BASE SHELF PROSPECTUS

A copy of this preliminary short form prospectus has been filed with the securities regulatory authority in Alberta but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the Alberta Securities Commission.

This short form prospectus has been filed under legislation in Alberta that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Nexen Inc., 801 - 7th Avenue S.W. Calgary, Alberta, Canada T2P 3P7, telephone: (403) 699-4000.*

PRELIMINARY SHORT FORM PROSPECTUS **May 14, 2002**

Nexen Inc.

Debt Securities

We may from time to time sell up to U.S. $500,000,000 (or the equivalent in other currencies or currency units) aggregate principal amount of our debt securities (the "Debt Securities") under this Prospectus in one or more series, or if any Debt Securities are offered at an original issue discount, such greater amount as shall result in an aggregate offering price of up to U.S. $500,000,000. We may offer Debt Securities of any series in such amount and with such terms as we may determine in light of market conditions. The specific designation, aggregate principal amount, denomination (which may be in United States dollars or in any other currency), maturity, rate (which may be fixed or variable) and time of payment of interest, if any, any terms for redemption at our option or the holders' option, any terms for sinking fund payments, any listing on a securities exchange, the initial public offering price (or the manner of determination thereof if offered on a non-fixed price basis) and any other terms in connection with the offering and sale of each series of Debt Securities in respect of which this Prospectus is being delivered will be set forth in a Supplement to this Prospectus relating to such series of Debt Securities (the "Prospectus Supplement").

Unless otherwise provided in the Prospectus Supplement relating to a series of Debt Securities, the Debt Securities will be direct, unsecured and unsubordinated obligations of Nexen Inc. and will be issued under a trust indenture.

Investing in the Debt Securities involves risks that are described in the "Risk Factors" section beginning on page 7 of this Prospectus.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

We are permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare this Prospectus in accordance with Canadian disclosure requirements. You should be aware that such requirements are different from those of the United States. We have prepared our financial statements in accordance with Canadian generally accepted accounting principles, and they are subject to Canadian auditing and auditor independence standards. Thus, they may not be comparable to the financial statements of U.S. companies. Information regarding the impact upon our financial statements of significant differences between Canadian and U.S. generally accepted accounting principles is contained in notes to the consolidated financial statements incorporated by reference in this Prospectus.

You should be aware that the purchase of the Debt Securities may have tax consequences both in the United States and Canada. This Prospectus or any applicable Prospectus Supplement may not describe these tax consequences fully for investors who are resident in, or citizens of, the United States. You should read the tax discussion in this Prospectus or any applicable Prospectus Supplement.

Your ability to enforce civil liabilities under U.S. federal securities laws may be affected adversely by the fact that we are incorporated under the laws of Canada, most of our officers and directors and most of the experts named in this Prospectus are residents of Canada, and a substantial portion of our assets are located outside the United States.

The Debt Securities offered under this Prospectus have not been qualified for sale under the securities laws of any province or territory of Canada and are not being and may not be offered or sold in Canada in contravention of the securities laws of any province or territory of Canada.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus.

We may sell Debt Securities to or through underwriters or dealers or directly to investors or through agents. The Prospectus Supplement relating to each series of Debt Securities offered thereunder will identify each person who may be deemed to be an underwriter with respect to such series and will set forth the terms of the offering of such securities, including, to the extent applicable, the initial public offering price, the proceeds that we will receive, the underwriting discounts or commissions and any other discounts or concessions to be allowed or reallowed to dealers. The managing underwriter or underwriters with respect to each series sold to or through underwriters will be named in the related Prospectus Supplement. Unless otherwise specified in any applicable Prospectus Supplement, the Debt Securities will not be listed on any securities exchange.

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DEFINITIONS AND OTHER MATTERS

In this Prospectus and in any Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. Unless otherwise indicated, all financial information included and incorporated by reference in this Prospectus or included in any Prospectus Supplement is determined using Canadian generally accepted accounting principles ("Canadian GAAP"). U.S. GAAP means generally accepted accounting principles in the United States. Except as set forth under "Description of Debt Securities", and unless the context otherwise requires, all references in this Prospectus and any Prospectus Supplement to "we", "us", "our", "Nexen" or the "Corporation" refer to Nexen Inc. and its consolidated subsidiaries.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of Nexen have been filed with the Alberta Securities Commission and are specifically incorporated by reference into and form an integral part of this Prospectus:

(a) the Management Proxy Circular dated March 7, 2002 relating to the annual general and special meeting of shareholders held on May 2, 2002, excluding those portions thereof which appear under the headings "Report of the Compensation Committee", and "Share Performance Graph" (which portions shall be deemed not to have been filed as part of this short form prospectus);

(b) the Annual Information Form which is comprised of the Annual Report of the Corporation on Form 10-K dated February 15, 2002;

(c) the consolidated balance sheet as of December 31, 2001 and 2000 and the consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2001, together with the report of the auditors of the Corporation thereon as contained in the Annual Report of the Corporation on Form 10-K dated February 15, 2002;

(d) "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2001 as contained in the Annual Report of the Corporation on Form 10-K dated February 15, 2002; and

(e) the comparative interim consolidated financial statements (unaudited) including management's discussion and analysis of financial condition and results of operations for the three months ended March 31, 2002.

Any documents of the type referred to in the preceding paragraph, any interim financial statements and any material change reports (with the exception of any confidential material change reports) filed by the Corporation with the Alberta Securities Commission after the date of this Prospectus and prior to the termination of an offering under any Prospectus Supplement shall be deemed to be incorporated by reference into this Prospectus.

In addition, any report on Form 6-K or Form 40-F filed by the Corporation with the United States Securities and Exchange Commission (the "SEC") after the date of this Prospectus shall be deemed to be incorporated by reference into this Prospectus and the registration statement of which this Prospectus forms a part, if and to the extent expressly provided in such report.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes

such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Upon a new Annual Information Form and related annual financial statements being filed by the Corporation with, and where required, accepted by, the Alberta Securities Commission during the currency of this Prospectus, the previous Annual Information Form and all annual financial statements, interim financial statements, material change reports and information circulars filed prior to the commencement of the Corporation's financial year in which the new Annual Information Form is filed shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Debt Securities hereunder.

A Prospectus Supplement or Supplements containing the specific terms of any Debt Securities offered thereunder, updated disclosure of the interest coverage ratio, if applicable, and other information in relation to such Debt Securities will be delivered to purchasers of such Debt Securities together with this Prospectus and will be deemed to be incorporated by reference into this Prospectus as of the date of the Prospectus Supplement solely for the purposes of the offering of the Debt Securities covered by that Prospectus Supplement.

Information has been incorporated by reference in this Prospectus from documents filed with the Alberta Securities Commission and the SEC. Copies of the documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents) may be obtained on request without charge from the Corporate Secretary of Nexen at 801 - 7th Avenue S.W., Calgary, Alberta, Canada, T2P 3P7, Telephone (403) 699-4000.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains or incorporates by reference forward-looking statements. All statements, other than statements of historical fact included or incorporated by reference in this Prospectus, and which address activities, events or developments that we expect or anticipate may or will occur in the future, are forward-looking statements. Forward-looking statements are typically identified by words such as "anticipate," "believe," "expect," "plan," "intend," or similar words suggesting future outcomes or our outlook. Forward-looking statements included or incorporated by reference into this Prospectus include statements with respect to such things as:

- future crude oil, natural gas or chemicals prices and production levels;
- cost recovery oil revenues and our share of production from operations in Yemen;
- capital expenditures;
- the allocation of capital expenditures to exploration and development activities;
- sources of funding for our capital program;
- debt levels;
- cash flows;
- uses of cash flows;

- drilling of new wells;
- ultimate recoverability of reserves;
- future production rates;
- expected finding and development costs;
- expected operating costs;
- demand for chemicals products;
- expenditures and allowances relating to environmental matters;
- dates by which certain areas will be developed or will come on-stream; and
- changes in any of the foregoing.

Such forward-looking statements are subject to risks, uncertainties and other factors, many of which are beyond our control and each of which contribute to the possibility that our forward-looking statements will not occur, including, but not limited to:

- general economic, market or business conditions;
- market prices for oil and gas and chemicals products;
- our ability to produce and transport crude oil and natural gas to markets;
- the results of exploration and development drilling and related activities;
- foreign currency exchange rates;
- economic conditions in the countries and regions in which we carry on business;
- competitive actions by other companies;
- the opportunities (or lack of opportunities) that may be presented to us and our affiliates;
- actions by governmental authorities, including increases in taxes, changes in environmental and other regulations, and renegotiation of contracts;
- labor unrest;
- political uncertainty, including actions by terrorists, insurgent groups or other conflict including conflict between states; and
- other factors, many of which are beyond our control.

These and additional factors are described in more detail in our management's discussion and analysis of financial condition and results of operations incorporated by reference in our Annual Information Form on Form 10-K dated February 15, 2002, filed with the securities commissions or similar authorities in each of the provinces of Canada. You should not place undue reliance on forward-looking statements, as the plans, intentions or expectations upon which they are based might not occur or come to fruition. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. You should also carefully consider the matters discussed under "Risk Factors" in this Prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-9 relating to the Debt Securities. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information contained in the Registration Statement, certain items of which are contained in the exhibits to the Registration Statement as permitted by the rules and regulations of the SEC. Statements included or incorporated by reference in this Prospectus about the contents of any contract, agreement or other documents referred to are not necessarily complete, and in each instance, you should refer to the exhibits for a more complete description of the matter involved. Each such statement is qualified in its entirety by such reference.

