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April 22, 2008

Via E-Mail

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorite des marches financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario
M5H 3S8
By Email: jstevenson@osc.gov.on.ca

and

c/o Madame Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec
H4Z 1G3
By Email: consultation-en-cours@lautorite.qc.ca

Dear Mr. Stevenson and Madame Beaudoin,

Re: Proposed Repeal and Substitution of Form 51-101F6 Statement of Executive Compensation - Request for Comment

We are writing in regard to the proposed amendments to the Canadian executive compensation rules.

Nexen is a foreign private issuer and has been a voluntary 10-K filer in the US for many years. We revised our 2006 compensation disclosure to comply with newly-issued SEC rules where possible and expanded our 2007 compensation disclosure in the direction that we felt the Canadian rules were progressing. We commented on the 2007 Proposal and would like to applaud the time taken by the CSA to thoughtfully assess and respond to the needs and voices of the Canadian marketplace. In evaluating the newly proposed amendments, we encourage greater attention to the balance between the value of specific disclosures and the associated costs to reporting issuers and shareholders.

Minor comments mainly directed at improved clarity are attached (see Attachment 1). Specific comments on the 2008 Proposal are as follows:

Determining Named Executive Officers (NEOs)

The inclusion of amounts resulting from a termination in the calculation used to determine NEOs may have the unintended consequence of requiring that some companies report for people who are not and never would have been NEOs but for the inclusion of a termination payment. The Summary Compensation Table (SCT) and related disclosure could potentially include a number of terminated officers in addition to the five NEOs. Based on this inclusion of additional personnel, some companies may also be required to extend tracking and comparison processes and potentially expand disclosure on items like perquisites in order to provide required, but not particularly valuable, information to shareholders. Transparency on termination philosophies and arrangements is most appropriately captured under its current heading and should not form a step in the process of determining who will be an NEO. We recommend the exclusion of termination benefits and payments from the calculation used for NEO determination.

Perquisites

Some of the perquisite requirements provide little increased value to investors and are expensive and onerous for companies to track.

- We reiterate our assertion that the threshold for reporting aggregate perquisites should be a single brightline test. The 2008 Proposal has lowered the threshold with the elimination of the reference to bonus, resulting in a threshold that provides a moving target for salaries under $500,000. This may be further impacted by a larger number of NEOs being reported due to termination arrangements as noted above. The burden imposed on companies to track perquisites to these moving thresholds does not equal the value of reporting associated immaterial amounts to shareholders.

- This is further exaggerated considering the requirement to track each perquisite that exceeds 25% of the total perquisites reported. A single threshold, even if a lower amount, would be easier to manage and does not compromise the information available for investor analysis.

- Under the 2008 Proposal, a company must only disclose perquisites that are not generally available to all employees. As such, the reference to 'all employees' within the related commentary is inconsistent and we recommend adding the word 'generally' as shown below:

  > If the company concludes that an item is not integrally and directly related to performing the job, consider whether the item provides an NEO with any direct or indirect personal benefit. If it does, the item is a perquisite, whether or not it is provided for a business reason or for the company's convenience, unless it is <u>generally</u> available on a non-discriminatory basis <u>to all employees</u>.

Time Estimates

As previously communicated, we have estimated Nexen's cost of compliance with new disclosure requirements to be in the range of at least two-thirds to one person-year (1200-1800 hours). The cost relates to legal, governance, human resources and accounting professionals as well as senior management. Being one of the Canadian companies to expand disclosure in 2007 based on SEC rules, we feel that our cost of compliance is an important consideration for the Canadian marketplace. Reference to monetary costs and hours of work required form a foundational element in the assessment of cost versus benefit and it is important for each stakeholder to have a well-formed understanding of the full impact of the proposed changes. Our information should be provided in the discussion of the proposed rules.

Timeline

It is imperative that the final Canadian rules be released no later than mid-August if they are to be effective for the 2008 reporting period. It is challenging for companies to prepare, refine and finalize new disclosures in a manner that is clear and understandable for investors. It will be even more challenging for companies if system implementations must take place to track lower thresholds of perquisites on a retroactive basis.

Thank you for the opportunity to comment on the proposed amendments to National Instrument 51-102F6. If you have any questions, please contact me at (403) 699.5339, Rick Beingessner, Vice President and General Counsel, Corporate, at (403) 699.4434 or Sylvia Groves, Chief Governance Advisor and Assistant Secretary, at (403) 699.5291.

Yours truly,

/s/ Eric B. Miller

Eric B. Miller
Vice President, General Counsel and Secretary

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Attachment 1

Benchmarking

It is our understanding that all companies included in the benchmark and selection criteria are to be included in disclosure. Therefore, we recommend removing the word 'certain' from the following requirement under item 2.1 (3):

> Where relevant, explain how the peer group sample was formed and why ~~certain~~ companies were included in the group.

Summary Compensation Table

The change of column sequence in the SCT results in the interruption of a long-standing visual link between salary and bonus to which investors are accustomed. We feel that the presentation of salary and bonus side-by-side is likely the most relevant information an investor wishes to analyze and that the pairing is a convenient and established practice. The split of long-term and annual compensation unnecessarily complicates the ability to make quick references and structures the data in a format that is more difficult to analyze.

