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August 16, 1996

Jim Harris, Esq.
Thompson and Knight
1700 Pacific Avenue
Suite 3300
Dallas, Texas 74201-4699

Dear Jim:

This letter serves to confirm our telephone conversation of August 12, 1996, respond to your letter of August 9, 1996, and, in part, respond to Pierce Chandler's recent letter of August 12, 1996.

The New Mexico Environment Department (NMED) was willing to meet with Sparton at its suggested time of August 27, 1996 at 1:30 P.M. in Santa Fe. However, since you have not gotten back to me to confirm, as you said you would, NMED is assuming that this meeting will not take place on August 27. I also spoke with EPA and the Department of Justice (DOJ) and they will not be able to attend on August 27. I suggest that you coordinate and arrange the meeting among all the interested parties, i.e. EPA, DOJ, NMED, the Office of Natural Resource Trustee and the City of Albuquerque and provide us with alternative dates so we can find an agreeable time and date to meet. Sparton has suggested, on numerous occasions, that NMED's corrective action requests be "bought off" by the City of Albuquerque and EPA since Sparton is subject to dual regulatory enforcement. As such, NMED will have EPA and other interested parties at any meeting Sparton requests with NMED.

It is NMED's understanding that at the meeting Sparton has requested we will discuss and attempt to determine if agreement on a soil vapor extraction (SVE) proposal from Sparton can be obtained. In addition, you expressed a desire to discuss other issues such as plume delineation and containment. As mentioned in our August 7, 1996 letter to you and during our telephone conversations of August 2, 1996 and August 12, 1996, before NMED can begin to discuss the containment issue with Sparton, NMED needs to review Pierce Chandler's calculations and justifications for the capture zone he projected in his previous documents. To date, NMED has not received this information from Mr. Chandler.

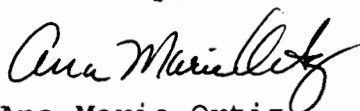
The letter of proposal we received from Pierce dated August 12, 1996 is incomplete and inadequate for review. NMED cannot approve a proposal that is lacking in the essential elements we have

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previously required and discussed in detail with Mr. Chandler. NMED has previously and will again address particular concerns and inadequacies under separate cover or we can address them when we all meet. Please let us know what you prefer.

During our phone conversation we also discussed our differences of opinion regarding our phone conversation of August 2, 1996 and our letters of August 7, 1996 and August 9, 1996. You attempted to explain what you had intended to say and better understood NMED's position after our discussions. In an effort to discuss our differing positions you had expressed a desire to meet. NMED indicated it will meet with Sparton as long as all interested parties are present. NMED will await your response regarding your requested meeting.

Sincerely,



Ana Marie Ortiz
Assistant General Counsel

cc: Mark E. Weidler, Secretary
Dr. Ed Kelley, Division Director
Dennis McQuillan
Rob Pine
David Hokenbrock
Evan Pearson
Gary O'Dea
Charlie de Saillan
David Fishel