



nexen



RESPONSIBLE ENERGY DEVELOPMENT

# ABOUT NEXEN: IN THE GULF OF MEXICO



A CLOSER LOOK AT OUR BUSINESS IN THE GULF OF MEXICO

# ABOUT NEXEN

The ENSCO 8502 mobile offshore drilling rig in the Gulf of Mexico.

## WHERE WE WORK, WHAT WE PRODUCE, HOW WE MEASURE UP

The Gulf of Mexico is considered one of the world's most significant oil and natural gas basins. As one of the top leaseholders in the Gulf of Mexico, Nexen Petroleum U.S.A. Inc. is actively partnering on exploring prospects and developing exciting new assets where we believe there is the greatest growth potential. Nexen is positioning its Gulf of Mexico offshore division to be partner of choice for deepwater exploration, divesting ownership of shallow water Outer Continental Shelf leases to focus on deepwater prospects and developments.

From an economic perspective, energy development in the Gulf of Mexico has several advantages. Current and future production helps ensure a consistent and secure energy supply for the U.S., while strengthening local employment opportunities. Existing infrastructure means production can be delivered to the marketplace cost effectively and in a reasonable time frame.

Nexen's U.S.-based employees strive to create value by doing the job safely, reliably and with a shared commitment to excellence. For us, sustainable energy development is about engaging

stakeholders, managing our environmental footprint and sharing the benefits of resource development with the communities where we participate.

**“BEST IN CLASS COMPANIES ARE THOSE THAT MEET OR EXCEED THEIR STRATEGIC GOALS AND PRODUCTION TARGETS; GROW RESPONSIBLY WHILE CONTAINING COSTS; MINIMIZE THEIR ENVIRONMENTAL FOOTPRINT WHILE MAXIMIZING SOCIAL BENEFITS; AND CREATE VALUE FOR THEIR OWNERS AND THE COMMUNITIES WHERE THEY PARTICIPATE.”**

PETER ADDY  
VP, U.S. OIL & GAS

### NEXEN >>

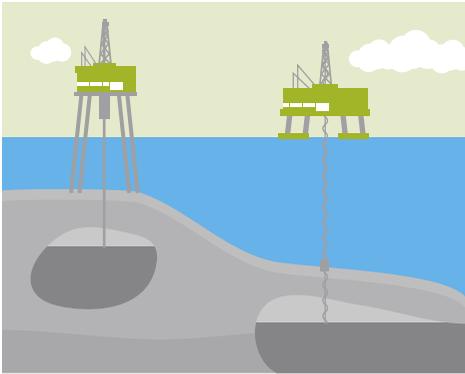
Nexen Petroleum U.S.A. Inc. is a subsidiary of CNOOC Limited and is part of the Nexen group of companies, which is based in Calgary, Canada. Nexen is strategically focused on three businesses – conventional oil and gas, oil sands and shale oil and gas. In addition to our Gulf of Mexico-based businesses, Nexen has operations in the UK North Sea, western Canada and offshore West Africa.

### CNOOC LIMITED >>

CNOOC Limited is China's largest producer of offshore crude oil and natural gas and one of the largest independent oil and gas exploration companies in the world, with operations in more than 20 countries. In 2013, CNOOC Limited's production averaged 1.13 million barrels of oil equivalent per day (boe/d).

## OVERVIEW: NEXEN'S U.S. GULF OF MEXICO BUSINESS

Nexen has been working in the region since 1972 and today we are one of the largest leaseholders in the region, with approximately 200 offshore leases and proved plus probable reserves of approximately 205 million barrels of oil equivalent.



Nexen participates in both the shelf and deepwater areas of the Gulf of Mexico. As this graphic indicates, the production process can vary significantly as we deal with different ocean depths.

### EXPLORING IN THE DEEPWATER GULF OF MEXICO >>

In 2010, Nexen, along with our joint venture partner Shell Gulf of Mexico Inc., discovered the Appomattox field, located about 72 miles off the coast of Louisiana in approximately 7,000 feet of water. This represents the largest discovery to date in the Eastern Gulf of Mexico. This complements our Vicksburg discoveries in 2010 and 2013, which are located close to the Appomattox field. While development plans have not yet been finalized and remain subject to final approval, we are evaluating the construction of production facilities with capacity between 120,000 and 200,000 boe/d, with provision for tiebacks of prospective discoveries in the area.

