



CHEMICAL COMPANY

July 11, 2001

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

LL

RE: Quarterly Report - Second Quarter, 2001, CAO LIS 98-119

Dear Mr. Riddle:

During the Second Quarter of 2001, El Dorado Chemical Company (EDCC) continued its efforts to evaluate the Ouachita River joint pipeline project .

The primary efforts during this quarter were directed at providing documentation to the ADEQ to be used in determining the feasibility for the City of El Dorado to participate in the use of the pipeline to the Ouachita River. This effort included communications with the ADEQ Water Division to discuss the NPDES permit documentation which we had prepared and which was subsequently submitted by the City to the ADEQ for their review.

Based upon this documentation, the ADEQ Water Division developed proposed NPDES permit limitations for the City of El Dorado and transmitted them to USEPA Region 6 for review. During this quarter, the ADEQ and USEPA held discussions regarding the effluent limitations developed by the ADEQ for the City of El Dorado and administrative issues concerning joint use of the pipeline. It is our understanding that these discussions are ongoing between ADEQ and USEPA.

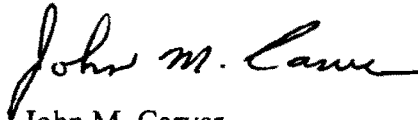
Concurrently with the submission of this report, we are requesting from Mr. Weiss an extension of the CAO deadline to allow ADEQ, USEPA and the City of El Dorado time to complete this evaluation. A copy of the letter is attached. Please let me know how you would like to proceed with this administrative matter.

As stated in the previous quarterly report, EDCC remains committed to participation in the joint pipeline project should it prove to be feasible. Hopefully, this letter has adequately

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explained the status of our projects. 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

Attachment

cc: Belinda Colby, Enforcement Coordinator, Hazardous Waste Division
Keith Brown, Manager, State Permits, Water Division



CHEMICAL COMPANY

July 9, 2001

Mr. Richard Weiss, Interim Director
Arkansas Department of Environmental Quality
Post Office Box 8913
Little Rock, Arkansas 72219-8913

RE: Consent Administrative Order No. LIS 98-119

Dear Mr. Weiss:

On April 6, 2001, I provided you an update regarding the financial condition of El Dorado Chemical Corporation (EDCC), and the status of our efforts to upgrade our wastewater treatment facilities. This is another update, submitted concurrently with our Quarterly Progress Report, and a request for an extension of CAO No. LIS 98-119. For your benefit, I am attaching a copy of my prior update, which provided more detail regarding the background and recent activities.

As provided in our recent correspondence, EDCC has been, and remains in compliance with the terms of the existing permit. Consent Administrative Order No. LIS 98-119 with ADEQ provides an orderly schedule for installing additional treatment which is anticipated to be necessary to meet the anticipated permit limits for the next permit renewal. The most viable option remains a joint pipeline project with the City of El Dorado. ADEQ has evaluated the effluent limits that would apply to the City's wastewater, and has been in contact with the City. It is my understanding that your Water Division staff is actively communicating with the USEPA Region 6 staff on probable permit limits for the City of El Dorado. At this time I cannot predict with any accuracy the time it may take for the City to complete its evaluation of the joint pipeline.

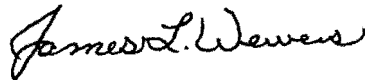
As I mentioned in my last letter to you, EDCC anticipated that an additional extension of CAO No. LIS 98-119 would be likely, to allow additional time for the City to evaluate the joint pipeline project.

In a related matter, the impacts of foreign competitors dumping product on the market has continued to adversely impact our cash flow, and impaired our borrowing capability. With the assistance of our Congressional delegation (Senator Hutchinson and Rep. Ross) we have obtained relief against both Russian and Ukrainian ammonium nitrate dumping. However, the impacts of three years of below cost dumping of our principal product are still present. We remain hopeful that the foreign dumping activity has ceased, that the marketplace will soon return to normal, and that prices will return to levels that will improve our cash position.

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Thank you for taking the time to review this information. I appreciate the consideration you and Mr. Mathis have provided to EDCC as we continue to work our way through this process. By copy of this letter, I am requesting Nelson Jackson to initiate activity to amend CAO No. LIS 98-119 to provide an extension for an additional twelve (12) months. Mr. Jackson was present during the meeting with Mr. Mathis in which the contingency of this additional request for extension was discussed. I will continue to keep you advised of our progress. If you have any questions, please do not hesitate to contact me.

