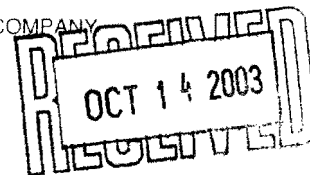


KB KB  
LAWA  
**EL DORADO**

CHEMICAL COMPANY



October 8, 2003

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

RE: Quarterly Report – Third Quarter 2003, CAO LIS 98-119

Dear Mr. Riddle:

This letter serves as the referenced Quarterly Report. As in previous reports, the primary activities in this quarter centered on three areas: 1) continued development of the project to construct a pipeline to the Ouachita River; 2) settlement of the NPDES appeal, and; 3) continued use of an alternative organism in our wastewater treatment system. The following paragraphs present details regarding these issues.

During the third quarter of 2003, there were several 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 Utilities) discussed regulatory issues and the preliminary engineering analyses of the pipeline project. Based upon this documentation, GBMc & Associates was directed to proceed with a detailed engineering analysis for the El Dorado Water Utilities for the purpose of cost allocation and to determine the effect of the project on the Utilities' rate structure. This work is ongoing and we anticipate its completion during the fourth quarter of 2003.

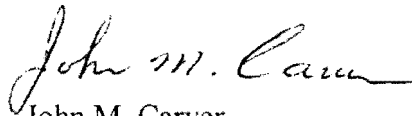
As reported in the last quarterly report, the NPDES permit appeal was settled through the finalization of a Permit Appeal Resolution (PAR) between ADEQ and EDCC.

As discussed in previous quarterly reports, during the third quarter of 2003 EDCC continued implementation of the alternative wastewater treatment technology at the EDCC Plant. During the third quarter, in order to achieve greater treatment efficiency, we increased the introduction of the innovative organism, the Archaea, into our wastewater treatment system. We continue the collection of performance data to determine the efficacy of the organisms in our system.

Mr. Art Riddle  
NPDES Enforcement Supervisor  
Water Division  
Arkansas Department of Environmental Quality  
October 8, 2003  
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Hopefully, this letter has adequately explained the status of our NPDES compliance efforts during the third quarter of 2003. 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