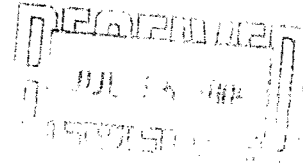




July 12, 2004

Mr. Steve Drown
Assistant Chief
Water Division
Arkansas Department of Environmental Quality
8001 National Drive
Little Rock, Arkansas 72219-8913



RE: Quarterly Report – Second Quarter 2004, CAO LIS 98-119

Dear Mr. Drown:

This letter serves as the referenced Quarterly Report. During this quarter there were significant actions regarding the NPDES permit for El Dorado Chemical Company. The primary activities centered on : 1) continued development of the project to construct a pipeline to the Ouachita River; 2) finalization of the NPDES Permit , and; 3) continued use of an alternative organism in our wastewater treatment system. The following paragraphs present details regarding these issues.

During the second quarter of 2004, 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 Utility) continued efforts to coordinate the joint pipeline project. These meetings included a number of City Council Meetings at which the process of adopting the rate increase ordinance was formally initiated. We anticipate a final decision on the rate increase by the City Council during the third quarter of 2004.

During the second quarter of 2004 the NPDES permit for El Dorado Chemical Company was finalized by the ADEQ and initial activities to meet the compliance deadlines were initiated including development of the workplans for the hydrologic and temperature studies as required by the permit.

As discussed in previous quarterly reports, during the second quarter of 2004 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 system.

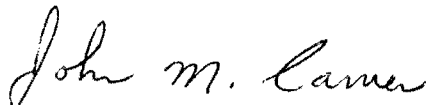
Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the second quarter of 2004. Should you have any questions, please feel free to call Randall Whitmore at (870) 863-1498.

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Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the second quarter of 2004. 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