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December 2, 1996

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

**RE: Sparton Technology, Inc. and its Coors Road Facility**

Dear Jim:

This letter serves as the response to your most recent letter of November 21, 1996.

The New Mexico Environment Department ("NMED") was both hopeful and disappointed with the points raised in your letter of November 21, 1996. Hopeful with respect to Sparton Technology's, Inc. ("Sparton") commitment to go forward with the soil vapor extraction ("SVE") "program". NMED understands this to mean that Sparton will proceed with the submittal of a proposal for the SVE pilot test that is consistent with our letter of October 17, 1996 and other correspondence. NMED understands that Sparton will later submit a proposal for a SVE system after the SVE pilot test is completed and data obtained is analyzed. Under the New Mexico Water Quality Control Commission ("WQCC") regulations, the proposals for the pilot test and SVE system are subject to NMED approval.

Sparton's understanding of NMED's position "to be that absolutely no remediation can begin until after the tests results are analyzed, a determination is made as to whether further tests need to be conducted, and then agreement reached on the number of containment wells that may be necessary" is incorrect. Over the years NMED has never stopped Sparton from performing remediation in spite of the fact that the remediation Sparton has performed is ineffective. NMED has also made it quite clear that we can not approve a corrective action and/or remediation proposal until the appropriate tests and analyses are completed.

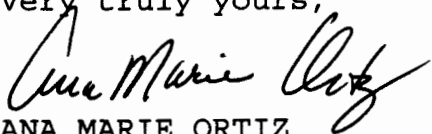
In your letter you stated the need for NMED to "provide a temporary discharge plan" before Sparton agrees to conduct the necessary pump test. As we have previously discussed, Sparton must submit a notice of intent to discharge and submit a discharge plan application pursuant to the WQCC regulations before a discharge

permit can be issued or interim discharge permitted. NMED has received no such notice or application from Sparton in spite of the fact that we met with you and Jan the beginning of October to explain the procedures and steps involved in obtaining a discharge permit from NMED. NMED also indicated that other necessary permits from the City of Albuquerque, the Environmental Protection Agency ("EPA") and the State Engineer Office will also need to be obtained. NMED has expressed its ongoing commitment to assist Sparton in obtaining the necessary discharge permit pursuant to the WQCC regulations. However, Sparton can not expect NMED to issue the necessary permit without Sparton taking the essential first steps of submitting its notice of intent and application.

NMED remains committed to work with Sparton and all other entities to reach a solution that will provide the best ultimate remedy to remove and contain contamination emanating from Sparton's facility. NMED is of the opinion that it is feasible, practical and economical for Sparton to move forward with the necessary tests and simultaneously submit applications for permits to the appropriate agencies. NMED has also previously expressed the need for Sparton to proceed within the time frames set forth in our letters and as agreed at our September meeting.

I hope I have further clarified NMED's position which I believe has been consistent throughout our discussions and correspondence. Please feel free to contact me if our position is not clear or if you feel it necessary to discuss any matter in further detail.

Very truly yours,



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  
Gary O'Dea, City of Albuquerque  
Rosemary Cosgrove, City of Albuquerque  
Charlie de Saillan, ONRT  
David Fishel, DOJ  
Mike Donnellan, DOJ  
Patrick Trujillo, County of Bernalillo  
Jan Appel, Sparton  
David W. Hockenbrocht, Sparton