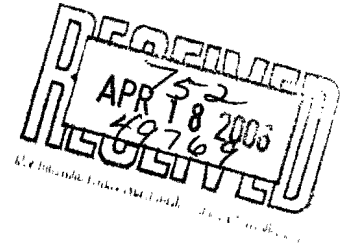




Handwritten signature: J. J. James

April 14, 2006

Mr. Dennis Benson
Technical Assistance Manager
NPDES Permits Section - Water Division
Arkansas Department of Environmental Quality
8001 National Drive
Little Rock, Arkansas 72219-8913



RE: Quarterly Report – First Quarter 2006, CAO LIS 98-119

Dear Mr. Benson:

This letter serves as the referenced Quarterly Report. During this quarter there continued to be significant actions regarding the NPDES permit for El Dorado Chemical Company (EDCC). As related in previous quarterly reports, these actions centered on projects and studies related to compliance with our current NPDES permit as well as the continued development of the project to construct a pipeline to the Ouachita River. The following paragraphs present details regarding these activities.

1. Hydrologic Study

As related in previous quarterly reports, EDCC submitted a hydrologic study plan for the storm water outfalls. This plan was approved by ADEQ and then subsequently revised to modify the location of the background monitor for Outfalls 006 and 007. During the 1st quarter of 2006 the level loggers continued to collect data pursuant to the approved workplan. Additional flow measurements required by the study plan were made during this quarter and we anticipate completion of the flow measurements during the 2nd quarter of 2006. The hydrologic study report will be developed and submitted to the ADEQ after that data is collected.

2. Retention Basin Temperature Study

Pursuant to the requirements of the final NPDES permit, EDCC submitted a temperature study plan for the purpose of determining the influence of ambient conditions on the temperature regime of the retention basin at EDCC. The study report was completed and submitted to the ADEQ during the 4th quarter of 2005. During the 1st quarter of 2006 ADEQ sent out review comments which were addressed by GBMc in correspondence. At this time there has been no permitting action based on the final study report. EDCC will coordinate with ADEQ to move forward on permitting action.

NPDES COMPLIANCE FILES
NPDES # 752
DMR'S *JJ*
NCR
CORRESPONDENCE
GRAS

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Technical Assistance Manager
NPDES Permits Section - Water Division
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3. Storm Water Outfall Compliance

During the 1st quarter of 2006 the following activities were accomplished to effectuate compliance with storm water discharges from Outfalls 004, 005, 006 and 007.

- EDCC continues evaluating alternatives including gravity diversion and source reduction to attain compliance with permit limits at Outfalls 006 and 007.
- Outfall 004 is in the process of being diverted to Lake Lee.
- As mentioned in earlier reports, the stormwater runoff from the industrial areas of Outfall 005 and part of Outfall 006 have been routed into Lake Lee.
- Outfall 005 was physically eliminated and a request to delete it from our NPDES permit was sent to the ADEQ on March 29, 2006.

4. Source Reduction Analysis

During the 1st quarter of 2006, source reduction activities continued, including:

- Process improvements in the Nitrate Plant and Acid Plant areas were implemented to reduce waste loading to the wastewater system. These efforts have paid-off with major reductions in the nitrate and ammonia concentrations in the wastewater measured in Lake Lee. The first quarter 2006 Lake Lee effluent averaged 38 mg/L Ammonia-N and 72 mg/L Nitrate-N down from 2005's average of 120 mg/L Ammonia-N and 178 mg/L Nitrate-N. The first quarter 2006 Outfall 001 averaged 14 mg/L Ammonia-N and 72 mg/L Nitrate-N down from 2005's average of 70 mg/L Ammonia-N and 142 mg/L Nitrate-N.
- Efforts continue to identify and repair piping and collection sumps in the Nitrate Plant area and Acid Plant Area to reduce waste loading to the wastewater system.
- The plant continues to recover waste streams for recycling in the processes. The plant has reduced the overall wastewater flowing to Lake Lee on a dry weather basis from 1 MGD to 0.6 MGD.

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5. Wastewater System

During the 1st quarter of 2006, activities continued regarding the upgrade of the wastewater treatment system. These activities focused on both Lake Lee and Lake Kildeer as listed in the following sections.

Wastewater/Storm Water Treatment

- Engineering work being done to route Outfall 006 and 007 to Lake Lee will be completed in the 2nd quarter of 2006.

Lake Lee

- In March of 2006, EDCC requested that ADEQ authorize a pilot test allowing the diversion of raw domestic sewage to Lake Lee to be used as a carbonaceous material supplement for the biological nitrification/denitrification process.
- In April of 2006, EDCC will install AquaMats in Lake Lee and Lake Kildeer. AquaMats are membranes for biofilm to attach. The AquaMats will sustain colonies of nitrifying and denitrifying bacteria. With the lack of a carbon source in EDCC's wastewater, it is essential that raw domestic sewage be routed to Lake Lee. This could prevent EDCC from having to add Methanol as a carbon source.

