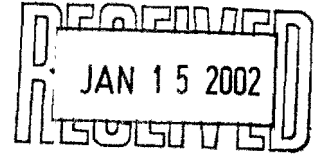


January 11, 2001

EL DORADO

CHEMICAL COMPANY



Mr. Art Riddle
NPDES Enforcement Supervisor
Water Division
Arkansas Department of Environmental Quality
8001 National Drive
Little Rock, AR 72219-8913

Re: Quarterly Report – Fourth Quarter 2001, CAO LIS 98-119

Dear Mr. Riddle:

This letter serves as the referenced Quarterly Report. During this quarter we continued our efforts to secure funding for our pollution prevention efforts at our facility while awaiting the ADEQ's official determination of NPDES permit effluent limitations for the City of El Dorado and our facility. The following paragraphs present details regarding these issues.

During the fourth quarter of 2001, we contacted the Arkansas Soil and Water Conservation Commission (AWSCC) staff regarding the possibility of obtaining non-point source project funding from the State Revolving Loan Fund. Based upon our discussions, it appears there is no legal impediment on securing such funding, but the prioritization process may result in a long time period before funds are available. In addition, there must be a local sponsor for non-point source projects. During the fourth quarter of 2001, we began the process of identifying and contacting a potential local sponsor.

During the fourth quarter, the ADEQ did not finalize the effluent limitations needed for the issuance of draft NPDES permits for the City of El Dorado and our facility. It is our understanding that the USEPA did not approve the initial effluent limitations developed by the ADEQ for the City of El Dorado and that there has not been any recent activity in regards to reaching agreement on those limitations. Apparently, the finalization of those limitations is related to the adoption of the USEPA's ammonia criterion into the State of Arkansas Water Quality Standards. That adoption process was recently initiated by the ADEQ and is expected to last at least through the summer. This adoption of the USEPA criterion for ammonia apparently affects the timing of the issuance of the draft NPDES permits for the City of El Dorado and our facility.

Based upon the discussion at our meeting with the ADEQ on August 29, 2001, it is our understanding that the draft NPDES permit will contain a schedule of compliance with final effluent limitations and that this schedule will supersede the October 1, 2001 compliance date in the CAO. Accordingly, as discussed during the August 29, 2001 meeting, the October 1, 2001 compliance schedule contained in the CAO is no longer applicable.

Mr. Art Riddle
NPDES Enforcement Supervisor
Water Division
Arkansas Department of Environmental Quality
January 11, 2001
Page 2

Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the fourth quarter of 2001. Should you have any questions, please feel free to call Randall Whitmore at (870) 863-1498.

Sincerely,



John M. Carver
Vice President Safety and
Environmental Compliance

cc:

Belinda Colby, Enforcement Coordinator, Hazardous Waste Division
Keith Brown, Manager, State Permits, Water Division