if a dispute arises between the Parties based on or involving this Agreement, the Party that enforces its rights under this Agreement against the breaching party, or that prevails in the resolution of such dispute, is entitled to recover from the other party its reasonable attorneys' fees, court costs, and expenses incurred in enforcing such rights or resolving such dispute.

ARTICLE 10
JURY-TRIAL WAIVER

- 10.1 **NOTWITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT TO THE CONTRARY, THE EXECUTIVE SHALL, AND HEREBY DOES, IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY DISPUTE, CONTROVERSY, CLAIM, OR CAUSE OF ACTION AGAINST THE CORPORATION, OR ANY AFFILIATE OR ANY SUBSIDIARY OF THE CORPORATION, INCLUDING WITHOUT LIMITATION ANY DISPUTE, CONTROVERSY, CLAIM, OR CAUSE OF ACTION ARISING OUT OF OR RELATING TO THE EXECUTIVE'S EMPLOYMENT WITH THE CORPORATION OR ANY AFFILIATE OF THE CORPORATION, THE TERMINATION OF THAT EMPLOYMENT, OR THIS AGREEMENT (EITHER ALLEGED BREACH OR ENFORCEMENT).**

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 State of Texas.
- 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; provided, however, that if any such provision may be made enforceable by limitation thereof, then such provision shall be deemed to be so limited and shall be enforceable to the maximum extent permitted by applicable law.
- 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.
801 7th Avenue S.W.
Calgary, AB T2P 3P7
- Attention: General Manager - Compensation and Benefits
- 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. The parties acknowledge and agree that the Executive's rights under this Agreement are personal to the Executive and shall not be assigned to any person or entity without prior written consent from the Corporation.
- 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 and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to these subject matters. No amendment or waiver of this Agreement shall be binding unless executed in writing by the Parties. In entering into this Agreement, the Executive is not relying on any written or oral statements, promises, or representations of the Corporation, or their representatives concerning this Agreement other than contained in this Agreement.

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: _____ (signed)

Per: _____ (signed)

SIGNED, SEALED & DELIVERED

in the presence of

(signed)
WITNESS

(signed)
BRIAN REINSBOROUGH

SCHEDULE "A"

CHANGE OF CONTROL AGREEMENT

In order to receive the entitlements referred to in this Agreement, the Executive shall execute the attached Release.

FINAL RELEASE

KNOW ALL MEN BY THESE PRESENTS that I, **BRIAN REINSBOROUGH**, in consideration of the amounts and other consideration provided in that certain Change of Control Agreement (the “Agreement”) dated as of the ___ day of February, 2008 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 to the maximum extent permitted by applicable law the Corporation, and any associated, affiliated, predecessor, parent, or subsidiary corporation or other business entity of the Corporation and their present and former directors, officers, agents, employees, representatives, owners, members, managers, shareholders, partners, fiduciaries, trustees, employee benefit plans, insurers, or attorneys (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 and the Releasees 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*, the *Fair Labour Standards Act*, the *Employee Retirement Income Security Act* of 1974 as amended, the *Age Discrimination in Employment Act* of 1964, as amended, and any other federal, state, or local laws prohibiting employment discrimination, or governing or related to my employment with the Releasees.

AND FOR THE SAID CONSIDERATION, I, BRIAN REINSBOROUGH, 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 and other consideration offered to me under the Agreement is in addition to anything of value to which I am already entitled to receive from the Corporation or the other Releasees; that the Corporation has advised me, through this paragraph, of my right to consult with an attorney of my choice before signing this Release; that I have at least 21 days within which to consider whether to sign this Release; that I have seven days after I sign this Release within which I may revoke my acceptance by notifying the Corporation's General Manager - Compensation and Benefits of my revocation in writing; that this Release shall not become effective or enforceable until the seven-day revocation period expires; and that if I timely revoke my acceptance of this Agreement within the seven-day revocation period, I will not receive the payment or other consideration offered to me in the Agreement.

IT IS FURTHER ACKNOWLEDGED that the payment and other consideration offered to me under the Agreement 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 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 or its affiliates provided in my favour in respect of my having acted at any time as a director, officer or both of the Corporation or its affiliates;
- (b) my entitlement to any insurance maintained for the benefit or protection of the directors and/or officers of the Corporation or its affiliates, including without limitation, directors' and officers' liability insurance;
- (c) my entitlement to any amounts or compensation due to me under the terms of the Agreement or my entitlement to vested rights, if any, as of the date my employment terminated under any compensation or equity plans or related written agreements of the Corporation or its affiliates; or
- (d) any rights or claims I may have against the Releasees that arise under the *Age Discrimination in Employment Act* of 1964, as amended, after the date I sign this Release.

IT IS HEREBY AGREED that the terms of the Agreement and of this Release shall 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 or permitted by law, although either party shall be at liberty to disclose to third parties that a mutually acceptable Release was agreed upon. During my employment with the Corporation and its affiliates and following any termination of such employment, I shall not make any disparaging statements about the Corporation, any of the Releasees, or their business or personnel practices to any third parties. Following the termination of my employment with the Corporation and its affiliates, I shall also return all property of the Corporation and its affiliates in my possession or under my control to the Corporation or its respective affiliate in good condition. This Release shall not in any way be construed as an admission by the Corporation or any of the Releasees of any improper or illegal acts. 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 AND AGREE that I have read all of this Release, fully understand the terms of this Release, and voluntarily accept the consideration stated herein or under the Agreement as the sole consideration for this Release for the purpose of making a full and final settlement with the Releasees; that my signing of this Release is knowing and voluntary and 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; that this Release contains the entire understanding and agreement between me and the Corporation regarding my release of claims against the Releasees and supersedes all prior statements, understandings, and agreements regarding this subject matter; that, in signing this Release, I am not relying on any written or oral statement or promise from the Releasees other than as set forth above and in the Agreement; and that this Release is not assignable by me without prior written permission by the Corporation and shall be governed by Texas law.

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

IN WITNESS WHEREOF, I have hereunto set my hand and seal this ____ day of _____ in the year _____.

BRIAN REINSBOROUGH

WITNESS (signature)

WITNESS (print name)

SCHEDULE “B”

**Estimated¹ Entitlement to Compensation
Pursuant to Article 7 of the Agreement**

	<u>US Dollars</u>
Monthly Base Salary (24 Months)	\$680,000
Bonus Target Value	306,000
Benefits Uplift (13%)	88,400
Car Allowance	28,800
Pension Plan Amount	102,665
Financial Counselling Services	10,500
Security Monitoring Services	2,400
Savings Plan Amount	40,800
Executive Outplacement	25,000
Relocation (contingent)	<u>50,000</u>
TOTAL ESTIMATED ENTITLEMENT under the Agreement	\$1,334,565

¹ As stated in Section 7.2 of the Agreement, the above calculations represent only the current estimated value (as of January 31, 2008) of the Executive’s entitlement to compensation upon a Change of Control. Accordingly, the above calculations are for illustrative purposes only.

AGREEMENT RESPECTING CHANGE OF CONTROL AND EXECUTIVE BENEFIT PLAN ENTITLEMENTS

This agreement respecting change of control and executive benefit plan entitlements made as of the 12th day of November, 2009.

BETWEEN:

NEXEN INC., a corporation incorporated under the laws
of Canada

(hereinafter referred to as the "Corporation")

- and -

JAMES ARNOLD

(hereinafter referred to as the "Executive")

RECITALS:

1. The Executive, as Senior Vice President, Synthetic Oil 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. The Corporation and the Executive wish to enter into this Agreement to: a) agree on the terms and conditions which would govern the termination or modification of the employment of the Executive following a Change of Control; and b) detail the Corporation's security and funding obligations in respect of the Change of Control

Obligations (as hereinafter defined), to provide for the securitization and funding of the Executive Benefit Plan Obligations (as hereinafter defined) and to provide for the cessation of the Executive's coverage under the Statement of Company Procedure Regarding the Securitization of Nexen Inc. Restated Executive Benefit Plan, as amended or replaced from time to time (the "Securitization Procedure").

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 In this Agreement, the following terms shall mean as follows:

- (a) **"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, offering to acquire, or voting 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).
- (b) **"Actuary"** has the meaning referred to in Section 10.2 of this Agreement.
- (c) **"Affiliate"** and **"Associate"** have the meaning ascribed to such terms in National Instrument 45-106.
- (d) **"Agreement"** means this agreement respecting change of control and executive benefit plan entitlements as it may be amended, restated 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,
- (e) **"Anniversary Date"** has the meaning referred to in Section 10.3 of this Agreement.
- (f) **"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.
- (g) **"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.

- (h) **“Bank”** has the meaning referred to in Section 10.2 of this Agreement.
- (i) **“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.

- (j) **“Board”** means the Board of Directors of the Corporation as constituted from time to time.
- (k) **“CBCA”** means the *Canada Business Corporations Act*, as amended from time to time, and any successor legislation thereto.
- (l) **“Calculation Date”** has the meaning referred to in Section 10.5 of this Agreement.
- (m) **“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, for the purposes of this Agreement, a Change of Control has occurred or is imminent.
- (n) **“Change of Control Obligations”** means the Company’s obligations to make the lump sum payments described in Section 7.1 of this Agreement to the Executive.
- (o) A **“Change of Control Obligations - Designated Event”** shall be deemed to have occurred if:
 - (i) the Corporation fails to arrange for the extension or replacement of a Letter of Credit in accordance with the terms of this Agreement; or
 - (ii) the Executive’s employment is terminated in accordance with Section 5.1 or 6.1 of this Agreement.
- (p) **“Common Shares”** means the common shares of the Corporation.
- (q) **“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).
- (r) **“Date of Termination”** means the date upon which the Executive’s employment is terminated pursuant to Section 4.1, 5.1 or 6.1 of this Agreement. 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 of this Agreement 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.
- (s) **“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.

- (t) **“Dispute”** has the meaning referred to in Section 11.1 of this Agreement.
- (u) **“Effective Date”** means the date upon which a Change of Control occurs.
- (v) **“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.
- (w) **“Executive Benefit Plan”** has the meaning referred to in Section 7.1(b) of this Agreement.
- (x) **“Executive Benefit Plan Obligations”** means the Corporation’s outstanding obligations under the Executive Benefit Plan to the Executive.
- (y) An **“Executive Benefit Plan Obligations - Designated Event”** shall be deemed to have occurred if:
 - (i) a Change of Control occurs;
 - (ii) the Corporation makes an assignment for the benefit of creditors or files a petition in bankruptcy or becomes insolvent or bankrupt;
 - (iii) a receiver, trustee or liquidator of or for the Corporation is appointed and is not discharged within a period of sixty days;

- (iv) the net worth of the Corporation, described as shareholder equity in the consolidated financial statements of the Corporation as disclosed in the annual and quarterly consolidated financial statements of the Corporation, is less than \$400 million;
 - (v) the Corporation fails to arrange for the extension or replacement of a Letter of Credit in accordance with the terms of this Agreement;
 - (vi) the Executive has provided written notification to the Trustee and to the Corporation of the failure by the Corporation to pay any amount owed to or in respect of the Executive under the Executive Benefit Plan within thirty days of the due date specified in the Executive Benefit Plan (together with a statement of the amount due and owing) either to the person entitled thereto pursuant to the Executive Benefit Plan or to the Trust in accordance with the provisions of Section 10.6(h); or
 - (vii) at any time the Board adopts a resolution to the effect that, for purposes of this Agreement, an Executive Benefit Plan Obligations – Designated Event has occurred or is imminent.
- (z) **“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 increased thereafter 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 counselling, 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.
- (aa) **"Hearing"** has the meaning referred to in Section 11.7 of this Agreement.

- (bb) **“Hearing Date”** has the meaning referred to in Section 11.7 of this Agreement.
- (cc) **“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.
- (dd) **“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.
- (ee) **“Letter of Credit”** has the meaning referred to in Section 10.2 of this Agreement.
- (ff) **“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.
- (gg) **“Notice of Dispute”** has the meaning referred to in Section 11.1 of this Agreement.
- (hh) **“Obligations”** means, collectively, the Change of Control Obligations and the Executive Benefit Plan Obligations.
- (ii) **“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.
- (jj) **“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.
- (kk) **“Refundable Tax Account”** means the refundable tax account maintained in respect of the Trust by the Canada Revenue Agency.
- (ll) **“Registered Pension Plan”** has the meaning referred to in Section 7.1(b) of this Agreement.
- (mm) **“Securitization Procedure”** has the meaning referred to in the recitals of this Agreement.

- (nn) **“Severance Period”** means the twenty-four (24) month period immediately following the Date of Termination.
- (oo) **“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.
- (pp) **“Subsidiary”** has the meaning ascribed to it in the CBCA.
- (qq) **“Tax Act”** means the Income Tax Act (Canada) and the Regulations thereunder, both as amended from time to time.
- (rr) **“Term”** has the meaning referred to in Section 3.1 of this Agreement.
- (ss) **“Trust”** has the meaning referred to in Section 10.1 of this Agreement.
- (tt) **“Trust Agreement”** has the meaning referred to in Section 10.1 of this Agreement.
- (uu) **“Trustee”** means CIBC Mellon Trust Company or such other trust company duly incorporated under the laws of Canada or any province thereof whom the Company may designate as the trustee in connection with the security and funding of the Obligations.
- (vv) **“Valuation Date”** has the meaning referred to in Section 10.3 of this Agreement.

ARTICLE 2

SCOPE OF AGREEMENT

- 2.1 The Parties intend that this Agreement sets out (a) their respective rights and obligations upon the occurrence of a Change of Control and in connection with the securitization and funding of the Change of Control Obligations; and (b) their respective rights and obligations regarding the securitization and funding of the Executive Benefit Plan Obligations. This Agreement does not provide for any other terms of the Executive’s employment with the Corporation, except as expressly provided for herein.
- 2.2 The Parties hereby confirm that except as otherwise expressly stated in this Agreement, insofar as the securitization and funding of the Executive Benefit Plan Obligations is concerned, the terms of this Agreement shall govern and the terms of the Securitization Procedure shall not be applicable.
- 2.3 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. Any entitlements of the Executive (or the Executive's estate) under the Executive Benefit Plan which remain following the termination of this Agreement pursuant to this Section 2.3 shall then commence to be covered under the Securitization Procedure.

- 2.4 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 further obligations to the Executive hereunder. Any remaining entitlements of the Executive under the Executive Benefit Plan which remain following the termination of this Agreement pursuant to this Section 2.4 shall then commence to be covered under the Securitization Procedure.

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. Any remaining entitlements of the Executive under the Executive Benefit Plan which remain following the termination of this Agreement pursuant to this Section 3.1 shall then commence to be covered under the Securitization Procedure.

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 of this Agreement.

