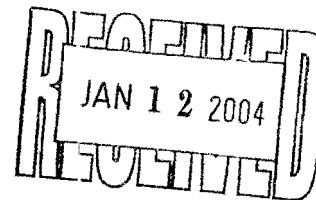
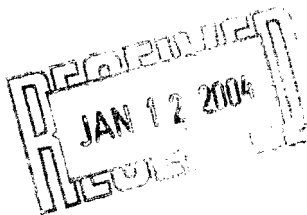




CHEMICAL COMPANY

January 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 – Fourth Quarter 2003, 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 fourth quarter of 2003, 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 Utilities) discussed the pipeline project. These discussions centered on the review of the detailed engineering analysis developed by GBMc & Associates for the El Dorado Water Utilities for the purpose of cost allocation and to determine the effect of the project on the Utilities' rate structure. Based on this detailed engineering analysis, the El Dorado Water Utilities has agreed to approach the City Council regarding the proposed rate increase necessary to construct and operate the pipeline. We anticipate City Council action on the rate increase issue during the first quarter of 2004.

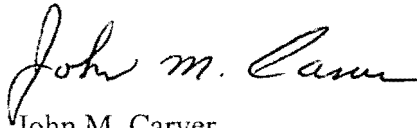
As reported in the last quarterly report, the NPDES permit appeal was settled through the finalization of a Permit Appeal Resolution (PAR) between ADEQ and EDCC. It is our understanding that the ADEQ staff continued work on the development of the draft permit during the fourth quarter of 2003.

As discussed in previous quarterly reports, during the fourth quarter of 2003 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
NPDES Enforcement Supervisor
Water Division
Arkansas Department of Environmental Quality
January 8, 2004
Page 2

Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the fourth 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