Sincerely,



James L. Wewers
President

JLW/ymq

Attachment

cc: Mary Leath
Nelson Jackson



CHEMICAL COMPANY

April 6, 2001

Mr. Richard Weiss, Director
Arkansas Department of Environmental Quality
Post Office Box 8913
Little Rock, Arkansas 72219-8913

RE: Consent Administrative Order No. LIS 98-119

Dear Mr. Weiss:

Over the past several years, I had updated Randall Mathis about the financial condition of El Dorado Chemical Corporation (EDCC), and the status of our efforts to upgrade our wastewater treatment facilities. This is another update, submitted concurrently with our Quarterly Progress Report, with some background for your benefit.

EDCC has on file an application for renewal of the NPDES permit. Until such time as a renewal permit is issued, EDCC is authorized to continue operating under the terms of the existing permit. EDCC has been, and remains in compliance with the terms of the existing permit. Because a renewal permit will likely contain more restrictive wastewater discharge permit limits, EDCC entered into Consent Administrative Order No. LIS 98-119 with ADEQ to provide an orderly schedule for installing additional treatment required to meet the anticipated new permit limits.

The CAO provided that EDCC characterize its wastewater and stormwater, and complete an application for permit on or before August 1, 1999, which was accomplished. The CAO then provided a schedule for ADEQ to issue a revised permit, and for EDCC to design and construct the treatment facilities necessary to meet the new permit limits.

The permit application submitted on August 1, 1999 requested authority to install a pipeline to transfer EDCC's wastewater to the Ouachita River. EDCC also initiated discussions with the Arkansas Soil and Water Conservation Commission to explore options for financing portions of this project. At this same time, conditions in the inorganic chemical marketplace deteriorated dramatically, forcing EDCC to cut back over 40 jobs, and causing cash flow shortages. These conditions were described in my letter to Randall Mathis dated July 13, 1999 (copy attached). To add to the economic problems, Russia initiated a campaign of dumping ammonium nitrate (our principal product) into the United States marketplace. With the assistance of our Congressional delegation (Senator Hutchinson and Rep. Dickey), we obtained an

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injunction against this unfair trade practice. This effort was described in my letter to Randall Mathis dated September 24, 1999 (copy attached).

I met with Randall Mathis in October of 1999, and further described the adverse market conditions, the financial hardship EDCC was experiencing, and the progress EDCC was making toward securing financing for the wastewater pipeline to the Ouachita River and associated treatment facilities. At the request of the City, EDCC agreed to pursue an arrangement whereby EDCC would transfer ownership of water withdrawal wells located on our property to the City of El Dorado in exchange for assistance in financing the wastewater pipeline. After several months of evaluation of several alternative proposals we proposed to the City, the City elected to pursue other options for water withdrawal. For the past several months the City has been evaluating the option of joining with EDCC, and perhaps other industry, in a common wastewater pipeline to the Ouachita River. I continued to keep Randall Mathis advised of these matters (copy of letters attached).

The City is now in the process of filing documentation with ADEQ to obtain guidance on what permit limits would be contained in a permit for discharge to the Ouachita River. This will enable the City to compare Ouachita River limits to the existing limits, and evaluate the economics of both alternatives. It is our preference to join with the City and others in a joint pipeline, which will probably resolve the financing issues presented by a stand alone project. At this time I cannot predict with any accuracy the time it may take for the City to complete its evaluation of the joint pipeline.

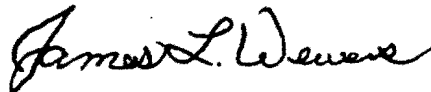
On January 8, 2001 EDCC and ADEQ entered into an amendment to CAO No. LIS 98-119 which provided an extension of the milestone schedule to allow time to coordinate with the City and others for development of common facilities. Additional extensions were contemplated, to the extent the evaluation of alternatives by the City and others require additional time. It is likely that I will be required to request an additional extension of CAO No. LIS 98-119.

Our efforts to create fair trade in the marketplace have also continued. On the heels of the Russian ammonium nitrate dumping, the Ukrainians began a similar dumping campaign. We have again initiated a proceeding before the U.S. International Trade Commission. Again, with the assistance of our Congressional delegation (Senator Hutchinson and Rep. Ross), the Commission has taken steps to curtail this unfair trade practice (copies of letters attached). We are hopeful that the marketplace will soon return to normal, and prices will return to levels that will improve our cash position.

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Thank you for taking the time to review this information. I appreciate the consideration you and Mr. Mathis have provided to EDCC as we continue to work our way through this process. I will continue to keep you advised of our progress. If you have any questions, please do not hesitate to contact me.

Sincerely,



James L. Wewers
President

JLW/ymq

cc: Mary Leath
Nelson Jackson