



October 13, 2006

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Mr. Dennis Benson
Technical Assistance Manager
NPDES Permits Section - Water Division
Arkansas Department of Environmental Quality
8001 National Drive
Little Rock, Arkansas 72219-8913

RE: Quarterly Report – Third 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 3rd quarter of 2006 the hydrologic study was completed and the final report submitted to the ADEQ Water Division as required by the NPDES permit.

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. At this time there has been no permitting action based on the final study report.

3. Storm Water Outfall Compliance

During the 3rd quarter of 2006 the following activities were accomplished or continue to effectuate compliance with storm water discharges from Outfalls 004, 005, 006 and 007.

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- 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 continue to transport stormwater to the wastewater treatment system via Lake Lee.
- As mentioned in earlier reports, the stormwater runoff from the industrial areas of Outfall 005 and part of Outfall 006 continue to be 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 3rd 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 third quarter of 2006, Lake Lee effluent averaged 14 mg/L Ammonia-N and 26 mg/L Nitrate-N down from 2005's average of 120 mg/L Ammonia-N and 178 mg/L Nitrate-N. In the third quarter of 2006, Outfall 001 averaged 2.85 mg/L Ammonia-N and 6.14 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.

5. Wastewater System

During the 3rd 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

- Continuation of the engineering work to route Outfall 006 and 007 to Lake Lee.

Lake Lee

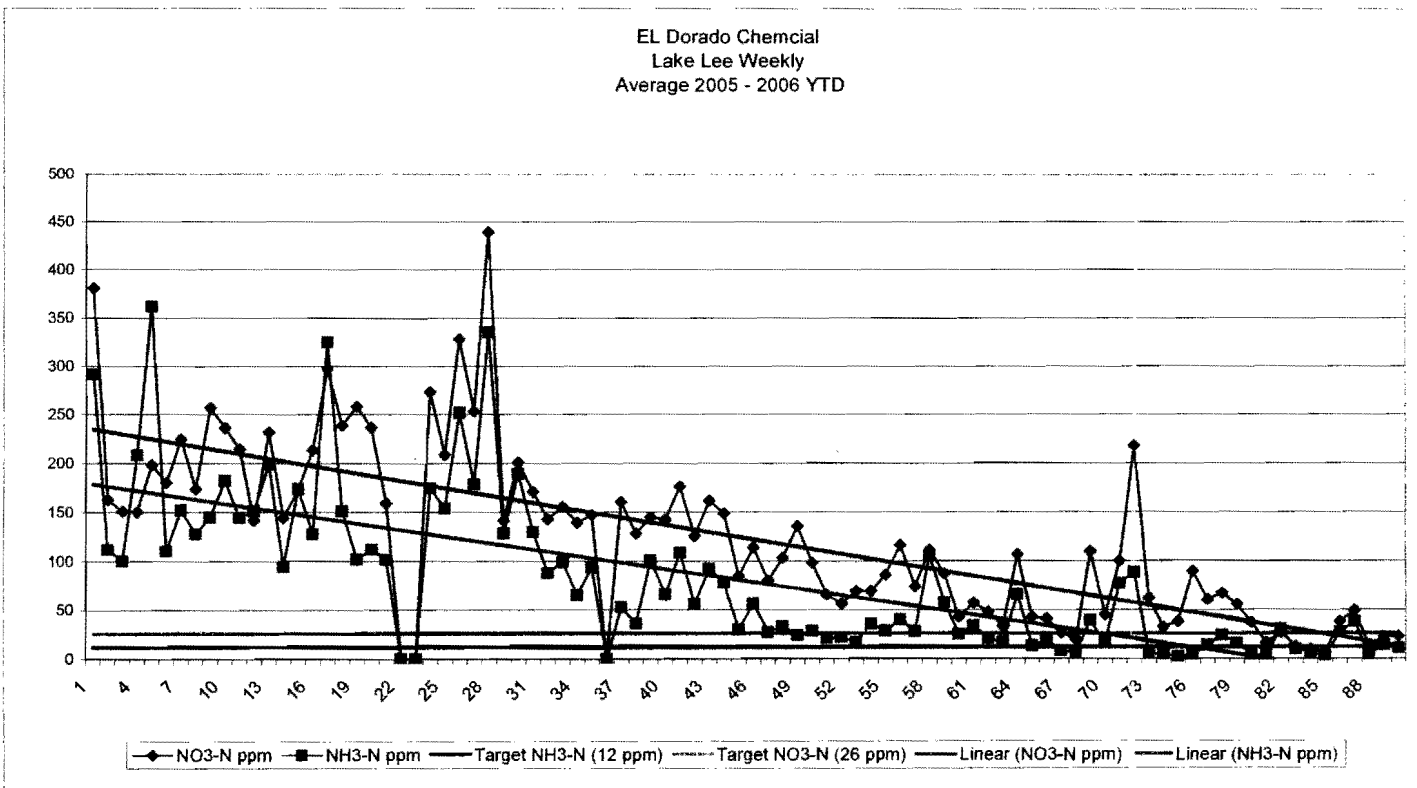
- During the 3rd quarter of 2006, EDCC continued use of the AquaMats in Lake Lee and Lake Kildeer. AquaMats are membranes for sustaining colonies of nitrifying and denitrifying bacteria.

6. Wastewater Treatment Bioaugmentation

As discussed in previous quarterly reports, during the 3rd 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.