Other post-retirement benefits

We request that the post-retirement benefits in the SCT under the column titled 'All Other Compensation' be defined, including clarification of the valuation methodology that should be applied.

Officers who also act as directors

We are pleased with the change in the 2008 Proposal which eliminates the duplicate reporting requirement for an NEO who also serves as a director.

Value on pay-out or vesting of incentive plan awards

The title heading for column (b) in the above-noted table should reflect 'exercise' instead of 'vesting' as follows:

> Option Awards – Value during the year on exercise

Defined contribution pension reporting

Under the proposed rules there is a requirement to disclose accumulated DC pension account balances. We believe this information is not relevant to the understanding of compensation decisions made by the organization. The account balances are significantly affected by the investment decisions made by the individuals. In addition, the balances are often affected by the transfer in of monies from another pension arrangement external to the organization. The only relevant disclosure is the company contributions to the account and the above-market earnings provided.

Annual benefit payable at age 65 under defined benefit plans

Changes to the 2008 Proposal require the reporting of annual benefits payable under a defined benefit plan at age 65. While we agree with the need to clarify the point at which pension benefits are defined, we suggest disclosure would be more meaningful if the reporting requirement was defined as the earliest unreduced retirement age rather than a specific age of 65. This approach would allow companies to maintain consistency with the retirement age specified by plan terms. Also, the proposed age 65 is more typically the normal retirement age and not the earliest unreduced retirement age. The latter age is more indicative of when employees retire and therefore reporting benefits to the normal retirement age has the potential to reflect benefits that would never occur.

Termination and change of control benefits

We suggest that disclosure on termination arrangements should target applicable scenarios and significant payments within these defined scenarios instead of the four standard scenarios proposed: termination, resignation, retirement and change of control. In many cases, specific scenarios are not applicable and would result in a report of zeros as there is no incremental compensation resulting from the event. For example, if a Nexen NEO who is over the age of 55 and has 10 years of service resigns, the termination is deemed retirement and there would be no additional information to disclose. The 2008 Proposal requires quantified disclosure on four scenarios, even if not applicable.

Related disclosure in Nexen's 2008 Management Proxy Circular provides descriptive actions for each termination scenario and tabular formats to capture significant payments. We attach an excerpt of the section titled 'Termination Arrangements' for reference and consideration. We feel that this format provides better information to investors, as it is reflective of company practice and relays relevant information (i.e. we have disclosed the continuation of monthly health care premiums in descriptive form, but do not report the value, which is minimal and no different than for other employees).

ALL OTHER COMPENSATION

The total value of perquisites provided to any executive was less than $50,000 and less than 10% of the executive's total annual salary plus bonus in 2007. Certain perquisites shown below are at the maximum reimbursable amount available to executives. This maximum is often higher than what the executive actually claimed in the year. These perquisites are not available to the broader employee population.

	Perquisites			Other Compensation					
Name	Car Allowance	Other Perquisites [1]	Total	Life Insurance Premiums	Savings Plan Contributions	Amounts Paid by Canexus [2]	US Pension Contributions	Total	Total All Other Compensation
Fischer	31,200	10,500	41,700	1,440	76,500	–	–	77,940	119,640
Romanow	19,200	7,100	26,300	535	33,975	56,319	–	90,829	117,129
Murphy	19,200	7,100	26,300	1,164	29,750	–	–	30,914	57,214
Thomas	19,200	7,100	26,300	1,140	29,250	–	–	30,390	56,690
Nieuwenburg	19,200	7,100	26,300	835	21,640	–	–	22,475	48,775
Otten	13,054	7,723	20,777	2,132	13,325	–	57,284	72,741	93,518

Notes:

1 Represents a maximum reimbursement amount for financial counselling, luncheon club memberships, medical exam and security monitoring. For the CEO, this also includes a maximum reimbursement amount for a golf club membership.

2 Includes fees of $32,500, deferred trust units of Canexus valued at $19,560 and distributions on his trust units of $4,259.

TERMINATION ARRANGEMENTS

Nexen does not enter into employment service contracts. Depending on the conditions of termination, we treat executives and employees fairly as follows:

Event	Action
Resignation	▪ All salary and benefit programs cease ▪ Annual incentive bonus is not paid ▪ TOPs must be exercised within 90 days ▪ Pension paid as a commuted value or deferred benefit
Retirement	▪ Salary and benefit coverages cease except for a $5,000 life insurance policy ▪ Monthly benefit to cover the cost of provincial health care premiums continues ▪ Annual incentive bonus paid on a pro rata basis ▪ TOPs must be exercised within 18 months ▪ Pension paid as a monthly benefit
Death	▪ All salary and benefit programs cease except for a 1-year benefit coverage for surviving dependents and payout of any applicable insurance benefits ▪ Annual incentive bonus paid on a pro rata basis ▪ TOPs must be exercised within 18 months ▪ Pension paid as a commuted value or deferred benefit
Termination without cause	▪ All salary and benefit programs cease ▪ TOPs must be exercised within 90 days ▪ Pension paid as a commuted value or deferred benefit ▪ Severance provided on an individual basis reflecting service, age and salary level
Termination for cause	▪ All salary and benefit programs cease ▪ Annual incentive bonus is not paid ▪ TOPs must be exercised on termination ▪ Pension paid as a commuted value or deferred benefit