We file annual, quarterly and material change reports and other information with the SEC and with the Alberta Securities Commission. Under a multi-jurisdictional disclosure system adopted by the United States, documents and other information that we file with the SEC may be prepared in accordance with the disclosure requirements of Canada, which are different from those of the United States. You may read and copy any document that we have filed with the SEC at the SEC's public reference rooms in Washington, D.C. and Chicago, Illinois. You may also obtain copies of those documents from the public reference room of the SEC in Washington, D.C. by paying a fee. You should call the SEC at 1-800-SEC-0330 for further information about the public reference rooms. You may read and download any document that we have filed with the Alberta Securities Commission at www.sedar.com.

ENFORCEABILITY OF CIVIL LIABILITIES

Nexen is a corporation existing under the *Canada Business Corporations Act*. Some of our directors and officers, and some of the experts named in this Prospectus, are residents of Canada or otherwise reside outside the United States, and all or a substantial portion of their assets, and a substantial portion of our assets, are located outside the United States. We have appointed an agent for service of process in the United States, but it may be difficult for holders of Debt Securities to effect service within the United States upon those directors, officers and experts who are not residents of the United States. It may also be difficult for holders of Debt Securities to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers and experts under the United States federal securities laws. We have been advised by our Canadian counsel, Bennett Jones LLP, that a judgment of a United States court predicated solely upon civil liability under United States federal securities laws would probably be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that would be recognized by a Canadian court for the same purposes. We have also been advised by Bennett Jones LLP, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon United States federal securities laws.

We have filed with the SEC, concurrently with our registration statement on Form F-9, an appointment of agent for service of process on Form F-X. Under the Form F-X, we have appointed Nexen Petroleum U.S.A. Inc. (or any other eligible United States subsidiary of the Corporation) as our agent for service of process in the United States in connection with any investigation or administrative proceeding conducted by the SEC, and any civil suit or action brought against or involving us in a United States court arising out of or related to or concerning the offering of Debt Securities under this Prospectus.

RISK FACTORS

Prospective purchasers of the Debt Securities should consider carefully the risk factors set forth below as well as the other information contained and incorporated by reference in this short form prospectus before purchasing the Debt Securities offered hereby.

Adverse Consequences of Holding Company Structure

We conduct a substantial portion of our operations through subsidiaries, including partnerships. The Debt Securities will be obligations exclusively of the Corporation. Such subsidiaries will not guarantee the payment of principal of or interest on the Debt Securities. The Debt Securities will therefore be effectively subordinated to all existing and future liabilities (including trade payables and indebtedness) of such subsidiaries. In the event of an insolvency, liquidation or other reorganization of any such subsidiaries, our creditors (including the holders of the Debt Securities), as well as our shareholders, will have no right to proceed against the assets of such subsidiaries or to cause the liquidation or bankruptcy of such subsidiaries under applicable bankruptcy laws. Creditors of such subsidiaries would be entitled to payment in full from such assets before we, as a shareholder or partner, as the case may be, would be entitled to receive any distribution therefrom. Claims of creditors of such subsidiaries will have priority with respect to the assets and earnings of such subsidiaries over the claims of the Corporation, except to the extent that we may ourself be a creditor with recognized claims against any such subsidiary ranking at least *pari passu* with such other creditors, in which case our claims would still be effectively subordinate to any mortgage or other liens on the assets of such subsidiary and would be subordinate to any indebtedness of such subsidiary senior to that held by us. As of March 31, 2002, such subsidiaries had approximately $1 billion of liabilities to third parties, primarily comprised of trade payables. There are no terms of the Debt Securities that limit the ability of such subsidiaries to incur additional indebtedness.

In addition, as a result of the Corporation being a holding company, our results of operations and our ability to service our indebtedness, including our Debt Securities, is dependent upon the results of operations of our subsidiaries and the payment of funds by such subsidiaries to us in the form of loans, dividends or otherwise. Our subsidiaries have no obligation, contingent or otherwise, to pay amounts due pursuant to the Debt Securities or to make any funds available therefor, whether by dividends, interest, loans, advances or other payments. In addition, the payment of dividends and the making of loans, advances and other payments to us by our subsidiaries may be subject to statutory or contractual restrictions (including requirements to maintain minimum levels of working capital and other assets), are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

Exchange Rates and Exchange Controls

An investment in Debt Securities that are denominated in a specified currency entails significant risks that are not associated with a similar investment in a security denominated in Canadian dollars. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the Canadian dollar and the various foreign currencies and the possibility of the imposition or modification of foreign controls by either the Canadian or foreign governments. Such risks generally depend on economic and political events over which we have no control. In recent years, rates of exchange between Canadian dollars and certain foreign currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any Debt Security. Depreciation of the currency specified in a Debt Security against the Canadian dollar would result in a decrease in the effective yield of such Debt Security below its coupon rate, and in certain circumstances could result in a loss to the investor on a Canadian dollar basis.

Exchange Controls and Availability of Specified Currency

Governments have imposed from time to time, and may in the future impose, exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at the time of payment of principal of, and premium, if any, or interest on a Debt Security. Even if there are no actual exchange controls, it is possible that the specified currency for any particular Debt Security would not be available at such Debt Security's maturity. In that event, the Corporation would make required payments in Canadian dollars on the basis of the Market Exchange Rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the most recently available Market Exchange Rate.

This Prospectus does not, and any Prospectus Supplement will not, describe all the risks of an investment in Debt Securities denominated in a foreign currency or a currency unit and we disclaim any responsibility to advise prospective purchasers of such risks as they exist at the date of this Prospectus or as such risks may change from time to time. Prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in Debt Securities denominated in currencies other than Canadian dollars. Such Debt Securities are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions.

The information set forth in this Prospectus is directed to prospective purchasers who are Canadian residents, and we disclaim any responsibility to advise prospective purchasers who are residents of countries other than Canada with respect to any matters that may affect the purchase, holding or receipt of payments of principal of and interest on the Debt Securities. Such persons should consult their own counsel with regard to such matters.

Governing Law and Judgments

The Debt Securities will be governed by and construed in accordance with the laws of the Province of Alberta. Any judgment obtained in Canada in respect of the Debt Securities will be expressed in Canadian currency as the *Currency Act* (Canada) provides that any reference to money in a legal proceeding in Canada shall be stated in Canadian currency.

Volatility of Crude Oil and Natural Gas Prices

Prices received for crude oil and natural gas and revenues from marketing activities are impacted in varying degrees by factors outside our control. We may occasionally use derivative financial instruments in our management of such risks.

Crude oil and natural gas are commodities which are sensitive to numerous worldwide factors, many of which are beyond our control, and are generally sold at contract or posted prices. Changes in world crude oil and natural gas prices may significantly affect our results of operations and cash generated from operating activities. Consequently, such prices also may affect the value of our oil and gas properties and our level of spending for oil and gas exploration and development.

Our crude oil prices are based on various reference prices, primarily the West Texas Intermediate crude oil reference price ("WTI") and other prices which generally track the movement in WTI. Adjustments are made to the reference price to reflect quality differentials and transportation. WTI and other international reference prices are affected by numerous and complex worldwide factors such as supply and demand fundamentals, economic outlooks, production quotas set by the Organization of Petroleum Exporting Countries and political events. Quality differentials are affected by local supply and demand factors.

Approximately 12% of our production for the year ended December 31, 2001 on a barrel of oil equivalent basis was heavy oil. The market prices for heavy oil differ from the established market indices for light and medium grades of oil, due principally to the higher transportation and refining costs associated with heavy oil. As a result, the price received for heavy oil is generally lower than the price for medium and light oil, and the production costs associated with heavy oil are relatively higher than for lighter grades. No assurances can be made as to future differentials. Increased differentials may have a material adverse effect on us.

Governmental Regulation

The petroleum industry is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for natural gas and crude oil, increase our costs and may have a material adverse impact on us.

Interest Rate Risk

We use both fixed and floating rate debt to finance our operations. The floating rate debt obligations expose us to changes in interest payments due to fluctuations in interest rates. We manage our interest rate exposure by maintaining a combination of fixed and floating rate borrowings and through the periodic use of derivative instruments.

Foreign Currency Rate Risk

A substantial portion of our activities are transacted in or referenced to United States dollars. Revenues, expenses, capital expenditures and related net assets of oil and gas and chemicals operations outside Canada are primarily United States dollar denominated. Prices received in Canada for sales of crude oil, natural gas and a portion of chemicals products are referenced to United States dollar denominated prices. Also, we have the ability to borrow on a short-term and long-term basis in United States dollars. We do not have any material exposure to highly inflationary foreign currencies.

We manage our exposure to fluctuations in the United States to Canadian dollar exchange rate by operating in a manner which minimizes the need to convert between the two currencies. Net revenue from foreign operations together with United States dollar denominated borrowings are generally used to fund United States dollar denominated capital expenditures and debt repayments. Derivative instruments may occasionally be used to effectively convert cash flows from Canadian to United States dollars and vice versa.