6. Wastewater Treatment Bioaugmentation

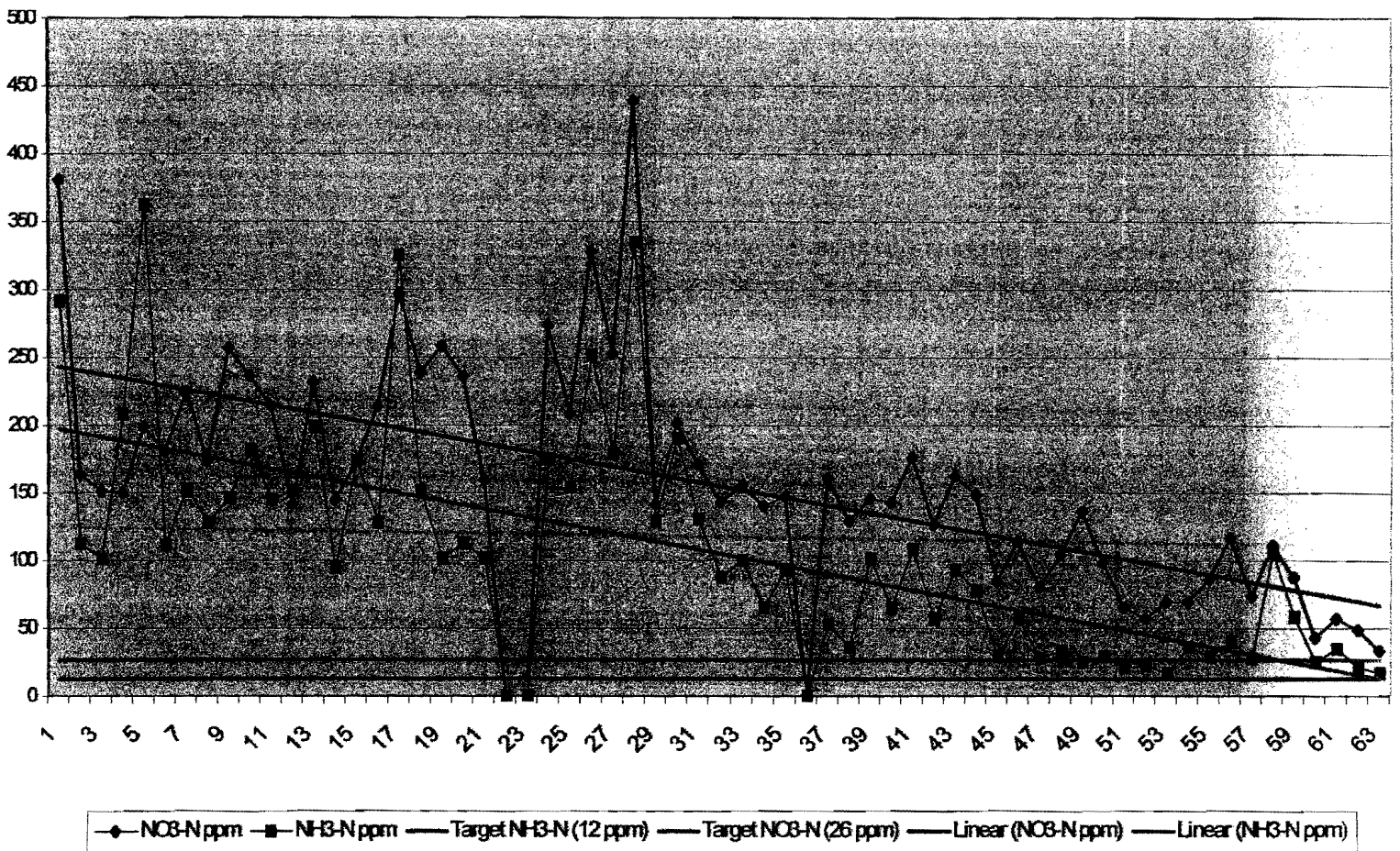
As discussed in previous quarterly reports, during the 1st quarter of 2006, EDCC continued implementation of the alternative wastewater treatment technology. We continue the collection of performance data to determine the efficacy of the organisms in our wastewater treatment system.

The data that EDCC has collected so far indicates that the addition of various microbes has had a positive impact on the wastewater treatment system. The biomonitoring results from Outfall 001 continue to demonstrate steady improvement with the 1st quarter 2006 tests passing at 100% effluent water for lethality. The concentrations of contaminants such as ammonia-nitrogen and nitrate also continue to decline as well.

The charts below show the source reduction the plant has accomplished to date.

