



**CNOOC LIMITED**  
**中国海洋石油有限公司**

**CNOOC Limited Reaches Definitive  
Agreement to Acquire Nexen Inc.**

**July 23, 2012**



# Disclaimer

*This presentation 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 “believe,” “intend,” “expect,” “anticipate,” “project,” “estimate,” “plan,” “predict” and similar expressions are intended to identify such forward-looking statements.*

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# Transaction Overview

**Expanding international operations through acquisition of Nexen Inc. (“Nexen”), a leading E&P company based in Canada**

|                          |   |
|--------------------------|---|
| <b>Structure</b>         | <ul style="list-style-type: none"><li>○ Acquire 100% of the outstanding common and preferred shares of Nexen</li><li>○ Structured as a Plan of Arrangement</li></ul>  |
| <b>Consideration</b>     | <ul style="list-style-type: none"><li>○ Approximately US\$15.1 bn <sup>(1)</sup> of total cash consideration paid for Nexen’s common and preferred shares<ul style="list-style-type: none"><li>○ Cash consideration of US\$27.50 per common share of Nexen, representing a 61% premium to the closing price of July 20, 2012</li><li>○ Cash consideration of C\$26.00 per preferred share of Nexen</li></ul></li><li>○ Nexen’s current debt of approximately US\$4.3 bn will remain outstanding</li></ul> |
| <b>Financing</b>         | <ul style="list-style-type: none"><li>○ Plan to fund the acquisition from existing cash and external financing</li></ul>  |
| <b>Other Information</b> | <ul style="list-style-type: none"><li>○ Unanimous recommendation by Nexen and CNOOC Limited Boards of Directors</li><li>○ Transaction is subject to customary regulatory approvals (e.g. Canada, US, China), 2/3 vote cast by Nexen common shareholders and Canadian court approval</li></ul>   |
| <b>Timing</b>            | <ul style="list-style-type: none"><li>○ Nexen shareholder meeting to be held in late Q3, 2012</li><li>○ Closing expected in Q4, 2012</li></ul>  |

1. Value based on basic shares, options and preferred shares outstanding as at June 30, 2012; CAD values converted to USD at 0.9887 (July 20, 2012 Bank of Canada noon rate).



# Nexen Overview

**Nexen is a Canadian-based upstream oil and gas company engaged in developing energy in several of the world's leading oil-rich basins**

## Company Overview

- Established in 1971
- Headquartered in Calgary and listed on the TSX and NYSE
- Approximately 3,000 employees
- Focused on three core businesses: conventional oil and gas, oil sands and shale gas
- Has interests in exploration, development and producing assets in Western Canada, UK North Sea, offshore Nigeria, Gulf of Mexico, Colombia, Yemen and Poland
- Current Net production: 207 mboe/d (Q2 2012)
- Net 1P Reserves: 900 mmboe <sup>(1)</sup>
- Net 2P Reserves: 2,022 mmboe <sup>(1)</sup>
- Contingent Resources (CR): 5.6 bn boe

Source: Nexen public disclosures; all reserves, resources and production figures shown in this presentation are under Canadian NI 51-101 standards unless otherwise specified  
 1. Under SEC standards.

## Financial Statistics

### Offer Consideration

|                               |             |
|-------------------------------|-------------|
| Common Share Purchase Price   | US\$27.50   |
| FDITM Equity Value            | US\$14.9 BN |
| Preferred Shares at Offer     | US\$0.2 BN  |
| Plus: Net Debt <sup>(2)</sup> | US\$2.8 BN  |
| Implied Firm Value            | US\$17.9 BN |

### Current Statistics

|                             |           |
|-----------------------------|-----------|
| 2012 H1 EBITDA              | C\$2.3 BN |
| 2012 H1 Operating Cash Flow | C\$1.7 BN |

### Acquisition Metrics

|  |                |
|--|----------------|
| Price / LTM Operating Cash Flow                    | 6.2x           |
| Firm Value / LTM EBITDA                            | 4.1x           |
| Firm Value / 1P Reserves                           | US\$19.94/boe  |
| Firm Value / 2P Reserves                           | US\$8.87/boe   |
| Firm Value / 2012E daily production <sup>(3)</sup> | US\$88,601/boe |

Note: Based on shares, options and net debt as at June 30, 2012; CAD values converted to USD at 0.9887 (July 20, 2012 Bank of Canada noon rate).  
 2. Includes cash, debt and proceeds from in-the-money options at the offer price.  
 3. Based on midpoint of Nexen guidance.