Marketing

Our marketing operation is involved in various crude oil and natural gas marketing activities intended to enhance price realizations from the sale of our proprietary and third party oil and gas production and for energy trading purposes. The marketing operation enters into contracts to purchase and sell crude oil and natural gas. This activity exposes us to commodity price risk between the time contracted volumes are purchased and sold. The marketing operation actively manages this risk by utilizing energy-related futures, forwards, swaps and options, and generally attempts to balance its physical and financial contracts in terms of contract volumes and timing of performance and delivery obligations. However, net open positions may exist or are established to take advantage of existing market conditions.

Open positions enable the marketing operation to generate income based on competitive information from marketing activities but also expose us to the risk of loss from fluctuating market prices. The extent of exposure under these activities is restricted to prescribed limits and is monitored daily using value-at-risk, stress testing and scenario analysis. The value-at-risk calculation estimates the maximum probable loss, given a 95% confidence level, that we would incur if the outstanding positions were unwound over a two day time period. Although we believe value-at-risk is a reasonable measure of exposure, it does not represent the maximum possible loss, nor is it necessarily indicative of actual results that may occur.

Need to Replace Reserves

Our future crude oil and natural gas reserves and production, and therefore our operating cash flows and results of operations, are highly dependent upon our success in exploiting our current reserve base and acquiring or discovering additional reserves. Without reserve additions through exploration, acquisition or development activities, our reserves and production will decline over time as reserves are produced. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent cash flows from operations are insufficient and external sources of capital become limited or unavailable, our ability to make the necessary capital investments to maintain and expand our oil and natural gas reserves will be impaired.

Operating Hazards and Other Uncertainties

Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents, craterings, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions and environmental risks. Although we maintain insurance in accordance with customary industry practice, we cannot fully insure against all of these risks. Losses resulting from the occurrence of these risks could have a material adverse impact on us.

International Operations

Portions of our operations and related assets are located in countries outside North America, some of which may be considered politically and economically unstable. These operations and related assets are subject to the risks of actions by governmental authorities, insurgent groups or terrorists. Like other international oil companies, we attempt to conduct our business and financial affairs so as to protect against political, legal, regulatory and economic risks applicable to operations in the various countries where we operate, but there can be no assurance that we will be successful in so protecting ourselves.

Uncertainty of Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves, including many factors beyond our control. The reserve data incorporated by reference in this Prospectus represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. Our actual production, revenues, taxes and development and operating expenditures with respect to our reserves will vary from such estimates, and such variances could be material.

The estimated discounted future net cash flows from estimated proved reserves incorporated by reference in this Prospectus are based on prices and costs as of the date of the estimate. Actual future prices and costs may be materially higher or lower. Actual future net cash flows also will be affected by factors such as actual production levels and timing, and changes in governmental regulation or taxation and may differ materially from such estimates.

Environmental Regulations

Our worldwide operations are subject to stringent government laws and regulations. These laws and regulations generally require us to remove or remedy the effect of our activities on the environment at present and former operating sites, including dismantling production facilities and remediating damage caused by the disposal or release of specified substances. We operate in a manner intended to ensure that our projects around the world meet appropriate North American environmental standards and we believe that our operations comply in all material respects with applicable environmental regulations.

Competition

The oil and gas industry is highly competitive particularly as it pertains to the search for and development of new sources of crude oil and natural gas reserves, the construction and operation of crude oil and natural gas pipelines and facilities, and the transportation and marketing of crude oil, natural gas, sulphur and other petroleum products. The industry also competes with other industries in supplying sulphur and non-petroleum energy products. Our competitors include major integrated oil and gas companies and numerous other independent oil and gas companies, some of which have greater financial and other resources than us. The pulp and paper chemicals market is also highly competitive, with the principal factors being price, product quality, logistics, reliability of supply and technical service. Although Nexen Chemicals Canada Limited Partnership is one of the three largest producers of sodium chlorate in North America and has continent-wide supply capability, there are a number of other suppliers of sodium chlorate in North America, some of which may have greater financial and other resources than we do.

NEXEN INC.

Nexen Inc., formerly Canadian Occidental Petroleum Ltd., is a global energy and chemicals producer incorporated under the laws of Canada. It was formed on July 12, 1971, through a reorganization which combined the crude oil, natural gas and sulphur operations of Jefferson Lake Petrochemicals of Canada Ltd., with the Canadian crude oil, natural gas and chemicals operations of Occidental Petroleum Corporation ("Occidental") of Los Angeles, California. At December 31, 1999, Occidental beneficially owned approximately 29% of Nexen's common shares.

On March 1, 2000, we entered into an agreement (the "Agreement") with Ontario Teachers' Pension Plan Board ("Teachers") and Occidental under which Occidental sold its 29% interest in Nexen. Teachers purchased 20.2 million common shares, and we repurchased 20 million common shares for $605 million, including associated fees, and exchanged our oil and gas operations in Ecuador for Occidental's 15% interest in our chemicals operations. The Agreement was approved on April 17, 2000 by a majority of our shareholders, other than Occidental or Teachers. According to the Agreement, we were required to change our name, and so on November 2, 2000, we changed our name to Nexen Inc.

Our head office and principal place of business is located at 801 – 7th Avenue S.W., Calgary, Alberta, T2P 3P7.

Operations

We have operations in four main areas:

Conventional Oil and Gas

We explore for, develop and produce conventional crude oil, natural gas and related products around the world. Our core assets are located in western Canada, the United States Gulf of Mexico and Yemen, and we are developing new growth opportunities in Colombia, Australia and Nigeria.

Synthetic Crude Oil

We have a 7.23% joint venture interest in Syncrude Canada Ltd. (the "Syncrude Joint Venture"). The Syncrude Joint Venture mines shallow deposits of oil sands in Canada, extracts the bitumen and upgrades it to produce synthetic crude oil. We also have interests in numerous oil sands leases in the

Athabasca region of northern Alberta and have acquired proprietary, patent protected technology to partially upgrade bitumen recovered from these leases. When combined with other conventional technologies, the bitumen can be upgraded into synthetic crude oil.

Oil and Gas Marketing

We market proprietary and third party crude oil and natural gas volumes and engage in energy trading. These activities are designed to enhance the price realizations from proprietary and third party oil and gas production, provide market and business intelligence in support of our oil and gas activities, as well as contribute independent earnings and cash flow.

Chemicals

We manufacture, market and distribute industrial chemicals, principally sodium chlorate and chlor-alkali products (chlorine, caustic soda and muriatic acid) in Canada, the United States and Brazil.

Inter-Corporate Relationships

We conduct a substantial portion of our operations through subsidiaries, including partnerships, all of which are directly or indirectly wholly-owned. See "Risk Factors – Adverse Consequences of Holding Company Structure". The following table lists our material subsidiaries, and their jurisdiction of formation.

Name	**Jurisdiction of Formation**
Chemicals	
Nexen Chemicals Canada Limited Partnership	British Columbia Limited Partnership
Marketing	
Nexen Marketing	Alberta Partnership
Canada	
Nexen Petroleum Canada	Saskatchewan Partnership
Nexen Canada Ltd.	Saskatchewan Corporation
United States	
Nexen Petroleum Offshore U.S.A. Inc.	Delaware Corporation
International	
Nexen Petroleum Operations Yemen Ltd.	Bermuda Corporation

USE OF PROCEEDS

Unless otherwise indicated in a Prospectus Supplement relating to a series of Debt Securities, we intend to use net proceeds from the sale of Debt Securities for general corporate purposes, which may include financing our capital expenditure program and working capital requirements and repaying indebtedness. The amount of net proceeds to be used for any such purpose will be set forth in a Prospectus Supplement. We expect that we will, from time to time, issue debt instruments and incur additional indebtedness otherwise than through the issue of Debt Securities pursuant to this Prospectus.

EARNINGS COVERAGE

The following financial ratios are calculated on a consolidated basis for the twelve month periods ended December 31, 2001 and March 31, 2002 and are based on audited financial information, in the case of December 31, 2001, and unaudited financial information, in the case of March 31, 2002. The following ratios do not give effect to the issue of any Debt Securities pursuant to this Prospectus.

	March 31, 2002	**December 31, 2001**
Interest coverage on long-term debt(1)(2)................................	6.3 times	7.9 times

Notes:

(1) Interest coverage means net income plus income taxes and interest expense on long-term debt divided by interest expense on long-term debt.

(2) The interest coverage calculations have been made without including the annual carrying charges relating to the U.S. $258.75 million aggregate principal amount of 9.75% preferred securities due 2047 and the U.S. $217.5 million aggregate principal amount of 9.375% preferred securities due 2048 of the Corporation (collectively, the "Preferred Securities") which are included in the equity of the Corporation. Under U.S. GAAP, the annual carrying charges would be included in interest expense. If these annual carrying charges had been included in the calculations, the interest coverage would have been 4.8 times for the twelve month period ended December 31, 2001 and 3.8 times for the twelve month period ended March 31, 2002.

DESCRIPTION OF DEBT SECURITIES

The following description of the Debt Securities is a summary of certain of their material attributes and characteristics which does not purport to be complete and is subject to the detailed provisions of the Trust Indenture (defined below), to which reference is hereby made for a full description of such provisions, including the definition of certain terms used herein, and for other information regarding the Debt Securities. The Trust Indenture is subject to the provisions of the *Canada Business Corporations Act* and, consequently, is exempt from the operation of certain provisions of the United States *Trust Indenture Act of 1939* (the "Trust Indenture Act") pursuant to Rule 4d-9 thereunder. As used under this heading "Description of Debt Securities", all references to "we," "us," "our," "Nexen" and the "Corporation" shall mean Nexen Inc. excluding, unless otherwise expressly stated or the context otherwise requires, its subsidiaries; and all references to "principal" of the Debt Securities shall be deemed to include a reference to "and premium, if any," (i) unless otherwise expressly stated, (ii) unless the context otherwise requires or (iii) where such reference is to the aggregate principal amount of the Debt Securities issuable pursuant to this Prospectus or constituting a particular series.

