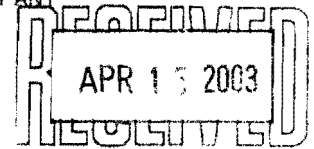


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April 11, 2003

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

RE: Quarterly Report – First Quarter 2003, CAO LIS 98-119

Dear Mr. Riddle:

This letter serves as the referenced Quarterly Report. Similar to last quarter, the primary activities in this quarter centered on three areas: 1) facilitation of the construction of a pipeline to the Ouachita River in conjunction with Lion Oil and the City of El Dorado; 2) settlement of the NPDES appeal, and; 3) implementation of the use of an alternative treatment organism in our wastewater treatment system. The following paragraphs present details regarding these issues.

During the first quarter of 2003, we had additional meetings and communications with representatives of the City of El Dorado and Lion Oil to discuss the proposed pipeline to the Ouachita River. Based on these meetings, the pipeline remains a viable option for the EDCC Plant. In addition, we met with the ADEQ Water Division staff to discuss specific permit issues related to the joint discharge. During the first quarter of 2003 the ADEQ finalized the permit for the City of El Dorado's discharge to the Ouachita River in a manner which optimizes the cost effectiveness of the pipeline project from the City's perspective.

During the first quarter of 2003, EDCC and ADEQ Water and Legal Divisions met to discuss resolving the NPDES permit appeal. During the meeting the vast majority of the permit appeal issues were resolved. There was one issue for which more information was needed and EDCC conducted a storm water loading study during the first quarter to provide it. The study report was reviewed and approved by the ADEQ during the first quarter. While the NPDES permit appeal was still pending at the end of the first quarter of 2003, we are confident the appeal will be resolved during the second quarter of this year.

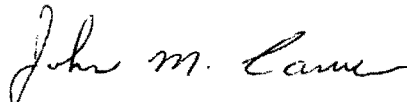
During the first quarter of 2003, EDCC continued implementation of the alternative wastewater treatment technology at the EDCC Plant. This technology consists of the introduction of an innovative organism, the Archaea, into our wastewater treatment system. At this time we

Mr. Art Riddle
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April 11, 2003
Page 2

are continuing the collection of performance data to determine the efficacy of the organisms in our system.

Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the first quarter of 2003. 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

JMC/ymq

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