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 of this Agreement.

ARTICLE 7
COMPENSATION UPON TERMINATION

- 7.1 If the Executive's employment is terminated in accordance with Section 5.1 or 6.1 of this Agreement:
- (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 representing the value of the group health and welfare benefits for the Severance Period;
 - (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 counseling 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 Benefit Option) (the "Registered Pension Plan"), if any, and the Executive's related entitlement under the Executive Benefit Plan for Employees of Nexen Inc. (the "Executive Benefit Plan"), if any:
- (i) the Corporation shall recognize the Severance Period for purposes of determining the Executive's entitlement;
 - (ii) for calculation purposes, the Executive's entitlement is the 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) monthly salary equal to the Executive's Monthly Base Salary throughout the Severance Period;
 - (C) 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
 - (D) if the Executive would have been eligible for early 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; and
 - (iii) the pension entitlements described in this Section 7.1(b) shall, to the extent legally permissible, be provided through the Registered Pension

Plan. To the extent that it is not legally permissible to provide such pension entitlements through the Registered Pension Plan, the Corporation shall pay to the Executive a lump sum payment representing the settlement value of the additional Executive Benefit Plan benefit determined in accordance with the assumptions set forth in Schedule “B-1”;

- (iv) any entitlements of the Executive under the Executive Benefit Plan which have previously been funded in accordance with Article 10 but not previously settled in accordance with Article 10 shall be settled by the Corporation in accordance with the assumptions set forth in Schedule “B-1”;
- (c) 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”), if any, and the Executive’s related entitlement under the Executive Benefit Plan, if any:
- (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 notional allocation to the defined contribution provision of the Executive Benefit Plan 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) the Corporation shall make a notional allocation to the defined contribution provision of the Executive Benefit Plan in an amount which is equal to the additional notional allocations which would have been made by the Corporation to the defined contribution provision of the Executive Benefit 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. The Corporation shall make a lump sum payment to the Executive in an amount equal to the balance, after reflection of the aforementioned notional allocation, in the Executive’s DC Supplemental Company Account as defined in the Executive Benefit Plan;

- (d) the Corporation shall provide the Executive with executive outplacement counselling to be provided by a firm to be selected by the Executive, at a cost to the Corporation not to exceed \$25,000.00;
 - (e) all of the Executive's outstanding unexercisable stock options under any Stock Option Plan shall become exercisable; and
 - (f) 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.
- 7.2 The estimated value as of July 16, 2009 of Sections 7.1(a)(ii) to 7.1(d) 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 If the Executive's employment is terminated in the circumstances described in Section 5.1 or 6.1 of this Agreement, 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 of this Agreement, 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 of this Agreement, 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 of this Agreement, 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
SECURITIZATION AND FUNDING PROCEDURE

- 10.1 The Corporation has established and maintains a trust for the benefit of the Executive and persons claiming through him (the "Trust") pursuant to the terms and conditions of a trust agreement (the "Trust Agreement") between the Corporation and the Trustee. The Trust shall be funded in accordance with the provisions of this Agreement and the Trust Agreement.
- 10.2 To provide security against a failure by the Corporation to either fund or settle the Obligations in accordance with the terms of this Article 10, the Trust Agreement provides for the funding of the Trust with the proceeds of an irrevocable letter of credit which satisfies the requirements of this Agreement (a "Letter of Credit") in the event that the Corporation does not provide funding or effect settlement when required to do so hereunder and in accordance with the terms hereof. The Corporation confirms that the Letter of Credit currently held by the Trustee has been issued by a major Canadian chartered bank (the "Bank") in an amount calculated by the Corporation's consulting actuary (who at all times shall be a Fellow of the Canadian Institute of Actuaries) (the "Actuary") in accordance with the provisions of Section 10.5 of this Agreement.
- 10.3 On each February 1st (the "Anniversary Date"), the Corporation shall request a report from the Actuary as to the amount calculated, as at the next succeeding April 1st (the "Valuation Date"), in accordance with the provisions of Section 10.5 of this Agreement. The Corporation shall provide the Actuary with the data it requires to

prepare such report. Upon completion of each such report, the Corporation shall arrange for the Actuary to provide a summary of same to the Trustee.

Prior to the funding and/or settlement of all of the Obligations in accordance with the terms of this Agreement, the Corporation shall, within forty-five days after the applicable Anniversary Date and in accordance with the terms of the report received from the Actuary:

- (a) either:
 - (i) arrange for a Letter of Credit to be provided by the Bank to the Trustee to replace the Letter of Credit then held by the Trustee. The replacement Letter of Credit shall be:
 - (A) substantially in the form of the Letter of Credit then held by the Trustee;
 - (B) in an amount calculated by the Actuary as at the applicable Valuation Date in accordance with the provisions of Section 10.5 of this Agreement; and
 - (C) for a term which commences on the date of its issuance and expires one year following the applicable Valuation Date; or
 - (ii) confirm to the Trustee in writing that the Letter of Credit then held by the Trustee will be extended automatically for a further one-year term. The confirmation to the Trustee shall include evidence from the Bank as to any amendment to the applicable Letter of Credit, any such amendment to be consistent with the report prepared by the Actuary as at the applicable Valuation Date; and
- (b) contribute to the Trust an amount equal to twice the fee charged by the Bank in connection with the Letter of Credit extension or replacement, as applicable. The Corporation shall withhold one-half of such amount and shall remit the said one-half of such amount to the Canada Revenue Agency on account of the tax which is exigible pursuant to the Tax Act in connection with such contribution to the Trust. The Trustee shall remit the remaining one-half of such amount to the Bank in consideration for the Letter of Credit extension or replacement, as applicable.

When a replacement Letter of Credit has been provided in accordance with the terms of this Section 10.3, an existing Letter of Credit shall be surrendered and cancelled.

- 10.4 If, during the term of a Letter of Credit issued pursuant to this Agreement, the Corporation, acting reasonably, concludes that there has been a significant change in the Obligations since the date of the last report prepared by the Actuary pursuant to Section 10.3 of this Agreement, the Corporation shall request a report from the Actuary as to the

then current value of the Obligations, calculated in accordance with the provisions of Section 10.5 of this Agreement. Upon receipt of the report, the Corporation shall provide a summary of same to the Trustee and arrange, together with the Trustee, for any required increase or decrease in the amount of the Letter of Credit for the balance of the term of such Letter of Credit. In the event that a replacement Letter of Credit is to be issued in the circumstances described in this Section 10.4, the Corporation and the Trustee shall arrange for such replacement Letter of Credit to be provided by the Bank to the Trustee to replace the Letter of Credit then held by the Trustee. Upon receipt of a replacement Letter of Credit pursuant to this Section 10.4, the Trustee shall surrender for cancellation the Letter of Credit then held by it pursuant to this Agreement and the Trust Agreement.

In the event that all or any portion of the fee referred to in Section 10.3 of this Agreement, is refunded by the Bank as a result of a decrease in the amount of a Letter of Credit pursuant to this Section 10.4, such amount (together with any resulting refundable Tax) shall be received by the Trustee for deposit to the Trust. Upon receipt of an Authorized Instruction (as defined in the Trust Agreement), the Trustee shall pay and transfer such amounts (less any applicable tax which it will remit as required by the Tax Act on behalf of the Corporation) to the Corporation for its sole and exclusive use and benefit.

In the event that an additional fee is required to be paid to the Bank as a result of an increase in the amount of a Letter of Credit pursuant to this Section 10.4, the Corporation shall contribute to the Trust an amount equal to twice the additional fee. The Corporation shall withhold one-half of such amount and shall remit the said one-half of such amount to the Canada Revenue Agency on account of the tax which is exigible pursuant to the Tax Act in connection with such contribution to the Trust. The Trustee shall remit the remaining one-half of such amount to the Bank in payment of its additional fee.

10.5 A Letter of Credit issued pursuant to this Agreement shall:

- (i) be an irrevocable standby letter of credit;
- (ii) obligate the Bank to satisfy demand for payment made by the Trustee in accordance with the terms of this Agreement and the Trust Agreement;
- (iii) permit partial drawings; and
- (iv) provide that the Bank must notify the Trustee on or before thirty days prior to the expiry of a Letter of Credit of any notice of non-extension provided by the Bank to the Corporation.

The amount of a Letter of Credit pursuant to this Agreement shall be calculated by the Actuary in accordance with the following subparagraphs of this Section 10.5.

- (a) Assuming the lump sum payments referred to in Section 7.1(a) of this Agreement are equal to the amount thereof provided by the Corporation.

- (b) Assuming the service of the Executive will terminate, in accordance with Section 5.1 or 6.1 of this Agreement, on the next succeeding March 31st after the Valuation Date (the “Calculation Date”).
- (c) Using the Executive’s demographic data, including base salary, target bonus and current marital status as of the Valuation Date, provided by the Corporation.
- (d) Using the Yearly Maximum Pensionable Earnings (Y.M.P.E.) used to determine the amount of the Canada Pension Plan Benefit and Tax Act maximum defined benefit pension dollar limit as at the Valuation Date.
- (e) Assuming all Obligations are included.
- (f) Using the actuarial methods, assumptions and calculation methodology described in Schedule “B-2.”
- (g) Applying a load of 15% to the amount determined in accordance with subparagraphs (b) through (f) of this Section 10.5 to provide for fluctuations in the Interest Discount Rate, Consumer Price Index and other plan experience during the term of the Letter of Credit, as described in Schedule “B-2”.
- (h) Applying a load to one-half of the amount determined in accordance with subparagraphs (a) through (g) of this Section 10.5 to provide for the cost associated with the borrowings described in subparagraph (k) of this Section 10.5, as described in Schedule “B-2”.
- (i) Including a settlement expense to the amount determined in subparagraph (h), with the aggregate settlement expense allowance for all obligations secured equal to \$250,000, or where the Valuation Date is after December 31, 2008, the aggregate settlement expense allowance will be increased at the rate equal to the increase in the Consumer Price Index, as described in Schedule “B-2”, plus 1% for each year after 2008.
- (j) Assuming the Obligations will be promptly settled with the Executive upon occurrence of a Designated Event described in Section 1.1(o)(ii).
- (k) Assuming a loan will be secured to permit settlement of the Obligations prior to receipt of the Refundable Tax Account from the Canada Revenue Agency. The assumed interest rate payable on the loan shall be as described in Schedule “B-2”. The cost associated with the borrowings shall be assumed to be paid from the Trust.
- (l) The liabilities calculated in accordance with subparagraphs (a) through (k) above shall be offset by:
 - (i) the Refundable Tax Account, if any; and

(ii) the assets contained in the Trust, if any.

10.6 (a) If an Executive Benefit Plan Obligations - Designated Event shall occur, the Corporation shall be required to immediately fund the Executive Benefit Plan Obligations in accordance with the most recent report prepared by the Actuary pursuant to Section 10.3 of this Agreement. Notwithstanding the foregoing, if an Executive Benefit Plan Obligations - Designated Event described in Section 1.1(y)(i) and a Change of Control Obligations - Designated Event described in Section 1.1(o)(ii) shall occur simultaneously, the Corporation shall be required to settle the Executive Benefit Plan Obligations forthwith in accordance with the provisions of Schedule "B-1".

(b) If:

(i) the employment of the Executive is terminated by the Corporation for any reason other than as a result of the death, disability or retirement of such Executive; and

(ii) such Executive files with the Corporation a written request that it fund the Executive Benefit Plan Obligations,

the Corporation shall be required to immediately fund the Executive Benefit Plan Obligations in accordance with the most recent report prepared by the Actuary pursuant to Section 10.3 of this Agreement.

(c) Upon the earlier of:

(i) learning of the occurrence of an Executive Benefit Plan Obligations – Designated Event described in Section 1.1(y)(v) or (vi) of this Agreement; or

(ii) receipt of a written notice of the occurrence of an Executive Benefit Plan Obligations - Designated Event described in any of the other subparagraphs of Section 1.1(y) of this Agreement, which notice has been signed by two executives of the Corporation, one of whom must be either the Chief Financial Officer or the General Counsel of the Corporation and which notice must, in the case of an Executive Benefit Plan Obligations – Designated Event described in Section 1.1(y)(i) of this Agreement, indicate which subparagraph of the definition of "Change of Control" is applicable,

the Trustee shall promptly give notice to the Corporation in writing that it intends to draw on that portion of the Letter of Credit which is referable to the Executive Benefit Plan Obligations and contribute the proceeds thereof (less any applicable withholding tax which it will remit as required by the Tax Act on behalf of the Corporation) to the Trust on behalf of the Corporation in order to fund the

Executive Benefit Plan Obligations, unless it receives satisfactory proof within nine days of such notice that the Corporation has funded or settled, as applicable, the Executive Benefit Plan Obligations itself in accordance with the terms of this Agreement.

Unless the Corporation advises the Trustee in writing that it has funded or settled, as applicable, the Executive Benefit Plan Obligations in accordance with the terms of this Agreement and has provided the Trustee with satisfactory proof thereof within nine days of the date of the aforementioned notice, the Trustee shall draw on that portion of the Letter of Credit which is referable to the Executive Benefit Plan Obligations on the tenth day following the date of such notice (or the next following business day if such tenth day is not a business day) and contribute the proceeds thereof (less any applicable withholding tax which it will remit as required by the Tax Act on behalf of the Corporation) to the Trust on behalf of the Corporation.

Notwithstanding the foregoing, in the event an Executive Benefit Plan Obligations - Designated Event described in Section 1.1(y)(v) or (vi) of this Agreement has triggered the operation of this Section 10.6 and the failure which gave rise to the occurrence of such Executive Benefit Plan Obligations - Designated Event has been remedied prior to the expiration of the notice period provided for in this Section 10.6(c), the Trustee shall not take the action described in the immediately preceding paragraph hereof and all of the provisions of this Agreement shall continue to apply to the same extent and as fully as they would have in the event that such Executive Benefit Plan Obligations - Designated Event had not occurred.

- (d) Upon receipt of a written notice of the occurrence of the events described in both subparagraphs (i) and (ii) of Section 10.6(b) of this Agreement (which notice has been signed by the Executive and sworn before a notary public), the Trustee shall promptly give notice to the Corporation in writing that it intends to draw on that portion of the Letter of Credit which is referable to the Executive Benefit Plan Obligations and contribute the proceeds (less any applicable withholding tax which it will remit as required by the Tax Act on behalf of the Corporation) to the Trust on behalf of the Corporation in order to fund the Executive Benefit Plan Obligations unless it receives satisfactory proof within nine days of the date of such notice that the Corporation has funded the Executive Benefit Plan Obligations itself in accordance with the terms of this Agreement.

