



CHEMICAL COMPANY

VIA CERTIFIED MAIL: 7000 1530 0004 9109 2739
RETURN RECEIPT REQUESTED

July 9, 2002

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

Re: Quarterly Report – Second Quarter 2002, CAO LIS 98-119

Dear Mr. Riddle:

This letter serves as the referenced Quarterly Report. During this quarter we continued our efforts to facilitate the construction of a pipeline to the Ouachita River in conjunction with Lion Oil and the City of El Dorado and we received and reviewed the final NPDES permit for our facility. The following paragraphs present details regarding these issues.

During the second quarter of 2002, we met with representatives of the City of El Dorado and Lion Oil to discuss the potential for a pipeline to the Ouachita River to handle discharges from all three entities. Based on the interest expressed at these meetings, the pipeline option remains as a viable alternative for the EDCC plant. We anticipate that a joint meeting between the three entities and ADEQ will be proposed to further develop this option.

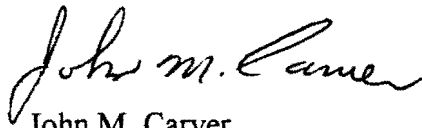
Consent Administrative Order No. 02-059, which amended CAO 98-119, became effective during the second quarter. CAO 02-159 includes a three-year implementation schedule for compliance with all more restrictive effluent limits in the revised NPDES permit.

During the second quarter of 2002, the ADEQ sent out the final NPDES permit for our facility. A number of issues arose from our review of the final NPDES permit and we have filed an appeal in order to effect a resolution of those issues. The resolution of these permit appeal issues will determine the compliance alternatives and timeframes available to the EDCC plant.

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Page 2

Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the second 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 Healey, Enforcement Program Coordinator, Hazardous Waste Division
Keith Brown, Manager, State Permits, Water Division