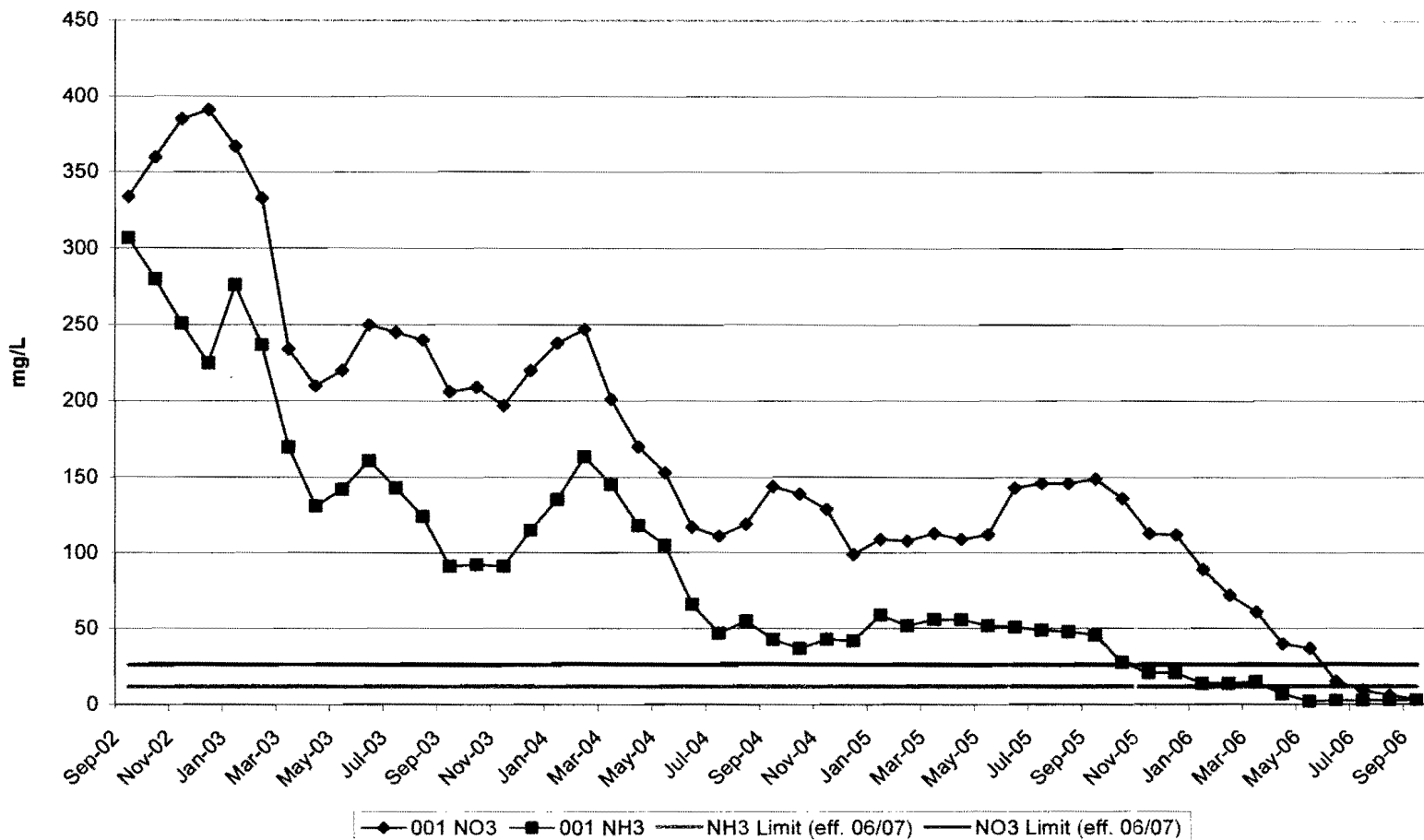
The data that EDCC has collected so far indicates that the addition of various microbes has had a positive impact on the wastewater treatment system. The biomonitoring results from Outfall 001 continue to demonstrate steady improvement with the 3rd quarter 2006 tests passing at 100% effluent water for 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.



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El Dorado Chemical Co.
 Outfall 001 Monthly
 Averages



7. Ground Water Study

During the 3rd 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 has committed to installing two recovery wells as an interim groundwater restoration measure. EDCC has drilled the two recovery wells. EDCC will install the pump and complete the piping in October and start recovering the groundwater.

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8. Joint Pipeline Activities

During the 3rd quarter of 2006, EDCC, in support of the joint pipeline, continued to be active in the finalization of the joint pipeline related NPDES permits by supplying additional Ouachita River dissolved oxygen modeling information to ADEQ through GBMc & Associates. This information was requested by ADEQ to address concerns raised by the State of Louisiana. Finalization of the NPDES permits related to the joint pipeline is anticipated during the 4th quarter of 2006.

9. Water Quality (4g) Study for Dissolved Minerals

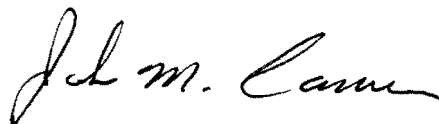
During the 3rd quarter of 2006, EDCC submitted the documentation required to initiate a third party rulemaking for dissolved minerals. The Pollution Control and Ecology Commission initiated the third party rulemaking process at its October 22nd meeting. The public hearing on the third party rulemaking will be held in El Dorado during the 4th quarter of 2006.

10. NPDES Permit Renewal Application

During the 3rd quarter EDCC initiated the development of information needed for the renewal of its NPDES permit.

Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the 3rd quarter of 2006. Should you have any questions, please feel free to call me at (405) 235-4546.

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
Martin Maner, Chief, Water Division