

July 15, 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

✓/s/ 9/25/06

RE: Quarterly Report – Second Quarter 2006, 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 2nd quarter of 2006 the level loggers continued to collect data pursuant to the approved work plan. The final flow measurements required by the study plan were collected during this quarter and we are analyzing the data collected in order to develop and submit the hydrologic report to ADEQ during the 3rd quarter of 2006.

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. The study report was completed and submitted to the ADEQ during the 4th quarter of 2005. During the 2nd quarter of 2006 we initiated communications with ADEQ regarding the removal of the Outfall 001 temperature limit during the finalization of the current permit modification. This request was submitted along with comments for permit modification.

NPDES # 752
DMR'S ✓
NCR
✓ CORRESPONDENCE
CRAS

3. Storm Water Outfall Compliance

During the 2nd quarter of 2006 the following activities were accomplished to effectuate compliance with storm water discharges from Outfalls 004, 005, 006 and 007.

- EDCC continues engineering work regarding the redirection of the Outfalls 006 and 007 to the wastewater treatment system.
- Outfall 004 has been plugged and is no longer operative. The pumps diverting the Outfall 004 water are installed and the water is being transported to the wastewater treatment system via Lake Lee.
- 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.
- Outfall 005 was physically eliminated and a request to delete it from our NPDES permit was sent to the ADEQ during the first quarter of 2006.

4. Source Reduction Analysis

During the 2nd quarter of 2006, source reduction activities continued, including:

- Process improvements in the Nitrate Plant and Acid Plant areas continue to be 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. In the second quarter of 2006, Lake Lee effluent averaged **23 mg/L Ammonia-N** and **70 mg/L Nitrate-N** down from 2005's average of 120 mg/L Ammonia-N and 178 mg/L Nitrate-N. In the second quarter of 2006, Outfall 001 averaged **3.9 mg/L Ammonia-N** and **34 mg/L Nitrate-N** down from 2005's average of 70 mg/L Ammonia-N and 142 mg/L Nitrate-N.
- Efforts continue to identify and repair piping and collection sumps in the Nitrate Plant area and Acid Plant Area to reduce waste loading to the wastewater system.
- The plant continues to recover waste streams for recycling in the processes. The plant has reduced the overall wastewater flowing to Lake Lee on a dry weather basis from 1 MGD to 0.6 MGD.

5. Wastewater System

During the 2nd quarter of 2006, activities continued regarding the upgrade of the wastewater treatment system. These activities focused on both Lake Lee and Lake Kildeer as listed in the following sections.

Wastewater/Storm Water Treatment

- EDCC continued the engineering work to route Outfall 006 and 007 to Lake Lee.

Lake Lee

- In March of 2006, EDCC requested that ADEQ authorize a pilot test allowing the diversion of raw domestic sewage to Lake Lee to be used as a carbonaceous material supplement for the biological nitrification/denitrification process. During the second quarter EDCC continued communications with the ADEQ for approval of this rerouting, ultimately submitting the request as part of the draft permit comments.
- During the 2nd quarter of 2006, EDCC installed AquaMats in Lake Lee and Lake Kildeer. AquaMats are membranes for sustaining colonies of nitrifying and denitrifying bacteria.

