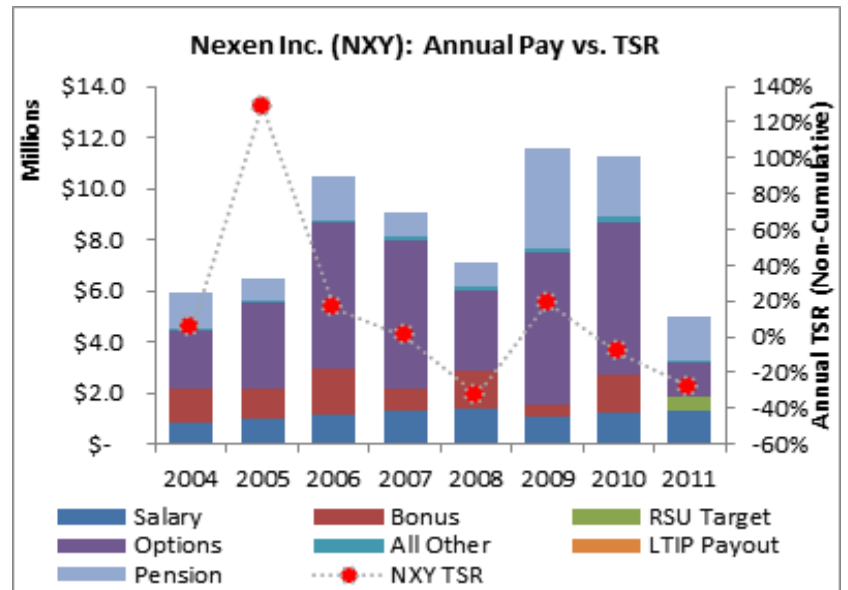
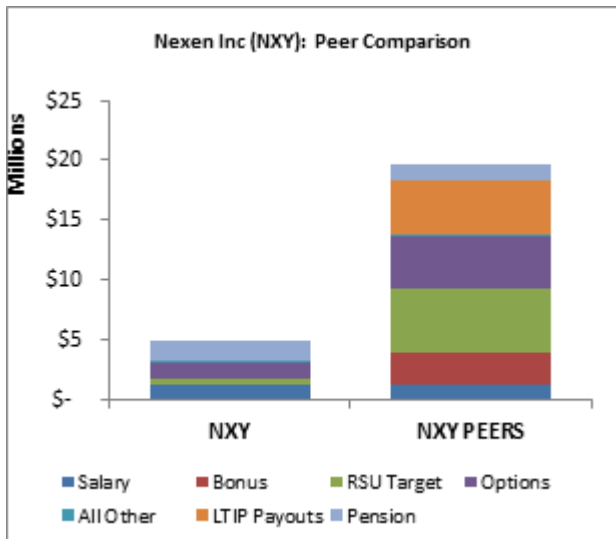


Nexen Inc (NXY): 2004-2011 Pay for Performance

PAY FOR PERFORMANCE SCORE				
1 YEAR = 2	4 YEAR = 2	6 YEAR = 0	8 YEAR = 8	TOTAL: 12/24

2011 was an unusual year for NXY, with interim CEO, Kevin Reinhart's pay reaching less than half that of the previous CEO, Marvin Romanow, who departed suddenly in early 2012. In fact, Mr. Reinhart's pay in 2011 was notably less than he earned a year earlier as CFO. This difference is largely driven by a dramatic overall reduction in options granted to senior NXY executives in 2011. While this change had a significant (downward) impact on our 1- and 4-year CEO pay change observations, it also brought pay in those periods into closer alignment with TSR than if CEO pay had not decreased. Combined with positive movement in CEO pay and TSR in our 8-year observation, NXY's Pay for Performance Score was a respectable 12/24.

In 2011, the significant decrease in CEO pay placed them 11th out of 11 peers in total pay. Performance metrics were also down, with NXY ranking 10th out of 11 in TSR (-28%), and 8th out of 11 in both ROE (8.3%) and ROA (3.5%). NXY has experienced 3 years of negative TSR since the 2008 crisis. We will see next year the impact of a new CEO on pay behaviour.



COMPANY'S DISCLOSED PEER FIRMS	
TICKER	NAME
NYSE:APC	Anadarko Petroleum Corporation
NYSE:APA	Apache Corporation
NYSE:DVN	Devon Energy Corporation
NYSE:NBL	Noble Energy Inc.
NYSE:OXY	Occidental Petroleum Corporation
TSE:CNQ	Canadian Natural Resources Limited
TSE:CVE	Encana Corporation
TSE:ECA	Husky Energy Inc.
TSE:SU	Suncor Energy Inc