Unless the Corporation advises the Trustee in writing that it has funded the Executive Benefit Plan Obligations in accordance with the terms hereof and has provided the Trustee with satisfactory proof thereof within nine days of the date of the aforementioned notice, the Trustee shall draw upon that portion of the Letter of Credit which is referable to the Executive Benefit Plan Obligations on the tenth day following the date of such notice (or the next following business day if such tenth day is not a business day) and contribute the proceeds (less any

applicable withholding tax which it will remit as required by the Tax Act on behalf of the Corporation) to the Trust on behalf of the Corporation.

- (e) For purposes of determining the required amount of funding or the portion of the Letter of Credit to be drawn on for purposes of this Section 10.6, the Trustee shall refer to the most recent report prepared by the Actuary for purposes of this Agreement and, in particular, to the portion of the report dealing with the Executive Benefit Plan Obligations. In preparing the portion of its report respecting Executive Benefit Plan Obligations, the Actuary shall adhere to the following:
- (i) Assuming that the Executive, if then in active employment, will remain in active employment with the Corporation as an officer until the Calculation Date and that the Executive's employment with the Corporation will terminate on the Calculation Date.
 - (ii) Using the Executive's demographic data, including base salary, actual bonus history, target bonus and current marital status as of the Valuation Date, provided by the Corporation.
 - (iii) Using the Canada Pension Plan Benefit and Tax Act maximum defined benefit pension dollar limit as at the Valuation Date.
 - (iv) Assuming the Executive's target bonus percentage remains at the level specified by the Corporation pursuant to subparagraph (ii) above.
 - (v) Assuming only Executive Benefit Plan Obligations are included.
 - (vi) Assuming the payments under the Executive Benefit Plan would be made from the Trust.
 - (vii) Using the actuarial methods, assumptions and calculation methodology described in Schedule "B-2".
 - (viii) Applying loads as described in Schedule "B-2" to the amount determined in accordance with the preceding subparagraphs of this Section 10.6(e) to provide for future contingencies and expenses of the Trust.
 - (ix) Calculating the estimated amount required to settle the Executive Benefit Plan Obligations based on the actuarial methods, assumptions and calculation methodology described in Schedule "B-2", increased by the loads described in the following subparagraph.
 - (x) Applying loads as described in Schedule "B-2" to the amount determined in accordance with subparagraph (ix) to provide for:

- (A) fluctuations in the Interest Discount Rate and Consumer Price Index during the term of the Letter of Credit; and
 - (B) the cost associated with the loan to be secured as allowed under the Trust Agreement to permit settlement of the Executive Benefit Plan Obligations prior to receipt of the Refundable Tax Account from the Canada Revenue Agency. The assumed interest rate payable on the loan shall be as described in Schedule “B-2” and shall be applied to one-half of the amount in subparagraph (ix). The cost associated with the borrowings shall be assumed to be paid from the Trust.
- (xi) Taking the larger amount for the Executive of:
- (A) the amount determined in accordance with subparagraphs (i) through (viii), and
 - (B) the amount determined in accordance with subparagraphs (ix) and (x).
- (xii) The amount determined in accordance with subparagraph (xi) above shall be offset by:
- (A) the Refundable Tax Account, if any;
 - (B) the assets contained in the Trust, if any.
- (f) In the event that the Executive Benefit Plan Obligations have been funded in accordance with the terms hereof as a result of:
- (i) the Corporation making an assignment for the benefit of creditors or filing a petition in bankruptcy or becoming insolvent or bankrupt;
 - (ii) a receiver, trustee or liquidator of or for the Corporation being appointed and not being discharged within a period of sixty days;
 - (iii) a voluntary dissolution or wind-up of the Corporation; or
 - (iv) a sale or disposition of all or substantially all of the assets of the Corporation,

and the Executive Benefit Plan has been terminated in connection therewith, the Executive Benefit Plan Obligations shall be promptly settled by the Trustee with the Executive by way of a lump sum payment from the Trust. For this purpose, the benefit entitlements of each Executive shall be determined by the Actuary in accordance with the terms of the Executive Benefit Plan and the amount of the lump sum payment shall be determined by the Actuary using the assumptions set

forth in Schedule "B-1". Notice of termination of the Executive Benefit Plan shall be provided to the Trustee by the Corporation, failing which by two executives of the Corporation, one of whom must be either the Chief Financial Officer or the General Counsel of the Corporation.

Any assets of the Trust remaining after full satisfaction of (i) the Executive Benefit Plan Obligations pursuant to the preceding paragraph and (ii) any further obligations pursuant to the terms of the Trust Agreement, shall be returned to the Corporation.

- (g) In the event the Executive Benefit Plan shall be terminated at any time either in whole or in part in relation to the Executive subsequent to the funding of the Executive Benefit Plan Obligations in accordance with the terms hereof, then, provided Section 10.6(f) of this Agreement is not otherwise applicable, the Executive Benefit Plan Obligations shall be promptly settled by the Trustee with the Executive by way of a lump sum payment from the Trust.

For this purpose, the benefit entitlements of the Executive shall be determined by the Actuary in accordance with the terms of the Executive Benefit Plan and the amount of the lump sum payment shall be determined by the Actuary using the assumptions set forth in Schedule "B-1". Notice of the termination of the Executive Benefit Plan shall be provided to the Trustee by the Corporation, failing which by two executives of the Corporation, one of whom must be either the Chief Financial Officer or the General Counsel of the Corporation.

Any assets of the Trust remaining after full satisfaction of (i) the Executive Benefit Plan Obligations and (ii) any further obligations pursuant to the terms of the Trust Agreement, shall be returned to the Corporation.

- (h) In the event:
- (i) of a dispute as to whether a payment to or in respect of the Executive is properly due and payable pursuant to the Executive Benefit Plan; and
 - (ii) such dispute cannot be resolved by the parties thereto within the time frame specified in Section 1.1(y)(vi) of this Agreement,

the amount in dispute shall be remitted to the Trustee for deposit to the Trust. Upon final settlement of the dispute, the amount so deposited (together with any earnings, profits and increments thereon and after deduction of any authorized payments allocable thereto, both as determined in accordance with the terms of the Trust Agreement), less any applicable withholding tax which will be remitted as required by the Tax Act, shall be paid to that party to the dispute which is found to be entitled thereto. Prior to such amount being paid out of the Trust in accordance with the terms hereof, the Corporation shall instruct the Actuary to

take such amount into account when preparing its report for purposes of this Agreement.

- (i) In the event that a Change of Control Obligations - Designated Event described in Section 1.1(o)(ii) of this Agreement shall occur subsequent to the funding of the Executive Benefit Plan Obligations in accordance with the terms of this Agreement, the Corporation shall be required to settle the Executive Benefit Plan Obligations forthwith in an amount determined by the Actuary in accordance with the provisions of Schedule "B-1".
- (j) Subject to Section 10.6(f), 10.6(g) and 10.6(i) of this Agreement, in the event that the Executive Benefit Plan Obligations have been funded in accordance with the terms hereof, all or a portion of such Executive Benefit Plan Obligations may, at the discretion of the Corporation, be promptly settled with the Executive.

For this purpose, the benefit entitlements of the Executive shall be determined by the Actuary in accordance with the terms of the Executive Benefit Plan. In such circumstances, the Corporation reserves the right to settle the Executive Benefit Plan Obligations by way of a lump sum payment to the Executive provided that the amount of each such payment is determined by the Actuary in accordance with the assumptions set forth in Schedule "B-1".

- 10.7 (a) If a Change of Control Obligations - Designated Event described in Section 1.1(o)(i) of this Agreement shall occur, the Corporation shall be required to immediately fund the Change of Control Obligations in accordance with the most recent report prepared by the Actuary pursuant to Section 10.3 of this Agreement.
- (b) If a Change of Control Obligations - Designated Event described in Section 1.1(o)(ii) of this Agreement shall occur, the Corporation shall be required to settle the Change of Control Obligations forthwith in accordance with the provisions of Schedule "B-1", upon receipt by the Corporation of a Release executed by the Executive in the form attached to this Agreement as Schedule "A".
- (c) Upon the earlier of:
 - (i) learning of the occurrence of a Change of Control Obligations - Designated Event described in Section 1.1(o)(i) of this Agreement; or
 - (ii) receipt of a written notice of the occurrence of a Change of Control Obligations - Designated Event described in Section 1.1(o)(ii) of this Agreement, which notice has been signed by the Executive and sworn before a notary public and has annexed thereto a Release executed by the Executive in the form attached to this Agreement as Schedule "A",

the Trustee shall promptly give notice to the Corporation in writing that it intends to draw on that portion of the Letter of Credit which is referable to the Change of

Control Obligations and contribute the proceeds thereof (less any applicable withholding tax which it will remit as required by the Tax Act on behalf of the Corporation) to the Trust on behalf of the Corporation in order to fund the Change of Control Obligations, unless it receives satisfactory proof within nine days of such notice that the Corporation has funded or settled, as applicable, the Change of Control Obligations itself in accordance with the terms of this Agreement.

Unless the Corporation advises the Trustee in writing that it has funded or settled, as applicable, the Change of Control Obligations in accordance with the terms of this Agreement and has provided the Trustee with satisfactory proof thereof within nine days of the date of the aforementioned notice, the Trustee shall draw on that portion of the Letter of Credit which is referable to the Change of Control Obligations on the tenth day following the date of such notice (or the next following business day if such tenth day is not a business day) and contribute the proceeds (less any applicable withholding tax which it will remit as required by the Tax Act on behalf of the Corporation) to the Trust on behalf of the Corporation.

Notwithstanding the foregoing, in the event a Change of Control Obligations - Designated Event described in Section 1.1(o)(i) of this Agreement has triggered the operation of this Section 10.7 and the failure which gave rise to the occurrence of such Change of Control Obligations - Designated Event has been remedied prior to the expiration of the notice period provided for in this Section 10.7(c), the Trustee shall not take the action described in the immediately preceding paragraph hereof and all of the provisions of this Agreement shall continue to apply to the same extent and as fully as they would have in the event that such Change of Control Obligations - Designated Event had not occurred.

- (d) The required amount of funding or the portion of the Letter of Credit to be drawn on for purposes of this Section 10.7 shall be determined by the Actuary and shall be the amount determined in accordance with Sections 10.5(a) through (l) of this Agreement offset by the amount determined in accordance with subparagraphs 10.6(e)(i) through (xii) of this Agreement. The settlement amount for purposes of this Section 10.7 shall be determined in accordance with the provisions of Schedule "B-1".
 - (e) In the event that the Change of Control Obligations have been funded in accordance with the terms hereof as a result of the occurrence of a Change of Control Obligations - Designated Event described in Section 1.1(o)(ii), the Change of Control Obligations shall be promptly settled with the Executive in accordance with the provisions of Schedule "B-1".
- 10.8 The actuarial methods and assumptions described in Schedule "B-1" and Schedule "B-2" shall be reviewed from time to time. Any amendments to Schedule "B-1" and/or Schedule "B-2" as a result of such review shall be dealt with in accordance with Section 12.6.

- 10.9 The Trustee shall surrender the Letter of Credit to the Corporation for cancellation upon the earliest of:
- (a) receipt by the Trustee of a written direction signed by the Corporation and the Executive directing surrender of the Letter of Credit;
 - (b) receipt by the Trustee of a written direction signed by the Corporation confirming that it has funded and/or settled the Obligations in accordance with the terms hereof, together with evidence which is satisfactory to the Trustee that such funding and/or settlement has occurred; and
 - (c) receipt by the Trustee of a written direction signed by the Corporation confirming that the Corporation has no remaining Obligations to the Executive, together with evidence which is satisfactory to the Trustee that the Corporation has no remaining Obligations to the Executive and that a copy of such written direction has been provided to the Executive.

10.10 The Trust shall be terminated by the Trustee upon the earliest of:

- (a) receipt by the Trustee of a written direction signed by the Corporation and the Executive confirming the termination of the Trust;
- (b) the entire depletion of the Trust Fund through payments pursuant to the terms of the Trust Agreement, in the event that such depletion occurs subsequent to the funding of the Obligations in accordance with the terms of this Agreement; and
- (c) receipt by the Trustee of a written direction signed by the Corporation confirming that the Corporation has no remaining Obligations to the Executive, together with evidence which is satisfactory to the Trustee that a copy of such written direction has been provided to the Executive.

Upon the termination of the Trust, any assets of the Trust which remain after the satisfaction of any remaining Obligations of the Corporation to the Executive shall be returned to the Corporation.

- 10.11 The Corporation and the Executive hereby acknowledge that the Corporation is entering into agreements similar to this Agreement with certain of its other executives and that the Corporation may, at its sole discretion, arrange for one or more Letters of Credit to satisfy its responsibilities under this Agreement and such other agreements. In the event that one Letter of Credit is obtained to satisfy the Corporation's responsibilities under this Agreement and some or all of such other agreements, references to a "Letter of Credit" in this Agreement shall be read as references to that portion of such Letter of Credit which is referable to the responsibilities of the Corporation to the Executive.

The Corporation and the Executive also acknowledge that the Corporation may, at its sole discretion, enter into one or more Trust Agreements to satisfy its responsibilities under

this Agreement and such other agreements. In the event that one Trust Agreement is entered into to satisfy the Corporation's responsibilities under this Agreement and some or all of such other agreements, references to "Trust", "Trust Agreement", "Trustee" and "Refundable Tax Account" in this Agreement shall be read with such modifications as may be necessary in the context.

- 10.12 At the discretion of the Corporation and subject to the provisions of applicable law, in the event that all or a portion of the Obligations are funded in accordance with Article 10 hereof and an actuarial surplus (determined by actuarial valuation in accordance with the terms of the report prepared as at the immediately preceding Valuation Date in accordance with Section 10.3 of this Agreement) arises as a result thereof:
- (a) all or a portion of such actuarial surplus may be used in the determination of or to reduce the funding otherwise required to be provided by the Corporation hereunder; or
 - (b) any surplus assets may, to the extent that they exceed 110% of the amount required to fund that portion of the Obligations which has been funded (as determined by the report prepared as at the immediately preceding Valuation Date in accordance with Section 10.3 of this Agreement) be returned to the Corporation.

ARTICLE 11

EXPEDITED ARBITRATION

- 11.1 If, pursuant to Section 6.1 of this Agreement, 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, if, pursuant to Section 4.1 of this Agreement, the Corporation provides written notice of its intention to terminate the Executive's employment for Just Cause and the Executive believes there is no Just Cause, the Corporation or the Executive, as applicable, shall, within ten (10) days of having been provided such notice, provide written notice ("Notice of Dispute") to the other Party of the dispute (the "Dispute").
- 11.2 The Parties agree that any and all Disputes under Section 11.1 of this Agreement will be resolved by way of a single Arbitrator.
- 11.3 (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.

