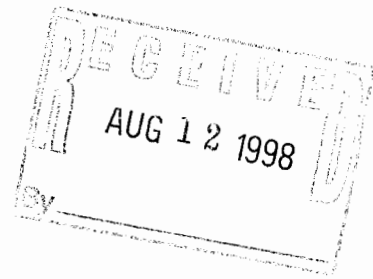


August 10, 1998

BY TELEFAX

Honorable Robert J. DeGiacomo
United States Magistrate Judge
United States District Court for the District of New Mexico
500 Gold Avenue, SW
Albuquerque, New Mexico 87103

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Re: Joint status report in Albuquerque v. Sparton Technology, Inc., No. CIV 97
0206 (D.N.M.)

Dear Judge DeGiacomo:

As agreed during the July 30, 1998 settlement conference, we submit this joint status report setting forth (1) the parties positions on the issues discussed during the settlement conference and (2) the planned schedule of activities during August. The parties current positions on the issues discussed on July 30 are set forth below:

Task IV: Soil Vapor Extraction System

- The most significant outstanding issue in this area is whether it is necessary to characterize the contamination in the lower portion of the vadose zone. The parties believe it may be possible to design a Soil Vapor Extraction ("SVE") system in such a way that characterization of the lower portion of the vadose zone is not required. The parties are exploring whether it is possible to reach agreement on such a design.

Task V: Groundwater Remedy

(1) Restoration Workplan

- The parties are agreed that the goal of the cleanup is to reduce groundwater contamination either to the lower of the federal drinking water standards or the state water standards, or, subject to necessary approvals, to alternate clean-up standards based upon what is determined to be technically practicable, as determined from all relevant data, including information obtained during the operation of the off-site and on-site containment systems.
- The parties are continuing to discuss the need for the Restoration Workplan to address the on-site areas. The Co-Plaintiffs position is that restoration of the entire contaminant plume including the on- and off-site areas is necessary.
- The parties are agreed that the Restoration Workplan will provide for an annual report which will report on the progress made in restoring the aquifer through the operation of the containment systems. The parties are continuing to discuss the contents of the Restoration Workplan. The Co-Plaintiffs position is that the Restoration Workplan will

also provide specific justification for any proposal not to implement additional restoration measures. Sparton's position is that the Restoration Workplan will provide a justification for not yet implementing additional restoration measures off-site.

(2) On-Site Containment System

- The Co-Plaintiffs are evaluating whether the current monitoring system is sufficient to determine whether the on-site containment system is adequate to address contamination in the area between monitoring well 32 and monitoring wells 42 and 43. Sparton continues to maintain that no additional monitoring wells are required on-site.
- Co-Plaintiffs have committed to provide written comments on Sparton's proposal to install a 50 gallon per minute on-site containment system. Plaintiffs are currently evaluating variations on Sparton's proposed design which may facilitate resolution of issues related to characterization of the on-site contaminant plume.

(3) Off-Site Containment System Evaluation Workplan

- The parties are agreed that the workplan will explicitly state that if additional extraction wells are required to achieve containment, Sparton will install such wells.
- The parties are agreed that the workplan will state that the contaminant plume will be defined by the outer bounds of the area where contaminant concentrations exceed the lower of the federal drinking water standards or the state water standards
- Co-Plaintiffs maintain that the workplan should provide for an evaluation of whether additional monitoring wells are required to determine whether capture has been achieved. Sparton's position is that water-level data from the existing monitoring wells and the information on the hydraulic properties of the aquifer near the leading edge of the plume, which will be obtained through the conduct of tests on the off-site containment well, would be adequate for determining whether capture has been achieved.
- Co-Plaintiffs maintain that the workplan should provide that both hydraulic and chemical data will be considered in the evaluation of whether leading edge capture has been achieved. Sparton's position is that the existing monitoring wells, except possibly wells MW-57 and MW-66, will be within the capture zone of the off-site containment well. Besides the restoration effects of containment, water-quality data changes in wells within the capture zone will depend on several other factors and cannot, therefore, be interpreted for determining whether capture has been achieved. Water-quality data from these wells will, however, be evaluated to determine progress in restoration.

Task I: Groundwater Monitoring Program Plan

- The parties are agreed the Groundwater Monitoring Program Plan will be finalized and followed by Sparton during the next quarterly sampling event. The schedule for August provides for the development of a final plan, and the parties anticipate that Sparton will send a letter to EPA on or before August 26, 1998 committing to implement that plan.

With regard to the settlement activities during August, a schedule setting forth tasks and deadlines is attached. If you have any questions regarding this status report, please feel free to contact the appropriate party.