General

The Debt Securities will be issued under a trust indenture dated April 28, 1998 (the "Trust Indenture") between Nexen and CIBC Mellon Trust Company, as Trustee (the "Trustee"). The aggregate principal amount of the Debt Securities authorized under the Trust Indenture is unlimited, and Debt Securities may be issued from time to time in one or more series under the Trust Indenture. The Debt Securities offered pursuant to this Prospectus will be limited to U.S. $500,000,000 (or the equivalent in other currencies or currency units) aggregate principal amount. Unless otherwise indicated in the applicable Prospectus Supplement, the Trust Indenture also permits us to increase the principal amount of any series of Debt Securities previously issued and to issue such increased principal amount.

The particular terms of each series of Debt Securities, as well as any modifications of or additions to the general terms of the Debt Securities as described in this Prospectus that may be applicable in the case of a particular series of Debt Securities, will be described in a Prospectus Supplement relating to that series of Debt Securities. Reference is made to the Prospectus Supplement or Supplements for the specific terms of any series of Debt Securities, including, without limitation, the specific designation, aggregate principal amount, denomination (which may be in United States dollars, or in any other currency), maturity, rate (which may be fixed or variable) and time of payment of interest, if any, any terms for redemption at our option or at the option of the holders, any terms for sinking fund payments, any listing on a securities exchange, the initial public offering price (or the manner of determination thereof if offered on a non-fixed price basis) and any other terms in connection with the offering and sale of such Debt Securities. We reserve the right to set forth in a Prospectus Supplement specific terms of Debt Securities that are not within the options and parameters set forth in this Prospectus. In addition, to the extent that any particular terms of the Debt Securities described in a Prospectus Supplement differ from any of the terms described in this Prospectus, the description of such terms set forth in this Prospectus shall be deemed to have been superseded by the description of such differing terms set forth in such Prospectus Supplement with respect to such Debt Securities.

Numerical references in parentheses below are to sections or articles in the Trust Indenture.

Subject to the discussion of tax matters contained in the Prospectus Supplement relating to a particular series of Debt Securities and subject to any limitations and assumptions described in such discussion, in the opinion of Bennett Jones LLP, our Canadian counsel, and based on current law and the administrative practice of Canada Customs and Revenue Agency, the payment by the Corporation of the principal of and interest on the Debt Securities to holders thereof who are (or are deemed to be) non-residents of Canada and with whom we deal at arm's length (within the meaning of the *Income Tax Act* (Canada)), will be exempt from Canadian withholding tax. If, however, we become required to withhold or deduct Canadian taxes on such payments, we are not required to pay any additional amounts to holders of Debt Securities, and as a result, the net amounts received by holders after such withholding or deduction will be less than the amounts the holders would have received if such taxes had not been withheld or deducted.

Ranking; Holding Company Structure

The Debt Securities will be direct, unsecured and unsubordinated obligations of the Corporation unless otherwise provided for in a supplemental indenture, and will rank equally in right of payment with all of our existing and future unsecured, unsubordinated indebtedness.

We conduct a substantial portion of our operations through subsidiaries and partnerships, effectively subordinating the Debt Securities to all existing and future liabilities (including trade payables and indebtedness) of our subsidiaries and such partnerships. See "Risk Factors – Adverse Consequences of Holding Company Structure".

Form, Denomination, Exchange and Transfer

Subject to the discussion below under "Book Entry Procedures", Debt Securities may be issued in registered form without coupons (registered as to both principal and interest) or with coupons and registered as to principal only, or in bearer form with or without coupons. Unless otherwise specified in the applicable Prospectus Supplement, Debt Securities will be issuable in denominations of U.S. $1,000 and integral multiples of U.S. $1,000. (Sections 2.2 and 2.14) Debt Securities of any series may be issued in whole or in part in the form of one or more global Debt Securities ("Global Debt Securities") registered in the name of a designated clearing agency (a "Depositary") or its nominee and held by or on behalf of the Depositary in accordance with the terms of the Trust Indenture. The specific terms of the depositary arrangement with respect to any portion of a series of Debt Securities to be represented by a Global Debt Security will, to the extent not described herein, be described in the Prospectus Supplement relating to such series.

Subject to the discussion below under "Book Entry Procedures", Debt Securities of any authorized form or denomination issued under the Trust Indenture may be exchanged for Debt Securities of any other authorized form or denomination or denominations, any such exchange to be for an equivalent aggregate principal amount of Debt Securities of the same series, carrying the same rate of interest and same redemption and other provisions as the Debt Securities so exchanged. Exchanges of Debt Securities of any series may be made at the offices of the Trustee in the City of Calgary and at such other places as we may from time to time designate with the approval of the Trustee and may be specified in the applicable Prospectus Supplement. (Section 3.6) In addition, if Debt Securities of any series are issued in definitive certificated form as described below under "Book Entry Procedures", or if the Depositary for such Debt Securities of such series shall so require, we will maintain a paying agent and transfer agent for such Debt Securities in The City of New York. Unless otherwise specified in the applicable Prospectus Supplement, the Trustee will be the registrar and transfer agent for the Debt Securities issued under the Trust Indenture. (Section 3.2) No service charge may be made for any transfer or exchange of Debt Securities, although Nexen and the Trustee may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith. (Section 3.8)

Book Entry Procedures

Except as provided below, a Global Debt Security may not be transferred except as a whole between the Depositary and a nominee of the Depositary or as between nominees of the Depositary, or to a successor Depositary or nominee thereof, until it is wholly exchanged for Debt Securities in definitive certificated form in accordance with the terms of the Trust Indenture. So long as the Depositary for a Global Debt Security, or its nominee, is the registered owner of such Global Debt Security, such Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Debt Securities represented by such Global Debt Security for all purposes under the Trust Indenture and payments of principal of and interest on the Debt Securities represented by a Global Debt Security will be made by us to the Depository or its nominee. Except as set forth below, owners of beneficial interests in a Global Debt Security will not be entitled to have the Debt Securities represented by such Global Debt Security registered in their names, will not receive or be entitled to receive physical delivery of such Debt Securities in definitive certificated form and will not be considered the owners or holders thereof under the Trust Indenture. No Global Debt Security may be exchanged in whole or in part for Debt Securities registered, and no transfer of a Global Debt Security in whole or in part may be registered, in the name of any person other than the Depositary for such Global Debt Security or any nominee of such Depositary unless (a) the Depositary has notified us that it is unwilling or unable to continue as Depositary for such Global Debt Security or has ceased to be eligible to act as such as required by the Trust Indenture and we have been unable to obtain a replacement within 90 days following such notification, (b) there shall have occurred and be continuing an Event of Default with respect to the Debt Securities represented by such Global Debt Security or (c) if we, at any time in our sole discretion, determine that the Debt Securities represented by a Global Debt Security shall no longer be so represented, whereupon such Global Debt Security shall be exchanged for definitive certificated Debt Securities of the same series in an aggregate principal amount equal to the principal amount of such Global Debt Securities and registered in such names as the Depositary may direct. (Section 2.14)

Unless otherwise stated in the applicable Prospectus Supplement, The Depository Trust Company ("DTC") will act as Depositary for any Debt Securities issued in book-entry form. The following is based on information furnished to us:

DTC has advised us that DTC holds securities of its participants to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. Upon the issuance of a Global Debt Security, DTC will credit, on its book-entry registration and transfer system, the respective principal amounts of the Debt Securities represented by such Global Debt Security to the accounts of participants. Ownership of beneficial interests in a Global Debt Security will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests by participants in a Global Debt Security will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by DTC. Ownership of beneficial interests in such Global Debt Security by persons who hold through participants will be shown on, and the transfer of those ownership interests will be effected only through records maintained by such participants. The laws of some states in the United States may require that certain purchasers of securities take physical delivery of such securities in certificated form. Such laws may impair the ability to acquire or transfer beneficial interests in a Global Debt Security.

Each person owning a beneficial interest in a Global Debt Security must rely on the procedures of DTC and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the Trust Indenture or such Global Debt Security. We understand that, under existing industry practice, in the event that we request any action of holders represented by a Global Debt Security or an owner of a beneficial interest in a Global Debt Security desires to take any action that the holder of such Global Debt Security is entitled to take, DTC would authorize the participants holding interests in the Global Debt Securities to take such action and that the participants would authorize beneficial owners through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Principal of and interest payments on Debt Securities represented by one or more Global Debt Securities will be made to DTC or its nominee, as the case may be, as the sole owner and holder of such Global Debt Security or securities. Neither we, nor any underwriter or dealer, nor any paying agent nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Debt Security, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. We expect that DTC, upon receipt of any payment of principal or interest in respect of a Global Debt Security, will credit the accounts of the related participants with payment in amounts proportionate to their respective beneficial interests in the principal amount of such Global Debt Security as shown on the records of DTC. We also expect that payments by participants to owners of beneficial interests in a Global Debt Security will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participants.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the United States *Securities Exchange Act of 1934* ("Exchange Act"). Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of which (and/or their representatives) own DTC. Access to DTC's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Persons who are not participants may beneficially own securities held by DTC only through participants or indirect participants.