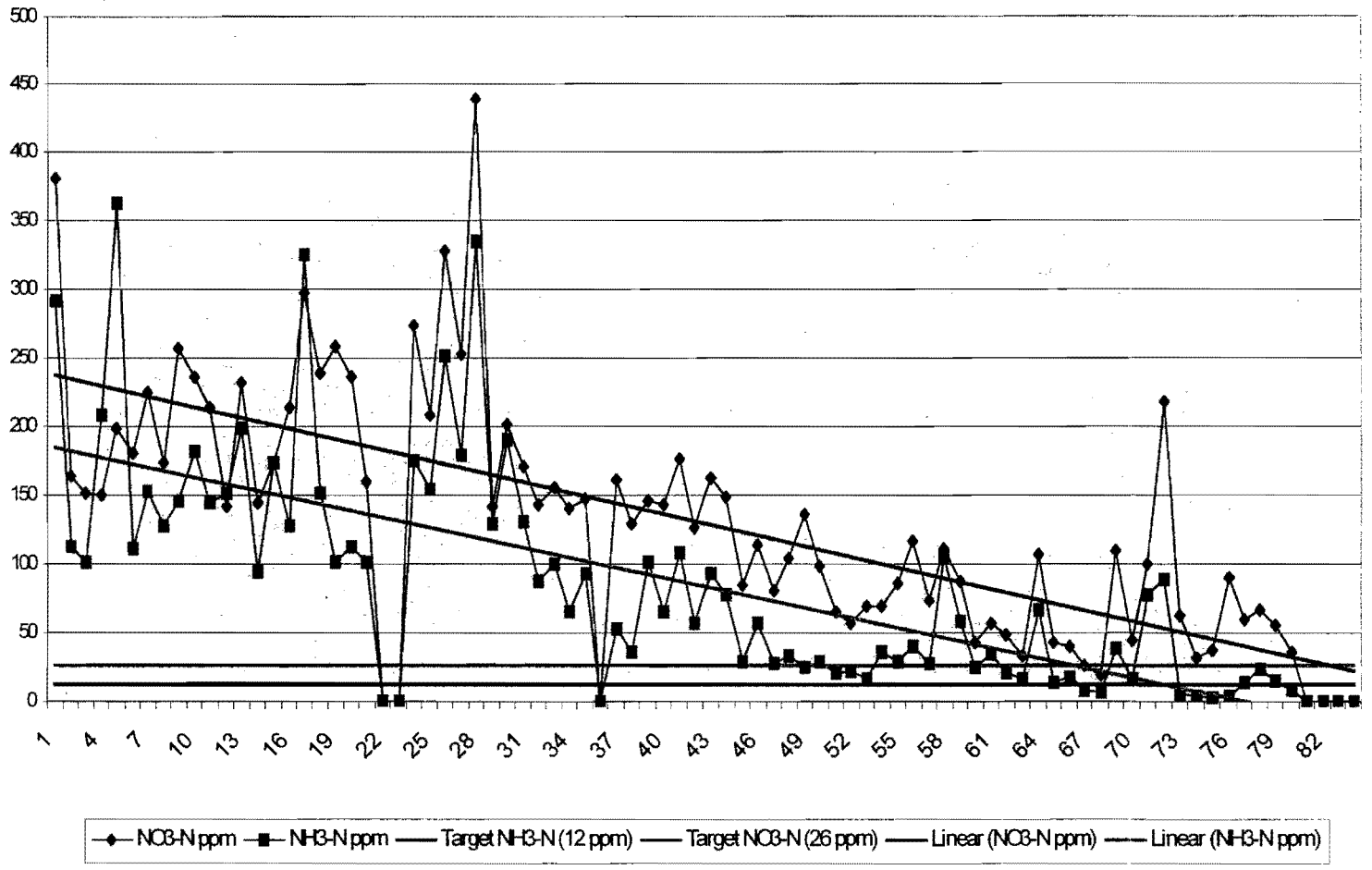
6. Wastewater Treatment Bioaugmentation

As discussed in previous quarterly reports, during the 2nd quarter of 2006, EDCC 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.