We're also evaluating possible development alternatives with our project partners on the Stampede field, located about 170 miles southeast of New Orleans. In 2014, Nexen acquired an additional 5% working interest in the Stampede field. The project is being finalized and we expect to sanction development in 2014.

### NON-OPERATED, DEEPWATER FOCUS >>

While we continue to generate small amounts of production from shallow water energy developments, Nexen's focus in the Gulf of Mexico is on non-operated deepwater exploration and production growth. We believe the upside potential to deepwater drilling is substantial, with significant, high quality discoveries yet to be made.

### PRODUCING ASSETS >>

In 2013, Nexen's oil and natural gas facilities in the Gulf of Mexico produced an average of 15,700 boe/d, with the majority of that production being oil. The oil and gas we produce in the Gulf of Mexico is transported via pipeline from the offshore platforms to refineries in Texas and Louisiana.

### OPPORTUNITY KNOCKS: A CAREER WITH NEXEN >>

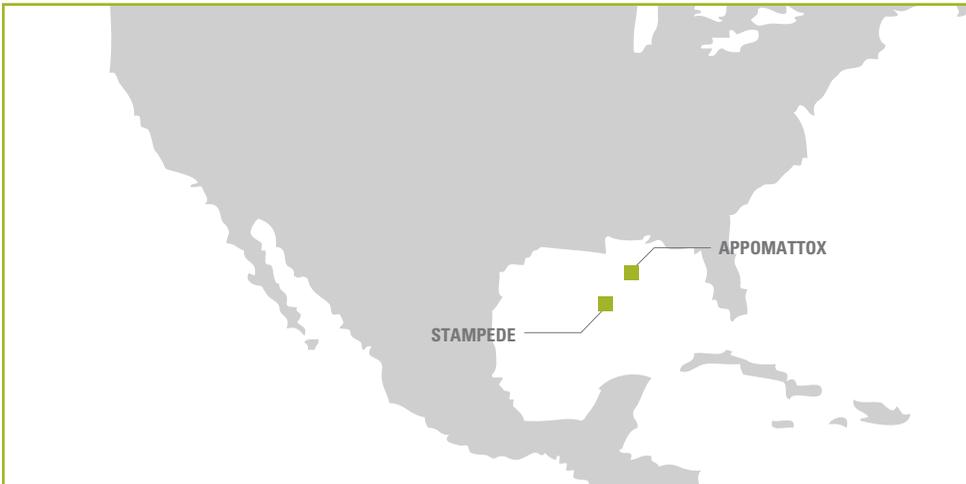
Nexen is well respected as a non-operating partner for projects in the Gulf of Mexico. We bring to the table a talented workforce with exceptional technical capability and basin knowledge, making us the partner of choice in the Gulf. Our business plan creates opportunity for our employees too, as we expect to participate in three or four exploratory wells per year.



## OUR U.S. GULF OF MEXICO BUSINESS: DRIVING ECONOMIC GROWTH

### EXPLORATION & GROWTH POTENTIAL >>

Nexen sees significant exploration and growth potential in the Gulf of Mexico deepwater. Non-operated projects we are pursuing include Appomattox and Stampede.



### APPOMATTOX >>

Nexen holds a 20% non-operated working interest in Appomattox, a discovery located about 72 miles off the coast of Louisiana in approximately 7,000 feet of water. Operated by Shell Gulf of Mexico Inc., Appomattox is estimated to contain about 700 million boe of probable reserves. Production plans at Appomattox remain subject to regulatory approval. The project is expected to be designed with provisions of tiebacks of prospective discoveries in the area.

In July 2013, Shell announced a successful exploratory well at the Vicksburg discovery, about six miles east of Appomattox, in what is sometimes called "the greater Appomattox area." Nexen has a non-operated working interest in the Vicksburg "A" discovery. Production plans for Vicksburg are being included in the Appomattox development.

### STAMPEDE >>

Nexen also has a 25% non-operated working interest in the Stampede field, which is operated by Hess Corporation. Stampede is located about 170 miles southeast of New Orleans, Louisiana. Along with our partners, Nexen continues to evaluate development options for the Stampede field.

**“ THE VICKSBURG DISCOVERY ADDS SIGNIFICANT VOLUMES TO OUR APPOMATTOX HOLDINGS, WHICH IS A WORLD-CLASS DISCOVERY. ”**

PETER ADDY  
V.P., U.S. OIL & GAS

### SAFELY TURNING RIGS INTO REEFS >>

Decommissioning and reclaiming offshore platforms requires careful planning and execution of a number of high-risk tasks, including cutting wells 50 feet below the mud-line and removing structures that weigh 1,000 tons or more.