# Disciplined M&A Strategy

Consistent with CNOOC Limited's global, value-driven M&A strategy

## Growth strategy

Reserves and production growth

Develop natural gas

Prudent financial policy

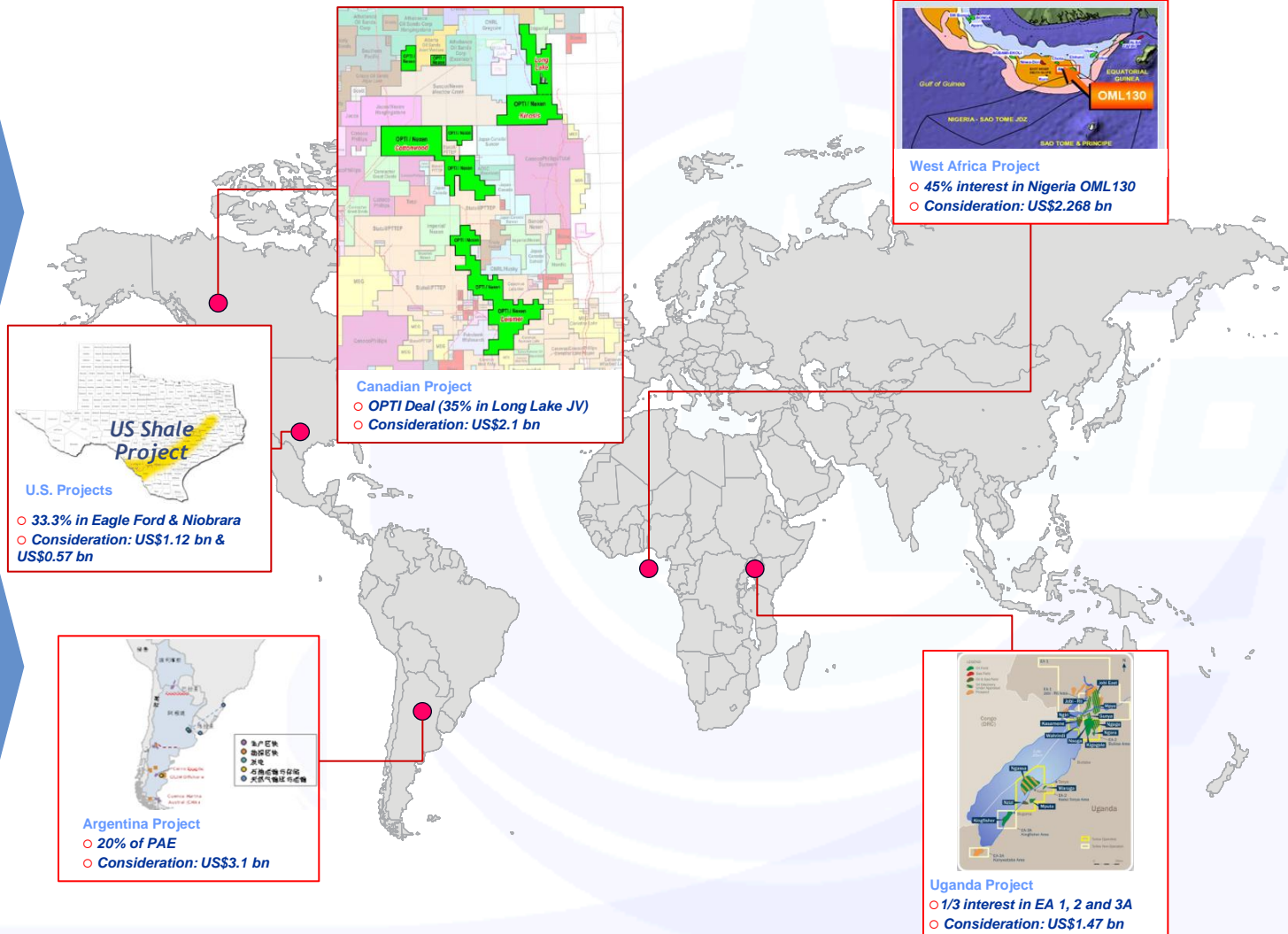


## Opportunistic

Value-driven

Return & risk evaluation

- Resources
- Return
- Risk profile





# A Strategic Buildout

***A rare opportunity to acquire long-life reserve assets and create a major North and Central American platform***

|  |  |
|--|--|
| <b>Reserve and Production Growth</b>       | <ul style="list-style-type: none"><li>○ ~20% production increase (of which ~80% are liquids, 70% of liquids linked to Brent)</li><li>○ ~30% increase in proved reserves with significant exploration potential</li><li>○ Long term, low risk reserve growth from ~7.6 <sup>(1)</sup> billion BOE of Resources</li><li>○ Increases R/P (1P) from 9.6 years to 10.3 <sup>(2)</sup> years</li></ul>   |