- 11.4 The Parties acknowledge and agree that the purpose of this Article 11 is to avoid delays and facilitate resolution of the Dispute in a just, speedy and cost-effective manner.
- 11.5 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.
- 11.6 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.
- 11.7 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.
- 11.8 The Arbitrator will use best efforts to provide a written decision within seven (7) days of the conclusion of the Hearing.
- 11.9 The Parties agree that the decision of the Arbitrator will be final and binding upon the Parties.

ARTICLE 12

GENERAL

- 12.1 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.
- 12.2 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.
- 12.3 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.
- 12.4 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.
801 - 7th Avenue S.W.
Calgary, AB T2P 3P7
Attention: General Manager, Compensation and Benefits

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.

12.5 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.

12.6 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.

Notwithstanding the foregoing,

(a) any amendment to Article 10 of this Agreement, Schedule "B-1" or Schedule "B-2" which is required to ensure that the balance remaining in the Trust after the required tax has been withheld and remitted to the Canada Revenue Agency is sufficient to satisfy the fee levied by the Bank in connection with the issuance of a Letter of Credit may be made by the Corporation without the prior written approval of the Executive; and

(b) the Corporation may amend, modify or waive Article 10 of this Agreement, Schedule "B-1" and Schedule "B-2" in whole or in part, at such time and from time to time, and in such manner and to such extent as it may deem advisable without obtaining the approval of the Executive, provided that such amendment, modification or waiver, as the case may be, does not adversely affect the securitization in accordance with the terms hereof of those Obligations which have accrued up to the date of such amendment, modification or waiver, as the case may be.

12.7 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.

12.8 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.

12.9 Nothing contained in this Agreement shall be construed as limiting the ability of the Corporation to amend, modify or terminate the Executive Benefit Plan in whole or in part, at such time and from time to time, and in such manner and to such extent as it may deem advisable.

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

NEXEN INC.

Per: _____ (signed)

Per: _____ (signed)

SIGNED, SEALED & DELIVERED

in the presence of

(signed)
WITNESS

(signed)
JAMES ARNOLD

SCHEDULE "A"

AGREEMENT RESPECTING CHANGE OF CONTROL AND EXECUTIVE BENEFIT PLAN ENTITLEMENTS

In order to receive the entitlements referred to in the Article 7 of 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, **JAMES ARNOLD**, of the City of Calgary, in the Province of Alberta, in consideration of the amounts provided in that certain Agreement Respecting Change of Control and Executive Benefit Plan Entitlements (the “Agreement”) dated as of the _____ day of _____, 2009 between myself and **NEXEN INC.** 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, **JAMES ARNOLD**, 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 expressly provided in the 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 Agreement.

IT IS HEREBY AGREED that the terms of the 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 _____.

JAMES ARNOLD

WITNESS (signature)

WITNESS (print name)

SCHEDULE “B-1”

AGREEMENT RESPECTING CHANGE OF CONTROL AND EXECUTIVE BENEFIT PLAN ENTITLEMENTS Methodology and Assumptions for Determining Settlement Value

Purpose

In accordance with the terms of the Agreement, the purpose of this Schedule “B-1” is to outline the calculation approach such that, after tax has been paid on a lump sum settlement value, the remaining balance is intended to 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 as provided for under this Agreement.

Overview for Defined Benefit Pension

The following outlines the actuarial methods, assumptions and calculation process to be used in determining the lump sum settlement value of the defined benefit pension entitlements under the Executive Benefit Plan when settlement occurs in accordance with Section 10 of the Agreement. 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 as defined in Schedule “B-1”.

- 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-1". 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, described in CANSIM series V122544 (or a successor series) for the last trading Wednesday at the end of the month 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, described in CANSIM series V122544 (or a successor series) for the last trading Wednesday at the end of the month 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, described in CANSIM series V122544 (or a successor series) for the last trading Wednesday at the end of the month immediately preceding the date of calculation,

less

Yield on long-term Government of Canada Real Return bonds as published in the Bank of Canada Review, described in CANSIM series V122553 (or a successor series) for the last trading Wednesday at the end of the month immediately preceding the date of calculation.

The result of the difference is then rounded up to the next highest 0.5% .

Escalation of Pensions After Retirement:

75% of CPI, less 1% (minimum increase 25% of CPI). Applies only to benefits accrued for service after December 31, 1992.

Mortality:

-- for life expectancy

1994 Uninsured Pensioner Mortality Table with mortality improvements projected to 15 years beyond the date of termination.

-- for present values

- prior to assumed pension commencement
- after assumed pension commencement

Nil.

1994 Uninsured Pensioner Mortality Table with mortality improvements projected 15 years beyond the date of termination.

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 at the date of termination.

SCHEDULE “B-2”

AGREEMENT RESPECTING CHANGE OF CONTROL AND EXECUTIVE BENEFIT PLAN ENTITLEMENTS

Methodology and Assumptions for Determining the Amount to be Secured or Funded in Accordance with Section 10 based on the Methodology described in Schedule “B-1”

Purpose

The purpose of this Schedule “B-2” is to provide the actuarial methodology and assumptions for determining the amount to be secured or funded in accordance with Section 10 of the Agreement.

Methodology

The settlement methodology is described in Schedule B-1.

The funding methodology applicable to the Executive Benefit Plan Obligations is based on the following:

1. Estimate the accrued pension and/or Supplemental Company Accounts payable from the Executive Benefit Plan as at the Valuation Date.
2. Assume that the assets of the plan are to be invested in long term Government of Canada bonds and subject to the 50% refundable tax applicable to retirement compensation arrangements.
3. Determine the present value of the amounts in 1 through 2 above.
4. Estimate the settlement value that could be paid in accordance with the methodology and assumptions described in Schedule B-1.
5. The funding amount in respect of the Executive Benefit Plan Obligations shall be the greater of the amount determined in accordance with 1 through 3 above and the amount in 4 above.

Assumptions

Interest Discount Rate:

-- during deferral period

Yield on long-term Government of Canada bonds as published in the Bank of Canada Review, described in CANSIM series V122544 (or a successor series) for the last trading Wednesday at the end of the month immediately preceding the Anniversary Date, 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, described in CANSIM series V122544 (or a successor series) for the last trading Wednesday at the end of the month immediately preceding the Anniversary Date, 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, described in CANSIM series V122544 (or a successor series) for the last trading Wednesday at the end of the month immediately preceding the Anniversary Date, less Yield on long-term Government of Canada Real Return bonds as published in the Bank of Canada Review, described in CANSIM series V122553 (or a successor series) for the last trading Wednesday at the end of the month immediately preceding the Anniversary Date. The result of the difference is then rounded up to the next highest 0.5%.
Escalation of Pensions After Retirement:	75% of CPI, less 1% (minimum increase 25% of CPI). Applies only to benefits accrued for service after December 31, 1992.
Mortality:	
-- for life expectancy	1994 Uninsured Pensioner Mortality Table with mortality improvements projected to 15 years beyond the Calculation Date.
-- for present values	
• prior to assumed pension commencement	Nil.
• after assumed pension commencement	1994 Uninsured Pensioner Mortality Table with mortality improvements projected to 15 years beyond the Calculation Date.

Marital Status:	Actual status at the Anniversary.
Age of Spouse:	Based on actual date of birth.
Individual Tax Rate:	Maximum individual marginal tax rate for employee's province of employment at the Anniversary Date
Bonus:	Target bonus % applied to the salary rate at the Valuation Date
Investment return:	Yield on long-term Government of Canada bonds as published in the Bank of Canada Review, described in CANSIM series V122544 (or a successor series) for the last trading Wednesday at the end of the month immediately preceding the Anniversary Date rounded down to next lower 0.5%, and then divided by 2
Decrements:	None assumed prior to Calculation Date
Eligibility for Pensions:	100% vested
Pension Commencement Age:	
— eligible for subsidized early retirement on the Calculation Date (i.e., age 55 and 10 years of continuous service)	Payable at the completion of the Severance Period. Payable at the Calculation Date for purposes of determining the amount required under Section 10.6(e).
— not eligible for early retirement on the Calculation Date	Deferred to age 60 or the end of the Severance Period if later. Payable at age 60 for purposes of determining the amount required under Section 10.6(e).
Fluctuation reserve ⁽¹⁾	15% of the pension obligations
Cost of borrowing to settle the obligations:	Yield on one month Government of Canada Treasury Bills as published in the Bank of Canada Review, described in CANSIM series V122529 (or a successor series) for the last trading Wednesday at the end of the month immediately preceding the Anniversary Date, rounded up to the next higher 0.25%, plus 1.50%

Notes:

- ⁽¹⁾ Referred to by Section 10.5(g), Section 10.6(e)(viii) and 10.6(e)(x). The 15% load is intended to provide a reserve for a potential decrease in the Interest Discount Rate in combination with potential increases in the Consumer Price Index for an aggregate change of 1.0%.

SCHEDULE “C”

AGREEMENT RESPECTING CHANGE OF CONTROL AND EXECUTIVE BENEFIT PLAN ENTITLEMENTS

Estimated¹ Entitlement to Compensation Pursuant to Article 7 of the Agreement

Employee – James Arnold	
Base Salary	\$840,000
Bonus Target Value	\$378,000
Benefits Uplift	\$109,200
Car Allowance	\$38,400
Savings Plan	\$50,400
Financial Counselling Services	\$10,500
Security Monitoring Services	\$2,400
TOTAL VALUE	\$1,428,900
Additional Lump Sum Settlement Value of Pension²	\$488,000
TOTAL ESTIMATED ENTITLEMENT	\$1,916,900

In addition to the above, Section 7.1(d) of the Agreement provides for Executive Outplacement counselling to be provided by a firm selected by the Executive, at a cost to the Corporation not to exceed \$25,000.

IN ADDITION to the above pension entitlement under the Agreement, the Executive has the following pension entitlements under the Defined Benefit Registered Pension Plan and Executive Benefit Plan. As is the case with the figures shown above, these values are estimated values (as of July 16, 2009) and are for illustrative purposes only. Actual values will be calculated as of the date of the entitlement or payment in accordance with the Defined Benefit Registered Pension Plan and the Executive Benefit Plan, respectively, and therefore may be subject to change.

- Accrued Annual Defined Benefit Pension Entitlement (Registered Pension Plan)³ \$1,019
- Estimated Lump Sum Transfer Value of Registered Pension Plan⁴ \$10,000
- Estimated Lump Sum Value of Executive Benefit Plan⁴ \$22,000

¹ As stated in Section 7.1 of the Agreement, the above calculations represent only the current estimated value (as of July 16, 2009) of the Executive's entitlement to compensation upon a Change of Control. Accordingly, the above calculations are for illustrative purposes only.

² Calculated in accordance with Section 7.1(b) of the Agreement.
– Adjustment to EBP lump sum value to reflect settlement \$20,000.
– Additional settlement value of pension accrued during the severance period upon a change of control \$468,000.

³ Deferred benefit payable from age 60.

⁴ Based on the Standards of Practice for Determining Pension Commuted Values approved by the Canadian Institute of Actuaries using rates applicable for July 2009 terminations.

INDEMNIFICATION AGREEMENT

Dated as of [DATE] between Nexen Inc. ("Nexen") and [EXECUTIVE OFFICER] (together with his or her estate, heirs, executors and legal representatives the "Indemnified Party")

BACKGROUND

- (a) The Indemnified Party:
 - (i) is or has been a director or officer of Nexen;
 - (ii) is or has been, at the request of Nexen, a director or officer of a body corporate ("Body Corporate"); or
 - (iii) is or has been, at the request of Nexen, a director or officer of or is acting or has acted in a similar capacity (and the Indemnified Party shall for purposes hereof be referred to as a director or officer in so acting or having acted) for a body corporate, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, joint venture or trust ("Entity");

(Nexen, any Body Corporate and any Entity being collectively the "Corporations" and any one of them being a "Corporation");
- (b) Nexen acknowledges that the Indemnified Party, acting in the capacity of director or officer, is required to make decisions and take actions in furtherance of the business and affairs of any Corporation which might have the result of attracting personal liability; and
- (c) It is in the best interests of Nexen to agree to indemnify the Indemnified Party from any and all liabilities, losses, costs, charges, expenses or damages sustained or incurred by the Indemnified Party acting in the capacity of director or officer of any Corporation;

AGREEMENT

In consideration of the Indemnified Party having acted and continuing to act as a director or officer, the parties agree as follows:

1. Duty of Care

- (a) In accordance with the provisions of the *Canada Business Corporations Act* (the "Act"), the Indemnified Party, in exercising his or her powers and discharging his or her duties as a director or officer of any Corporation, shall:
 - (i) act honestly and in good faith with a view to the best interests of the Corporation; and
 - (ii) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

- (b) Each Corporation acknowledges that the Indemnified Party has complied with his or her duties under subsection 1(a) hereof if the Indemnified Party relied in good faith on:
 - (i) financial statements of the Corporation represented to the Indemnified Party by an officer of the Corporation or in a written report of the auditor of the Corporation fairly to reflect the financial condition of the Corporation; or
 - (ii) a report of a person whose profession lends credibility to a statement made by the professional person.

2. Duty to Comply

- (a) The Indemnified Party shall comply with the Act, the regulations made in the Act, the articles of the Corporation, the by-laws of the Corporation and any unanimous shareholder agreement or partnership agreement respecting the Corporation.
- (b) Each Corporation acknowledges that the Indemnified Party has complied with his or her duties under subsection 2(a) hereof, if the Indemnified Party exercised the care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances, including reliance in good faith on:
 - (i) financial statements of the Corporation represented to the Indemnified Party by an officer of the Corporation or in a written report of the auditor of the Corporation fairly to reflect the financial condition of the Corporation; or
 - (ii) a report of a person whose profession lends credibility to a statement made by the professional person.

3. Disclaimer of Liability

The Indemnified Party shall not be liable for the acts, receipts, neglects, omissions or defaults of any other director or officer or any employee or agent of any Corporation or for any liabilities, damages, costs, charges or expenses sustained or incurred by any Corporation in the execution of the duties of his or her office, provided that nothing herein contained shall relieve the Indemnified Party of any liability for liabilities, damages, costs, charges or expenses suffered or incurred as a direct result of any acts, receipts, neglects, omissions or defaults of the Indemnified Party which are in contravention of the Act or any other applicable law.