Despite these challenges, in 2013, Nexen safely reclaimed two oil and natural gas platforms located off the coast of Louisiana. There were no injuries and zero safety incidents during the decommissioning – a process that required over 262,000 hours of work.

As part of a unique program known as Rigs-To-Reefs, neither platform was completely dismantled. Instead, some of the platform infrastructure was left behind, so coral and other marine organisms that had attached to the structure will continue to have something to cling to, providing a surrogate habitat for marine species.

Since the program's inception in 1986, Nexen has donated five offshore structures and over \$2.5 million to the Louisiana's Artificial Reef Trust Fund that supports local recreational diving and fishing organizations. The underwater structure is the largest man-made reef in the world.



In 2013, the platform jacket at Vermillion 321 was relocated to continue development of the largest man-made reef in the world.

## SAFETY FIRST: A CORE VALUE

Safety is a core value at Nexen and the success of every activity we undertake is measured on our ability to conduct our work safely each and every day.

Our employees and contractors strive to ensure our oil and gas production occurs without incident or harm to people, communities and the environment every day. We are committed to improving our performance across the company to become best in class in everything we do.

Best in class companies are ones where safety is embraced by everyone, all the time. We have improvements to make in this area and initiatives are underway to strengthen and improve our safety performance. Our Executive Leadership Team is fully committed to supporting a safe workplace by providing employees and contractors with clear expectations about:

- safety awareness;
- consistent work practices;
- proactive hazard identification;
- rigorous risk mitigation, especially for non-routine work;
- recognition and support for safety performance; and
- ongoing safety training and resources.

## STAND UP FOR SAFETY

Within our industry, many companies pause from their work to stand down for safety, to show their commitment to improving practices and discussing hazards in their workplaces. At Nexen, we believe everyone has a responsibility to stand up and take action to ensure a safe working environment for all.

As a result of our commitment to improve in everything we do, Nexen held our first, company-wide, Stand Up for Safety on February 12, 2014 to initiate a discussion about slips, trips and falls. At Nexen, slips, trips and falls contribute to 15% of incidents. And remarkably, almost all are entirely preventable. The awareness campaign included a video, a work place safety checklist and a tip sheet.

## BEING PREPARED – A 24/7 RESPONSIBILITY

Producing energy is a 24/7 business and so is emergency preparedness. Nexen has highly trained specialists and significant resources at the ready at all levels of the organization, from site and field first responders to crisis management teams. Protecting our employees, the public and the environment is not just a regulatory requirement – it’s a commitment Nexen makes as a responsible energy developer.

Of course, meeting that commitment involves more than being fully prepared for potential emergency situations. Our first priority is preventing incidents from occurring. We do this by providing a high degree of stewardship, risk assessment and scrutiny of major accident hazards through our process safety management system and personnel training programs. Hazard analysis and risk assessment processes allow us to identify potential emergency event scenarios and conduct training and response exercises that would help mitigate threats.

In 2013, Nexen continued to take numerous steps to enhance our ability to safely

produce oil and natural gas in deepwater reservoirs, where risk is inherently greater. While this includes placing a priority on taking steps to reduce the possibility of an incident occurring, it also means having systems and processes in place that enable us to quickly respond if something goes wrong. As part of that effort we belong to industry cooperatives like the Marine Spill Response Corporation, which gives us additional resources to meet stringent U.S. regulations for spill cleanup.

## SAFETY PERFORMANCE

In 2013, eight of the nine recordable incidents involved slips, trips, and falls. We responded by:

- increasing peer behavior observations;
- providing focused slips, trips, and falls training to employees;
- communicating the three-point trailing hand technique for descending stairs to all personnel; and
- building four sets of movable aluminum stairs for offshore platforms with pipe / valve access areas where fall risks are present.

### U.S. SAFETY PERFORMANCE >>

(COMBINED EMPLOYEE AND CONTRACTOR)

#### TOTAL RECORDABLE INJURY FREQUENCY (TRIF)\*



\*Total Recordable Injury Frequency represents the total number of fatalities, lost time injuries, medical treatment cases and modified work cases for every 200,000 hours worked.

#### LOST TIME INJURY FREQUENCY (LTIF)\*



\*Lost Time Injury Frequency is a measure of safety performance calculated as the number of fatalities and lost time injuries recorded for every 200,000 hours worked.