| <b>Diversification</b>                     | <ul style="list-style-type: none"><li>○ Diversification of reserve portfolio</li><li>○ Strengthen existing position in Canadian oil sands, GoM and offshore Nigeria</li><li>○ Strategic entry into North Sea offshore basin and Horn River in Canada</li></ul>   |
| <b>Attractive Portfolio with Stability</b> | <ul style="list-style-type: none"><li>○ Over 90% of reserves are located in OECD countries with established regulations and attractive fiscal regimes</li><li>○ Canada is one of the best foreign investment destinations globally</li></ul>   |
| <b>New Overseas Platform</b>               | <ul style="list-style-type: none"><li>○ Establish North and Central America management platform in Calgary, responsible for Nexen's existing assets and CNOOC Limited's existing assets in Canada, the U.S. and Central America</li><li>○ Nexen's Assets in the U.K., U.S. and other countries will continue to be managed from Nexen's regional offices</li><li>○ Ability to leverage outstanding management, technical and operating expertise of Nexen's team</li></ul> |

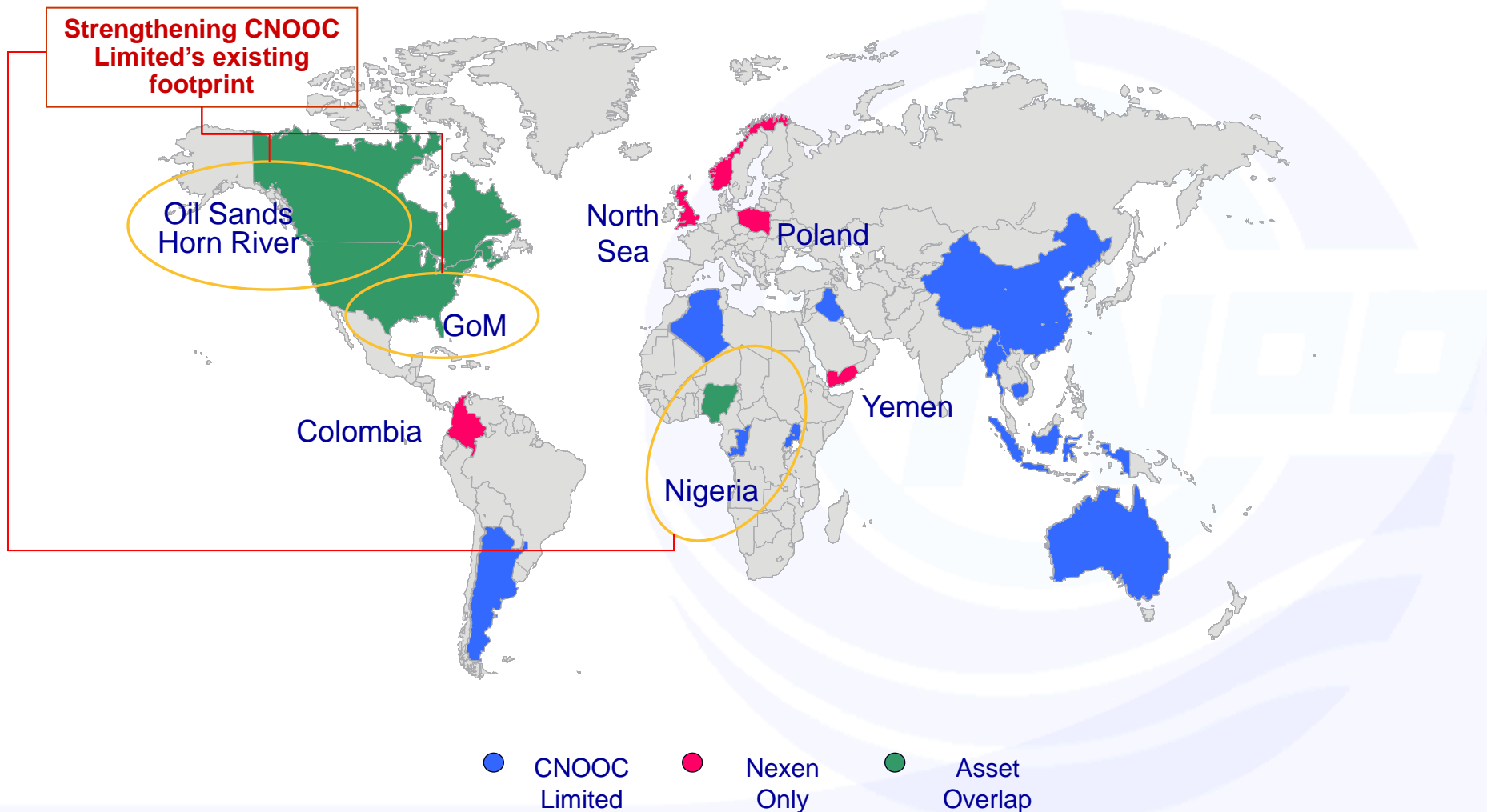
1. Represents net 2P reserves plus contingent resources.