Payments on Resignation

The following table discloses the lump sum value of pension benefits accrued under the defined benefit pension plan and executive benefit plan for our top five executives had they resigned effective December 31, 2007. If they are over the age of 55 and have at least 10 years of Nexen service, they are deemed to have retired and a lump sum benefit option is not available. Also included in this table is the value of vested TOPs at December 31, 2007.

Name	Termination Scenario	Pension ($)	Value of Vested TOPs [1, 2] ($)	Total ($)
Fischer	Deemed retirement	12,122,000	40,572,420	52,694,420
Romanow	Resignation	3,703,000	14,130,940	17,833,940
Murphy	Deemed retirement	3,660,000	1,368,101	5,028,101
Thomas	Deemed retirement	4,297,000	6,162,705	10,459,705
Nieuwenburg	Resignation	752,000	3,832,034	4,584,034

Notes:

1 Does not include unvested TOPs which will vest according to the TOPs plan over 18 months for deemed retirement or over 90 days for resignation.

2 The difference between the market value of Nexen common shares at year end of $32.10 and the grant price of TOPs, times the number of vested TOPs.

Change of Control Agreements

Nexen has entered into change of control agreements with Messrs. Fischer, Romanow, Murphy, Thomas, Nieuwenburg and other key executives. The agreements were effective October 1999, amended in December 2000 and then amended and restated in December 2001. We recognize that these executives are critical to Nexen's ongoing business. Therefore, it is vital we work to retain the executives, protect them from employment interruption caused by a change of control and treat them in a fair and equitable manner. Consistent with industry standards for executives in similar circumstances, there are no restrictions on future employment, or non-compete clauses in the agreements. Each year, the Compensation Committee reviews the estimated payments upon a change of control including the termination value of pension benefits due under the defined benefit pension plan and executive benefit plan.

Under these agreements, a change of control includes any acquisition of common shares or other securities that carries the right to cast more than 35% of the common share votes. Generally it is any event that results in a person or group exercising effective control of Nexen.

If the executives terminate following a change of control, they are entitled to salary, target bonus and other compensatory benefits for the severance period specified below.

	Severance Period in Months on Change of Control	
Name	If Terminated	Upon Resignation [1]
Fischer	36	36
Romanow	36	30
Murphy	30	–
Thomas	30	–
Nieuwenburg	24	–

Note:

1 Within 12 months of change of control.

The next table outlines the estimated incremental payments executives would be entitled to had a change of control occurred on December 31, 2007. Under the agreement, bonuses would be paid at target for the full severance period. A benefits uplift, equal to 13% of base salary, would be provided in lieu of medical, dental and life insurance coverage. In addition, the agreement provides a payment for other employee benefits, including car allowance and savings plan contributions during the severance period, and an allowance for financial counselling, security monitoring and career transition services.

Executives would also be entitled to incremental pension relating to their salary and annual incentive targets over the severance period. The pension value reported below reflects this, as well as a tax gross-up on the resulting lump sum payout. These additional pension benefits do not include any termination benefits that would be payable under the defined benefit pension plan and executive benefit plan if a termination or retirement occurred that was not triggered by a change of control.

Estimated Incremental Payment on Change of Control

Name	**Severance Period** (# of months)	**Base Salary** ($)	**Bonus Target Value** ($)	**Benefits Uplift** ($)	**Other Employee Benefits** ($)	**Additional Lump Sum Value of Pension**[1] ($)	**Accelerated TOPs Value**[2] ($)	**Total Incremental Obligation** ($)
Fischer	36	3,900,000	3,120,000	507,000	365,500	9,157,000	3,043,080	20,092,580
Romanow	36	1,725,000	1,035,000	224,250	199,000	3,879,000	917,630	7,979,880
Murphy	30	1,300,000	780,000	169,000	163,900	3,237,000	813,945	6,463,845
Thomas	30	1,300,000	780,000	169,000	163,900	3,905,000	813,945	7,131,845
Nieuwenburg	24	800,000	360,000	104,000	124,300	1,316,000	531,116	3,235,416
Total		**9,025,000**	**6,075,000**	**1,173,250**	**1,016,600**	**21,494,000**	**6,119,716**	**44,903,566**

Notes:

1 *Does not include regular termination pension values which are reported in Payments on Resignation on page 70. Benefits payable under the defined benefit pension plan are funded from the pension trust and payable monthly if the executive is 55 or older.*

2 *Reflects the value of TOPs that automatically vest on a change of control, based on the number of TOPs with accelerated vesting, times the closing price of Nexen common shares on the TSX on December 31, 2007 of $32.10, less the exercise price.*