GARY E. JOHNSON GOVERNOR

State of New Mexico ENVIRONMENT DEPARTMENT

Harold Runnels Building
1190 St. Francis Drive, P.O. Box 26110
Santa Fe, New Mexico 87502

OFFICE OF GENERAL COUNSEL

PHONE: 505-827-2990 FAX: 505-827-1628 MARK E. WEIDLER SECRETARY

EDGAR T. THORNTON, III
DEPUTY SECRETARY

October 17, 1996

Mr. Jim Harris Thompson & Knight 1700 Pacific Avenue Suite 3300 Dallas, Texas 74201-4693

RE: Requirements for NMED Approval of Revised Interim Corrective Action Proposals for the Sparton Technology, Inc. Coors Road Facility in Albuquerque, New Mexico.

Dear Jim:

This letter sets forth the requirements that Sparton Technology, Inc. ("Sparton") must meet to obtain New Mexico Environment Department ("NMED") approval of revised Interim Corrective Action proposals for Sparton's Coors Road facility in Albuquerque, New Mexico (the "Site"), as we agreed in our September 27, 1996 meeting. NMED would grant any such approval pursuant to the Water Quality Control Commission regulations. NMED approval would only extend to Sparton's proposals to conduct a soil-vapor pilot test, an aquifer pumping test and enhance the on-site interim measures. Once the pilot and pumping tests are completed, Sparton must submit to NMED written reports detailing the results of these tests. After NMED reviews the reports, it will consult with EPA, the City of Albuquerque, Bernalillo County, Office of Natural Resource Trustee (collectively the "Government Agencies") on the next step in the corrective action process.

On June 24, 1996 the United States Environmental Protection Agency ("EPA") issued a Final Decision on corrective action for the Site under the Resource Conservation and Recovery Act ("RCRA"). NMED fully supports that decision. NMED views the remedy selection by EPA and the subsequent EPA order implementing the remedy as necessary for protection of human health and the environment. Further, as stated in our June 6, 1996 letter to Sparton, NMED believes that an imminent and substantial endangerment to human health and the environment currently exists at the Sparton Site.

NMED would view Sparton's conduct of submitting and implementing its proposals for a soil-vapor extraction pilot test, an aquifer pumping test and enhanced on-site interim measures as a first step in implementing the necessary action for the Site. Such actions would be consistent with EPA's corrective action order issued on

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September 16, 1996. However, in no way would the submittal of the proposals by Sparton, in accordance with the requirements set forth in this letter, relieve Sparton of any of its obligations under the EPA order or under any other law. Such actions alone do not serve to abate the existing imminent and substantial endangerment.

Furthermore, NMED reserves all rights and remedies it has, including, but not limited to, legal action against Sparton, to address the release of hazardous waste from the Site, and to abate the resulting imminent and substantial endangerment.

Soil-Vapor Extraction Pilot Test

NMED will approve a soil-vapor extraction ("SVE") pilot test proposal, provided that it includes the following:

- 1) Sparton's express recognition that the SVE proposal is for a pilot test only and that NMED approval of any such proposal shall in no way constitute an approval, express or implied, by NMED of a soil-vapor extraction system design.
- 2) Contingency language that includes Sparton's express recognition that NMED reserves the right to disapprove the adequacy of soil-vapor cloud definition if, after the pilot test, NMED determines that such definition remains inadequate.
- 3) Sparton's express recognition that NMED may disapprove the adequacy or the accuracy of the SVE pilot test if NMED determines that the results of such test are inadequate or inaccurate.
- 4) Express assurance that the vapor-well screens will not penetrate the water table.

Pumping Test Proposal

NMED will approve an aquifer pumping test proposal, designed to define aquifer parameters and to demonstrate performance of the extraction well, provided that it includes the following:

1) Installation of an extraction well located in the off-site plume. The proposal shall specify the exact well location, state recommended pumping rates, identify the wells that will be monitored during the pumping test and state the method of measuring water levels in the monitor wells.

- 2) Installation of a nested monitoring well and piezometer both located northwest of the extraction well on Buckeye. The piezometer shall be completed in the upper flow zone. The monitoring well shall be drilled through the base of the plume with multiple completions as appropriate. The monitor well shall be drilled to the appropriate depth to define the vertical extent of the plume. The proposal must also include an express recognition by Sparton that NMED does not consider that the horizontal and vertical extent of the plume has been adequately defined.
- 3) Sparton's express recognition that the proposal is for an aquifer test only and that NMED approval of any such proposal shall in no way constitute an approval, express or implied, by NMED of a remediation or containment system design.
- 4) Sparton's express recognition that NMED may disapprove the adequacy or the accuracy of the aquifer pumping test if NMED determines that the results of such test are inadequate or inaccurate.
- 5) During the course of drilling both the monitor well and the extraction well, Sparton shall install temporary casings to collect ground water samples during drilling to find the vertical extent of contamination.
- 6) Sparton's express recognition that any water extracted from the pump test will be treated to meet all federal, state and local requirements for pretreatment and disposal.
- 7) Sparton's express recognition that NMED shall require additional aquifer tests if Sparton's first test is inadequate.