2. Calculated using 2011A 1P reserves and net production, from both CNOOC Limited and Nexen's 2011 Annual Reports.



# Expanding Our Global Footprint

*Nexen offers CNOOC Limited a chance to grow its production and reserve base in many of its existing areas of operations and adds a large North Sea position as well as Horn River shale*



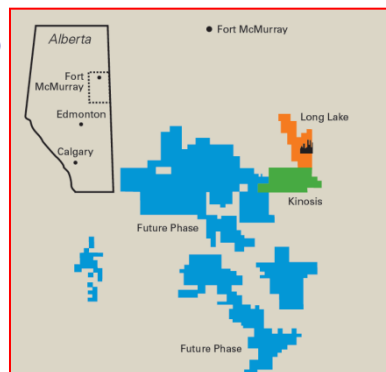


# Canadian Oil Sands

## Long Lake and Other In-Situ

### Summary

- Net 1P Reserves: 295 mmboe <sup>(1)</sup>
- Net 2P Reserves: 1,027 mmboe <sup>(1)</sup>
- CR: 3.8 bn boe
- Current Net Production: 20 mboe/d
- Operator: Nexen (4 projects including Long Lake)
- Working Interest: 65% of Long Lake and Kinosis; various ownership percentages for other assets



### Key Benefits to CNOOC Limited

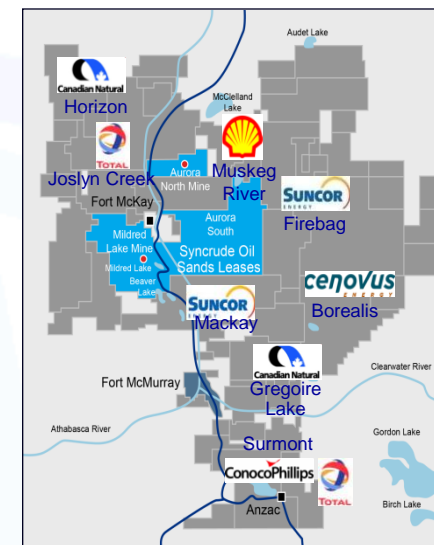
- Significant increase to reserves and resources
- Gain operatorship of key oil sands assets
  - Addition of highly qualified oil sands operating team
- Long-life resource base (40+ years)
- Improving economics through SAGD enhancement

Source: Nexen public disclosures.

## Syncrude

### Summary

- Net 1P Reserves: 282 mmboe <sup>(1)</sup>
- Net 2P Reserves: 323 mmboe <sup>(1)</sup>
- CR: 200 mmboe <sup>(2)</sup>
- Current Net Production: 17 mboe/d
- Operator: Imperial Oil <sup>(3)</sup>
- Working Interest: 7.23%



### Key Benefits to CNOOC Limited

- Proven production track record (34 years)
- World-class operation
- Long-life resource base (40+ years)
- Strong cash flow generating asset

1. Under SEC standards.

2. Based on Nexen public disclosure

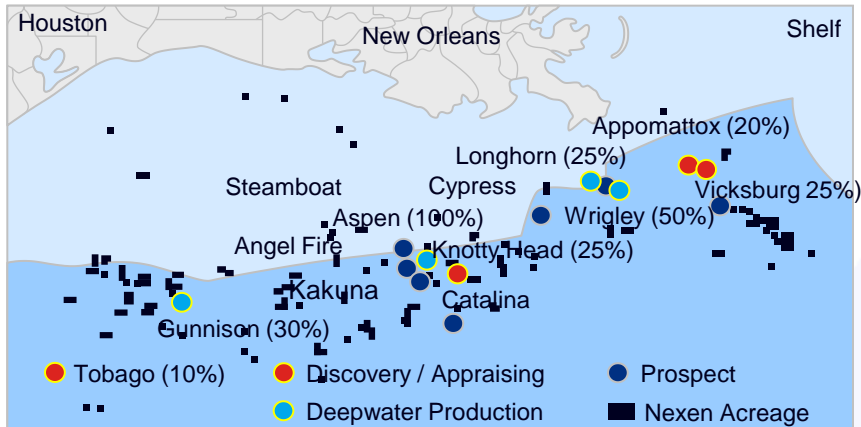
3. The project's operator is listed as Syncrude, but it is operated by Imperial Oil (ExxonMobil) under contract.





