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September 5, 2008

Ms. Florence Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-15-08 – Comments on the Proposed Rule Concerning "Modernization of the Oil and Gas Reporting Requirements" ("Proposed Rule")

Dear Ms. Harmon:

Nexen Inc. is an independent, Canadian-based global energy company with activities in Canada, the United States, the United Kingdom, Yemen, Colombia, offshore West Africa and Norway. We are also involved in mining and in-situ oil sands activities in the Athabasca area of Alberta, coal bed methane and shale gas. We currently produce over 250,000 barrels of oil equivalent (boe) per day and have proved reserves of over 1 billion barrels of oil equivalent.

We are listed on the Toronto and New York stock exchanges. We have been an SEC Form 10-K filer for over 30 years and currently have exemptions from Canada's National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities,* allowing us to estimate reserves and disclose related oil and gas activities under SEC Rules and Regulations, and to dispense with the requirement to obtain independent third party evaluation of our reserves estimates.

We commend the SEC's responsiveness to the calls for modernization of the reserves reporting requirements including consideration of comments from all interested parties. We are pleased to provide comments on the Proposed Rule.

As a general comment, we are concerned with the extent of the new disclosure requirements included in the Proposed Rule and note that most of the disclosures were not included in the Concept Release of late last year. Cumulatively, the new disclosures are onerous in their scope and many will necessitate a significant implementation and training effort, and changes in our reserves and accounting systems. We note that the cost-benefit analysis section of the proposal estimates that the new rules will require an incremental effort of 35 hours per registrant. We believe this significantly underestimates the incremental effort required.

Our specific comments on the items of most significance to us follow.

Alignment of definitions with the PRMS
We support the substantial alignment of the various definitions with the SPE – PRMS. These have been derived from informed and collaborative thought, and they are relatively current.

While being current today, we foresee the possibility that PRMS definitions are likely to evolve in response to new resources and technological and other advancements while the SEC definitions may not. This will ultimately lead once again to outdated SEC definitions. As outlined in our initial comment letter, we reiterate our support for the establishment of a standards-setting body (likely the SPE) to allow reserves standards to evolve on a more timely basis. This would be analogous to the Financial Accounting Standards Board. We would expect the SEC would have representation on the standards-setting body. This would permit the reserves standards to remain current while reducing the resource requirements of the SEC to do so without loss of input into the process.

Probable reserves definition
We note that the proposed definition of probable reserves may be interpreted to permit probable reserves recognition only where proved reserves have been recognized for the reservoir. We believe that probable reserves should be permitted even where no proved reserves have been recognized provided they meet the appropriate confidence criteria – i.e., as likely as not to be produced. This would be consistent with the PRMS and COGEH definitions and current general practice.

Proved undeveloped reserves limitation
The proposed definition prohibits including reserves relating to undrilled locations if a development plan has not been adopted indicating that the locations will be drilled within five years, except in unusual circumstances. We believe that the instances where reserves may not be drilled for more than five years are increasing, and will not be as rare as implied in the Proposed Rule. This reflects the growing predominance of new reserves being found offshore and in unconventional reservoirs. Offshore projects more often than not take more than five years to obtain the necessary approvals and construct the facilities, and most of the developments maximize the economic return by extending the time period in which the facility is kept at full capacity by drilling some wells only when there is available capacity at the facility. This will result in most offshore projects having a large portion of the reserves not being drilled within the five year limitation. Similarly, oil sands projects typically have a 40 plus year life and over three-quarters of the reserves relate to wells that won't be drilled in the first five years. In these cases, investors would be left to question the wisdom of management's decision to invest billions of dollars for only a small portion of proved reserves and a large amount of probable reserves which are presumed to be significantly less certain.

While the Proposed Rule includes an exception to the five year limitation, it implies that such instances will be rare and we are concerned that the rule will be enforced strictly by the SEC.

We believe a five year limitation is arbitrary and irrelevant and it results in a conflict with the objective of providing readers an informed perspective of a company's assets. We strongly recommend removing the five year limitation and replacing it with a requirement to provide disclosures regarding the existence of and plans pertaining to any proved reserves that won't be drilled for more than five years.