Respectfully submitted,

FOR THE UNITED STATES OF AMERICA, as Plaintiff

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Agreed Schedule for Settlement Activities during August 1998

Task I: Groundwater Monitoring Program Plan

- 07/27/98 Third Quarter 1998 sampling event
- 08/14/98 EPA revised Groundwater Monitoring Program Plan (“GMPP”)
- 08/19/98 Sparton written response to 08/12/98 revised GMPP
- 08/24/98 EPA provides Final GMPP to Sparton
- 08/26/98 Settlement Conference in Albuquerque, NM--Sparton decision regarding whether it will commit to implementing the Final GMPP during 3rd Quarter 1998 and subsequent sampling events.
- 11/ /98 Fourth Quarter 1998 sampling event

Task IV: Soil Vapor Extraction Workplan

06/09/98 Sparton Workplan dated May 18, 1998 (received by Plaintiffs on June 9, 1998)

07/14/98 EPA/Sparton meeting in Dallas to discuss SVE Workplan

07/20/98 EPA written comments summarizing EPA position at 07/14/98 meeting

07/30/98 Discussion prior to settlement conference

07/30/98 Settlement conference discussing Co-Plaintiffs' Summary List of Major Outstanding Issues

08/05/98 Sparton written response to EPA comments of 07/14/98

08/07/98 EPA written follow-up to 07/30/98 discussion regarding design of SVE system

08/13/98 Co-Plaintiffs' written list of outstanding issues (Agenda for 08/14/98 conference call)

08/14/98 Co-Plaintiffs/Sparton conference call to discuss remaining issues

08/20/98 Co-Plaintiffs provide written outline of elements to be included in a revised SVE workplan

08/24/98 Sparton written response to Co-Plaintiffs' 08/20/98 written outline of elements to be included in a revised SVE workplan

08/26/98 Settlement Conference in Albuquerque, NM

09/04/98 Revised SVE Workplan

Task V: Groundwater remedy
(1) On-Site Containment

04/23/98 Sparton 20 gallon per minute On-Site Containment proposal

07/23/98 Sparton 50 gallon per minute proposal

07/28/98 Co-Plaintiffs/Sparton conference call

07/30/98 Settlement conference discussing Co-Plaintiffs' Summary List of Major Outstanding Issues

08/10/98 Sparton response to Co-Plaintiffs' 07/30/98 Summary List of Major Outstanding Issues

08/12/98 Co-Plaintiffs' written comments on Sparton's 07/23/98 Workplan

08/14/98 Co-Plaintiffs/Sparton conference call to discuss remaining issues

08/20/98 Co-Plaintiffs provide written outline of elements to be included in a revised workplan

08/24/98 Sparton written response to Co-Plaintiffs' 08/20/98 written outline of elements to be included in a revised workplan

08/26/98 Settlement Conference in Albuquerque, NM

09/04/98 Revised On-Site Containment Workplan

Task V: Groundwater remedy (cont.)

(2) Off-Site Containment Evaluation Plan

- 06/22/98 Sparton's Workplan for the Evaluation of Containment System Performance and for the Assessment of Aquifer Restoration
- 06/30/98 EPA comments on Sparton's 06/22/98 Workplan
- 07/14/98 Sparton's Revised Workplan for Evaluation of Off-Site Containment System Performance (including 07/15/98 memo from S. Papadopoulos)
- 07/28/98 Co-Plaintiffs/Sparton conference call
- 07/30/98 Settlement conference discussing Co-Plaintiffs' Summary List of Major Outstanding Issues
- 08/10/98 Sparton response to Co-Plaintiffs' 07/30/98 Summary List of Major Outstanding Issues**
- 08/13/98 Co-Plaintiffs' written list of outstanding issues (Agenda for 08/14/98 conference call)**
- 08/14/98 Co-Plaintiffs/Sparton conference call to discuss remaining issues**
- 08/21/98 Revised Evaluation Off-site Containment System Performance Workplan**
- 08/26/98 Settlement Conference in Albuquerque, NM**

Task V: Groundwater remedy (cont.)

(3) Restoration Workplan

- 06/22/98 Sparton's Workplan for the Evaluation of Containment System Performance and for the Assessment of Aquifer Restoration
- 07/08/98 EPA comments on 06/22/98 Workplan
- 07/20/98 Sparton's revised Workplan for Assessment of Offsite Aquifer Restoration
- 07/28/98 Co-Plaintiffs/Sparton conference call
- 07/30/98 Settlement conference discussing Co-Plaintiffs' Summary List of Major Outstanding Issues
- 08/10/98 Sparton response to Co-Plaintiffs' 07/30/98 Summary List of Major Outstanding Issues**
- 08/13/98 Co-Plaintiffs' written list of outstanding issues (Agenda for 08/14/98 conference call)**
- 08/14/98 Co-Plaintiffs/Sparton conference call to discuss remaining issues**
- 08/20/98 Co-Plaintiffs provide written outline of elements to be included in a revised workplan**
- 08/24/98 Sparton written response to Co-Plaintiffs' 08/20/98 written outline of elements to be included in a revised Restoration workplan**
- 08/26/98 Settlement Conference in Albuquerque, NM**
- 09/04/98 Revised Restoration Workplan**