# Other North American Assets

## Gulf of Mexico (US)



Note: The percentage shown in bracket is the working interest acquired of key assets.

### Summary

- 205 blocks (including +100 prospects)
- Net 1P Reserves: 29 mmboe <sup>(1)</sup>
- Net 2P Reserves: 98 mmboe <sup>(1)</sup>
- Current Net Production: 13 mboe/d
- Operator: Nexen, Shell and others

### Key Benefits to CNOOC Limited

- Material entry into the GoM
- Increase access to deep water expertise
- Significant addition to global exploration portfolio
- Promising developments on Appomattox and Knotty Head

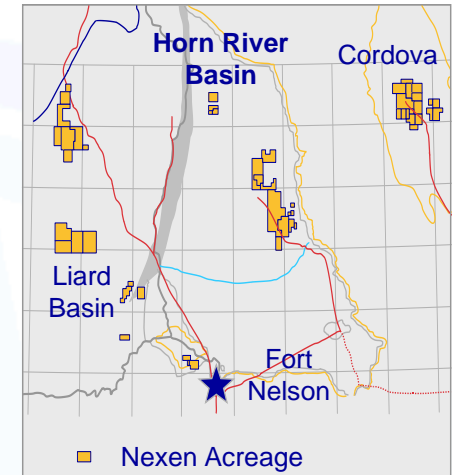
Source: Nexen public disclosures.

1. Under SEC standards.

## Horn River (Canada)

### Summary

- Owns over 300,000 acres of shale gas lands
- Net 1P Reserves: 52 mmboe
- Net 2P Reserves: 161 mmboe
- CR: 1.3 bn boe
- Operator: Nexen
- Joint Venture with Inpex
- Working Interest: 60%



### Key Benefits to CNOOC Limited

- Enter into Horn River and Liard basins
- One of the best shale plays in North America
- Long-life asset with considerable resource potential

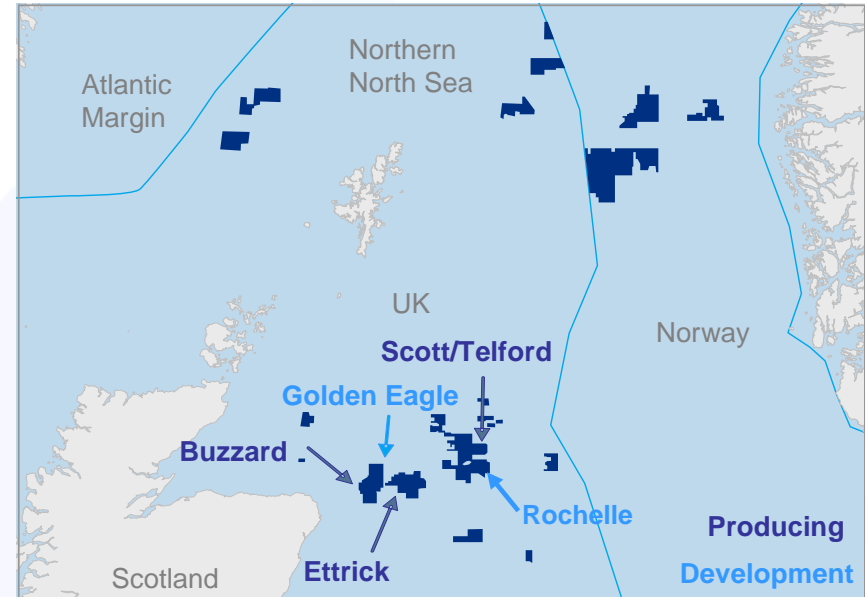


# North Sea Entry

## Summary

- 68 blocks
- Net 1P Reserves: 203 mmboe<sup>(1)</sup>
- Net 2P Reserves: 310 mmboe<sup>(1)</sup>
- Current Net Production: 114 mboe/d
- Operator: Nexen/Others
- Buzzard field (43.2%): current net production of 82 mboe/d
- Golden Eagle (36.5%): major development project with net capacity of 26 mboe/d
- Other key assets include:
  - Scott (41.9%)
  - Telford (80.4%)
  - Ettrick (79.7%)
  - Blackbird (90.6%)
  - Rochelle (41.0%) fields

## Map of North Sea



## Key Benefits to CNOOC Limited

- Entry into North Sea, including Buzzard
- Second largest oil producer in the U.K. North Sea
- Significant tie-back opportunities to extend production profile

Source: Nexen public disclosures.  
1. Under SEC standards.



