

SPARTON

SPARTON CORPORATION

Info - Dennis McQuillan

May 1, 1996

Mr. Norman Gaume
Public Works Department
P. O. Box 1293
Albuquerque, NM 87103

Mr. Robert Swartwout
New Mexico Utilities, Inc.
4700 Irving N.W.
Suite 201
Albuquerque, NM 87114



Dear Messrs. Gaume and Swartwout:

We appreciated your attendance at our meeting on April 23, 1996 in Albuquerque. In anticipation of our meeting on Thursday, May 16, 1996 at 8:30 a.m., we offer the following questions. In order to understand the cost and feasibility of any 'pump and use' system, the following questions come to mind.

1. Exactly how much water would you anticipate being able to utilize from the aquifer in that area, would your demand be constant or seasonal?
2. What quality would the water have to attain to be useful to you?
3. Would you anticipate drilling a single well that would produce the volumes you might need?
4. Since treatment would be necessary, do you believe it would be feasible to blend the water with any other source to attain the quality you might seek or even possibly screen a well at the depth of the plume and also at the greater depths to reduce treatment costs?
5. What other types of infrastructure would be necessary to make this project work-trunk lines, booster stations, etc.?
6. Do you anticipate any institutional barriers to drilling a well, could you fit it under an existing blanket well permit as a supplemental well?
7. What would you anticipate would be the cost of such a system, not including any treatment of the water?
8. Would you anticipate making this infrastructure and well a part of your overall system and including it in your rate base?

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9. Is it possible there might be a joint venture between the two institutions to keep costs down?
10. How would you anticipate a well and attendant infrastructure would fit into your current plans for water development on the West side?
11. Would you be willing to take over operation of such a system after construction?
12. What would you be willing to pay for the water produced?

Consistent with our response to Secretary Weidler's request that we "put a pencil" to the cost and feasibility of a pump and treat or pump and use system, we look forward to meeting with you. It must be recognized, however, that any remediation proposal with a cost to Sparton in the five to six million dollar range is not one that Sparton Technology, Inc. can afford.

Respectfully,



R. Jan Appel
Vice President and
General Counsel

RJA:jc

cc: Jim Harris
Chuck DuMars
Pierce Chandler
Gary Richardson