Same-Day Settlement and Payment

Settlement for the Debt Securities will be made in immediately available funds. So long as DTC continues to make its Same-Day Funds Settlement System available to us, we will make all payments of principal of and interest on Global Debt Securities in immediately available funds, and secondary market trading activity in the Debt Securities represented by Global Debt Securities will settle in immediately available funds. We will also agree that, if definitive certificated Debt Securities are issued in exchange for interests in any Global Debt Securities, we will pay the principal and interest on such definitive certificated Debt Securities by wire transfer of immediately available funds; provided that the holders thereof shall have provided appropriate wire transfer instructions to the Corporation.

Payment of Interest and Principal

We will pay the principal of and interest on Debt Securities at the dates and places, in the currencies and in the manner described in the Debt Securities and in the coupons, if any, pertaining thereto. As interest becomes due on any fully registered Debt Security, we, either directly or through the Trustee, will send, at least five (5) days prior to each interest payment date, by prepaid ordinary mail, a cheque for such interest (less any tax required to be withheld therefrom, if any) payable to the order of the person who was the registered holder of such Debt Security at the close of business on the relevant record date and addressed to such holder at such holder's last address appearing on the register. In the event of non-receipt of any cheque for interest by the person to whom it is sent in accordance with the Trust Indenture, we or the Trustee will issue to such person a replacement cheque for a like amount upon being furnished with such evidence of non-receipt as it may reasonably require. (Section 5.1) Payments may also be made by wire transfer or other electronic means. (Section 1.7) Notwithstanding the foregoing, payments on Global Debt Securities issued in book-entry form and registered in the name of DTC (or any successor Depositary) or its nominee shall be made by wire transfer of immediately available funds unless otherwise required by such Depositary.

Unless otherwise specified in the applicable Prospectus Supplement, the Trustee will be the initial paying agent for the Debt Securities of each series. The Trust Indenture permits us to replace the Trustee as paying agent, to appoint additional paying agents and, subject to certain exceptions, to act as paying agent in respect of the Debt Securities of any series.

Principal and interest payments on Debt Securities represented by a Global Debt Security registered in the name of a Depositary or its nominee will be made to such Depositary or its nominee, as the case may be, as the registered owner of such Global Debt Security. None of the Corporation, the Trustee or any paying agent for such Debt Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Debt Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payment of principal of and interest on a Debt Security in accordance with the Trust Indenture shall absolutely satisfy and discharge our liability with respect to such payment under the Debt Security, unless, in the case of payment by cheque, such cheque is not paid upon presentation at any one of the places where interest is payable according to the terms of such Debt Security and the coupon, if any, pertaining thereto. (Section 5.1)

Events of Default

Reference is made to the applicable Prospectus Supplement for information with respect to any deletions from, modifications of or additions to the events of default or covenants of Nexen that are described below.

Unless otherwise specified in the applicable Prospectus Supplement, the following are events of default ("Events of Default") under the Trust Indenture in relation to the Debt Securities issued thereunder:

(i) failure by Nexen to pay the principal of or premium, if any, on or any sinking fund payment with respect to, any Debt Security when due and if continuing for a period of four days after written notice of the default has been provided to us by the Trustee or any holder of outstanding Debt Securities;

(ii) failure by Nexen to pay any interest on any Debt Security or on any sinking fund payment and if continuing for a period of 30 days after written notice of the default has been provided to Nexen by the Trustee or any holder of outstanding Debt Securities;

(iii) certain events of bankruptcy, insolvency or analogous proceedings with respect to the Corporation or a Restricted Subsidiary (as defined below);

(iv) if any process of execution be enforced or levied upon any of our property or a Restricted Subsidiary and such property has a net book value in excess of the greater of $75,000,000 and 7.5% of the Equity (as defined below) of the Corporation, or the equivalent thereof in any other currency, and such process remains unsatisfied for a period of 60 days, as to movable or personal property, or 90 days, as to immovable or real property, provided that such process is not in good faith disputed by the Corporation or such Restricted Subsidiary, or, if so disputed, the Corporation shall not have given evidence satisfactory to the Trustee that it or such Restricted Subsidiary has available a sum sufficient to pay in full the amount claimed in the event that it shall be held to be a valid claim;

(v) failure by Nexen or a Restricted Subsidiary to make any payment at maturity, including any applicable grace period, in respect of any one or more issues of Indebtedness for Borrowed Money (as defined below) in an aggregate amount in excess of the greater of $75,000,000 and 7.5% of the Equity of the Corporation, or the equivalent thereof in any other currency, and if continuing for a period of 30 days after written notice of the default has been provided to Nexen by the Trustee, or to Nexen and the Trustee by the holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities;

(vi) if a default or defaults with respect to any one or more issues of indebtedness for Borrowed Money of Nexen or any Restricted Subsidiary occur, which default or defaults, as the case may be, result in the acceleration of Indebtedness for Borrowed Money of the Corporation or any Restricted Subsidiary in an aggregate amount in excess of the greater of $75,000,000 and 7.5% of the Equity of the Corporation, or the equivalent thereof in any other currency, without such Indebtedness for Borrowed Money having been discharged or such acceleration having been cured, waived, rescinded or annulled for a period of 30 days after written notice of the default has been provided to Nexen by the Trustee, or to Nexen and the Trustee by the holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities; or

(vii) default by Nexen in the performance or observance of any other covenant or condition contained in the Trust Indenture or the Debt Securities continuing for a period of 60 days (or such shorter or longer period as may be determined by the Trustee, under certain circumstances, in accordance with the Trust Indenture) after written notice has been given to Nexen by the Trustee, or to the Corporation and the Trustee by the holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities (or, in the case of any covenant or condition included solely for the benefit of one or more series of Debt Securities, by the holders of not less than 25% in aggregate principal amount of the outstanding Debt Securities of such series), specifying the default and requiring Nexen to remedy the same.

Additional Events of Default may be established for a particular series of Debt Securities issued under the Trust Indenture. (Section 6.1)

The Trust Indenture provides that subject to the absolute and unconditional right of each holder of a Debt Security to receive payment of the principal of and interest on such Debt Security on or after the respective due dates therefor, as provided in Section 6.12, if an Event of Default has occurred the Trustee may, in its discretion, and shall upon the requisition in writing of the holders of not less than 25% in aggregate principal amount of outstanding Debt Securities (or, if the Event of Default has occurred with respect to only one or more series of Debt Securities, 25% in aggregate principal amount of the outstanding Debt Securities of such series), declare the principal and interest on all Debt Securities (or the Debt Securities of such affected series, as the case may be) outstanding under the Trust Indenture to be due and payable immediately. (Section 6.2) However, the holders of not less than 66b% in principal amount of all Debt Securities outstanding (or, if the Event of Default has occurred with respect only to one or more series of Debt Securities, 66b% of the principal amount of Debt Securities of such series outstanding), or the Trustee (if in the Trustee's opinion the default shall have been cured or adequately satisfied), may cancel or annul the acceleration and waive the Event of Default. (Section 6.3) Such power of Debt Security holders to waive defaults is in addition to and subject to the powers exercisable by extraordinary resolution. See "Modification of the Trust Indenture" below.

The Trust Indenture provides that if we fail to pay promptly any principal and interest declared by the Trustee to be due and payable following an Event of Default, the Trustee may in its discretion or shall upon the requisition in writing of the holders of not less than 25% in aggregate principal amount of outstanding Debt Securities (or, if the Event of Default has occurred with respect to only one or more series of Debt Securities, 25% in aggregate principal amount of the outstanding Debt Securities of such series) and upon being indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed to obtain or enforce payment of the amounts due and payable together with other amounts due under the Trust Indenture by such proceedings as are authorized under the Trust Indenture or by law or equity. Where the Trustee fails to act within a reasonable time following receipt of the foregoing requisition in writing and indemnity, holders of Debt Securities issued under the Trust Indenture shall be entitled to take proceedings to obtain or enforce payment of amounts due or payable by the Corporation. (Section 6.4) The Trust Indenture provides that no holder of Debt Securities will have any right (other than actions for payment of overdue principal and interest) to institute action against us under the Trust Indenture except in accordance with the foregoing procedures.

