

# **EXHIBIT 120**

[LETTERHEAD OF NCNB TEXAS NATIONAL BANK]

April 11, 1989

Maxus Energy Corporation  
Maxus Exploration Company  
Maxus Corporate Company  
Chemical Land Holdings, Inc.  
Suite 3300, Maxus Tower  
1717 N. Harwood  
Dallas, Texas 75201

Maxus

Re: Standby Letter of Credit Application and Agreement of even date herewith (the "LC Application") by and among Maxus Energy Corporation ("Maxus Energy"), Maxus Exploration Company ("Maxus Exploration"), Maxus Corporate Company ("Corporate"), Chemical Land Holdings, Inc. (formerly Diamond Shamrock Chemical Land Holdings, Inc. and herein called "Chemical Land") and NCNB Texas National Bank ("NCNB")

Gentlemen:

Reference is hereby made to the above-captioned LC Application. Terms used herein and not defined shall have the meanings given them in the LC Application.

InterFirst Bank Dallas, N.A. ("InterFirst") issued an Irrevocable Letter of Credit No. 52060 dated April 3, 1984, (the "Letter of Credit") for the account of Diamond Shamrock Chemicals Company ("DS Chemicals") and in favor of the New Jersey Department of Environmental Protection in the aggregate amount of \$12,000,000. DS Chemicals was subsequently sold to Occidental Petroleum Corporation ("Occidental"), and Maxus Energy, became liable to indemnify Occidental for certain environmental liabilities of DS Chemicals. Chemical Land had acquired in a prior intra-company transfer certain of the land burdened with such environmental liabilities. The Letter of Credit was extended by Amendment No. 1 dated April 12, 1985, by Amendment No. 2 dated April 17, 1986, by Amendment No. 4 dated April 6, 1987, and by Amendment No. 5 dated April 11, 1988. Amendment No. 5 extended the expiration date of the Letter of Credit to April 11, 1989.

By a Guaranty dated April 2, 1987 (the "Guaranty") by Diamond Shamrock Corporation (now Maxus Energy Corporation) and Diamond Shamrock Exploration Company (now Maxus Exploration Company), Maxus Energy and Maxus Exploration fully and unconditionally guaranteed the obligations of Chemical Land in connection with the Letter of Credit. NCNB is the assignee of certain assets, including both (i) the Guaranty and (ii) Chemical Land's reimbursement obligations in connection with the Letter of Credit, from the Federal Deposit Insurance Corporation, as receiver for First Republic Bank Dallas, N.A., which was the successor in interest to InterFirst.

Maxus Energy, Maxus Exploration, Maxus Corporate and Chemical Land have requested that NCNB extend the expiration date of the Letter of Credit to August 11, 1989, and NCNB is willing to do so under the terms and conditions contained in the LC Application and in exchange for the consideration stated in the LC Application and the representations and covenants of the parties hereto contained herein. This letter agreement is incorporated into the LC Application as fully as if set forth therein, and breach of any of the representations, covenants or other provisions contained herein shall be deemed an "Event of Default" under Paragraph 5 of the LC Application.

In consideration of the foregoing, Maxus Energy, Maxus Exploration, Maxus Corporate and Chemical Land each hereby agree with NCNB as follows:

1. Full Cash Collateralization. Upon the occurrence of any Full Collateralization Event, Maxus Energy and Maxus Exploration shall immediately deposit with NCNB the sum of \$12,000,000 in immediately available funds as security for the obligations of the Obligors under the LC Application. Maxus Energy and Maxus Exploration shall execute and deliver security and other documentation required by NCNB to create and perfect in NCNB a first priority security interest in such cash collateral and the proceeds thereof. For the purposes of this letter agreement, "Full Collateralization Event" shall mean any of the following:

- (a) Any event or condition arises under the terms of any document or instrument which governs or evidences outstanding debt for borrowed money of either Maxus Exploration or Maxus Energy which in the aggregate exceeds the sum of \$1,000,000, which event or condition would, with the giving of any requisite notices and the passage of any requisite period of time, give the holder of such debt the right to demand payment of all or a portion of such debt prior to its stated maturity or to demand that Maxus Energy or Maxus Exploration purchase any such debt or debts or any part thereof; or

(b) Maxus Energy or any direct or indirect subsidiary (including without limitation Chemical Land) or the ordered party in the Consent Order (as defined below) receives notice from the State of New Jersey or any department or subdivision thereof to the effect that:

(i) Maxus Energy or any direct or indirect subsidiary (including without limitation Chemical Land) or such ordered party is not in compliance with the requirements of the Administrative Consent Order executed on March 5, March 8 and March 13, 1984 and effective on March 13, 1984 (the "Consent Order") among Diamond Shamrock Chemicals Company, Marisol, Inc. and the New Jersey Department of Environmental Protection; or

(ii) Maxus Energy or any direct or indirect subsidiary (including without limitation Chemical Land) or such ordered party is not in compliance with the requirement of the Administrative Consent Order executed on December 21, 1984 and effective on December 21, 1984 among Diamond Shamrock Chemicals Company, the New Jersey Department of Environmental Protection and Marisol, Inc., and such Administrative Consent Order specifically mentions the Letter of Credit.