Proved undeveloped (PUD) reserves disclosures
The proposal requires extensive new disclosures relating to PUDs. The aging and tracking of PUDs by year of recognition and related investment dollars would be a complex new reporting requirement that would necessitate costly changes to accounting and reserves information systems. Given the increasing scale and cycle time of development projects, we believe these disclosures will apply to an increasingly significant portion of reported reserves. Furthermore, requiring the information to be reported in an aggregated tabular format will only result in very complex disclosures that are difficult for readers to understand.

We believe disclosures of PUD reserves should be done in narrative format by material project which would include a description of the extent of the recognized PUDs, plans for conversion of the PUDs and progress against those plans. We believe this information would be simpler for management to compile and describe, and for readers to comprehend.

Pricing based on 12 month average
We believe the use of a 12 month average price is a vast improvement over the current single point year end price. However, we note that the month end average price is frequently not representative of the actual price realized during the month. For example, in November 2007, the Canadian daily bitumen price varied between $16 and $41 per barrel (a 250% variance). Use of a single day price at month end could result in a significantly different price than was realized in the month.

We strongly recommend the SEC adopt an unweighted simple average of the daily price throughout the prior year. It is more reflective of the actual price for the prior year. The daily average is also a simpler and more accurate base against which quality adjustments can be made since this is readily available in the accounting systems.

We do not support disclosures of reserves using a different price if current prices differ from that used in the reserves estimate. This can occur frequently in the case of seasonal pricing (e.g., natural gas, heavy oil) and is the reason for going to an annual average rather than a single day price. Such information may actually be misleading. Furthermore, it significantly increases the amount of effort required by a company to prepare the estimates and disclosures, and adds to the confusion of investors. We believe this is best left to companies to decide if they want to provide the additional disclosures as permitted by the ability to voluntarily provide reserves using price sensitivities.

Use of average price for 12 months ending prior to fiscal year end
We strongly encourage the SEC to require the use of an average price for the 12 month period ending two months prior to a company's fiscal year end. We believe this will lead to improved quality of the estimates and related disclosures. Accelerated filers have a very limited time in which to complete their estimate of reserves, undergo internal review processes of the estimates, perhaps have them externally assessed, and prepare the enhanced disclosures being proposed by the SEC. Compressed timeframes increase the likelihood of inadvertent errors and reduce the quality of the related disclosures. Making this mandatory ensures comparability amongst companies, and does not cause harm to those who are not under the accelerated filing requirements.

Definition of oil and gas activities

We support the proposal to expand the definition of oil and gas activities to include unconventional non-renewable resources like oil sands and coal bed methane based on the final product rather than the extraction method. However, we do not support the decision to exclude field upgrading from the basis of reserves determination for oil sands activities.

Bitumen in its natural state is not saleable in a pipeline due to its high viscosity. In order to be recognized as proved reserves, the Proposed Rule allows some amount of upgrading by permitting the necessary diluent to bring the bitumen to pipeline spec to be included as a quality adjustment. This results in some amount of upgrading being permitted, but not the actual field upgrading being done by some producers. The stated rationale for this is that it "facilitates comparability among companies". We suggest that it forces the appearance of comparability when, in fact, those upgrading the bitumen do not face the same risks and rewards as do those producers who sell diluted bitumen. This comparability then becomes misleading. Furthermore, we note that other industries such as mining and renewable resources (wind, geothermal, etc.) use the product that is actually sold as the measure of activity as it best reflects the true risks and rewards of the activities. There appears to be an arbitrary distinction on the extent of upgrading being made for the oil sands business.

We believe our concern is mitigated somewhat (but not eliminated) by being permitted to make disclosures regarding the overall integrated process which more accurately reflects the nature of the activities being undertaken. Nevertheless, this dual disclosure is cumbersome and potentially confusing to readers, particularly if the economics of bitumen do not support recognition of proved reserves but the field upgrading process is economic.