Notwithstanding any other provisions in the Trust Indenture and any provision of any Debt Security, each holder of any Debt Security shall have the right, which is absolute and unconditional, to receive payment of the principal and interest on such Debt Security in the amounts, at the rates and on or after the respective due dates expressed in such Debt Security, and to institute suit for the enforcement of any such payment on or after such respective dates, which rights shall not he impaired or affected (whether by modification of the Trust Indenture or of the rights of holders of Debt Securities exercisable by extraordinary resolution, waiver of an Event of Default or otherwise) without the consent of such Debt Security holder. (Section 6.12)

The Corporation and any successor corporation is liable for payment of the principal of and interest on the Debt Securities. (Sections 5.1 and 8.1) Each holder of Debt Securities outstanding from time to time under the Trust Indenture and the Trustee waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future incorporator, shareholder, director, officer or employee of Nexen but not against the Corporation or any successor corporation for the payment of the principal of or interest on the Debt Securities or on any covenant, agreement, representation or warranty by Nexen contained in the Trust Indenture or in the Debt Securities. (Section 6.11)

Limitation on Liens

We covenant and agree in the Trust Indenture that except for Permitted Encumbrances (as defined below), (i) we shall not create, incur, assume or suffer to exist, nor shall we allow or permit any Restricted Subsidiary (as defined below) to create, incur, assume or suffer to exist, any Security Interest (as defined below) upon or with respect to any of our properties or assets or any income or profits therefrom, whether owned on the date of the Trust Indenture or thereafter acquired, and (ii) without limitation to the provisions of clause (i) of this sentence, we shall not create, incur, assume or suffer to exist, nor shall we allow or permit any Subsidiary (as defined below) to create, incur, assume or suffer to exist, any Security Interest upon or with respect to any shares of capital stock, Indebtedness or other securities of, or other ownership interests in, any Restricted Subsidiary, whether owned on the date of the Trust Indenture or thereafter acquired, unless, in any case described in (i) or (ii) of this sentence, the Corporation or such Restricted Subsidiary or Subsidiary, as the case may be, shall secure or cause to be secured the Debt Securities equally and rateably with the Indebtedness secured by such Security Interest. (Section 5.1)

Reorganization, Merger, Conveyance or Lease

We will not be restricted by the terms of the Trust Indenture from merging, amalgamating or consolidating with or into any other Person, or from selling, assigning, leasing, conveying or otherwise transferring all or substantially all of our property and assets to any other Person, or from changing the jurisdiction under whose laws we are organized and existing if, in any such case: (a) either the Corporation shall be the surviving corporation, or the successor or transferee corporation (the "successor corporation") expressly assumes, by supplemental indenture, the due and punctual payment of the Debt Securities and the due and punctual performance and observance of all other covenants in the Trust Indenture and the Debt Securities to be performed or observed by the Corporation (provided that no such supplemental indenture will be required pursuant to the provisions of this clause (a) if (i) the transaction in question is an amalgamation of the Corporation with any one or more other corporations, which amalgamation is governed by the statutes of Canada or any Province thereof, (ii) the successor corporation is and, immediately prior to such amalgamation, the Corporation is organized and existing under the laws of Canada or any Province thereof, (iii) upon the effectiveness of such amalgamation, the successor corporation shall have become or shall continue to be (as the case may be), by operation of law and as expressly provided by the statutes of Canada or any Province thereof (as the case may be) applicable to such transaction, liable for the due and punctual payment of the Debt Securities and the due and punctual performance and observance of all other covenants in the Trust Indenture and the Debt Securities to be performed or observed by the Corporation, and (iv) we shall have delivered to the Trustee an opinion of our legal counsel to the effect set forth in clauses (i) through (iii) above); (b) the Trustee is satisfied, and our legal counsel is of the opinion, that such transaction is upon such terms as substantially to preserve and not to prejudice any of the rights and powers of the Trustee or of the holders of Debt Securities (including, in respect of any Debt Securities that may be convertible, the conversion rights of holders thereof); (c) there shall exist no condition or event either at the time of or immediately following such transaction, as to either Nexen or the successor corporation, which constitutes or would with the passage of time or notice or both constitute an Event of Default under the Trust Indenture; and (d) we shall have delivered to the Trustee the officer's certificate and opinions of counsel called for by the Trust Indenture; provided that, if the successor corporation is not organized and validly existing under the laws of the United States of America or any State thereof or the District of Columbia or Canada or any Province thereof, such successor corporation shall expressly agree, in a supplemental indenture executed by such successor corporation, that the principal of and interest on the Debt Securities will be paid without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, fees, assessments or other governmental charges (including penalties, interest and other liabilities related thereto) (collectively, "Taxes") of whatever nature imposed, levied, withheld, assessed or collected by or on behalf of the jurisdiction in which such successor corporation is organized, is resident or is deemed for tax purposes to be resident (each such jurisdiction being hereinafter called an "Applicable Jurisdiction") or any political subdivision or taxing authority of or in any Applicable Jurisdiction, unless such Taxes are required by any Applicable Jurisdiction or any political subdivision or taxing authority thereof or therein to be withheld or deducted, in which case such successor corporation will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amount paid to each holder of any Debt Securities, after such deduction or withholding, will not be less than the amount which such holder would have received in accordance with the terms of the Debt Securities and the Trust Indenture if no such deduction or withholding had been required. All references herein to the payment of the principal of or interest on any Debt Securities shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts would be payable.

Defeasance or Covenant Defeasance of Trust Indenture

We may, at our option and at any time, terminate our obligations with respect to the outstanding Debt Securities ("defeasance"). Such defeasance means that we shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding Debt Securities, except for, among other things, (i) the rights of holders of outstanding Debt Securities to receive solely from the cash and/or U.S. Government Obligations (as defined in the Trust Indenture) deposited in trust as described below, payment in respect of the principal of and interest on the Debt Securities when such payments are due, (ii) our obligations to issue temporary Debt Securities, register the transfer or exchange of any Debt Securities, replace mutilated, destroyed, lost or stolen Debt Securities and maintain an office or agency for payments in respect of the Debt Securities, (iii) the rights, powers, trusts, duties and immunities of the Trustee, and (iv) the defeasance provisions of the Trust Indenture. In addition, we may, at our option and at any time, elect to terminate our obligations with respect to certain covenants that are set forth in the Trust Indenture, including the covenant described under "Limitation on Liens" above, and any subsequent failure to comply with such obligations shall not constitute an event of default with respect to the Debt Securities ("covenant defeasance").

In order to exercise either defeasance or covenant defeasance of the Debt Securities, (i) we must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Debt Securities, cash in United States dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the written opinion of a nationally recognized firm of independent public accountants, to pay the principal of and interest on the outstanding Debt Securities when due: (ii) we shall have delivered to the Trustee an opinion of U.S. counsel to the effect that the holders of the outstanding Debt Securities will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred (in the case of defeasance, such opinion must refer to and be based upon a ruling of the Internal Revenue Service or a change after the date of the Trust Indenture in applicable U.S. federal income tax laws); (iii) we shall have delivered to the Trustee an opinion of Canadian counsel to the effect that (A) the holders of the outstanding Debt Securities will not recognize income, gain or loss for Canadian federal income tax purposes as a result of such defeasance or covenant defeasance, (B) after such defeasance or covenant defeasance, any payment or credit by the Corporation of the principal of or interest on the Debt Securities to a holder thereof will be exempt from Canadian withholding tax if the holder thereof, for the purposes of the *Income Tax Act* (Canada) (or any successor law) is or is deemed to be a non-resident of Canada and deals at arms' length with the Corporation at the time of such payment or credit, and (C) after such defeasance or covenant defeasance, holders of the Debt Securities will be subject to Canadian federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred; (iv) no Event of Default or event which, with notice or passage of time or both, would constitute an Event of Default shall have occurred and be continuing on the date of such deposit or, insofar as clause (iii) of the second paragraph under "Events of Default" is concerned, at any time during the period ending on the day which is the later of (A) three months and one day after the date of such deposit and (B) 91 days after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period); (v) such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, the Trust Indenture or any other material agreement or instrument to which we are a party or by which we are bound; (vi) we shall have delivered to the Trustee an officer's certificate of the Corporation stating that the deposit with the Trustee was not made by the Corporation with the intent of preferring the holders of the Debt Securities over our other creditors or with the intent of defeating, hindering, delaying or defrauding our creditors or otherwise; and (vii) we shall have delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that all conditions precedent under the Trust Indenture to either defeasance or covenant defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Trust Indenture will be discharged with respect to the Debt Securities and will cease to be of further effect (except as to, among other things, surviving rights or registration of transfer or exchange of the Debt Securities, as expressly provided for in the Trust Indenture) as to all outstanding Debt Securities when (i) either (a) all the Debt Securities theretofore authenticated and delivered (except lost, stolen or destroyed Debt Securities which have been replaced or repaid) have been delivered to the Trustee for cancellation or (b) all Debt Securities have been called for redemption or have become due and payable and we have irrevocably deposited or caused to be deposited with the Trustee cash in U.S. dollars in an amount sufficient to pay and discharge the entire indebtedness on the Debt Securities not theretofore delivered to the Trustee for cancellation, for principal of and interest on the Debt Securities to the date of redemption or maturity, as the case may be, together with irrevocable instructions from us directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be; (ii) we have paid all other sums payable under the Trust Indenture and the Debt Securities by us; (iii) there exists no Event of Default or event which, with notice or passage of time or both, would constitute an Event of Default under the Trust Indenture; and (iv) we have delivered to the Trustee an officer's certificate and an opinion of counsel stating that all conditions precedent under the Trust Indenture relating to the satisfaction and discharge of the Trust Indenture have been complied with.