4. Indemnity

- (a) Except in respect of an action by or on behalf of a Corporation to procure a judgment in its favour, Nexen shall indemnify and save harmless the Indemnified Party from and against all liabilities, damages, costs, charges and expenses (including, without limitation, court fees, legal expenses and witness fees), including an amount paid to settle an action or satisfy a judgment or any fine or penalty levied, reasonably incurred by him or her in respect of any civil, criminal, administrative, investigative or other action, proceeding or inquiry of any nature,

to which he or she is, directly or indirectly, a party by reason of being or having been a director or officer of any Corporation if:

- (i) the Indemnified Party acted honestly and in good faith with a view to the best interests of the Corporation; and
 - (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Indemnified Party had reasonable grounds for believing that his or her conduct was lawful.
- (b) For all purposes of this Agreement, a director or officer shall be conclusively deemed to have acted honestly and in good faith with a view to the best interests of the Corporation and to have had reasonable grounds for believing that his or her conduct was lawful, unless and until the applicable court hearing the action in which indemnity is sought determines in a final judgment that is non-appealable that the director or officer in question did not act honestly and in good faith with a view to the best interests of the Corporation or did not have reasonable grounds for believing that his or her conduct was lawful, as applicable.
- (c) In respect of an action by or on behalf of a Corporation to procure a judgment in its favour, to which the Indemnified Party is, directly or indirectly, a party by reason of being or having been a director or an officer of the Corporation, Nexen shall make an application at its expense for, and use its best efforts to obtain, approval of the Court of Queen's Bench of Alberta to indemnify and save harmless the Indemnified Party from and against all liabilities, damages, costs, charges and expenses (including, without limitation, court fees, legal expenses and witness fees) reasonably incurred by him or her in connection with such action, if the Indemnified Party fulfills the conditions set out in clauses 4(a)(i) and 4(a)(ii).
- (d) Notwithstanding the foregoing, Nexen shall indemnify and save harmless the Indemnified Party from and against any and all liabilities, damages, costs, charges and expenses (including, without limitation, court fees, legal expenses and witness fees) reasonably incurred by him or her in connection with any action or proceeding to which the Indemnified Party is, directly or indirectly, a party by reason of being or having been a director or officer of a Corporation (including, without limitation, an action or proceeding to enforce or interpret this Agreement), if the Indemnified Party was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the Indemnified Party ought to have done and the Indemnified Party fulfills the conditions set out in clauses 4(a)(i) and 4(a)(ii).
- (e) For the purposes of this Agreement, the termination of any civil, criminal or administrative action or proceeding by judgment, order, settlement or conviction shall not, of itself, create a presumption either that the Indemnified Party did not act honestly and in good faith with a view to the best interests of the Corporation or that, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Indemnified Party did not have reasonable grounds for believing that his or her conduct was lawful.
- (f) Upon the Indemnified Party becoming, directly or indirectly, a party to any action, proceeding or inquiry of any nature referred to in paragraph 4(a), Nexen shall forthwith assume and pay, or reimburse the Indemnified Party for and indemnify

and save harmless the Indemnified Party from and against, any and all costs, charges and expenses (including, without limitation, court fees, legal expenses and witness fees) referred to in paragraph 4(a). Such assumption, payment or reimbursement shall be made continuously and promptly after the Indemnified Party has advised Nexen of such costs, charges and expenses. If the outcome of such action, proceeding or inquiry establishes that the Indemnified Party were not entitled to indemnification of such costs, charges and expenses, then the Indemnified Party shall repay to Nexen all amounts paid by it to or for the benefit of such Indemnified Party under this paragraph 4(f) for which there was no entitlement to indemnification.

5. Insurance

- (a) Unless otherwise agreed between the Parties hereto, Nexen shall purchase and maintain, or cause to be purchased and maintained, while the Indemnified Party remains a director or officer of a Corporation and for a period of six years thereafter, directors' and officers' errors and omissions insurance for the benefit of the Indemnified Party on terms no less favourable in terms of coverage and amounts, to the extent permitted by law and available on reasonable commercial terms, than such insurance maintained in effect by Nexen on the date hereof, provided that such insurance shall not apply to any liability incurred by the Indemnified Party relating to any failure by the Indemnified Party to act honestly and in good faith with a view to the best interests of the Corporation. Nexen shall provide the Indemnified Party with a copy of the insurance policies, if requested, and shall provide the Indemnified Party with prompt written notice if such insurance is not maintained for any reason.
- (b) The indemnification provided pursuant to this Agreement is intended to be available in all circumstances permitted under the Act and, without limitation, is intended to be available in circumstances where any insurance coverage maintained by Nexen is not available, either because the insurer is denying coverage, the actions are not covered due to an exemption or exclusion from the terms of the insurance policy or otherwise, or where Nexen determined for whatever reason not to obtain or maintain insurance coverage.

6. Income Tax

Should any payment made pursuant to this Agreement be deemed by any taxing authority to constitute a taxable benefit or otherwise be or become subject to any tax or levy, then Nexen shall pay such greater amount as may be necessary to ensure that the amount received by or on behalf of the Indemnified Party after the payment of or withholding for such tax, is equal to the amount of the costs, charges, expenses or liability actually incurred by or on behalf of the Indemnified Party such that the Indemnified Party shall be indemnified for any and all such taxes.

7. Assignment

The duties and obligations of Nexen under this Agreement shall be binding upon, and enforceable by the Indemnified Party, against Nexen and its successors and assigns, including any corporation with which Nexen is merged or amalgamated. Nexen covenants and agrees that it shall not, without the consent of the Indemnified Party,

transfer or dispose of all or substantially all of its assets or business to any entity that does not agree to assume all of the obligations of Nexen under this Agreement.

8. Effective Date

Notwithstanding the date of execution of this Agreement, the terms and provisions hereof shall be effective, binding upon, and enforceable by the parties as of and from the date on which the Indemnified Party was first appointed or elected a director or officer of a Corporation.

9. Indemnification Not Exclusive

The indemnification provided by this Agreement is in addition to the indemnification provided by by-laws of any Corporation or those provided under the legislation governing any Corporation. In addition, the indemnification provided by this Agreement shall be in addition to any right of indemnification, contribution or reimbursement that a director or officer has under applicable law, the constating documents of any Corporation or any other agreement between the director or officer and any Corporation and shall continue for the benefit of the Indemnified Party notwithstanding that he or she may have ceased to be a director or officer of one or more Corporations.

10. Defence of Claims

The Indemnified Party covenants and agrees that, upon becoming aware of any facts or circumstances which may give rise to the Indemnified Party becoming a party, directly or indirectly, to any action, proceeding or inquiry referred to in paragraph 4(a) (a "Claim"), the Indemnified Party shall provide written notice to Nexen setting out in reasonable detail the nature of the facts relating to such Claim. Upon receipt of the notice of the Claim, Nexen shall, at its expense and in a timely manner, contest and defend against the Claim or cause the relevant Corporation to contest and defend against the Claim and take all such steps as may be necessary or proper to prevent the resolution thereof in a manner adverse to the Indemnified Party. The Indemnified Party shall fully cooperate with Nexen in taking all such steps. If Nexen does not in a timely manner undertake or cause the contestation or defence of the Claims, the Indemnified Party may do so and such contestation or defence shall be at the expense and risk of Nexen provided that if the outcome of such action, proceeding or inquiry establishes that the Indemnified Party was not entitled to contest or defend the Claim at the risk and expense of Nexen, then the Indemnified Party shall repay to Nexen all amounts paid by Nexen in connection with such contestation or defence pursuant to this section 10 and paragraph 4(f) for which there was no entitlement to indemnification.

11. Obligations of Nexen Absolute

The obligations of Nexen under this Agreement are absolute and unconditional and shall not be released, discharged or reduced, and the rights of the Indemnified Party hereunder shall not be prejudiced or impaired, by any neglect, delay or forbearance in demanding, requiring or enforcing payment or performance by Nexen of any of its obligations hereunder or by granting any extensions of time for such performance or by waiving any performance (except as to any particular performance which has been waived), or by permitting or consenting to any assignment in bankruptcy, receivership, insolvency or any other creditor's proceedings of or against Nexen or by the winding-up or dissolution of Nexen or any other event or occurrence which would or might otherwise have the effect at law of terminating the obligations of Nexen under this Agreement.

12. Interpretation

This Agreement is not intended to, and shall not be interpreted to, authorize a payment of an indemnity contrary to section 124 of the Act.

13. Severability

If any part of this Agreement or the application of such part to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such part to any other person or circumstance, shall not be affected thereby and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14. Choice of Law

This Agreement shall be governed and construed in accordance with the laws of Alberta and the laws of Canada applicable therein.

IN WITNESS WHEREOF the parties have executed this agreement on the date first above mentioned.

SIGNED by the Indemnified Party
in the presence of:

Witness Signature

[EXECUTIVE OFFICER]

Witness Name

Witness Address

Witness Address

Witness Occupation

NEXEN INC.

EXECUTIVE OFFICER

Brian C. Reinsborough
James T. Arnold

DATE OF AGREEMENT

November 1, 2007
July 16, 2009

Nexen Inc.

**Statement re: Computation of Earnings per Share - U.S. GAAP
For the Year Ended December 31, 2009**

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

	2009					2008	2007
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual	Annual	Annual
Net income available to common stockholders (U.S. GAAP)	\$156	(\$12)	\$175	\$188	\$507	\$1,704	\$1,012
Basic							
Weighted average number of common shares outstanding (thousands)	520.2	521.2	521.7	522.7	521.4	526.1	527.1
Basic earnings per share	\$0.30	(\$0.02)	\$0.34	\$0.36	\$0.97	\$3.24	\$1.92
Diluted							
Weighted average number of common shares outstanding (thousands)	520.2	521.2	521.7	522.7	521.4	526.1	527.1
Net additional shares issuable pursuant to stock options (thousands):							
Issuable on exercise	7.6	-	10.3	7.5	10.1	18.8	26.6
Re-purchasable from proceeds	(5.1)	-	(7.0)	(5.2)	(7.0)	(12.7)	(15.7)
Net dilutive effect of stock options (thousands)	2.5	-	3.3	2.3	3.1	6.1	10.9
Adjusted number of common shares (thousands)	522.7	521.2	525.0	525.0	524.5	532.2	538.0
Diluted earnings per share	\$0.30	(\$0.02)	\$0.33	\$0.36	\$0.97	\$3.20	\$1.88

SUBSIDIARIES OF NEXEN AS AT JANUARY 31, 2010

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 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

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 Marketing Middle East Limited

Incorporated pursuant the laws of Dubai

Nexen Energy Marketing Nigeria Limited

Incorporated pursuant to the laws of Nigeria

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 New Venture Jersey Limited

Incorporated pursuant to the laws of Jersey

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.K. Developments LP

A partnership formed pursuant to the laws of the United Kingdom

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 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 (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 Nigeria Limited
Incorporated pursuant to the laws of Nigeria

Nexen Petroleum Nigeria Offshore 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 Pipeline U.S.A. Inc.
Incorporated pursuant to the laws of Wyoming

Nexen Services Jersey Limited
Incorporated pursuant to the laws of Jersey

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, 333-142652 and 333-142670 on Form F-3; and
- Registration Statement No.'s 333-128510, 333-143380 and 333-159551 on Form F-10.

of our reports dated February 17, 2010, 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 Nexen Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Nexen Inc. for the year ended December 31, 2009.

(signed) "Deloitte & Touche LLP"

Independent Registered Chartered Accountants
Calgary, Canada

February 25, 2010

DEGOLYER AND MACNAUGHTON
5001 SPRING VALLEY ROAD
SUITE 800 EAST
DALLAS, TEXAS 75244

February 2, 2010

Nexen Inc.
801-7th Avenue S.W.
Calgary, AB
T2P 3P7

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

Re: DeGolyer and MacNaughton - Report of Third Party for certain United Kingdom properties with interests owned by Nexen Inc.

Ladies and Gentlemen:

Pursuant to your request, we have conducted an independent evaluation of Nexen Inc.'s (Nexen) proved and probable oil, condensate, natural gas liquids (NGL), and natural gas reserves, as of December 31, 2009, for certain fields owned by Nexen in the United Kingdom as shown in Table 1A. Nexen has represented that these properties account for 17 percent on an equivalent barrel basis of its proved reserves as of December 31, 2009, and that its reserves estimates have been prepared in accordance with the United States Securities and Exchange Commission (SEC) definitions. We have reviewed information provided to us by Nexen that it represents to be its estimates of the reserves, as of December 31, 2009, for the same properties as those which we evaluated.

Reserves included herein are expressed as reserves as represented by Nexen. Gross reserves are defined as the total estimated petroleum to be produced from these properties after December 31, 2009. Working interest reserves are defined as that portion of the gross reserves attributable to the interests owned by Nexen after deducting all interests owned by others. Net reserves are defined as working interest reserves after deductions for royalties.

Estimates of oil, condensate, and NGL (collectively, Liquids), and natural gas should be regarded only as estimates that may change as further production history and additional

information become available. Not only are such reserves estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Data used in this evaluation were obtained from reviews with Nexen personnel, Nexen files, from records on file with the appropriate regulatory agencies, and from public sources. In the preparation of this report we have relied, without independent verification, upon such information furnished by Nexen with respect to property interests, production from such properties, current costs of operation and development, prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. Furthermore, if in the course of our examination something came to our attention which brought into question the validity or sufficiency of any of such information or data, we did not rely on such information or data until we had satisfactorily resolved our questions relating thereto or had independently verified such information or data. A field examination of the properties was not considered necessary for the purposes of this report.

Methodology and Procedures

The process of estimating reserves requires complex judgments and decision-making based on available geological, geophysical, engineering, and economic data. To estimate the economically recoverable oil and natural gas reserves and related future net cash flows, we consider many factors and make assumptions including:

- expected reservoir characteristics based on geological, geophysical, and engineering assessments;
- future production rates based on historical performance and expected future operating and investment activities;
- future oil and gas prices and quality differentials;
- assumed effects of regulation by governmental agencies; and
- future development and operating costs.

Our estimate is prepared using standard geological and engineering methods generally accepted by the petroleum industry, and the reserves definitions and standards required by the United States SEC. Generally accepted methods for estimating reserves include volumetric calculations, material balance techniques, production and pressure decline curve analysis, analogy with similar reservoirs, and reservoir simulation. The

method or combination of methods used is based on our professional judgment and experience.

Discovered oil and natural gas reserves are generally produced only when they are economically recoverable. As such, oil and gas prices and capital and operating costs have an impact on whether reserves will ultimately be produced. As required by United States SEC rules, reserves represent the quantities that are expected to be economically recoverable using existing prices and costs. Estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

Generally, operations are subject to various levels of government controls and regulations. These laws and regulations may include matters relating to land tenure, drilling, production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax, and foreign trade and investment that are subject to change from time to time. Current legislation is generally a matter of public record, and additional legislation or amendments that will affect reserves or when any such proposals, if enacted, might become effective generally cannot be predicted. Changes in government regulations could affect reserves or related economics. In the regions that are currently being evaluated, we believe we have applied existing regulations appropriately.