# Nigeria Bolt-on

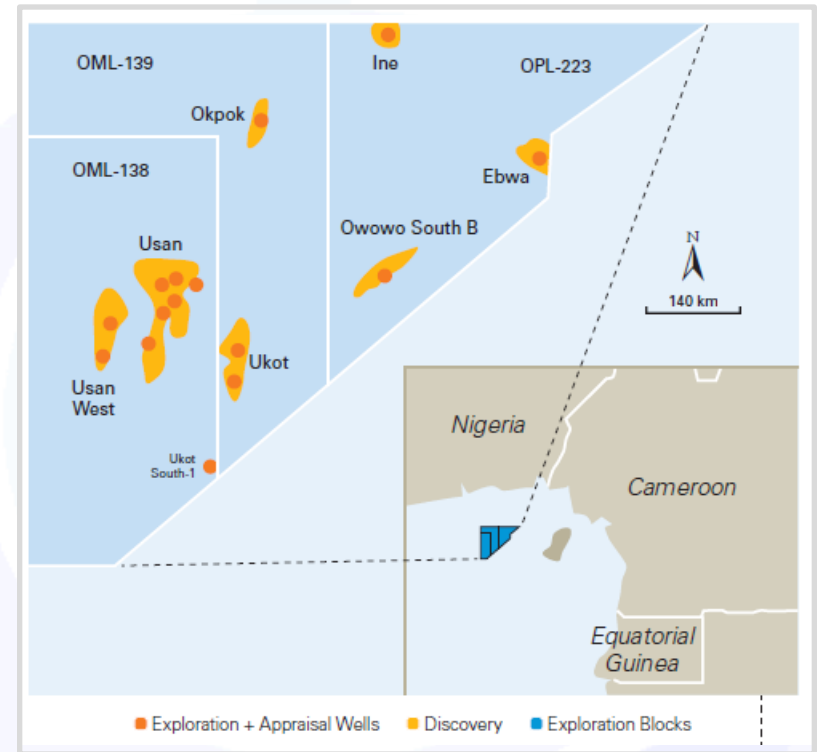
## Summary

- 20% interest in Usan & Usan West fields offshore Nigeria
  - Usan field commenced production in February 2012
- Includes several other discoveries and exploration prospects beyond Usan
- Current Net Production: 18 mboe/d
- Peak Facility Capacity: 36 mboe/d
- Operator: Total

## Key Benefits to CNOOC Limited

- Close to existing Akpo field, in which CNOOC Limited is a project partner
- Newly producing Usan oil field with strong cash flow, with Ukot offering further development opportunity