Evidence of Compliance

The Trust Indenture provides that we shall furnish to the Trustee evidence of compliance by us with conditions precedent provided for in the Trust Indenture to be fulfilled by us relating to (a) the certification and delivery of the original issue of Debt Securities; (b) the satisfaction and discharge of the Trust Indenture; and (c) the taking of any action to be taken by the Trustee at our request forthwith if and when such evidence is required to be furnished to the Trustee by the Trust Indenture. The evidence of compliance is to consist of (a) a statutory declaration or certificate of a director or officer of the Corporation stating that the conditions precedent have been complied with in accordance with the terms of the Trust Indenture; and (b) in case of conditions precedent compliance with which are by the Trust Indenture made subject to a review or an examination by counsel, an opinion by counsel that such conditions precedent have been complied with in accordance with the terms of the Trust Indenture. Any such evidence of compliance shall also comply with any legislation relating to trust indentures applicable to the Trust Indenture. In addition to the foregoing, we shall whenever the Trustee so requires by written notice furnish the Trustee with evidence by way of statutory declaration, opinion, report or certificate as specified by the Trustee as to any action or step required or permitted to be taken by us under the Trust Indenture or as a result of any obligation imposed by the Trust Indenture. (Section 11.17) The Trust Indenture also provides that we will annually (or at any other reasonable time as the Trustee may request) furnish the Trustee with a certificate stating that we have complied with all covenants, conditions or other requirements contained in the Trust Indenture, noncompliance with which would constitute an Event of Default; or, in the event of such non-compliance, specifying the particulars of such noncompliance. (Section 11.15)

Modification of the Trust Indenture

Subject to Section 6.12 thereof, the Trust Indenture provides the holders of Debt Securities with a number of powers exercisable by extraordinary resolution, including among others (a) to agree to modifications or abrogations of rights of holders of Debt Securities and/or the Trustee against the Corporation or its property; (b) to direct or authorize the Trustee to exercise (or refrain from exercising) any power, right or remedy under the Trust Indenture or Debt Securities; (c) to waive, or direct the Trustee to waive, any default of the Corporation under the Trust Indenture or Debt Securities and, on certain conditions, to restrain other Debt Securities holders from proceeding with an action to enforce a remedy under the Trust Indenture; (d) to assent to any modification in or omission from the provisions of the Trust Indenture also agreed to by us; (e) to amend or repeal any previous extraordinary resolution; and (f) to remove the Trustee from office and appoint new Trustee(s). Other actions by the holders of Debt Securities may be taken by ordinary resolution. The Trust Indenture provides that resolutions may be made either by vote at meetings of Debt Security holders or by instruments in writing. Resolutions by vote at a meeting will not be binding upon Debt Security holders (or, if the action to be taken affects the rights of holders of one or more series of Debt Securities in a substantially different manner than other holders, upon the holders of such affected series) unless passed by (i) at least 66b% of the principal amount of Debt Securities (or each affected series thereof) voted at a meeting where the holders of a majority of the principal amount of the outstanding Debt Securities (or each affected series thereof) are present, in the case of extraordinary resolutions subject to provisions as to adjourned meetings, or (ii) the holders of a majority of the principal amount of Debt Securities (or each affected series thereof) voted at a meeting where at least 25% of the principal amount of the outstanding Debt Securities (or each affected series thereof) are present, in the case of ordinary resolutions. Resolutions by instruments in writing will not be binding unless signed by holders of at least 66b% of the outstanding principal amount of the Debt Securities or each affected series thereof (as the case may be). Changes in (a) any covenant or agreement applicable only to a particular series, or (b) reductions in required voting or written consent percentages for any series, are deemed under the Trust Indenture to affect holders of Debt Securities of such series in a substantially different manner. (Article 9)

Governing Law

The Trust Indenture and the Debt Securities will be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein, and will also be subject to, and governed by, the provisions of the Trust Indenture Act required to be a part of and govern indentures qualifying for certain exemptions thereunder. (Section 1.5)

Definitions

The Trust Indenture contains the following definitions (Section 1.1):

"Consolidated Net Tangible Assets" means, in respect of the Corporation or any Subsidiary, the aggregate amount of assets less (i) all current liabilities (excluding any current portion of long-term debt) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense, and other intangibles, all as reflected in the most recent consolidated financial statements of the Corporation or such Subsidiary, as the case may be, in each case prepared in accordance with Generally Accepted Accounting Principles;

"Current Assets" means current assets as determined in accordance with Generally Accepted Accounting Principles;

"Equity" means, as to any Person, the shareholders' equity (or, if such Person is not a corporation, the amount corresponding to shareholders' equity) appearing in such Person's most recent consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles;

"Generally Accepted Accounting Principles" means generally accepted accounting principles which are in effect from time to time in Canada;

"Indebtedness" as to any Person, means, without duplication, all items of indebtedness or liability which in accordance with Generally Accepted Accounting Principles would be considered to be indebtedness or liabilities of such Person as at the date of which indebtedness is to be determined, including Indebtedness for Borrowed Money;

"Indebtedness for Borrowed Money", as to any Person, means, without duplication, the full amount of all liabilities of such Person for the repayment, either in money or in property, of borrowed money, and the full amount of liabilities of others for the repayment, either in money or in property, of borrowed money, that is guaranteed or endorsed (otherwise than for purposes of collection) by such Person, or which such Person is obligated, contingently or otherwise, to purchase, or on which such Person is otherwise contingently liable, provided that a contingent liability for borrowed money shall only constitute Indebtedness for Borrowed Money where the amount thereof is recorded as a liability in the most recent consolidated financial statements of such Person prepared in accordance with Generally Accepted Accounting Principles;

"Permitted Encumbrances" means any of the following:

(i) liens for taxes, assessments or governmental charges which are not due or delinquent, or the validity of which the Corporation or any Restricted Subsidiary shall be contesting in good faith;

(ii) the liens of any judgments rendered, or claims filed, against the Corporation or any Restricted Subsidiary which the Corporation or such Restricted Subsidiary shall be contesting in good faith;

(iii) liens, privileges or other charges imposed or permitted by law such as carriers' liens, builders' liens, materialmen's liens and other liens, privileges or other charges of a similar nature which relate to obligations which are not due or delinquent, or the validity of which the Corporation or the Restricted Subsidiary shall be contesting in good faith;

(iv) undetermined or inchoate liens arising in the ordinary course of and incidental to construction or current operations of the Corporation or any Restricted Subsidiary which relate to obligations which are not due or delinquent, or the validity of which the Corporation or the Restricted Subsidiary shall be contesting in good faith;

(v) easements, rights-of-way, servitudes, zoning or other similar rights or restrictions in respect of land held by the Corporation or any Restricted Subsidiary (including, without limitation, rights-of-way and servitudes for railways, sewers, drains, pipe lines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) which are in existence on the date of execution of the Trust Indenture or which do not, either alone or in the aggregate, materially detract from the value of such land or materially impair its use in the operation of the business of the Corporation or of any such Restricted Subsidiary;

(vi) security arising under partnership agreements, oil and gas leases, overriding royalty agreements, net profits agreements, production payment agreements, royalty trust agreements, master limited partnership agreements, farm-out agreements, division orders, contracts for the sale, purchase, exchange, transportation, gathering or processing of oil, gas or other hydrocarbons, unitizations and pooling designations, declarations, orders and agreements, development agreements, operating agreements, production sales contracts (including security in respect of take or pay or similar obligations thereunder), area of mutual interest agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or geophysical permits or agreements, which in each of the foregoing cases is customary in the oil and gas business, and other agreements which are customary in the oil and gas business, provided in all instances that such security is limited to the assets that are the subject of the relevant agreement, and such security does not secure Indebtedness for Borrowed Money;

(vii) security arising under partnership agreements, production payment agreements, contracts for the sale, purchase, exchange, transportation or processing of industrial chemicals, operating agreements, production sales contracts (including security in respect of take or pay or similar obligations thereunder) and shared facilities and services agreements, which in each of the foregoing cases is entered into in the ordinary course of the industrial chemical business, and other agreements which are customary in the industrial chemical business, provided in all instances that such security is limited to the assets that are the subject of the relevant agreement, and such security does not secure Indebtedness for Borrowed Money;

(viii) security on property not situated in Canada, the United Kingdom or the United States;

(ix) security on any specific property or any interest therein, construction thereon or improvement thereto to secure all or any part of the costs incurred for acquisition, surveying, exploration, drilling, extraction, mining, development, operation, production, construction, alteration, repair or improvement of, in, under or on such property and the plugging and abandonment of wells located thereon (it being understood that costs incurred for "development" shall include costs incurred for all facilities relating to such properties including power plants and utilities or to projects, ventures or other arrangements of which such properties form a part or which relate to such properties or interests), or for acquiring ownership of any Person which owns any such property or interest therein, provided in all instances that such security is limited to such property or any such interest therein, construction thereon or improvement thereto (including any such related facilities);

(x) security in respect of securities or Indebtedness of a Subsidiary other than a Restricted Subsidiary;

(xi) security given to a public utility or any municipality or governmental or other public authority when required by such utility, municipality or authority in connection with the operations of the Corporation or any Restricted Subsidiary, to the extent such security does not materially detract front the value of any material part of the property of the Corporation or any such Restricted Subsidiary;

(xii) cash or marketable securities deposited in connection with bids or tenders, or deposited with a court as security for costs in any litigation, or to secure workmen's compensation or unemployment insurance liabilities;

(xiii) liens on cash or marketable securities of the Corporation or any Restricted Subsidiary granted in the ordinary course of business in connection with:

(A) any currency swap agreements, forward exchange rate agreements, foreign currency futures or options, exchange rate insurance and other similar agreements or arrangements;

(B) any interest rate swap agreements, forward rate agreements, interest rate cap or collar agreements or other similar financial agreements or arrangements; or

(C) any agreements or arrangements entered into for the purpose of hedging product prices;