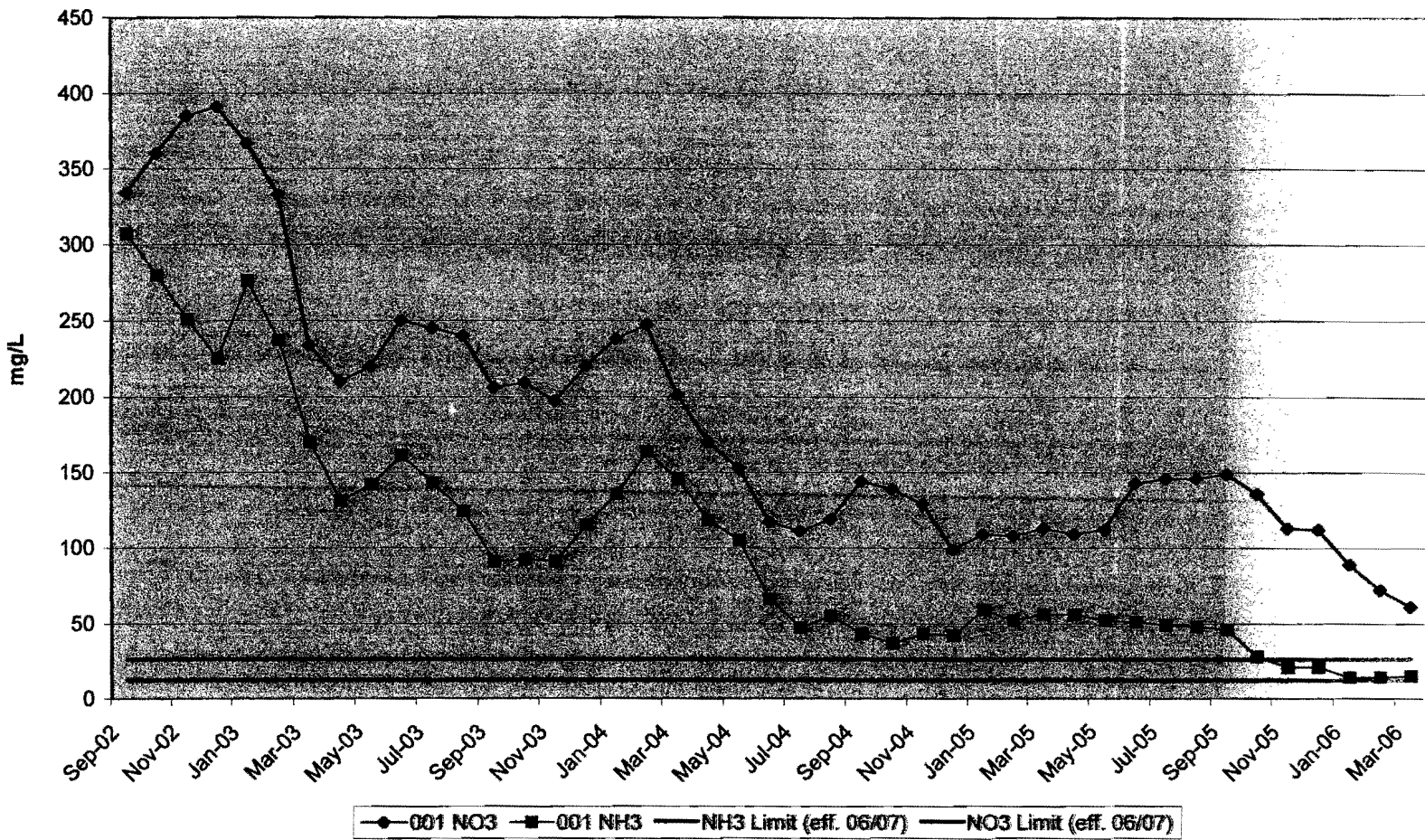
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El Dorado Chemical
Lake Lee Weekly Average
2005 - 2006 YTD



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El Dorado Chemical Co.
Outfall 001 Monthly
Averages



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7. Ground Water Study

During the 1st quarter of 2006, EDCC received a draft CAO from the ADEQ regarding EDCC's groundwater monitoring program. Comments on that proposed CAO were submitted to the ADEQ on April 12, 2006. EDCC has committed to installing two recovery wells as an interim groundwater restoration measure.

8. Joint Pipeline Activities

During the 1st quarter of 2006, there were significant developments regarding the joint pipeline construction and permitting including the public notice of the draft NPDES permits, the construction permit and the Water Quality Management Plan Update which supports the NPDES permit effluent limitations. In addition, the ADEQ set a public hearing date for the 2nd quarter of 2006. During the 1st quarter, a meeting of the pipeline participants was held at ADEQ to discuss the draft permits and status of the project.

Additionally, the Ouachita River nutrient study was continued by GBMc during the 1st quarter of 2006 and the interim report requested by ADEQ will be submitted during the 2nd quarter.

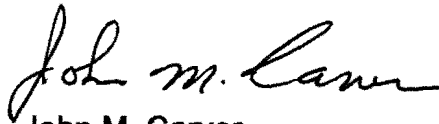
9. Water Quality (4g) Study

During the 1st quarter of 2006, EDCC initiated a review of the receiving streams for Outfall 001 for the purpose of determining the feasibility of conducting a water quality study to amend the Arkansas Water Quality Standards for dissolved minerals and to remove the designated, but not existing, domestic water supply use. Based on the initial biological survey, the decision was made to proceed with the third-party rulemaking process and the fieldwork will be conducted in the 2nd quarter of 2006. The initiation of this process was discussed with ADEQ staff at the meeting in Little Rock.

Mr. Dennis Benson
Technical Assistance Manager
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Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the 1st quarter of 2006. Should you have any questions, please feel free to call me at (405) 235-4546.

Sincerely,



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
Martin Maner, Chief, Water Division