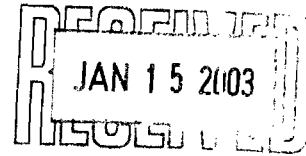




CHEMICAL COMPANY

**VIA CERTIFIED MAIL: 7001 1940 0007 0071 8803**  
**RETURN RECEIPT REQUESTED**

January 9, 2003



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 2002, CAO LIS 98-119

Dear Mr. Riddle:

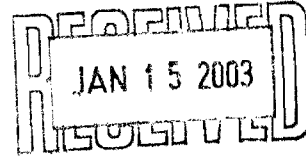
This letter serves as the referenced Quarterly Report. The primary activities during this quarter continued to center on three areas: 1) facilitation of the construction of a pipeline to the Ouachita River in conjunction with Lion Oil and the City of El Dorado; 2) settlement of the NPDES appeal, and; 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 fourth quarter of 2002, we continued meetings and communications with the ADEQ, the City of El Dorado and Lion Oil to discuss the proposed pipeline to the Ouachita River. Based on the interest expressed at these meetings, the pipeline option remains as a viable alternative for the EDCC Plant. We met with the ADEQ management in early November for the purpose of discussing the proposed schedule for the joint pipeline and regulatory issues in which USEPA Region 6 is involved. Since that time we were informed by the ADEQ that the USEPA gave a favorable ruling on the NPDES permit issues for the City of El Dorado's proposed discharge to the Ouachita River. This is a major step in the realization of the project.

During the second quarter of 2002, the ADEQ sent out the final NPDES permit for our facility. As was related in the last quarterly report, we have appealed that permit and now await either a settlement or the initiation of the adjudicatory process.

In addition, during the fourth quarter we continued the implementation of the alternative Archaea wastewater treatment technology at the EDCC Plant. As discussed previously, this technology consists of the introduction of an innovative organism into our wastewater treatment system. At this time we are continuing 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 9, 2003  
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Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the fourth quarter of 2002. 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