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October 29, 1996

VIA FACSIMILE AND FIRST CLASS MAIL

Ana Marie Ortiz, Esq.
Assistant General Counsel
State of New Mexico
Environment Department
Harold Runnels Building
1190 St. Francis Drive
Post Office Box 26110
Santa Fe, New Mexico 87502

Re: *Response to October 17, 1996, Letter*

Dear Ana:

Sparton Technology, Inc. ("Sparton") would very much like to commit to undertake the work described in your October 17, 1996, letter, but needs guidance on one issue raised at our September 26 - 27, 1996, meeting in Santa Fe, not addressed in your letter, and clarification of at least two commitments requested for the first time in your letter.

Specifically, neither your letter nor our discussions with you since our September 26 - 27, 1996, meeting have provided Sparton with the comfort it needs that there is an economical way for it to deal with recovered groundwater, whether from a containment well on-site or off-site. Such comfort would exist if NMED agrees that no discharge plan is necessary to release recovered groundwater water into the Calabacillas Arroyo, or identifies exactly what would have to be included in a discharge plan for releases to the Calabacillas Arroyo, in order to have an approved plan before developing additional monitor wells.

Based on our discussions with NMED over the last several months, we understood that the agency was anxious for us to begin remediation efforts. We share that desire, although there may still continue to be some disagreement over the scope of those efforts. But, until Sparton has the necessary authority to release recovered groundwater in an affordable manner it cannot begin any groundwater remediation. Sparton management is not interested in incurring further substantial testing expenses unless such activities can be immediately translated into remedial efforts.

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Sparton's interest in knowing that it will have a mechanism for cost effectively dealing with recovered groundwater and that it can move immediately into some remediation, is not intended to preclude NMED from requesting broader remedial efforts than what Sparton might propose. While NMED may disagree as to whether our current thoughts about on-site and off-site containment will be sufficient, we strongly suspect that the agency agrees that such activities would be, at the very least, consistent with addressing impacted groundwater, and can only serve to improve the situation. Granting authority to economically release the water simply insures we can begin some remediation promptly. As far as we can determine, there is no down side to NMED providing us with the authority we seek, yet, there is significant benefit -- implementation of enhanced containment on-site and initiation of containment off-site where none currently exist.

Obtaining the approvals we need should not be difficult. We are already in the process of completing the necessary application for authorization to recover up to twenty gallons per minute on-site and two hundred gallons per minute off-site. We believe the state engineer's office can process and issue those authorizations within a ninety day period, especially if NMED makes clear its support for our request. Discharging the recovered water to the arroyo can be accomplished through existing city of Albuquerque storm sewers. We would hope the necessary agreements could be completed and appropriate authorizations issued within ninety days, with the support of NMED and the city of Albuquerque.

If we are able to reach closure on the handling of recovered water, then with just a few exceptions, Sparton would be willing to incorporate the conditions that begin under the heading "Soil-Vapor Extraction Pilot Test," on page two of your letter and continue to the end of page four. One concern we have with those conditions is item 1 under the heading "General Requirements." This issue was not addressed at our September 26 - 27, 1996, meeting. We would like to discuss why you want this condition and the types of situations to which it would apply, before we could consider agreeing to it.

We have several concerns with the proposed schedule. First, we suggest that the period of time for us to submit an amended and revised interim corrective action proposal be twenty-one days instead of fourteen days. Second, if we are going to be held to a particular time period, then we would like NMED to be likewise bound. We also need to discuss further with you the requirement that we would implement any plan, no matter how modified by NMED. This issue was not discussed in Santa Fe. Although I am sure you did not intend such a result, that language read literally requires that if we submit a plan to you and you revise it to require us to drill sixty new monitor wells, we would be required to drill all of them. As I am sure you can appreciate, we could not agree to such an open ended condition. Our consultants have also

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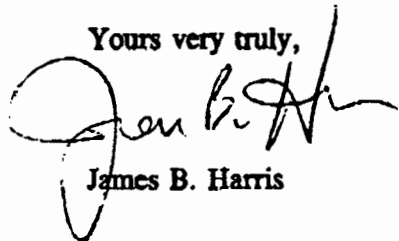
requested that the written pump test report be due two hundred and ten days after the project begins, instead of one hundred and eighty days.

Finally, Sparton obviously disagrees with NMED's support for EPA's initial administrative order. We do not believe that order is necessary to protect human health or the environment or that an imminent and substantial endangerment to human health and the environment currently exists at the Sparton site. As you are already aware, we are currently litigating these types of issues with EPA. Our involvement in undertaking additional work at the site, consistent with your October 17, 1996, letter, in no way should be viewed as waiving or being inconsistent with such actions.

Likewise, our recognition that NMED's approval of the work we have offered to perform does not necessarily preclude the agency from ordering that more be done, cannot be taken as our agreement to do whatever NMED requests. As we have previously communicated, we will consider and discuss any additional suggestions of NMED. But we do not believe it appropriate for NMED to condition approval of work that will unquestionably provide some benefit, on our commitment to do whatever else NMED wants.

Please contact me at your earliest convenience so we can discuss resolving Sparton's concerns and moving forward with the work discussed in Santa Fe.

Yours very truly,



James B. Harris

JBH:bgp

cc: Mark Weidler

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