## Map of Nigeria Offshore



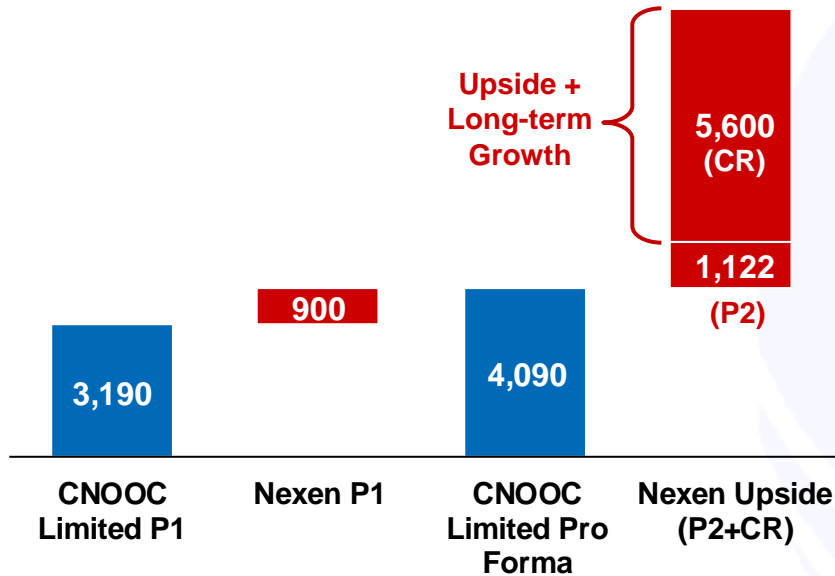


# Attractive Reserve and Production Growth

*Provides significant reserve expansion and production growth*

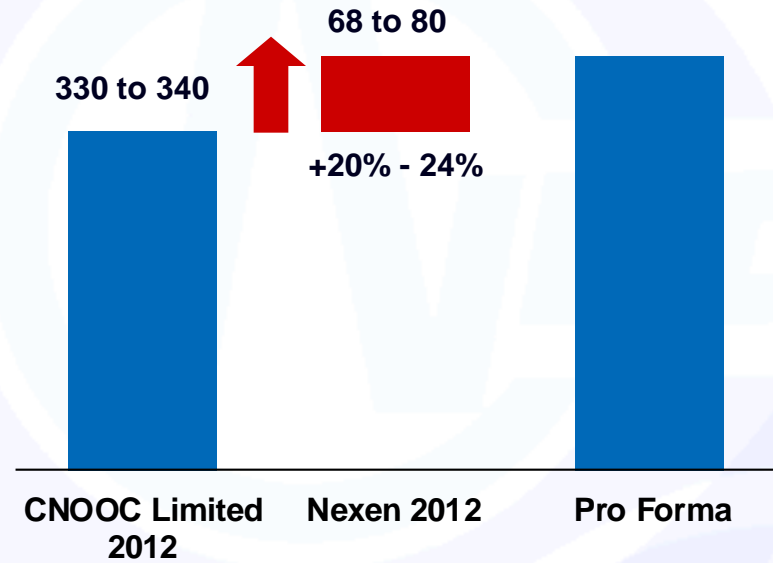
## Reserves and Resources

(Mmboe)



## Production

(mmboe per year)



Source: CNOOC Limited and Nexen public disclosures.

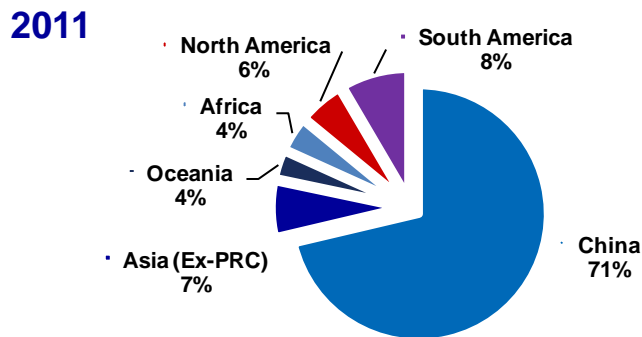
Source: 2012 Nexen production figures based on Nexen management guidance and shown before royalties.



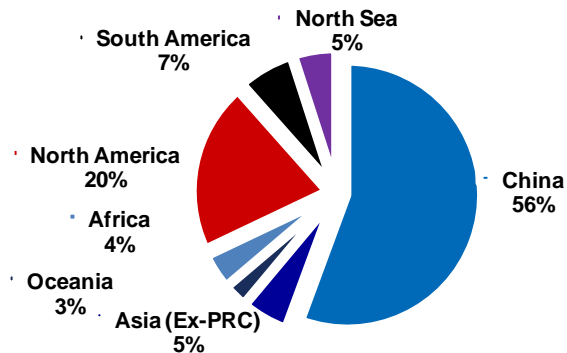
# Reserve Portfolio Diversification and Derisking

*Provides reserve diversification and significantly increases international exposure to OECD countries*

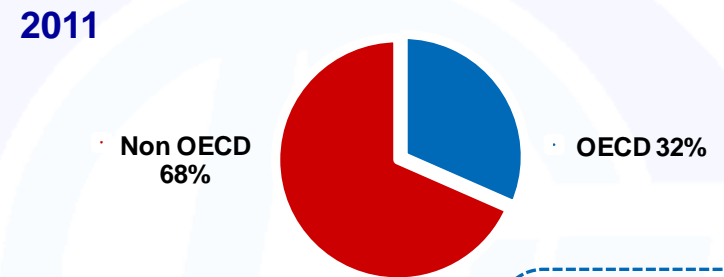
## Proved Reserves Portfolio



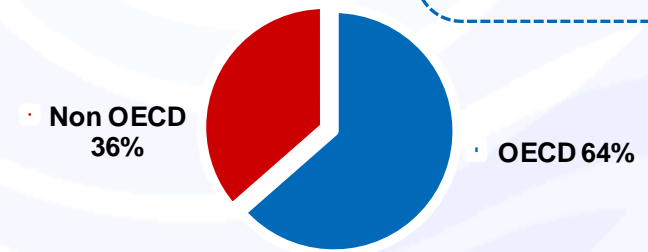
## Pro Forma



## International Reserves: Portfolio Derisking



## Pro Forma



### OECD Country Benefits:

- Stable political environment
- Transparent and established systems (i.e., tax regimes)
- Mature markets where demand is consistent