Enhancement of Interim On-Site Mass Removal

NMED will approve a proposal for the enhancement of on-site interim measure provided that it includes the following:

1) Installation of a multiple-completion monitoring well fully penetrating the ground water plume at the well-nest of MW-32, MW-15 and MW-41. The on-site monitoring well shall be drilled through the base of the plume with multiple completions as appropriate. The monitoring well shall be drilled to the appropriate depth to define the vertical extent of the plume. While the well is drilled, additional temporary casings shall

be installed to collect groundwater samples to determine the vertical extent of the contamination.

- 2) The pumping of MW-32, and other wells proposed by Sparton, to deliver a total of 20 gallons per minute ("gpm") to the air stripper. The other wells Sparton proposes to use for the interim pump and treat system must be specified in its proposal.
- 3) Sparton's express recognition that NMED does not consider the on-site interim pump and treat system to provide on-site ground water containment even after this proposal is implemented.

General Requirements

NMED will approve the above-referenced proposals provided that they further include the following:

- 1) Sparton's express recognition that discretionary field decisions shall be subject to approval of the NMED representative on-site or available by telephone at the time a decision is needed. Sparton shall provide language in its proposals that it does not have unfettered discretion to make decisions in the field without NMED approval.
- 2) Discussion of quality assurance and control methodology. Specifically, Sparton shall use quality assurance, quality control, and chain of custody procedures for all samples in accordance with "EPA Requirements for Quality Assurance Project Plans for Environmental Data Operation," EPA QA/RA; "Preparing Perfect Project Plans," (EPA/600/9-88/087), and any subsequent amendments to such guidelines.
- 3) Sparton shall give NMED at least one (1) week prior notice of any field activities to be performed and must provide NMED with the opportunity to take split samples, and provide a copy of all final analytical data and final deliverable reports to NMED.
- 4) Sparton must expressly commit to use its best efforts to obtain all federal, state and local approvals necessary to implement the proposals, including, but not limited to, discharge plans, permits and necessary zoning changes.

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Schedule

NMED will approve the revised interim corrective action proposal provided that the proposals further include Sparton's commitment to meet the following schedule. Should Sparton fail to meet the schedule or conditions set forth herein, NMED may immediately pursue its administrative or judicial remedies, which, in any event, NMED reserves.

- 1) Within seven (7) days from the date Sparton receives this letter, Sparton shall commit in writing that it will commit to the conditions set forth in this letter and incorporate them into its proposals.
- 2) Within fourteen (14) days from the date Sparton receives this letter, Sparton shall submit its amended and revised interim corrective action proposals to NMED for approval.
- 3) Within approximately fourteen (14) days from the date NMED receives Sparton's revised proposals, NMED will send Sparton a letter approving, disapproving or modifying Sparton's proposals. Sparton shall implement the plan as approved or modified.
- 4) Within thirty (30) days from the date Sparton receives NMED's approval or modification letter, Sparton will implement the enhanced interim on-site mass removal by pumping from monitor well 32 and other wells as approved by the parties to deliver a total of 20 gpm to the air stripper.
- 5) Within sixty (60) days from the date Sparton receives NMED's approval or modification letter, Sparton shall begin mobilization of drill rigs for the construction of two monitor wells, one piezometer, one extraction well and five (5) vapor wells.
- 6) Within ninety (90) days from the date Sparton receives NMED's approval or modification letter, Sparton shall submit a written soil-vapor pilot test report.
- 7) Within one-hundred eighty (180) days from the date Sparton receives NMED's approval or modification letter, Sparton shall submit a written pump test report.

NMED remains hopeful that Sparton will proceed with these interim corrective actions and that the results of these actions will provide the basis for a proposal for further action at the Site.

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In the meantime, NMED reserves all administrative and judicial remedies available to it. I will be out of my office the week of October 21, 1996 attending a hearing. Please address your correspondence to Susan McMichael of my office during my absence.

Sincerely,

Ana Marie Ortiz

Assistant General Counsel

cc: Mark Weidler, Secretary

Ed Kelley, Division Director

Rob Pine

Dennis McQuillan Benito Garcia, HWB Jerry Bober, HWB Evan Pearson, EPA Gloria Moran, EPA Vincent Malott, EPA

Gary O'Dea, City of Albuquerque

Rosemary Cosgrove, City of Albuquerque

Charlie de Saillan, AG and ONRT

Steve Cary, ONRT David Fishel, DOJ Mike Donnellan, DOJ

Patrick Trujillo, County of Bernalillo

Jan Appel, Sparton

David Hockenbrocht, Sparton

This letter is sent via facsimile and overnight Federal Express.