

PERFORMANCE REVIEW

(Cdn\$ millions, except as noted)	2010	2009	2008	2007	2006
Highlights					
Average WTI Oil Price (US\$/bbl)	79.52	61.80	99.65	72.31	66.22
Net Sales ¹	5,411	4,203	6,576	5,583	3,936
Cash Flow from Operations ^{2,3}	2,130	2,215	4,229	3,458	2,669
Per Common Share (\$/share)	4.06	4.25	8.04	6.56	5.09
Net Income	1,197	536	1,715	1,086	601
Per Common Share (\$/share)	2.28	1.03	3.26	2.06	1.15
Capital Expenditures, Including Acquisitions	2,702	3,578	3,203	3,524	3,536
Proceeds from Dispositions	1,262	17	6	4	27
Production ^{4,5}					
Production Before Royalties (mboe/d)	246	243	250	254	212
Production After Royalties (mboe/d)	220	213	210	207	156
Financial Position					
Working Capital	1,228	2,398	2,503	412	476
Property, Plant and Equipment, Net	15,249	15,492	14,922	12,498	11,739
Total Assets	21,907	22,900	22,155	18,075	17,156
Net Debt ⁶	4,074	5,551	4,575	4,404	4,730
Long-Term Debt	5,079	7,251	6,578	4,610	4,673
Equity ⁷	8,791	7,646	7,191	5,610	4,636
Shares and Dividends					
Common Shares Outstanding (millions)	525.7	522.9	519.4	528.3	525.0
Number of Registered Common Shareholders	1,745	1,725	1,624	1,569	1,454
Closing Common Share Price (TSX) (Cdn\$/share)	22.80	25.22	21.45	32.10	32.10
Dividends Declared per Common Share (Cdn\$/share)	0.20	0.20	0.175	0.10	0.10
Cash Flow from Operations ^{2,3}					
Oil and Gas					
United Kingdom	2,769	2,159	3,308	2,101	477
Canada	(28)	130	389	179	229
Syncrude	279	192	400	319	240
United States	262	140	508	480	573
Yemen ⁸	355	345	638	664	877
Other Countries	15	31	133	87	94
	3,652	2,997	5,376	3,830	2,490
Marketing	(45)	256	(356)	73	432
Chemicals	61	102	85	90	83
	3,668	3,355	5,105	3,993	3,005
Interest and Other Corporate Items	(572)	(512)	(292)	(350)	(254)
Income Taxes	(966)	(628)	(584)	(185)	(82)
Total Cash Flow from Operations	2,130	2,215	4,229	3,458	2,669

¹ Represents net sales from continuing operations.

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

³ For reconciliation of this non-GAAP measure, please see our year-end press release dated February 16, 2011 or our Management's Discussion and Analysis.

⁴ Production is Nexen's working interest share and includes our share of production from Syncrude.

⁵ Natural gas is converted at 6 mcf per equivalent barrel of oil.

⁶ Net debt is defined as long-term debt and short-term borrowings less cash and cash equivalents.

⁷ Effective 2008, Canexus non-controlling interests are included in Equity.

⁸ Includes in-country cash taxes in Yemen.

	2010	2009	2008	2007	2006
Production Before Royalties					
Crude Oil and NGLs (mmbbls/d)					
United Kingdom	104.9	98.0	99.7	81.2	16.9
Canada	7.5	14.6	16.2	17.1	20.0
Long Lake Bitumen	15.9	7.9	3.9	–	–
Syncrude	21.2	20.2	20.9	22.1	18.7
United States	9.9	10.5	9.3	16.4	17.0
Yemen	41.3	49.9	56.6	71.6	92.9
Other Countries	2.1	3.5	5.8	6.2	6.3
	202.8	204.6	212.4	214.6	171.8
Natural Gas (mmcf/d)					
United Kingdom	35	24	18	16	20
Canada	126	139	131	118	108
United States	99	65	78	101	111
	260	228	227	235	239
Total Production Before Royalties (mboe/d)	246	243	250	254	212
Production After Royalties					
Crude Oil and NGLs (mmbbls/d)					
United Kingdom	104.8	98.0	99.7	81.2	16.9
Canada	5.8	11.4	12.3	13.4	15.8
Long Lake Bitumen	15.1	7.9	3.9	–	–
Syncrude	19.6	18.6	18.2	18.8	16.9
United States	9.0	9.5	8.1	14.5	15.0
Yemen	23.1	29.8	30.6	39.8	51.8
Other Countries	1.9	3.2	5.3	5.7	5.7
	179.3	178.4	178.1	173.4	122.1
Natural Gas (mmcf/d)					
United Kingdom	35	24	18	16	20
Canada	116	128	109	98	91
United States	94	57	66	86	94
	245	209	193	200	205
Total Production After Royalties (mboe/d)	220	213	210	207	156
Oil and Gas Cash Netback Before Royalties¹ (\$/boe)					
Producing Assets					
United Kingdom	68.27	59.06	87.70	67.85	55.53
Canada	16.73	16.07	32.97	20.07	22.87
Long Lake	(26.67)	–	–	–	–
Syncrude	38.22	29.00	53.83	41.94	37.86
United States	33.78	28.80	56.42	42.28	40.42
Yemen	24.16	20.55	31.11	25.52	26.35
Other Countries	64.47	48.50	86.58	61.94	57.71
Company-Wide Oil and Gas	44.38	38.55	60.64	43.22	32.75

