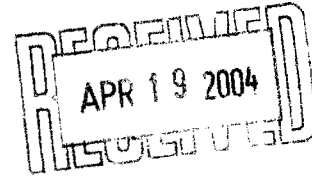




April 8, 2004

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



RE: Quarterly Report – First Quarter 2004, CAO LIS 98-119

Dear Mr. Riddle:

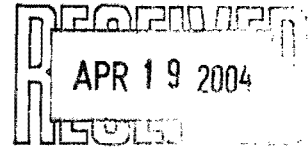
This letter serves as the referenced Quarterly Report. As in the previous quarterly report, the primary activities in this quarter centered on three areas: 1) continued development of the project to construct a pipeline to the Ouachita River; 2) settlement of the NPDES appeal, and; 3) continued use of an alternative organism in our wastewater treatment system. The following paragraphs present details regarding these issues.

During the first quarter of 2004, there were additional meetings in El Dorado at which the four interested entities (El Dorado Chemical Company, Great Lakes Chemical Corporation, Lion Oil Company and El Dorado Water Utility) continued efforts to coordinate the joint pipeline project. During this quarter the cost allocation process and funding options were discussed and the rate increase needed to support the Utility's portion of the project was determined. The Utility proposed the rate increase to the El Dorado City Council, which deferred action until the required public hearing was conducted. The public hearing is scheduled for April 8, 2004 and we anticipate finalization of City Council actions on the rate increase during the second quarter.

As reported in previous quarterly reports, the NPDES permit appeal was settled through the finalization of a Permit Appeal Resolution (PAR) between ADEQ and EDCC. During this quarter the ADEQ proposed a draft NPDES permit which we commented on along with another party which requested a hearing. ADEQ granted a hearing which is scheduled for April 13, 2004.

As discussed in previous quarterly reports, during the first quarter of 2004 EDCC continued implementation of the alternative wastewater treatment technology at the EDCC Plant. We continue the collection of performance data to determine the efficacy of the organisms in our system.

Mr. Art Riddle
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Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the first quarter of 2004. Should you have any questions, please feel free to call Randall Whitmore at (870) 863-1498.

Sincerely,

A handwritten signature in cursive script that reads "John M. Carver".

John M. Carver
Vice President Safety and
Environmental Compliance

JMC/ymq

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