Certain properties in which Nexen has an interest are subject to the terms of various profit sharing or joint operating agreements. The terms of these agreements generally allow for working interest participants to be reimbursed for portions of capital costs and operating expenses and to share in the profits. The reimbursements and profit proceeds are converted to a barrel of oil equivalent or standard cubic foot of gas equivalent by dividing by product prices to determine the “entitlement reserves.” These entitlement reserves are equivalent in principle to net reserves and are used to calculate an equivalent net share, termed an “entitlement interest.” In this report, Nexen reserves or interest for certain properties subject to these agreements is the entitlement based on Nexen’s working interest.

Nexen Estimates

Nexen has represented that its estimated proved and probable reserves attributable to the evaluated properties are based on United States SEC definitions. It represents that its estimates of the reserves attributable to these properties represent 17 percent of its total

DEGOLYER AND MACNAUGHTON

company proved reserves and 14 percent of its total company probable reserves on an equivalent barrel basis and are as follows, expressed in thousands of barrels (mdbl), millions of cubic feet (mmcf) and thousands of barrels of oil equivalent (mboe):

Nexen's estimate of Reserves as of December 31, 2009
Select Fields Evaluated by DeGolyer and MacNaughton

United Kingdom Properties

<u>Nexen Reserves</u>	<u>Liquids (mdbl)</u>	<u>Natural Gas (mmcf)</u>	<u>Oil Equivalent (mboe)</u>
Working Interest Reserves (before royalties)			
Proved	169,450	17,126	172,304
Probable	158,612	64,032	169,284
Working Interest Reserves (after royalties)			
Proved	169,403	17,126	172,257
Probable	158,250	64,032	168,923

Note: Gas is converted to oil equivalent using a factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.

Reserves Audit Opinion

DeGolyer and MacNaughton has used all procedures and methods that it considers necessary to prepare this report.

In our opinion, the information relating to estimated net proved and net probable reserves of oil, condensate, natural gas liquids, and gas contained in this report has been prepared according to the definitions and disclosure guidelines required by the United States SEC within Paragraphs 932-235-50-4, 932-235-50-6, 932-235-50-7, and 932-235-50-9 of the Accounting Standards Update 932-235-50, Extractive Industries – Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures (January 2010) of the Financial Accounting Standards Board and Rules 4–10(a) (1)–(32) of Regulation S–X and Rules 302(b), 1201, and 1202(a) (1), (2), (3), (4), (5), (8) of Regulation S–K of the United States Securities and Exchange Commission.

DEGOLYER AND MACNAUGHTON

In comparing the detailed proved and proved-plus-probable reserves estimates prepared by us to those prepared by Nexen, we have found differences, both positive and negative. In our opinion, the proved and proved-plus-probable reserves for the reviewed properties as estimated by Nexen are, in aggregate when compared to our estimates on the basis of equivalent barrels, reasonable within the established audit tolerance guidelines as set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

DeGolyer and MacNaughton is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over 70 years. DeGolyer and MacNaughton does not have any financial interest, including stock ownership, in Nexen. Our fees were not contingent on the results of our evaluation. This letter report has been prepared at the request of Nexen and should not be used for purposes other than those for which it is intended.

Submitted,

/s/ DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

cc: Mr. Craig Beattie
V.P. Technical Assurance
Nexen International Division
Mr. Brad Kopas
Deloitte & Touche LLP

[SEAL]

/s/ Lloyd W. Cade, P.E.

Lloyd W. Cade, P.E.
Senior Vice President
DeGolyer and MacNaughton

TABLE 1A
NEXEN FIELDS EVALUATED by DeGOLYER and MacNAUGHTON
as of
DECEMBER 31, 2009

<u>PROPERTIES</u>	<u>FIELDS</u>
United Kingdom	Buzzard Scott Telford Farragon Ettrick Golden Eagle Area Duart Rochelle

DEGOLYER AND MACNAUGHTON
5001 SPRING VALLEY ROAD
SUITE 800 EAST
DALLAS, TEXAS 75244

February 2, 2010

Nexen Inc.
801-7th Avenue S.W.
Calgary, AB
T2P 3P7

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

Re: DeGolyer and MacNaughton - Report of Third Party for certain Yemen properties with interests owned by Nexen Inc.

Ladies and Gentlemen:

Pursuant to your request, we have conducted an independent evaluation of Nexen Inc.'s (Nexen) proved and probable oil, condensate, natural gas liquids (NGL), and natural gas reserves, as of December 31, 2009, for certain fields owned by Nexen in Yemen as shown in Table 1A. Nexen has represented that these properties account for 2 percent on an equivalent barrel basis of its proved reserves as of December 31, 2009, and that its reserves estimates have been prepared in accordance with the United States Securities and Exchange Commission (SEC) definitions. We have reviewed information provided to us by Nexen that it represents to be its estimates of the reserves, as of December 31, 2009, for the same properties as those which we evaluated.

Reserves included herein are expressed as reserves as represented by Nexen. Gross reserves are defined as the total estimated petroleum to be produced from these properties after December 31, 2009. Working interest reserves are defined as that portion of the gross reserves attributable to the interests owned by Nexen after deducting all interests owned by others. Net reserves are defined as working interest reserves after deductions for royalties.

Estimates of oil, condensate, and NGL (collectively, Liquids), and natural gas should be regarded only as estimates that may change as further production history and additional

information become available. Not only are such reserves estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Data used in this evaluation were obtained from reviews with Nexen personnel, Nexen files, from records on file with the appropriate regulatory agencies, and from public sources. In the preparation of this report we have relied, without independent verification, upon such information furnished by Nexen with respect to property interests, production from such properties, current costs of operation and development, prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. Furthermore, if in the course of our examination something came to our attention which brought into question the validity or sufficiency of any of such information or data, we did not rely on such information or data until we had satisfactorily resolved our questions relating thereto or had independently verified such information or data. A field examination of the properties was not considered necessary for the purposes of this report.

Methodology and Procedures

The process of estimating reserves requires complex judgments and decision-making based on available geological, geophysical, engineering, and economic data. To estimate the economically recoverable oil and natural gas reserves and related future net cash flows, we consider many factors and make assumptions including:

- expected reservoir characteristics based on geological, geophysical, and engineering assessments;
- future production rates based on historical performance and expected future operating and investment activities;
- future oil and gas prices and quality differentials;
- assumed effects of regulation by governmental agencies; and
- future development and operating costs.

Our estimate is prepared using standard geological and engineering methods generally accepted by the petroleum industry, and the reserves definitions and standards required by the United States SEC. Generally accepted methods for estimating reserves include volumetric calculations, material balance techniques, production and pressure decline curve analysis, analogy with similar reservoirs, and reservoir simulation. The

method or combination of methods used is based on our professional judgment and experience.

Discovered oil and natural gas reserves are generally produced only when they are economically recoverable. As such, oil and gas prices and capital and operating costs have an impact on whether reserves will ultimately be produced. As required by United States SEC rules, reserves represent the quantities that are expected to be economically recoverable using existing prices and costs. Estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

Generally, operations are subject to various levels of government controls and regulations. These laws and regulations may include matters relating to land tenure, drilling, production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax, and foreign trade and investment that are subject to change from time to time. Current legislation is generally a matter of public record, and additional legislation or amendments that will affect reserves or when any such proposals, if enacted, might become effective generally cannot be predicted. Changes in government regulations could affect reserves or related economics. In the regions that are currently being evaluated, we believe we have applied existing regulations appropriately.

Certain properties in which Nexen has an interest are subject to the terms of various profit sharing or joint operating agreements. The terms of these agreements generally allow for working interest participants to be reimbursed for portions of capital costs and operating expenses and to share in the profits. The reimbursements and profit proceeds are converted to a barrel of oil equivalent or standard cubic foot of gas equivalent by dividing by product prices to determine the “entitlement reserves.” These entitlement reserves are equivalent in principle to net reserves and are used to calculate an equivalent net share, termed an “entitlement interest.” In this report, Nexen reserves or interest for certain properties subject to these agreements is the entitlement based on Nexen’s working interest.

Nexen Estimates

Nexen has represented that its estimated proved and probable reserves attributable to the evaluated properties are based on United States SEC definitions. It represents that its estimates of the reserves attributable to these properties represent 2 percent of its total

company proved reserves and less than 1 percent of its total company probable reserves on an equivalent barrel basis and are as follows, expressed in thousands of barrels (mdbl), millions of cubic feet (mmcf) and thousands of barrels of oil equivalent (mboe):

Nexen's estimate of Reserves as of December 31, 2009
Select Fields Evaluated by DeGolyer and MacNaughton

Yemen Properties

<u>Nexen Reserves</u>	<u>Liquids (mdbl)</u>	<u>Natural Gas (mmcf)</u>	<u>Oil Equivalent (mboe)</u>
Working Interest Reserves (before royalties)			
Proved	21,195	0	21,195
Probable	2,575	0	2,575
Working Interest Reserves (after royalties)			
Proved	13,258	0	13,258
Probable	1,258	0	1,258

Note: Gas is converted to oil equivalent using a factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.

Reserves Audit Opinion

DeGolyer and MacNaughton has used all procedures and methods that it considers necessary to prepare this report.

In our opinion, the information relating to estimated net proved and net probable reserves of oil, condensate, natural gas liquids, and gas contained in this report has been prepared according to the definitions and disclosure guidelines required by the United States SEC within Paragraphs 932-235-50-4, 932-235-50-6, 932-235-50-7, and 932-235-50-9 of the Accounting Standards Update 932-235-50, Extractive Industries – Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures (January 2010) of the Financial Accounting Standards Board and Rules 4–10(a) (1)–(32) of Regulation S–X and Rules 302(b), 1201, and 1202(a) (1), (2), (3), (4), (5), (8) of Regulation S–K of the United States Securities and Exchange Commission.

In comparing the detailed proved and proved-plus-probable reserves estimates prepared by us to those prepared by Nexen, we have found differences, both positive and negative. In our opinion, the proved and proved-plus-probable reserves for the reviewed properties as estimated by Nexen are, in aggregate when compared to our estimates on the basis of equivalent barrels, reasonable within the established audit tolerance guidelines as

DEGOLYER AND MACNAUGHTON

set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

DeGolyer and MacNaughton is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over 70 years. DeGolyer and MacNaughton does not have any financial interest, including stock ownership, in Nexen. Our fees were not contingent on the results of our evaluation. This letter report has been prepared at the request of Nexen and should not be used for purposes other than those for which it is intended.

Submitted,

/s/ DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

cc: Mr. Craig Beattie
V.P. Technical Assurance
Nexen International Division
Mr. Brad Kopas
Deloitte & Touche LLP

[SEAL]

/s/ Lloyd W. Cade, P.E.

Lloyd W. Cade, P.E.
Senior Vice President
DeGolyer and MacNaughton

TABLE 1A
NEXEN FIELDS EVALUATED by DeGOLYER and MacNAUGHTON
as of
DECEMBER 31, 2009

<u>PROPERTIES</u>	<u>FIELDS</u>
Yemen Masila (Block 14)	Bainoon/Naziah Camaal Dahban Dais Haru Heijah Hemiar Naar North East Camaal North Camaal North East Sunah Qataban Raydah Ressib South Hemiar South Ressib Sunah Tawila West Camaal West Hemiar

DEGOLYER AND MACNAUGHTON
5001 SPRING VALLEY ROAD
SUITE 800 EAST
DALLAS, TEXAS 75244

February 2, 2010

Nexen Inc.
801-7th Avenue S.W.
Calgary, AB
T2P 3P7

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

Re: DeGolyer and MacNaughton - Report of Third Party for certain Nigeria properties with interests owned by Nexen Inc.

Ladies and Gentlemen:

Pursuant to your request, we have conducted an independent evaluation of Nexen Inc.'s (Nexen) proved and probable oil, condensate, natural gas liquids (NGL), and natural gas reserves, as of December 31, 2009, for certain fields owned by Nexen in Nigeria. Nexen has represented that these properties account for less than 5 percent on an equivalent barrel basis of its proved reserves as of December 31, 2009, and that its reserves estimates have been prepared in accordance with the United States Securities and Exchange Commission (SEC) definitions. We have reviewed information provided to us by Nexen that it represents to be its estimates of the reserves, as of December 31, 2009, for the same properties as those which we evaluated.

Reserves included herein are expressed as reserves as represented by Nexen. Gross reserves are defined as the total estimated petroleum to be produced from these properties after December 31, 2009. Working interest reserves are defined as that portion of the gross reserves attributable to the interests owned by Nexen after deducting all interests owned by others. Net reserves are defined as working interest reserves after deductions for royalties.

Estimates of oil, condensate, and NGL (collectively, Liquids), and natural gas should be regarded only as estimates that may change as further production history and additional

information become available. Not only are such reserves estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Data used in this evaluation were obtained from reviews with Nexen personnel, Nexen files, from records on file with the appropriate regulatory agencies, and from public sources. In the preparation of this report we have relied, without independent verification, upon such information furnished by Nexen with respect to property interests, production from such properties, current costs of operation and development, prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. Furthermore, if in the course of our examination something came to our attention which brought into question the validity or sufficiency of any of such information or data, we did not rely on such information or data until we had satisfactorily resolved our questions relating thereto or had independently verified such information or data. A field examination of the properties was not considered necessary for the purposes of this report.

Methodology and Procedures

The process of estimating reserves requires complex judgments and decision-making based on available geological, geophysical, engineering, and economic data. To estimate the economically recoverable oil and natural gas reserves and related future net cash flows, we consider many factors and make assumptions including:

- expected reservoir characteristics based on geological, geophysical, and engineering assessments;
- future production rates based on historical performance and expected future operating and investment activities;
- future oil and gas prices and quality differentials;
- assumed effects of regulation by governmental agencies; and
- future development and operating costs.

Our estimate is prepared using standard geological and engineering methods generally accepted by the petroleum industry, and the reserves definitions and standards required by the United States SEC. Generally accepted methods for estimating reserves include volumetric calculations, material balance techniques, production and pressure decline curve analysis, analogy with similar reservoirs, and reservoir simulation. The

method or combination of methods used is based on our professional judgment and experience.

Discovered oil and natural gas reserves are generally produced only when they are economically recoverable. As such, oil and gas prices and capital and operating costs have an impact on whether reserves will ultimately be produced. As required by United States SEC rules, reserves represent the quantities that are expected to be economically recoverable using existing prices and costs. Estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

Generally, operations are subject to various levels of government controls and regulations. These laws and regulations may include matters relating to land tenure, drilling, production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax, and foreign trade and investment that are subject to change from time to time. Current legislation is generally a matter of public record, and additional legislation or amendments that will affect reserves or when any such proposals, if enacted, might become effective generally cannot be predicted. Changes in government regulations could affect reserves or related economics. In the regions that are currently being evaluated, we believe we have applied existing regulations appropriately.