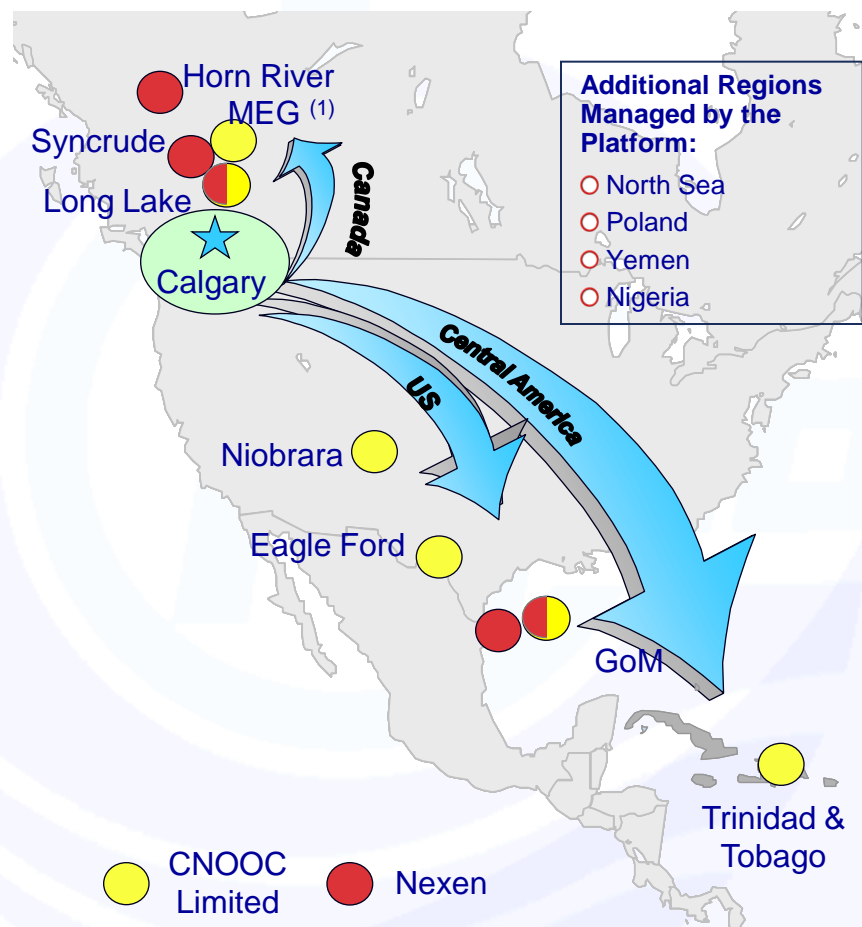
Source: Nexen and CNOOC Limited public disclosures; Nexen reserves figures shown under SEC standards.



# Establishing a North and Central American Platform

***Nexen's experienced management and operating team offers critical North America expertise and provides foundation for CNOOC Limited's North and Central American Headquarters***

- Utilize Nexen's Calgary platform to form CNOOC Limited's North and Central American Headquarters
- Retain all of Nexen management and employees
- CNOOC Limited's existing North and Central American assets to be rolled under the management of Calgary headquarter
  - ✓ Maintains management continuity and operating expertise on Nexen's assets
  - ✓ Provides CNOOC Limited enhanced operational capabilities to pursue regional growth





# Conclusion

***A rare opportunity to acquire long-life reserve assets and create a major North and Central American platform***

- ☑ Nexen acquisition is consistent with CNOOC Limited's disciplined M&A strategy focused on resources, risk and return
- ☑ Immediate ~30% increase in proved reserves and ~20% in production
- ☑ Delivers a strategic entry into North Sea and Horn River while enhancing existing positions in Canadian oil sands, GoM and offshore Nigeria
- ☑ Significant investment into Canada, one of the best foreign investment destinations
  - Over 90% of reserves located in OECD countries
- ☑ Establishes North and Central American management platform to drive growth



<http://www.cnooc.com>

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