Creation of differences for accounting purposes

We note several instances where the Proposed Rule results in different reserves than would be used for accounting purposes (e.g., DD&A, ceiling tests, SFAS 69 disclosures). We believe this is unacceptable as it is a significant burden on a company and creates confusion for readers. It necessitates the preparation, review and understanding of two reserves estimates by a company. A company's board of directors must review both estimates as they have responsibility for the reserves disclosures and financial statements. It is likely that external evaluators would have to look at both estimates to satisfy management's and the external financial auditors' needs. This incremental effort will only result in confusion for readers while providing no additional value to the reporting process.

We strongly encourage the SEC not to proceed with adoption of the Proposed Rule until the accounting requirements can be changed to align with the reserves requirements.

We do not see the rationale for permitting full cost companies to utilize different reserves determinations than those used by successful efforts companies. The estimate of a company's reserves should not be dependent on the accounting method it adopts.

Finally, we recommend that the accounting rules permit the capitalization of costs associated with proved and probable reserves rather than only proved reserves. Management has made its investment decision and designed its development plan to capture more than just the proved reserves. Furthermore, it is not possible to accurately apportion such costs between proved

and probable reserves. As a result, all the costs should be capitalized. Such costs are then subjected to a cost recovery test which includes estimates of remaining proved and probable reserves. This is similar to a manufacturing plant which builds a plant and assesses cost recovery beyond its contracted sales to also include its reasonably expected (probable) future sales.

Third party assessments of reserves

We engage third party evaluators to independently assess a portion of our reserves estimates and disclose this in our Form 10-K. In this context, we accept the requirement to include summary reports from third party evaluators describing the nature of the work done and their conclusions. However, we strongly believe that such reports should be limited to describing the work they performed, assumptions they made and the conclusion that our reported estimates are not materially different than theirs. We do not support disclosure of their reserves because estimates prepared by unbiased professionally trained individuals using the same data can be different. Disclosure of the actual estimate of the third party can be confusing and not necessarily a more accurate estimate. What is important is their conclusion that the estimate reviewed by them is not materially different than their estimate. In addition, we do not believe they should discuss the possible effects of regulation or other matters on the estimates as these are outside the scope of their expertise, are subjective and management is in a more informed position to describe them.

Naming of person(s) responsible for preparation of estimates

The Proposed Rule requires the naming of the person(s) primarily responsible for the preparation of the reserves estimate and sets out specific professional qualifications for that individual. We believe there are numerous people who are responsible for the estimate with no one individual being more responsible than another. The integrity and confidence of our reserves estimates is provided not by an individual but by integrating appropriate processes and checks and balances into our reserves process. This includes the initial estimator, an executive reserves committee and ultimately a reserves committee of the board of directors who review the estimates on behalf of the board. We believe disclosures would be enhanced by requiring companies to describe their reserve estimation process including who prepares the reserves, the general qualifications they must have, what internal reviews occur, to what extent third party evaluators are involved and what role the board of directors play. It is the totality of this process that adds credibility to the estimates and disclosure of such permits a reader to make an informed assessment of its sophistication. The naming of a particular person places undue responsibility and reliance on that individual when in fact the integrity of the reserves is the collective responsibility of a company including its executive and board of directors.

Specificity of level of reserves disclosures

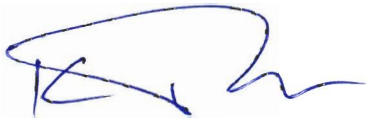
We support disclosures of oil, gas and specific unconventional resource (oil sands, coal bed methane, shale gas, etc.) to the country level only with aggregation permitted for immaterial countries. Further segregation based on basin would be arbitrary. Separate disclosure for material fields should not be required as it could result in undermining the competitive position of a company in future property sales or in discussions with the local regulatory authorities. Disclosure at this level would be inconsistent with the financial disclosures where financial results are not required at this level, nor would they be supported given the competitive nature of the information. We believe that a company should address the activities, trends and risks in its discussion and analysis of financial results which can be done effectively without providing the specific details on reserves and financial information.

Conclusion

Once again, we commend the SEC for its efforts in modernizing the oil and gas reporting requirements, and the opportunity to provide our comments thereon. We would be pleased to discuss these comments with you at your convenience. Please feel free to contact the undersigned at 403.699.5163.

Sincerely,

NEXEN INC.



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