

Nexen - Policies and Procedures

Anti-Trust

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POLICY

It is the policy of the Company to conduct its activities within the United States of America in compliance with all that country's Federal and State antitrust laws including, without limitation, the Sherman Act, 26 Stat. 290, as am., 15 U.S.C. All proposed acquisitions shall be reviewed by the Senior Vice-President, General Counsel and Secretary (or his designee). Any proposed course of action that may violate these antitrust laws must be reviewed in advance by the Vice-President and General Counsel of Nexen Petroleum U.S.A. Inc., who will consult with the Company's Senior Vice-President, General Counsel and Secretary (or his designee). If there is any doubt as to the legality of a proposed action, legal counsel should be consulted in advance.

PROCEDURES

Restricted Activities

1. Horizontal price fixing between competitors is always illegal *per se*. Do not become a party to any arrangement, agreement or understanding with a competitor establishing prices, terms, shipping arrangements or transportation charges. Even an implied arrangement for the exchange of information among sellers as to prices charged to individual customers may be illegal, if the effect on price behavior is comparable to price fixing.
2. Do not agree to allocate or limit production or customers or to divide a market or territory with a competitor.
3. Do not engage in boycotts, bid-rigging (i.e., requesting or giving complementary bids, where there is no intent to

compete) or any other forms of collusive bidding.

4. Do not enter into any arrangement with a competitor to exclude a third party from any line of business.

5. Do not enter into any arrangement with a supplier under which it agrees not to sell to the Company's competitors.

6. Do not require any customer, as a condition of a sale, to deal exclusively with the Company, to such an extent as to deprive any of the Company's competitors of a substantial market, to lessen competition, or to tend to create a monopoly.

7. Do not require any buyer of one product, as a condition of purchase, to buy another product from the Company, rather than from some other supplier. Such tying arrangements are justifiable only in certain specific circumstances.

8. Do not enter into any total requirements sales contract, unless (a) the period of time covered is relatively short; (b) the share of the relevant market covered is insignificant and there is no trend to concentration in the industry; and (c) economic justification can be shown.

9. Do not sell products of equal grade and quality at different prices to different buyers who are in competition with each other, or who sell to buyers in competition with each other, unless the price differences are justified by (a) cost differences; (b) changing conditions affecting the market price for or the marketability of the goods; or (c) the necessity to meet the lower price of a competitor.

10. Do not request or receive any discriminatory price arrangement, and do not offer any discriminatory advertising allowances or other services, if this results in injury to competitors.

11. In general, it is illegal for any company that is a

major factor in a market to engage in coercive or mutual reciprocity by express or implied agreement.

12. No business that has achieved the Company's size and position should engage in predatory pricing or operate so as to improperly exclude competitors or to obtain an unfair competitive advantage.

13. Do not acquire suppliers, customers or competitors for the purpose of developing a monopoly or acquire all or any part of the stock or assets of any corporation, if the acquisition might substantially lessen competition or tend toward monopoly.

In this regard, the Hart-Scott-Rodino Act prohibits any person with substantial assets or sales from acquiring voting securities or assets from another person with substantial assets or sales unless the parties first notify the Department of Justice and the Federal Trade Commission of the proposed transaction and comply with the applicable statutory waiting period which varies from ten to thirty days. These procedures must be followed when the company on one side of the transaction has assets or annual net sales of at least \$10,000,000.00 and the party on the other side of the transaction has at least \$100,000,000.00 in assets and annual net sales and if the acquisition would result in the purchaser's then holding at least \$15,000,000.00 of the seller's voting securities or assets or if the acquisition would result in the purchaser's acquired control of a party with at least \$25,000,000.00 in sales or assets. There are many exemptions to the reporting requirement including: (1) acquisitions of goods or realty transferred in the ordinary course of business; (2) acquisition of voting securities solely for the purpose of investment if they do not exceed 10% of the outstanding voting securities of the issuer; and (3) certain intraperson transactions such as mergers of subsidiaries, repurchases of a corporation's own stock, and creation of wholly owned subsidiaries, all of which involve acquiring and acquired entities with the same

parent.

14. Do not participate in any convention, meeting of a trade association or business or social conversation that involves discussion of possible entry into an illegal arrangement.

Enforcement

1. The Senior Vice-President, General Counsel and Secretary shall continue to have the overall direct responsibility (the operational responsibility for which may be delegated only to senior members of management and legal staff) for the implementation, communication, supervision, monitoring and enforcement of this policy; and for the development of a program to receive, investigate and resolve any employee complaints regarding policy violations.

2. Each employee shall have the right to report a violation of this policy, in a confidential manner and without fear of retribution, to his or her immediate supervisor or department head, who shall report same immediately to the Vice-President and General Counsel of Nexen Petroleum U.S.A. Inc. (the Compliance Officer). If the employee believes that such a report would be ineffective under the particular circumstances, he or she shall be free to report the violation directly to the Compliance Officer.

3. All investigations of reports of policy violations shall be handled in a confidential and consistent manner, and both disciplinary and corrective measures shall be taken where warranted.

4. The Compliance Officer shall be responsible for the following:

a) Providing legal advice on the enforcement of this policy to all employees.

b) Promptly investigating each suspected policy violation and submitting a timely report thereon to the

Senior Vice-President, General Counsel and Secretary of the Company.

c) Disseminating this policy to all employees, providing twice yearly reminders and providing information seminars and other educational programs periodically to inform employees of the scope and requirements of United States Anti-Trust law, and reviewing and updating this policy on a periodic basis as may be required.

d) Submitting an annual report on the enforcement of this policy to the Senior Vice-President, General Counsel and Secretary of the Company, with a copy to the President and Chief Executive Officer.

5. The Compliance Officer's principal responsibilities shall be to provide a means, when necessary, for any policy violation to be reported directly to the Senior Vice-President, General Counsel and Secretary of the Company and to maintain consistent standards for the enforcement of this policy throughout the Company's operations. The senior executive or operating officer of any group or division who becomes aware of a policy violation shall report same, together with a recommended resolution, to the Compliance Officer. The Compliance Officer, after any appropriate consultation with the Senior Vice-President, General Counsel and Secretary of the Company and other members of management, will provide prompt guidance and direction to industry group or division management as to the consistent and equitable enforcement of this policy.