**“ THE STAND UP FOR SAFETY RAISED AWARENESS ABOUT THE THINGS WE CAN DO EVERY DAY TO IMPROVE OUR SAFETY PERFORMANCE. OUR GOAL IS THAT NO ONE GETS HURT — THAT IS WHAT WE WORK TOWARDS EVERY DAY. ”**

**BERNIE HERBERT**

V.P., HEALTH, SAFETY, ENVIRONMENT & SOCIAL RESPONSIBILITY  
NEXEN ENERGY ULC

## ENVIRONMENT

As a responsible energy developer, Nexen seeks to reduce our impact on air, water, land and ecosystems.

### RECYCLING OFFSHORE WASTE >>

Nexen participated in Recycle the Gulf, which, on average, eliminated 6,480 pounds of recycled tin, plastic, paper and cardboard from being landfilled each year. Proceeds from the sale of the recycled material supports ARC of Acadiana, a Louisiana-based non-profit that provides services to those with developmental disabilities.

Other wastes generated by Nexen's oil and gas operations, such as used lubricant oil, cooking oil, batteries and boat bumpers, are sent to appropriate onshore recycling facilities rather than landfills.

### NEXEN TOWER LEED SILVER >>

The Nexen Tower, our Houston-based headquarters, officially opened in 2012. The building received silver certification in Leadership in Energy and Environmental Design (LEED), an internationally-accepted benchmark for the design, construction and operation of high performance, environmentally responsible and economically sustainable buildings that provide a safe and healthy working environment. In 2013, Nexen recycled 9,900 lbs. (4.5 tons) of electronic equipment with less than 4% (400 lbs.) ending up as waste material.

### ENVIRONMENTAL REGULATORY OR PERMIT VIOLATIONS >>

In 2013, we had zero environmental regulatory or permit violations.

	2011	2012	2013 <sup>1</sup>
Environmental Regulatory or Permit Violations	2	1	0

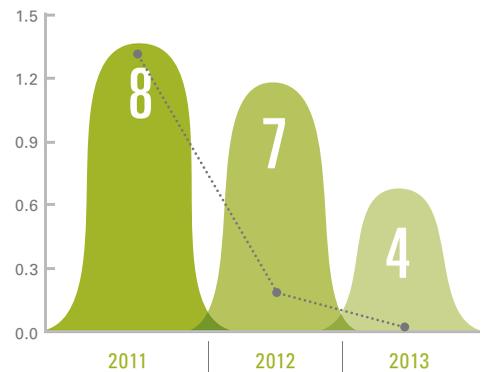
<sup>1</sup> The indicator definition was revised in 2013. The revised definition includes any violation of legislation (act/regulation/directive) or permit issued related to air, land or water management or environmental protection. Under the former indicator name (Environmental Exceedances) non-compliances with legislation were not included.



Nexen operator sorts recyclable items on offshore rig for recycling onshore.

### REDUCING SPILLS >>

In 2013, Nexen's Gulf of Mexico operations reduced the number of environmental reportable spills / releases by half, to four in 2013 from eight in 2011. The volume released also decreased substantially to 0.005 m<sup>3</sup> from 1.32 m<sup>3</sup>. Having such a low number of spills is significant since spilling even a tablespoon of oil must be reported.



● Number of Spills ● Volume Released (m<sup>3</sup>)



## INVOLVED IN THE COMMUNITY

At Nexen, giving back to the communities where we live and work is deeply rooted in our values. Investing in communities is not just the way we do business; it's a point of pride for our employees and contractors.



Nexen employees, contractors and their families support the Adopt-a-Beach Program at Galveston Island State Park.

### GIVING, MATCHING AND HELPING >>

In 2013, our ReachOut community investment program, which helps support charitable organizations and employee volunteering, contributed a total of \$240,000 in grants and donations to support non-profit organizations in the U.S.

Among our community investments in the Gulf of Mexico in 2013:

#### SPRING BRANCH INDEPENDENT SCHOOL DISTRICT (ISD)

Nexen's U.S. headquarters reside in the Spring Branch ISD and we contributed to a number of educational initiatives:

- Donated \$10,000 to enhance classroom resources in the areas of science, technology, engineering and math.
- Contributed \$15,000 to the Stratford Academy of Science & Engineering to help students at the junior and senior levels undertake advanced studies in science and engineering.
- Donated \$10,000 to the Spring Woods High School Theatre Arts department to sponsor their fall school play.

#### HOUSTON LIBRARY SYSTEM & FORT BEND LIBRARY SYSTEM

Our donation of \$10,000 helped purchase e-readers, a growing need in libraries.

