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CHEMICAL COMPANY

January 13, 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 – Fourth Quarter 2005, 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 4th quarter of 2005 the level loggers continued to collect data pursuant to the approved work plan. However, due to the lack of rainfall, the study could not be completed according to the original timeframe and during the 4th quarter, ADEQ was informed of the need to extend the study in order to collect the additional data.

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. During the 4th quarter of 2004 ADEQ approved the study plan. In accordance with the work plan and the NPDES permit, the temperature study report was finalized and submitted to ADEQ for review.

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### 3. Storm Water Outfall Compliance

During the 4th quarter the following activities were accomplished to effectuate compliance with storm water discharges from Outfalls 004, 005, 006 and 007.

- EDCC is evaluating alternatives including gravity diversion and source reduction to attain compliance with permit limits at Outfalls 006 and 007.
- An engineering project was developed and approved for the diversion of Outfall 004 into Lake Lee (Outfall 001). This project will begin in January 2006.
- As mentioned in earlier reports, the storm water runoff from the industrial areas of Outfall 005 and part of Outfall 006 have been routed into Lake Lee.
- A shallow (less than 10 feet) French Drain was installed to capture groundwater that was seeping into the drainage of Outfall 004. The water collected in the sump of this drain is returned to the Nitrate Plant and used to make ammonium nitrate.

### 4. Source Reduction Analysis

During the 4th quarter of 2005, source reduction activities continued, including:

- The engineering design work has been completed on several containment projects for the Nitrate Plant area and is projected to begin in early 2006.
- 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. There was no discharge from Lake Kildeer (Outfall 001) during the last two months of 2005. However, initial sampling in January 2006 indicates noticeable reduction in nitrate and ammonia in Lake Kildeer.
- Efforts continue to identify and repair piping and collection sumps in the Nitrate Plant area to reduce waste loading to the wastewater system.

### 5. Wastewater System

During the 4th quarter of 2005, there were numerous activities conducted in relation to the upgrade of the wastewater treatment system. These activities focused on both Lake Lee and Lake Kildeer as listed in the following sections.

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#### Wastewater/Storm Water Treatment

- Bench scale biological treatability testing of the EDCC effluent was conducted by Advent-ENVIRON. When the effects of the source reduction and existing treatment system enhancements are quantified, this information will be used to assist in designing any additional treatment that may be required.

#### Lake Lee

- A force main to convey excess storm water to Lake Kildeer was constructed and pumps and controls are being reviewed based on design of downstream equipment requirements.
- Installed additional aerators and curtains to increase mixing and retention time in the pond.

#### Lake Kildeer

- Investigating opportunities available to enhance the biological treatment capacity of Lake Kildeer.

#### 6. Wastewater Treatment Bioaugmentation

As discussed in previous quarterly reports, during the 4th quarter of 2005, El Dorado Chemical Company 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 4th quarter 2005 (October) tests passing at 100% effluent water for lethal and sublethal effects. The concentrations of contaminants such as ammonia-nitrogen and nitrate also continue to decline as well.

#### 7. Ground Water Study

All existing monitoring wells were sampled in May and October 2005. A statistical evaluation of the existing groundwater data was completed and submitted to the ADEQ. In

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addition, an engineering evaluation of potential groundwater remediation options was also completed and submitted to the ADEQ. Based upon both of these studies, a revised list of testing parameters was approved by the ADEQ. The samples collected in October were analyzed according to this new list. The new list was developed to include data that would be useful in evaluating remediation options and to exclude parameters from specific wells that did not statistically indicate concentrations above background levels

#### 8. Joint Pipeline Activities

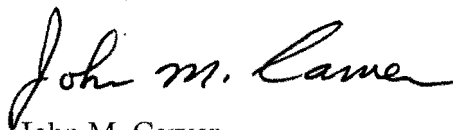
During the 4th quarter of 2005, there were significant actions regarding the joint pipeline construction and permitting. These actions included the ADEQ's development of pre-draft NPDES permits for the pipeline and the individual facilities.

Those pre-draft permits were transmitted to USEPA Region 6 for review. In addition, there were communications with ADEQ and the joint pipeline group on NPDES permitting issues during the 4th quarter.

Additionally, the Ouachita River nutrient study was continued by GBMc during the 4th quarter utilizing the data developed during the 3rd quarter. The study is to be completed as scheduled.

Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the 4th quarter of 2005. 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