In the event that a Full Collateralization Event occurs because of the receipt of notice described in this Paragraph 1(b), and (A) NCNB subsequently receives evidence satisfactory to it in its sole discretion showing that there is once again full compliance with the Consent Order and the Administrative Consent Order and (B) no other Full Collateralization Event has occurred, NCNB shall release the cash collateral deposited with it pursuant to this Paragraph 1. Additionally, in the event that a Full Collateralization Event occurs because of the receipt of notice described in this Paragraph 1(b), and such notice specifically states that the proposed draw-down under the Letter of Credit will be a certain dollar amount, only cash collateral in such dollar amount will be required to be deposited with NCNB.

(c) Any amendment is made to the Consent Order that has the effect of allowing the beneficiary of the Letter of Credit to draw down either earlier or for any other reason than provided in the Consent Order without the prior written consent of NCNB; or

(d) Any Event of Default occurs under the LC Application or there is a breach of any representation or covenant contained herein.

2. Proportionate Cash Collateralization. In the event that all or any portion of the reimbursement obligations arising under any letter of credit issued or to be issued for the account of Maxus Energy or any direct or indirect subsidiary (but specifically excluding (i) that certain letter of credit in the amount of \$700,000 issued by Chemical Bank dated March 10, 1989 in favor of ECOPETROL which expires on April 13, 1990 and (ii) that certain letter of credit in the amount of \$25,000 issued by Chemical Bank dated February 29, 1988 in favor of the Oklahoma Conservation Division, which letter of credit was amended to expire on March 24, 1990) are ever secured, NCNB shall immediately receive with respect to the Letter of Credit the same quality of collateral and the same collateral coverage (as a percentage of exposure) as that received by the issuing bank of such letter of credit. For example, if another bank issuing a letter of credit for the account of a subsidiary of Maxus Energy in the maximum aggregate amount of \$500,000 receives cash collateral in the amount of \$250,000 securing the reimbursement obligations under such letter of credit, Maxus Energy and Maxus Exploration would immediately be required to deposit cash with NCNB in the amount of \$6,000,000 (50% collateral coverage for each letter of credit). If the collateral is other than cash, the quality of the collateral offered to NCNB must be equal to or better than the quality of the collateral securing the other letter of credit, in the sole discretion of NCNB. Any changes in the collateralization of any letter of credit (whether a securing, an unsecuring, or an increase or decrease in security) prior to the occurrence of a Full Collateralization Event shall automatically cause a pari passu change in the obligations of Maxus Energy and Maxus Exploration hereunder.

3. Notice of Non-Compliance under the Consent Order. Any letter, notice or other correspondence from the State of New Jersey or any department or subdivision thereof to the effect that Maxus Energy or any direct or indirect subsidiary (including without limitation Chemical Land) or the ordered party in the Consent Order is not in compliance with the Consent Order shall be immediately delivered to NCNB upon receipt by Maxus Energy or any direct or indirect subsidiary.

4. Other Covenants.

- (a) At all times Maxus Exploration must own, directly or indirectly, 100% of the outstanding capital stock of Chemical Land.
- (b) Neither Maxus Energy nor Maxus Exploration will create, assume or permit to exist any liens falling into the category created by Section 5.2(b)(v) of the Amended and Restated Credit Agreement dated January 17, 1989 among Maxus Exploration, Maxus Energy, Citibank, N.A., as Agent, and certain lenders (the "Credit Agreement") to secure indebtedness or other claims exceeding in the aggregate the sum of \$8,000,000.

(c) All indebtedness of Maxus Exploration to Maxus Energy is hereby subordinated to the obligations of Maxus Exploration to NCNB under the LC Application on the same terms and conditions as those set forth in that Subordination Agreement attached as Exhibit E to the Credit Agreement.

(d) Maxus Exploration, Maxus Corporate and Chemical Land shall deliver to NCNB on or before Friday, April 14, 1989 duly executed Omnibus Certificates attached to which are resolutions adopted by the Board of Directors of such entities specifically authorizing the transactions contemplated hereby and by the LC Application. Additionally, Maxus Energy shall deliver to NCNB on or before Monday, May 1, 1989 a duly executed Omnibus Certificate attached to which are resolutions adopted by the Board of Directors of Maxus Energy specifically authorizing the transactions contemplated hereby and by the LC Application.

5. Miscellaneous. This letter agreement shall be governed by and construed in accordance with the laws of the State of Texas. This letter agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same letter agreement. Each of Maxus Energy, Maxus Exploration, Maxus Corporate and Chemical Land jointly and severally agree to pay, upon demand, the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel, which NCNB may incur in connection with the extension of the Letter of Credit pursuant to the LC Application or in connection with its exercise or enforcement of any of the rights or interests created hereunder or under the LC Application.

If the above correctly sets forth your understanding of the matters addressed herein, please execute a copy of this letter agreement in the space provided below and return it to the undersigned.

*Aug 99*