#### HABITAT FOR HUMANITY

Employees volunteered to help construct a new home for a family and Nexen contributed \$30,000 in materials.

#### HOUSTON FOOD BANK

Employees sorted more than 9,000 pounds of food, which supplied more than 7,500 meals for the Houston community. During a Construction® competition, employees engineered an art piece using nearly \$3,000 worth of canned goods, which were donated to the Houston Food Bank. In early 2014, Nexen also donated \$30,000 to the Houston Food Bank.

#### ADOPT-A-BEACH

Nexen continued to support the Texas General Land Office's Adopt-a-Beach Program in 2013. As "Beach Guardians," Nexen has committed to the semi-annual cleaning of a one-mile stretch of beach in Galveston Island State Park.

#### THE TEXAS NATURE CONSERVANCY

We contributed \$25,000 to the Texas Nature Conservancy to preserve acreage within the Texas Prairie, which provides habitat to the endangered Texas Prairie Chicken.

#### THE KATY PRAIRIE CONSERVANCY

Nexen gave \$5,000 to the Katy Prairie Conservancy to unearth a fossilized woolly mammoth in Houston, Texas.

### UNITED WAY

United Way companies are the single largest beneficiary on an annual basis through Nexen's community investment program.

In 2013, we contributed \$24,500 to the United Way of Greater Houston, half of which was contributed by employees and then matched by the company.

### MATCHING EMPLOYEE CONTRIBUTIONS >>

Nexen supports employees' contributions to charitable and non-profit organizations by matching employee contributions to registered charitable or non-profit organizations up to a maximum of \$20,000 per individual. In 2013, Nexen matched \$100,000 in donations in the U.S.

### MATCHING EMPLOYEE DONATIONS UP TO



# \$20,000/PERSON



Nexen employees sort food at the Houston Food Bank.



## SUSTAINABILITY REPORTING: LEARN MORE

This publication highlights some of the sustainability initiatives underway at Nexen in the Gulf of Mexico. More detailed information is available at [www.nexencnoocld.com/responsibledevelopment](http://www.nexencnoocld.com/responsibledevelopment). CNOOC Limited also publishes a corporate social responsibility report which can be found at [www.cnocld.com/encnoocld/shzr/shzrbg/index.shtml](http://www.cnocld.com/encnoocld/shzr/shzrbg/index.shtml).

## FORWARD LOOKING STATEMENTS >>

This report includes "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, including statements regarding expected future events, business prospects or financial results. The words "expect," "anticipate," "continue," "estimate," "objective," "ongoing," "may," "will," "project," "should," "believe," "plans," "intends" and similar expressions are intended to identify such forward-looking statements. These statements are based on assumptions and analyses made by Nexen Energy ULC (Nexen), a wholly-owned subsidiary of CNOOC Limited (the "Company"; NYSE: CEO, SEHK: 00883, TSX: CNU) in light of its or their experience and perception of historical trends, current conditions and expected future developments, as well as other factors that Nexen or the Company believes reasonable under the circumstances. However, whether actual results and developments will meet Nexen's or the Company's expectations and predictions depends on a number of risks and uncertainties which could cause the actual results, performance and financial conditions to differ materially from the Company's expectations, including those associated with fluctuations in crude oil and natural gas prices, the exploration or development activities, the capital expenditure requirements, the business strategy, whether the transactions entered into by Nexen or the Company can be completed on schedule pursuant to its timetable or at all, the highly competitive nature of the oil and natural gas industries, the foreign operations, environmental liabilities and compliance requirements, and economic and political conditions in the People's Republic of China. In addition, statements relating to reserves in this report are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the described reserves exist in the quantities predicted or estimated, and can be profitably produced in the future. There is no certainty that the reserves exist in the quantities predicted or estimated or that it will be commercially viable to produce any portion of the reserves described in this document. For a description of these and other risks and uncertainties, please see the documents the Company has filed from time to time with the United States Securities and Exchange Commission, including 2013 Annual Report on Form 20-F filed on April 17, 2014.

Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements. The Company cannot assure that the results or developments anticipated will be realized or, even if substantially realized, that they will have the expected effect on the Company, its business or operations.

All financial information in U.S. dollars unless otherwise noted.

August 2014

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## FOLLOW US ON SOCIAL MEDIA >>

Learn about Nexen, the communities we invest in and what makes us an employer of choice. See photos of our operations, how we invest in communities and how we are a responsible energy developer.

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