Certain properties in which Nexen has an interest are subject to the terms of various profit sharing or joint operating agreements. The terms of these agreements generally allow for working interest participants to be reimbursed for portions of capital costs and operating expenses and to share in the profits. The reimbursements and profit proceeds are converted to a barrel of oil equivalent or standard cubic foot of gas equivalent by dividing by product prices to determine the “entitlement reserves.” These entitlement reserves are equivalent in principle to net reserves and are used to calculate an equivalent net share, termed an “entitlement interest.” In this report, Nexen reserves or interest for certain properties subject to these agreements is the entitlement based on Nexen’s working interest.

Nexen Estimates

Nexen has represented that its estimated proved and probable reserves attributable to the evaluated properties are based on United States SEC definitions. It represents that its estimates of the reserves attributable to these properties represent less than 5 percent of

its total company proved reserves and less than 5 percent of its total company probable reserves on an equivalent barrel basis. Due to disclosure restrictions required by the Nigerian Government, Nexen's estimates are not presented herein.

Reserves Audit Opinion

DeGolyer and MacNaughton has used all procedures and methods that it considers necessary to prepare this report.

In our opinion, the information relating to estimated net proved and net probable reserves of oil, condensate, natural gas liquids, and gas contained in this report has been prepared according to the definitions and disclosure guidelines required by the United States SEC within Paragraphs 932-235-50-4, 932-235-50-6, 932-235-50-7, and 932-235-50-9 of the Accounting Standards Update 932-235-50, Extractive Industries – Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures (January 2010) of the Financial Accounting Standards Board and Rules 4–10(a) (1)–(32) of Regulation S–X and Rules 302(b), 1201, and 1202(a) (1), (2), (3), (4), (5), (8) of Regulation S–K of the United States Securities and Exchange Commission.

In comparing the detailed proved and proved-plus-probable reserves estimates prepared by us to those prepared by Nexen, we have found differences, both positive and negative. In our opinion, the proved and proved-plus-probable reserves for the reviewed properties as estimated by Nexen are, in aggregate when compared to our estimates on the basis of equivalent barrels, reasonable within the established audit tolerance guidelines as set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

DEGOLYER AND MACNAUGHTON

DeGolyer and MacNaughton is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over 70 years. DeGolyer and MacNaughton does not have any financial interest, including stock ownership, in Nexen. Our fees were not contingent on the results of our evaluation. This letter report has been prepared at the request of Nexen and should not be used for purposes other than those for which it is intended.

Submitted,

/s/ DeGolyer and MacNaughton

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

cc: Mr. Craig Beattie
V.P. Technical Assurance
Nexen International Division
Mr. Brad Kopas
Deloitte & Touche LLP

[SEAL]

/s/ Lloyd W. Cade, P.E.

Lloyd W. Cade, P.E.
Senior Vice President
DeGolyer and MacNaughton

DeGolyer and MacNaughton

5001 Spring Valley Road
Suite 800 East
Dallas, Texas 75244

February 22, 2010

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

Board of Directors:

We hereby consent to references to DeGolyer and MacNaughton 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 Annual Report on Form 10-K for the year ended December 31, 2009, of Nexen Inc. (the Form 10-K) and to the use of our three Report of Third Party letter reports dated February 2, 2010, concerning the United Kingdom, Yemen Masila, and Nigeria, respectively, relating to our evaluation of certain oil and gas properties of Nexen Inc., which are included as exhibits in the Form 10-K.

Very truly yours,

/s/ DeGOLYER and MacNAUGHTON

DeGOLYER and MacNAUGHTON

February 8, 2010

Nexen Inc.
801-7th Avenue S.W.
Calgary, AB
T2P 3P7

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

Re: McDaniel & Associates - Report of Third Party for certain Canadian properties owned by Nexen Inc., excluding Syncrude

Ladies and Gentlemen:

Pursuant to your request, McDaniel and Associates (“McDaniel”) has conducted an evaluation of Nexen Inc.’s (“Nexen”) proved and probable oil, condensate, natural gas liquids (NGL), natural gas, and synthetic crude oil reserves, as of December 31, 2009, for certain fields owned by Nexen in Canada as shown in Table 1A, which includes Nexen’s Canadian conventional, CBM, and Long Lake properties. Nexen has represented that these properties account for 39 percent of its total proved reserves (75 percent of its total probable reserves) and 98 percent of the proved reserves (99 percent of its probable reserves) in its Canadian properties excluding Syncrude on an equivalent barrel basis as of December 31, 2009, and that its reserve estimates have been prepared in accordance with the United States’ Securities and Exchange Commission (“SEC”) definitions. We have reviewed information provided to us by Nexen that they represent to be its estimate of the reserves, as of December 31, 2009, for the same properties as those which we evaluated.

Reserves included herein are expressed as reserves as represented by Nexen. Gross reserves are defined as the total estimated petroleum to be produced from these properties after December 31, 2009. Working interest reserves are defined as that portion of the gross reserves attributable to the interests owned by Nexen after deducting all working interests owned by others. Net reserves are defined as working interest reserves after the deduction of royalties.

Estimates of oil, condensate, NGL (collectively liquids), natural gas and synthetic crude oil should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Data used in this evaluation were obtained from reviews with Nexen personnel, Nexen files, from records on file with the appropriate regulatory agencies, and from public sources. In the preparation of this report we have relied, without independent verification, upon such information furnished by Nexen with respect to property interests, production from such properties, current costs of operation and development, prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. Furthermore, if in the course of our examination something came to our attention which brought into question the validity or sufficiency of any of such information or data, we did not rely on such information or data until we had satisfactorily resolved our questions relating thereto or had independently verified such information or data. A field examination of the properties was not considered necessary for the purposes of this report.

Methodology and Procedures

The process of estimating reserves requires complex judgments and decision-making based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable oil, natural gas reserves and synthetic crude oil and related future net cash flows, we consider many factors and make assumptions including:

- expected reservoir characteristics based on geological, geophysical and engineering assessments;
- future production rates based on historical performance and expected future operating and investment activities;
- future oil and gas prices and quality differentials;
- assumed effects of regulation by governmental agencies; and
- future development and operating costs.

Our estimates are prepared using standard geological and engineering methods generally accepted by the petroleum industry, and the reserves definitions and standards required by the United States SEC. Generally accepted methods for estimating reserves include volumetric calculations, material balance techniques, production and pressure decline curve analysis, analogy with similar reservoirs, and reservoir simulation. The method or combination of methods used is based on our professional judgment and experience.

Discovered oil and natural gas reserves are generally only produced when they are economically recoverable. As such, oil and gas prices, and capital and operating costs have an impact on whether reserves will ultimately be produced. As required by SEC rules, reserves represent the quantities that we expect to economically recover using existing prices and costs. Estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

Generally, operations are subject to various levels of government controls and regulations. These laws and regulations may include matters relating to land tenure, drilling, production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax, and foreign trade and investment, that are subject to change from time to time. Current legislation is generally a matter of public record, and additional legislation or amendments that will affect reserves or when any such proposals, if enacted, might become effective generally can not be predicted. Changes in government regulations could affect reserves or related economics. In the regions that are currently being evaluated we believe we have applied existing regulations appropriately.

Nexen Estimates

Nexen has represented that estimated proved and probable reserves attributable to the evaluated properties are based on SEC definitions. It represents that its estimates of the reserves attributable to these properties represent approximately 39 percent of its total company proved reserves before royalties and approximately 75 percent of its total company probable reserves before royalties on a equivalent basis and are as follows, expressed in thousands of barrels (mdbl), millions of cubic feet (mmcf) and thousands of barrels of oil equivalent (mboe):

Nexen's estimate of Reserves as of December 31, 2009
Select Canadian Fields Evaluated by McDaniel and Associates
Conventional, CBM, and Long Lake

Nexen Reserves	Synthetic Crude Oil (mboe)	Liquids (mbbl)	Natural Gas (mmcf)	Oil Equivalent (mboe)
Working Interest Reserves (before royalties)				
Proved	318,248	32,036	250,708	392,069
Probable	887,412	18,926	73,718	918,624
Working Interest Reserves (after royalties)				
Proved	290,761	26,517	231,626	355,882
Probable	753,891	16,135	68,170	781,388

Note: Gas is converted to oil equivalent using a factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.

Reserves Audit Opinion

McDaniel has used all procedures and methods that it considers necessary to prepare this report.

In our opinion, the information relating to estimated proved and probable reserves of oil, condensate, natural gas liquids, gas and synthetic crude oil contained in this report has been prepared according to the definitions and disclosure guidelines required by the United States SEC within Paragraphs 932-235-50-4, 932-235-50-6, 932-235-50-7 and 932-235-50-9 of the Accounting Standards Update 932-235-50, Extractive Industries – Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures (January 2010) of the Financial Accounting Standards Board and Rules 4–10(a) (1)–(32) of Regulation S–X and Rules 302(b) and 1201, 1202(a) (1), (2), (3), (4), (5), (8) of Regulation S-K of the Securities and Exchange Commission.

In comparing the detailed proved and proved plus probable reserves estimates prepared by us to those prepared by Nexen, we have found differences, both positive and negative. In our opinion, the proved and proved plus probable reserves for the reviewed properties as estimated by Nexen are, in aggregate when compared to our estimates on the basis of equivalent barrels, reasonable within the established audit tolerance guidelines as set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

The analyses of these properties, as reported herein, were conducted within the context of an audit of a distinct group of properties in aggregate as part of the total corporate level reserves. Extraction and use of these analyses outside of this context may not be appropriate without supplementary due diligence.

McDaniel is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over 50 years. McDaniel does not have any financial interest, including stock ownership, in Nexen. Our fees were not contingent on the results of our evaluation. This letter report has been prepared at the request of Nexen and should not be used for purposes other than those for which it is intended.

This report was prepared by McDaniel & Associates Consultants Ltd. for the exclusive use of Nexen Inc. It is not to be reproduced, distributed, or made available, in whole or in part to any person, company, or organization other than Nexen Inc. without the knowledge and consent of McDaniel & Associates Consultants Ltd. We reserve the right to revise any of the estimates provided herein if any relevant data existing prior to preparation of this report was not made available or if any data provided was found to be erroneous.

If there are any questions, please contact the writer directly at (403) 218-1379.

Sincerely,

McDaniel & Associates Consultants Ltd.

“signed by P. A. Welch”

P. A. Welch, P. Eng.

CC: Mr. David Richardson, P. Eng.
Canadian Oil and Gas,
Division Reserves Manager

Mr. Brad Kopas
Deloitte & Touche LLP

Table 1A
Nexen Fields Evaluated by McDaniel
Canadian Oil and Gas properties, excluding Syncrude
As of December 31, 2009

	BUSINESS UNIT	PROPERTY NAME
1	CBM	CBM - CORBETT
2	CBM	CBM - DORIS
3	CBM	CBM - THUNDER
4	CDN GAS	BALZAC
5	CDN GAS	HATTON
6	CDN GAS	HATTON EAST
7	CDN GAS	MEDICINE HAT
8	HEAVY OIL	CACTUS LAKE
9	HEAVY OIL	COURT
10	HEAVY OIL	MARSDEN
11	HEAVY OIL	SENLAC
12	HEAVY OIL	WINTER
13	LONG LAKE	LONG LAKE Phase 1
14	LONG LAKE	LONG LAKE SOUTH Phase 1

February 8, 2010

Nexen Inc.
801-7th Avenue S.W.
Calgary, AB
T2P 3P7

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

Re: McDaniel & Associates - Report of Third Party for the Syncrude property owned by Nexen Inc.

Ladies and Gentlemen:

Pursuant to your request, McDaniel and Associates (“McDaniel”) has conducted an audit of Nexen Inc.’s (“Nexen”) proved and probable synthetic crude oil reserves in Syncrude Canada Ltd. (“Syncrude”), as of December 31, 2009. Nexen has represented that this property accounts for approximately 32 percent of its total proved reserves (15 percent of its total probable reserves) and 100 percent of its proved reserves (100 percent of its probable reserves) for its Syncrude ownership on an equivalent barrel basis as of December 31, 2009, and that its reserve estimates have been prepared in accordance with the United States’ Securities and Exchange Commission (“SEC”) definitions. We have reviewed information provided to us by Nexen that they represent to be its estimate of the reserves, as of December 31, 2009, for the Syncrude property.

Reserves included herein are expressed as reserves as represented by Nexen. Gross reserves are defined as the total estimated petroleum to be produced from these properties after December 31, 2009. Working interest reserves are defined as that portion of the gross reserves attributable to the interests owned by Nexen after deducting all working interests owned by others. Net reserves are defined as working interest reserves after the deduction of royalties.

Estimates of oil, condensate, and NGL (collectively liquids), natural gas and synthetic crude oil should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Data used in this evaluation were obtained from reviews with Nexen personnel, Nexen files, from records on file with the appropriate regulatory agencies, and from public sources. In the preparation of this report we have relied, without independent verification, upon such information furnished by Nexen with respect to property interests, production from such properties, current costs of operation and development, prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. Furthermore, if in the course of our examination something came to our attention which brought into question the validity or sufficiency of any of such information or data, we did not rely on such information or data until we had satisfactorily resolved our questions relating thereto or had independently verified such information or data. A field examination of the properties was not considered necessary for the purposes of this report.

Methodology and Procedures

The process of estimating reserves requires complex judgments and decision-making based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable oil, synthetic crude oil and natural gas reserves and related future net cash flows, many factors and make assumptions are considered, including:

- expected reservoir characteristics based on geological, geophysical and engineering assessments;
- future production rates based on historical performance and expected future operating and investment activities;
- future oil and gas prices and quality differentials;
- assumed effects of regulation by governmental agencies; and
- future development and operating costs.

Generally accepted methods for estimating reserves include volumetric calculations, material balance techniques, production and pressure decline curve analysis, analogy with similar reservoirs, and reservoir simulation.

We have performed our audit by reviewing the estimates, assumptions, supporting working papers and other data underlying the reserves estimate prepared by Nexen. We have audited to the standard geological and engineering methods generally accepted by the petroleum industry, and the reserves definitions and standards required by the United States SEC. Our assessment of the method or combination of methods used in a reserves estimate is based on our professional judgment and experience.