FY 2011 FINANCIAL PERFORMANCE RANKINGS						
#	PEER	TSR	PEER	ROE	PEER	ROA
1	NYSE:NBL	10.6%	NYSE:DVN	21.8%	NYSE:DVN	11.4%
2	TSE:CVE	4.1%	NYSE:OXY	17.6%	NYSE:OXY	11.0%
3	NYSE:APC	0.7%	NYSE:APA	16.5%	NYSE:APA	8.8%
4	NYSE:OXY	-2.6%	TSE:CVE	15.7%	TSE:HSE	6.8%
5	TSE:HSE	-3.4%	TSE:HSE	12.7%	TSE:CVE	6.7%
6	TSE:CNQ	-13.2%	TSE:CNQ	11.5%	TSE:SU	5.8%
7	NYSE:DVN	-20.3%	TSE:SU	11.2%	TSE:CNQ	5.6%
8	TSE:SU	-22.3%	TSE:NXY	8.3%	TSE:NXY	3.5%
9	NYSE:APA	-23.6%	NYSE:NBL	6.2%	NYSE:NBL	2.8%
10	TSE:NXY	-28.2%	TSE:ECA	0.8%	TSE:ECA	0.4%
11	TSE:ECA	-33.0%	NYSE:APC	-14.6%	NYSE:APC	-5.1%

CEO COMPENSATION RANKINGS AGAINST COMPANY'S DISCLOSED PEER FIRMS										
	PEER	TOTAL PAY	PEER	SALARY	PEER	BONUS	PEER	TOTAL CASH	PEER	TOTAL EQUITY
1	NYSE:OXY	\$26,299,145	NYSE:APA	\$1,730,871	NYSE:APA	\$4,698,079	NYSE:APA	\$6,428,950	NYSE:APC	\$14,430,956
2	NYSE:APC	\$23,455,584	NYSE:APC	\$1,565,488	NYSE:OXY	\$4,648,625	NYSE:OXY	\$5,901,447	NYSE:OXY	\$12,857,964
3	NYSE:DVN	\$17,951,402	TSE:SU	\$1,483,846	NYSE:APC	\$3,093,403	NYSE:APC	\$4,658,891	TSE:SU	\$11,621,931
4	TSE:SU	\$17,287,193	TSE:HSE	\$1,459,625	TSE:SU	\$3,060,000	TSE:SU	\$4,543,846	NYSE:DVN	\$10,833,382
5	NYSE:APA	\$17,159,910	TSE:ECA	\$1,399,929	TSE:HSE	\$2,300,000	TSE:HSE	\$3,759,625	NYSE:APA	\$9,941,780
6	NYSE:NBL	\$12,150,665	NYSE:DVN	\$1,380,893	NYSE:DVN	\$2,275,453	NYSE:DVN	\$3,656,346	TSE:ECA	\$7,725,580
7	TSE:ECA	\$10,364,165	TSE:NXY	\$1,331,250	TSE:CVE	\$2,165,625	TSE:CVE	\$3,234,375	NYSE:NBL	\$7,055,650
8	TSE:CVE	\$10,066,000	NYSE:OXY	\$1,252,821	NYSE:NBL	\$1,835,960	NYSE:NBL	\$2,893,986	TSE:CNQ	\$4,860,000
9	TSE:CNQ	\$7,722,768	TSE:CVE	\$1,068,750	TSE:ECA	\$1,207,439	TSE:ECA	\$2,607,367	TSE:CVE	\$4,821,640
10	TSE:HSE	\$7,050,398	NYSE:NBL	\$1,058,026	TSE:CNQ	\$500,000	TSE:NXY	\$1,331,250	TSE:HSE	\$3,027,750
11	TSE:NXY	\$5,003,511	TSE:CNQ	\$600,000	TSE:NXY	\$0	TSE:CNQ	\$1,100,000	TSE:NXY	\$1,823,834

PAY FOR PERFORMANCE SCORING

For 2012, the Clarkson Centre for Board Effectiveness (CCBE), prepared a Pay for Performance report for each firm currently listed on the TSX 60 Index that has at least 8 years of historical compensation or share price data available. The CCBE's Performance Score measures how closely CEO pay and TSR are aligned over four different time horizons. Compensation data is gathered from the firm's public filings, and valued at the time of grant. Options are valued using the binomial tree fair value method, and PSUs are valued at the grant date value of the target payout. TSR is calculated using a 30-day average start and end date share price, and assumes the reinvestment of dividends.

CCBE collected pay and performance data for up to ten peer companies for each TSX 60 constituent. Peer companies were selected from each TSX 60 constituent's performance benchmarking peer group, as disclosed in its most recent Management Information Circular. If a performance peer group was not disclosed, the CCBE collected information on the disclosed constituents of the total pay benchmarking peer group. If a peer group had more than 10 constituents, we randomly selected ten from among the disclosed list.

Our Pay for Performance Score takes into account alignment between change in CEO pay and TSR in 1-, 4-, 6- and 8-year observations. CEO pay change is 'smoothed' to account for outlying years. For example, in our 8-year observation we calculate CEO pay change as the percent change of the sum of total CEO pay from 2004-2007 against the sum of total CEO pay from 2008-2011. This helps to normalize our longer observations for unusual events like CEO turnover and large one-time payouts. The Pay for Performance Score gives significantly more weight to longer-term observations than shorter ones.

1-YEAR SCORE	4-YEAR SCORE	6-YEAR SCORE	8-YEAR SCORE
A = 3	A = 4	A = 7	A = 10
B = 3	B = 3	B = 5	B = 8
C = 2	C = 2	C = 3	C = 5
D = 1	D = 1	D = 1	D = 3
E = 0	E = 0	E = 0	E = 0