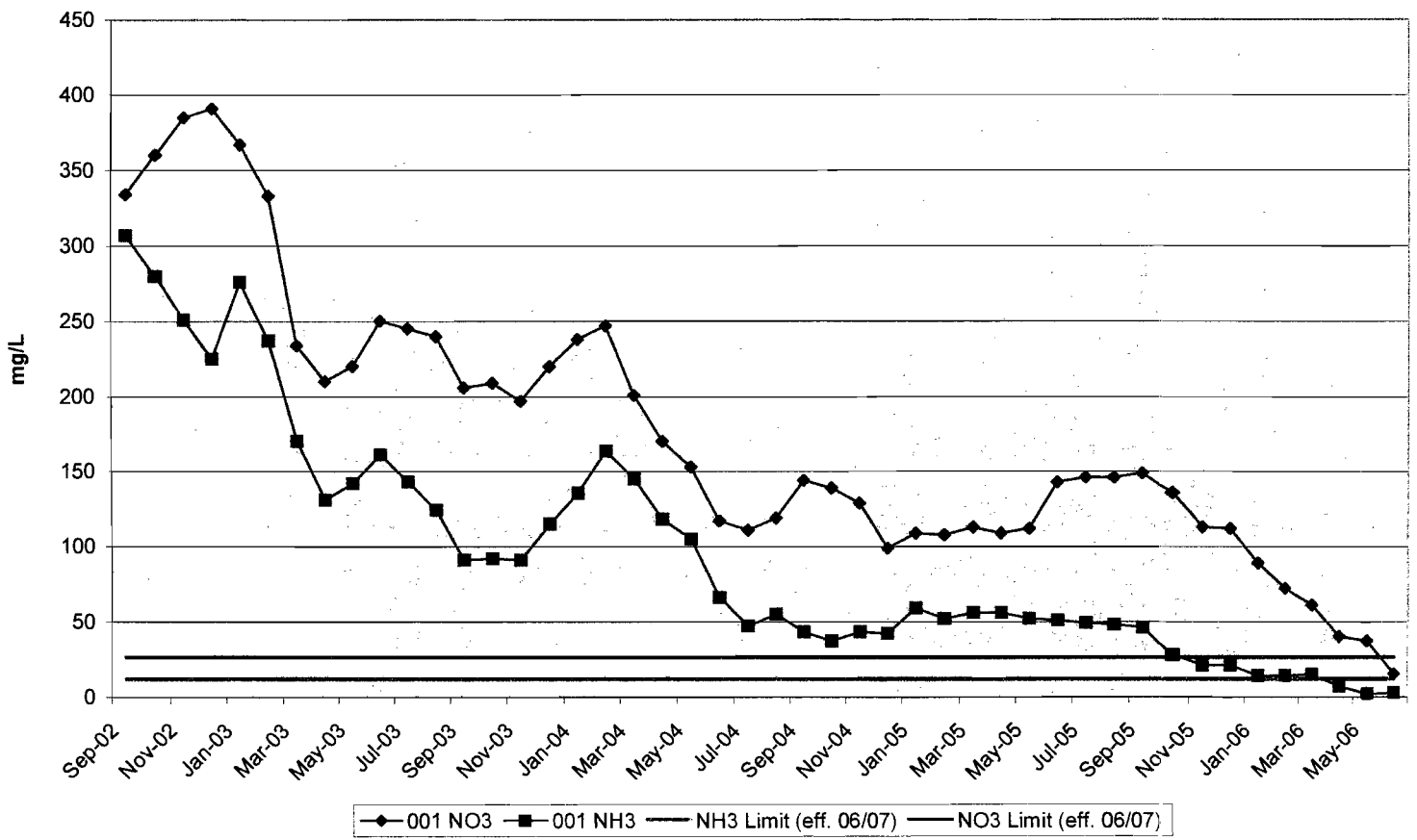
The data that EDCC has collected so far indicates that the addition of various microbes has had a positive impact on the wastewater treatment system. The biomonitoring results from Outfall 001 continue to demonstrate steady improvement with the 2nd quarter 2006 tests passing at 100% effluent water for lethality. The concentrations of contaminants such as ammonia-nitrogen and nitrate also continue to decline as well.

The charts below show the source reduction the plant has accomplished to date.

EL Dorado Chemical
 Lake Lee Weekly
 Average 2005 - 2006 YTD



El Dorado Chemical Co.
Outfall 001 Monthly
Averages



7. Ground Water Study

During the 2nd quarter of 2006, EDCC continued communications with ADEQ on EDCC's groundwater monitoring program. Comments on that proposed CAO were submitted to the ADEQ on April 12, 2006. EDCC committed to installing two recovery wells as an interim groundwater restoration measure. The wells were drilled in June. EDCC will begin operation of the recovery wells during the 3rd quarter of 2006. ✓

8. Joint Pipeline Activities

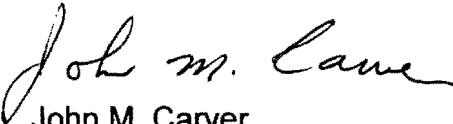
During the 2nd quarter of 2006, there were significant developments regarding the joint pipeline construction and permitting including ADEQ's public meeting and hearing on the NPDES permits, the construction permit and the Water Quality Management Plan Update which supports the NPDES permit effluent limitations. The Pipeline entities attended the public hearing and provided documentation to support the ADEQ process. Additionally, the Ouachita River nutrient study was completed by GBMc and submitted to ADEQ on June 1, 2006.

9. Water Quality (4g) Study

During the 1st quarter of 2006, EDCC initiated a review of the receiving streams for Outfall 001 for the purpose of determining the feasibility of conducting a water quality study to amend the Arkansas Water Quality Standards for dissolved minerals and to remove the designated, but not existing, domestic water supply use. Based on the initial biological survey, the decision was made to proceed with the third-party rulemaking process and the fieldwork was completed during the 2nd quarter of 2006. The documentation to initiate the third-party rulemaking will be submitted early in the 3rd quarter of 2006.

Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the 2nd quarter of 2006. Should you have any questions, please feel free to call me at (405) 235-4546.

Sincerely,

A handwritten signature in cursive script that reads "John M. Carver".

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