Discovered oil and natural gas reserves are generally only produced when they are economically recoverable. As such, oil and gas prices, and capital and operating costs have an impact on whether reserves will ultimately be produced. As required by SEC rules, reserves represent the quantities that we expect to economically recover using existing prices and costs. Estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

Generally, operations are subject to various levels of government controls and regulations. These laws and regulations may include matters relating to land tenure, drilling, production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax, and foreign trade and investment, that are subject to change from time to time. Current legislation is generally a matter of public record, and additional legislation or amendments that will affect reserves or when any such proposals, if enacted, might become effective generally can not be predicted. Changes in government regulations could affect reserves or related economics. In the region that is currently being audited we believe Nexen has applied existing regulations appropriately.

Nexen Estimates

Nexen has represented that estimated proved and probable reserves attributable to the evaluated properties are based on SEC definitions. It represents that its estimates of the reserves attributable to this property represent approximately 32 percent of its total company proved reserves before royalties and approximately 4 percent of its total company probable reserves before royalties on a equivalent basis and are as follows, expressed in thousands of barrels (mdbl) and thousands of barrels of oil equivalent (mboe):

Nexen's estimate of Syncrude Reserves as of December 31, 2009

Nexen Reserves	Synthetic Crude Oil (mboe)	Liquids (mdbl)	Natural Gas (mmcf)	Oil Equivalent (mboe)
Working Interest Reserves (before royalties)				
Proved	323,935			323,935
Probable	46,326			46,326
Working Interest Reserves (after royalties)				
Proved	288,352			288,352
Probable	40,711			40,711

Reserves Audit Opinion

McDaniel has used all procedures and methods that it considers necessary to prepare this report.

In our opinion, the estimates of proved and probable reserves of synthetic crude oil contained in this report has been prepared according to the definitions and disclosure guidelines required by the United States SEC within Paragraphs 932-235-50-4, 932-235-50-6, 932-235-50-7 and 932-235-50-9 of the Accounting Standards Update 932-235-50, Extractive Industries – Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures (January 2010) of the Financial Accounting Standards Board and Rules 4–10(a) (1)–(32) of Regulation S–X and Rules 302(b) and 1201, 1202(a) (1), (2), (3), (4), (5), (8) of Regulation S–K of the Securities and Exchange Commission.

In our opinion, the proved and proved plus probable reserves for the reviewed property as estimated by Nexen are reasonable within the established audit tolerance guidelines as set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

The analysis of this property, as reported herein, was conducted within the context of an audit in aggregate as part of the total corporate level reserves. Extraction and use of this analysis outside of this context may not be appropriate without supplementary due diligence.

McDaniel is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over 50 years. McDaniel does not have any financial interest, including stock ownership, in Nexen. Our fees were not contingent on the results of our audit. This letter report has been prepared at the request of Nexen and should not be used for purposes other than those for which it is intended.

This report was prepared by McDaniel & Associates Consultants Ltd. for the exclusive use of Nexen Inc. It is not to be reproduced, distributed, or made available, in whole or in part to any person, company, or organization other than Nexen Inc. without the knowledge and consent of McDaniel & Associates Consultants Ltd. We reserve the right to revise any of the estimates provided herein if any relevant data existing prior to preparation of this report was not made available or if any data provided was found to be erroneous.

If there are any questions, please contact the writer directly at (403) 218-1378.

Sincerely,

McDaniel & Associates Consultants Ltd.

“signed by B. H. Emslie”

B. H. Emslie, P. Eng.
Senior Vice President

CC: Mr. B Frasson, P. Eng., MBA
Director – Syncrude Investment

Mr. Brad Kopas
Deloitte & Touche LLP

February 22, 2010

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

Board of Directors:

We hereby consent to references to McDaniel & Associates Consultants Ltd. 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 Annual Report on Form 10-K for the year ended December 31, 2009, of Nexen Inc. (the Form 10-K) and to the use of our two Report of Third Party letter reports dated February 8, 2010, concerning our evaluation of certain Canadian oil and gas properties owned by Nexen Inc. and our audit of Nexen Inc.’s Syncrude property ownership which are included as exhibits in the Form 10-K.

Sincerely,

McDaniel & Associates Consultants Ltd.

/s/ P. A. Welch

P. A. Welch, P. Eng.

NEXEN INC.

**Report of Third Party
For Certain Properties
Located in the
United States Gulf of Mexico**

SEC Parameters

**As of
December 31, 2009**

/s/ Richard J Savoie

Richard J. Savoie, P.E.
TBPE License No. 405.8
Senior Vice President

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

[SEAL]



RYDER SCOTT COMPANY

PETROLEUM CONSULTANTS

TBPE REGISTERED ENGINEERING FIRM F-1580
1100 LOUISIANA SUITE 3800

HOUSTON, TEXAS 77002-5218

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

January 29, 2010

Nexen Inc.
801-7th Avenue S.W.
Calgary, AB
T2P 3P7

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

Re: Ryder Scott Company L.P. – Report of Third Party for certain properties located in the United States Gulf of Mexico with interests owned by Nexen Inc.

Ladies and Gentlemen:

Pursuant to your request, Ryder Scott Company L.P. (Ryder Scott) has conducted an independent evaluation of Nexen Inc.'s ("Nexen") proved and probable oil, natural gas liquids ("NGL"), and gas reserves for certain properties owned by Nexen in the United States Gulf of Mexico Shelf and Deep Water. The properties evaluated are listed in Table 1A. Nexen has represented that these properties account for 4.5 percent of its total company proved reserves and 1.9 percent of its total company probable reserves on an equivalent barrel basis as of December 31, 2009, and that its reserve estimates have been prepared in accordance with the United States Securities and Exchange Commission ("SEC") definitions. We have reviewed information provided to us by Nexen that they represent to be its estimate of the reserves, as of December 31, 2009, for the same properties as those which we evaluated.

The proved and probable reserves included herein are expressed as reserves as represented by Nexen. Gross reserves are defined as the total estimated petroleum to be produced from these properties after December 31, 2009. Working interest reserves are defined as that portion of the gross reserves attributable to the interests owned by Nexen after deducting all working interests owned by others. Net reserves are defined as working interest reserves after the deduction of royalties.

Estimates of oil, condensate, and NGL (collectively "Liquids"), and natural gas reserves should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Data used in this evaluation were obtained from reviews with Nexen personnel, Nexen files, from records on file with the appropriate regulatory agencies, and from public sources. In the preparation of this report we have relied, without independent verification, upon such information furnished by Nexen with respect to property interests, production from such properties, current costs of operation and development, prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. Furthermore, if in the course of our examination something came to our attention which brought into question the validity or sufficiency of any of such information or data, we did not rely on such information or data until we had satisfactorily resolved our questions relating thereto or had independently verified such information or data. A field examination of the properties was not considered necessary for the purposes of this report.

Methodology and Procedures

The process of estimating reserves requires complex judgments and decision-making based on available geological, geophysical, engineering and economic data. To estimate the economically recoverable oil and natural gas reserves and related future net cash flows, we consider many factors and make assumptions including:

- reservoir characteristics based on geological, geophysical and engineering assessments;
- future production rates based on historical performance and expected future operating and investment activities;
- quality differentials and hydrocarbon prices as required by SEC guidelines;
- assumed effects of regulation by governmental agencies; and
- future development and operating costs.

Our estimate is prepared using standard geological and engineering methods generally accepted by the petroleum industry, and the reserves definitions and standards required by the United States SEC. Generally accepted methods for estimating reserves include volumetric calculations, material balance techniques, production and pressure decline curve analysis, analogy with similar reservoirs, and reservoir simulation. The method or combination of methods used is based on our professional judgment and experience.

Discovered oil and natural gas reserves are generally only produced when they are economically recoverable. As such, oil and gas prices, and capital and operating costs have an impact on whether reserves will ultimately be produced. As required by SEC rules, reserves represent the quantities that we expect to economically recover using existing prices and costs. Estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

Generally, operations are subject to various levels of government controls and regulations. These laws and regulations may include matters relating to land tenure, drilling, production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax, and foreign trade and investment, that are subject to change from time to time. Current legislation is generally a matter of public record, and additional legislation or amendments that will affect reserves or when any such proposals, if enacted, might become effective generally can not be predicted. Changes in government regulations could affect reserves or related economics. In the regions that are currently being evaluated we believe we have applied existing regulations appropriately.

Nexen Estimates

Nexen has represented that estimated proved and probable reserves attributable to the evaluated properties are based on SEC definitions. It represents that its estimates of the reserves attributable to these properties represent 4.5 percent of its total company proved reserves and 1.9 percent of its total company probable reserves on a equivalent basis are as follows, expressed in thousands of barrels (mbbl), millions of cubic feet (mmcf) and thousands of barrels of oil equivalent (mboe):

**Nexen's Estimate of Reserves as of December 31, 2009
Selected Gulf of Mexico Properties Evaluated by Ryder Scott Company L.P.**

	Liquids (mdbl)	Natural Gas (mmcf)	Oil Equivalent (mboe)
Working Interest Reserves(before royalties)			
Total Proved	18,178	167,015	46,013
Total Probable	6,625	99,022	23,128
Working Interest Reserves (after royalties)			
Total Proved	16,175	145,876	40,488
Total Probable	5,848	84,704	19,965

Note: Natural gas is converted to oil equivalent using a factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.

Reserves Audit Opinion

At Nexen's request, we have compared the proved and probable reserves independently evaluated by us to the reserves prepared by Nexen according to the definitions and disclosure guidelines required by the United States SEC contained in the Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, released January 14, 2009 in the Federal Register ("SEC definitions") and the Accounting Standards Update 2010-3 Amendments to Topic 932 ("ASU Topic 932") published by the Financial Accounting Standards Board ("FASB") in the FASB Accounting Standards Codification.

In our opinion, the estimated reserves prepared by Nexen referred to above for the properties reviewed comply with the SEC definitions and ASU Topic 932. In comparing the detailed proved and proved plus probable reserves evaluated by us to those prepared by Nexen, we have found differences, both positive and negative. In our opinion, the proved and proved plus probable reserves for the reviewed properties as estimated by Nexen are, in aggregate, when compared to our estimates on the basis of equivalent barrels, reasonable within the established audit tolerance guidelines as set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

Ryder Scott has used all procedures and methods that it considers necessary to prepare this report. Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over seventy years. Ryder Scott does not have any financial interest, including stock ownership, in Nexen. Our fees were not contingent on the results of our evaluation.

The professional qualifications for Mr. Richard J. Savoie, the technical person primarily responsible for estimating and auditing the reserves information discussed in this letter report, are included as an attachment to this letter.

This letter report has been prepared at the request of Nexen and should not be used for purposes other than those for which it is intended.

Sincerely,

RYDER SCOTT COMPANY L.P.
TBPE Firm Registration No. F-1580

/s/ Richard J Savoie

Richard J. Savoie, P. E.
TBPE License No. 40538
Senior Vice President

[SEAL]

cc: Mr. Steve Aeschbach
Reserves Manager
Nexen Petroleum U.S.A. Inc.

Mr. Brad Kopas
Deloitte & Touche LLP

Table 1A
Nexen Fields Evaluated by Ryder Scott Company L.P.
United States: Gulf of Mexico properties
As of December 31, 2009

Shelf Properties

Eugene Island 18
Eugene Island 255-57-58
Eugene Island 259
Eugene Island 295
High Island 582
Cote de Mer

South Marsh Island 257
Vermilion 76
Vermilion 302/321
Vermilion 339/340
West Cameron 170

Deep Water Properties

Aspen
Dawson
Garden Banks 205
Mississippi Canyon 72
Green Canyon 6
Green Canyon 137

Knotty Head
Longhorn
Gunnison
Green Canyon 50
Tobago
Wrigley

Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Mr. Richard J. Savoie is the primary technical person responsible for the estimate of the reserves, future production, and income presented herein.

Mr. Savoie, an employee of Ryder Scott Company L.P. (Ryder Scott) since 1997, is a Senior Vice President and also serves as an Engineering Group Coordinator responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Savoie served in a number of engineering positions with Shell Oil Company, Union Texas Petroleum, Kaneb Operating Company, Ltd., Amax Oil and Gas, Inc., and Amerac Energy Corporation. For more information regarding Mr. Savoie's geographic and job specific experience, please refer to the Ryder Scott Company website at <http://www.ryderscott.com/Experience/Employees.php>.

Mr. Savoie earned a Bachelor of Science degree in Petroleum Engineering from Louisiana State University in 1968 and is a registered Professional Engineer in the State of Texas. He is also a member of the Society of Petroleum Engineers.

In addition to gaining experience and competency through prior work experience, the Texas Board of Professional Engineers requires a minimum of fifteen hours of continuing education annually, including at least one hour in the area of professional ethics, which Mr. Savoie fulfills. As part of his 2009 continuing education hours, Mr. Savoie attended an internally presented eight hours of formalized training as well as a day long public forum relating to the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. Mr. Savoie attended an additional twenty-five hours of formalized in-house training as well as an additional twenty two hours of formalized external training during 2009 covering such topics as the SPE/WPC/AAPG/SPEE Petroleum Resources Management System, reservoir engineering, geoscience and petroleum economics evaluation methods, procedures and software and ethics for consultants.

Based on his educational background, professional training and more than forty years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Savoie has attained the professional qualifications as a Reserves Estimator and Reserves Auditor set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.



RYDER SCOTT COMPANY
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1100 LOUISIANA SUITE 3800 HOUSTON, TEXAS 77002-5218

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

February 22, 2010

We hereby consent to references to Ryder Scott Company L.P. 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 Annual Report on Form 10-K for the year ended December 31, 2009, of Nexen Inc. (the Form 10-K) and to the use of our Report of Third Party letter report dated January 29, 2010, concerning our evaluation of certain oil and gas properties of Nexen Inc. located in the United States Gulf of Mexico, which are included as exhibits in the Form 10-K.

/s/ Ryder Scott Company L.P.

RYDER SCOTT COMPANY L.P.
TBPE Firm Registration No. F-1580

EXHIBIT 31.1

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 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 25, 2010
/s/ Marvin F. Romanow
Marvin F. Romanow
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Kevin J. Reinhart, 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 25, 2010

/s/ Kevin J. Reinhart

Kevin J. Reinhart

Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PERIODIC REPORT

I, Marvin F. Romanow, 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, 2009 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 25, 2010
/s/ Marvin F. Romanow
Marvin F. Romanow
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, Kevin J. Reinhart, Senior 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, 2009 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 25, 2010
/s/ Kevin J. Reinhart
Kevin J. Reinhart
Senior 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, 2009. The reserves data consist of the following:
 - (a) proved oil and gas reserve quantities estimated as of the last day of the Company's most recently completed financial year using existing economic conditions,
 - (b) the related standardized measure; and
 - (c) probable oil and gas reserve quantities estimated as of the last day of the Company's most recently completed financial year using existing economic conditions.

(both (a) and (b) form part of the "Oil and Gas Reserve Estimation and Disclosures" set out in FASB Topic 932 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

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

February 17, 2010