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GOVERNOR
LARRY GORDON
Secretary
CARLA L. MUTH
Deputy Secretary



April 10, 1987

Mr. Richard D. Mico
Vice President and General Manager
Sparton Technology, Inc.
4901 Rockaway Blvd., SE
Rio Rancho, New Mexico 87124

Dear Mr. Mico:

Enclosed please find a draft settlement agreement addressing the reclamation of ground water contaminated by Sparton Technology, Inc. ("Sparton"). As you are aware, Sparton has until April 22, 1987 to submit a ground water discharge plan for wastewater located in the soils and groundwater in the vicinity of Sparton's Coors Road facility. Under Section 3-106.A of the Water Quality Control Commission Regulations, additional time may be granted to submit a discharge plan, and to discharge without an approval discharge plan, if good cause is shown. Although EID has upon Sparton's request granted such extensions under § 3-106.A seven different times for six month intervals each, Sparton to date has failed to submit any plan addressing ground water contamination. EID does not intend to grant any further extensions.

Please be aware that if Sparton does not have an approved discharge plan by April 22, 1987, Sparton will be in violation of, and subject to substantial penalties under, the New Mexico Water Quality Act §§ 74-6-1 et seq. NMSA 1978 (1986 Repl.) ("WQA"). Section 74-6-5(P), provides for civil penalties of \$5000 per day, for violation of the permit requirements of the New Mexico Water Quality Act, and Section 74-8-10 provides for injunctive relief, civil penalties of \$1000 per day for violation of the WQA or regulations, and the assessment of contamination clean up costs. Further, EID may seek injunctive relief under New Mexico public nuisance law, to abate a public nuisance, and the public nuisance of polluting water, as those two nuisances are defined at §§ 30-8-1 and 30-8-2 NMSA 1978 (1984 Repl.).

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EID appreciates Sparton's interest in discussing the reclamation requirement as shown by our meeting April 7, 1987, and acknowledges that Sparton has expended considerable effort and resources in studying the on-site contamination. Sparton has also indicated an eagerness to initiate reclamation. However, EID disagrees with Sparton's proposed scope of effort and timetable. EID, accordingly, requires that both on-site and off-site contamination be addressed in the settlement agreement. During our April 7th meeting, Sparton indicated a desire to begin reclamation of the ground water on-site, prior to defining the entire plume of contamination. EID has given this proposal due consideration. EID technical staff has concluded, however, that EID's primary concerns would not be adequately addressed if Sparton were to do this. The settlement agreement requires Sparton to define the full vertical and lateral extent of the plume of contamination, within a timetable EID technical staff has concluded Sparton reasonably can meet. Technical staff does not agree with Sparton's representation of the Coors Road site as being so geologically complex that a greater time-frame for compliance is required.

It may be possible for Sparton to begin reclamation of the ground water on-site prior to defining the entire plume, so long as Sparton otherwise complies with the settlement agreement, and otherwise complies with the law, i.e., by acquiring all necessary permits, but EID technical staff believes it would not be to Sparton's advantage to do this. Necessary permits may include water rights, a Hazardous Waste Act permit, an approved ground water discharge plan, and required permits for disposal of the effluent. Obtaining these permits may take six months.

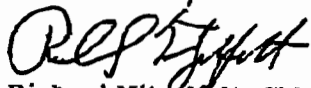
Also, during the meeting, your counsel indicated his belief that the City of Albuquerque will be amenable to accepting contaminated ground water into the City's sewerage system. To our knowledge, the city has denied recent requests to accept contaminated ground water from other sites, which has resulted in considerable delays in implementing clean up efforts. Please be advised that Sparton's reclamation proposal must, therefore, include alternative methods.

EID hopes that Sparton will take the opportunity presented by the settlement agreement to resolve EID's and Sparton's differences in a voluntary and timely manner. EID believes that the advantages to a settlement agreement are significant. EID will agree not to seek penalties against Sparton on the facts in the Statement of Dispute. In turn, Sparton will simply agree to do what EID believes Sparton must in any event do, if not now, then later pursuant to a court-initiated enforcement action, and/or pursuant to the Hazardous Waste Program's post-closure care permit requirements, and/or pursuant to an EPA Corrective Action Order. The alternatives to Sparton's agreeing to initiate a reclamation program pursuant to a settlement agreement all provide for greater potential liability for Sparton.

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If Sparton has any questions or concerns about technical details proposed in the settlement agreement, please call Amy Childers of my staff, at 827-2901. Otherwise, please contact Gini Nelson, Office of General Counsel, at 827-2990, with questions.

Sincerely,



Richard Mitzelfelt, Chief
Ground Water/Hazardous Waste Bureau

RM:GN/rc

xc: Jon F. Dewitt, Varnum, Riddering, Schmidt and Howlett
Harding, Lawson & Associates (Attn. Tom Berger)
Metric Corporation (Attn. Gary Richardson)
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Amy Childers, Ground Water/Hazardous Waste Bureau, EID
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