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

2010 RESERVES CONTINUITY

We had a successful 2010 capital investment program. We invested \$2.5 billion in our oil and gas activities and added 101 million boe of proved reserves. These additions replaced 114% of our production and the conventional reserves replacement ratio of 105% was our best in four years.

(mmboe)	Canada										Total	
	North Sea		Yemen	Other Intl	United States		Other		Insitu			
	Oil	Gas	Oil	Oil	Oil	Gas	Oil	Gas	Synthetic	Synthetic		
Proved Reserves¹												
December 2009	169	3	23	43	22	28	37	44	318	324		1,011
Extensions & Discoveries	35	5	–	1	–	–	–	16	3	8		68
Acquisitions	1	–	–	–	–	–	–	–	–	–		1
Divestments	–	–	–	–	–	–	(34)	(2)	–	–		(36)
Revisions	26	5	6	(1)	1	–	–	(2)	(3)	–		32
Net Additions	62	10	6	–	1	–	(34)	12	–	8		65
Production	(38)	(2)	(16)	(1)	(4)	(6)	(3)	(7)	(4)	(8)		(89)
December 2010	193	11	13	42	19	22	–	49	314	324		987
Probable Reserves¹												
December 2009	159	10	4	45	7	17	27	14	888	46		1,217
Extensions & Discoveries	3	3	–	–	–	–	–	17	–	8		31
Acquisitions	4	–	–	–	–	–	–	–	–	–		4
Divestments	–	–	–	–	–	–	(27)	(2)	–	–		(29)
Revisions	(1)	2	1	(5)	1	(2)	–	(3)	(3)	–		(10)
Net Additions	6	5	1	(5)	1	(2)	(27)	12	(3)	8		(4)
Conversions	(57)	(5)	(3)	(1)	(1)	(2)	–	–	(3)	(8)		(80)
December 2010	108	10	2	39	7	13	–	26	882	46		1,133
Proved + Probable Reserves¹												
December 2009	328	13	27	88	29	45	64	58	1,206	370		2,228
Extensions & Discoveries	38	8	–	1	–	–	–	33	3	16		99
Acquisitions	5	–	–	–	–	–	–	–	–	–		5
Divestments	–	–	–	–	–	–	(61)	(4)	–	–		(65)
Revisions	25	7	7	(6)	2	(2)	–	(5)	(6)	–		22
Net Additions	68	15	7	(5)	2	(2)	(61)	24	(3)	16		61
Conversions	(57)	(5)	(3)	(1)	(1)	(2)	–	–	(3)	(8)		(80)
Production	(38)	(2)	(16)	(1)	(4)	(6)	(3)	(7)	(4)	(8)		(89)
December 2010	301	21	15	81	26	35	–	75	1,196	370		2,120

¹ We internally evaluate all of our reserves and have at least 80% of our proved and probable reserves assessed by independent qualified consultants each year; 99% of which were assessed this year. Our reserves are also reviewed and approved by our Board of Directors. Reserves represent our working interest before royalties using SEC rules which are based on average 2010 prices held constant. Gas is converted to equivalent oil at a 6:1 ratio. For more information on our reserves, see our 2010 Annual Information Form at www.nexeninc.com or www.sedar.com.