(xiv) pre-existing encumbrances on assets when acquired or when the owner thereof becomes a Restricted Subsidiary, or encumbrances given by such Restricted Subsidiary on other assets of such Restricted Subsidiary in compliance with obligations under trust deeds or other instruments entered into prior to its becoming a Restricted Subsidiary, or pre-existing encumbrances existing on assets of a Person at the time such Person is merged, amalgamated, liquidated or consolidated with or into the Corporation or any Restricted Subsidiary;

(xv) Purchase Money Mortgages;

(xvi) security on Current Assets given in the ordinary course of business to any financial institution to secure any Indebtedness payable on demand or maturing (including any right of extension or renewal) 18 months or less after the date such Indebtedness is incurred or the date of any renewal or extension thereof;

(xvii) security given by the Corporation in favour of a Restricted Subsidiary or by a Restricted Subsidiary in favour of the Corporation or another Restricted Subsidiary;

(xviii) security in respect of transactions such as the sale (including any forward sale) or other transfer, in the ordinary course of business, of:

(A) oil, gas or other minerals, whether in place or when produced, for a period of time until, or in an amount such that, the purchaser will realize therefrom a specified amount of money (however determined) or a specified amount of such minerals; or

(B) any other interests in property of a character commonly referred to as a "production payment";

(xix) rights of set off;

(xx) security existing as of the date of the Trust Indenture;

(xxi) extensions, renewals or replacements of all or part of any security permitted under paragraphs (i) to (xx) hereof or successive extensions, renewals or replacements thereof provided that such security relates to the same property plus improvements, if any, and provided that the amount of Indebtedness secured thereby will not exceed the principal amount of such Indebtedness immediately prior to such extension, renewal or replacement plus an amount necessary to pay any fees or expenses, including premiums, related to such extension, renewal or replacement; and

(xxii) security that would otherwise be prohibited (including any extensions, renewals or replacements thereof or successive extensions, renewals or replacements thereof), provided that the aggregate Indebtedness outstanding and secured under this paragraph (xxii) does not (calculated at the time of the giving of security on the Indebtedness and not at the time of any extension, renewal or replacement thereof) exceed an amount equal to 10% of Consolidated Net Tangible Assets of the Corporation;

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other business entity;

"Purchase Money Mortgage" means a mortgage, charge or other lien on or against any property securing any Purchase Money Obligation for such property, provided that such mortgage, charge or lien is created or assumed within 12 months after such property is acquired;

"Purchase Money Obligation" means any Indebtedness created or assumed as part of the purchase price of real or personal property, whether or not secured, and any extensions, renewals, refinancings or refundings of any such Indebtedness, provided that the principal amount of such Indebtedness outstanding on the date of such extension, renewal, refinancing or refunding is not increased other than by an amount necessary to pay any fees or expenses, including premiums, related to such extension, renewal, refinancing or refunding and further provided that any security given in respect of such Indebtedness shall not extend to any property other than the property acquired in connection with which such Indebtedness was created or assumed and fixed improvements, if any, erected or constructed thereon;

"Restricted Subsidiary" means:

(i) any Subsidiary of the Corporation which owns oil or natural gas properties, or interests therein, in Canada, the United Kingdom or the United States, or refining, production or manufacturing facilities, or interests therein, in Canada, the United Kingdom or the United States, related to the refining, production or manufacture of petroleum hydrocarbons, industrial chemicals, the constituents thereof or the derivatives therefrom, which assets represent not less than the greater of 5% of the Corporation's Consolidated Net Tangible Assets and $50,000,000 (or the equivalent thereof in any other currency), excluding however any such Subsidiary if the amount of Nexen's share of the Equity therein does not at the time exceed 2% of the Equity of Nexen;

(ii) any Subsidiary of the Corporation designated as a Restricted Subsidiary from time to time in the form of designation provided for under the Trust Indenture (a "Designation"); and

(iii) provided that notwithstanding anything in the Trust Indenture to the contrary (A) a Restricted Subsidiary shall cease to be a Restricted Subsidiary when it ceases to be a Subsidiary for any reason, (B) any Subsidiary to which assets held by a Restricted Subsidiary, which assets have a value equal to or greater than 5% of the Consolidated Net Tangible Assets of such Restricted Subsidiary, are, directly or indirectly, transferred, other than for fair value, shall itself be deemed to be a Restricted Subsidiary, and (C) a Restricted Subsidiary shall cease to be a Restricted Subsidiary when the assets thereof represent less than the greater of 5% of the Corporation's Consolidated Net Tangible Assets and $50,000,000 (or the equivalent thereof in any other currency) unless such Restricted Subsidiary has been designated under paragraph (ii) above;

"Security Interest" means any security by way of an assignment, mortgage, charge, pledge, lien, encumbrance, title retention agreement or other security interest whatsoever, howsoever created or arising, whether absolute or contingent, fixed or floating, perfected or not; provided, however, for greater certainty, "Security Interest" shall not include any security interest referred to in Section 1(1) (qq) (ii) of the *Personal Property Security Act* (Alberta); and

"Subsidiary" of a Person means (i) any corporation of which such Person or one or more of its Subsidiaries or a combination thereof own securities having ordinary voting power which in the aggregate represent more than 50% of the aggregate voting power of all outstanding securities of such corporation having ordinary voting power and (ii) any Person (other than a joint venture or similar business arrangement to the extent not consolidated in the financial statements of such Person in accordance with Generally Accepted Accounting Principles) of which such Person or one or more of its Subsidiaries or a combination thereof own more than 50% of the outstanding ownership interests, in either case having the power to direct the policies, management and affairs of such Person. For the purposes of this definition, "securities having ordinary voting power" means securities or other equity interests that ordinarily have voting power for the election of directors, or persons having management power with respect to the Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

CERTAIN INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement will describe certain Canadian federal income tax consequences to an investor who is a non-resident of Canada of acquiring any Debt Securities offered thereunder, including whether the payments of principal, premium (if any) and interest will be subject to Canadian non-resident withholding tax.

The applicable Prospectus Supplement will also describe certain United States federal income tax consequences of the acquisition, ownership and disposition of any Debt Securities offered thereunder by an initial investor who is a United States person (within the meaning of the United States Internal Revenue Code), including, to the extent applicable, any such consequences relating to Debt Securities payable in a currency other than the United States dollar, issued at an original issue discount for United States federal income tax purposes or containing early redemption provisions or other special items.

PLAN OF DISTRIBUTION

We may sell Debt Securities to or through underwriters or dealers and also may sell Debt Securities directly to purchasers or through agents.

The distribution of Debt Securities of any series may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, or at prices related to such prevailing market prices to be negotiated with purchasers.

In connection with the sale of Debt Securities, underwriters may receive compensation from the Corporation or from purchasers of Debt Securities for whom they may act as agents in the form of discounts, concessions or commissions. Underwriters, dealers and agents that participate in the distribution of Debt Securities may be deemed to be underwriters and any discounts or commissions received by them from the Corporation and any profit on the resale of Debt Securities by them may be deemed to be underwriting discounts and commissions under the United States *Securities Act of 1933* ("Securities Act").

The Prospectus Supplement relating to each series of Debt Securities will also set forth the terms of the offering of the Debt Securities, including, to the extent applicable, the initial offering price, the proceeds to us, the underwriting discounts or commissions, and any other discounts or concessions to be allowed or reallowed to dealers. Underwriters with respect to each series sold to or through underwriters will be named in the Prospectus Supplement relating to such series.

Under agreements which may be entered into by the Corporation, underwriters, dealers and agents who participate in the distribution of Debt Securities may be entitled to indemnification by the Corporation against certain liabilities, including liabilities under the Securities Act.

The Debt Securities will not be qualified for sale under the securities laws of Canada or any province or territory of Canada unless a Prospectus Supplement indicates otherwise with respect to a particular series of Debt Securities. Each underwriter and each dealer participating in the distribution of any series of Debt Securities must agree that it will not offer to sell, directly or indirectly, any such Debt Securities acquired by it in connection with such distribution, in Canada or to residents of Canada in contravention of the securities laws of Canada or any province or territory thereof.

Each series of Debt Securities will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to a series of Debt Securities, the Debt Securities will not be listed on any securities exchange. Certain broker-dealers may make a market in the Debt Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any broker-dealer will make a market in the Debt Securities of any series or as to the liquidity of the trading market, if any, for the Debt Securities of any series.

LEGAL MATTERS

Unless otherwise specified in the Prospectus Supplement relating to a series of Debt Securities, the validity of the Debt Securities will be passed upon for us by Bennett Jones LLP, Calgary, Alberta. Certain U.S. income tax considerations, to the extent they are addressed in any Prospectus Supplement, will be passed upon for us by Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. In addition, certain legal matters in connection with the offering will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters, dealers or agents with respect to matters of Canadian and United States law.

The partners and associates of Bennett Jones LLP and Paul, Weiss, Rifkind, Wharton & Garrison as a group beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Corporation.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in the Province of Alberta provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus, the accompanying prospectus supplement relating to securities purchased by a purchaser and any amendment thereto. The securities legislation further provides a purchaser with remedies for rescission or, damages if the prospectus, the accompanying prospectus supplement relating to securities purchased by a purchaser and any amendment contains a misrepresentation or are not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF NEXEN INC.

Dated: May 14, 2002

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of Alberta.

(Signed) Charles W. Fischer President and Chief Executive Officer	(Signed) Marvin F. Romanow Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors:

(Signed) Kevin J. Jenkins Director	(Signed) Francis M. Saville, Q.C. Director