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September 13, 2004

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Re: Notice of Dispute
Sparton Technology, Inc. Consent Decree
Civil Action No. CIV 97 0206 CH/JHG
EPA ID No. NMD083212332

Dear Plaintiffs:

Please accept this letter as Sparton Technology, Inc.'s ("Sparton") notice of dispute, as authorized by Paragraph 49 of the Consent Decree signed on March 3, 2000, in the above-referenced matter. The dispute resolution mechanism is being invoked in connection with

comments dated August 10, 2004, which we understand represent the joint views of the United States Environmental Protection Agency ("EPA") and the New Mexico Environment Department ("NMED") on a work plan for further investigation of groundwater impacts identified in sampling from Monitor Well 71R ("MW-71R") that was submitted to EPA and NMED through a letter dated January 14, 2004.

A general concern that Sparton has with EPA's and NMED's comments of August 10, 2004, is that they seek information already provided to both agencies in prior submittals, including annual reports. Additionally, the August 10th comments appear to be based on the assumption that the MW-71R work plan represents a final corrective action proposal, when Sparton has understood, based upon previous discussions with EPA and NMED representatives, that the MW-71R work plan represents an interim action, the results of which will be used to determine if more involved corrective action is necessary. Finally, most of the comments appear to re-open issues already agreed to in the discussions leading up to the submission of the work plan.

With that background in mind, we identify the following disagreements with comments in the August 10th correspondence that we believe can and should be resolved through informal dispute resolution:

1. Provide additional background information – Sparton believes this information is already available in previous submissions and does not need to be restated in order to evaluate the MW-71R work plan.
2. Inclusion in the work plan of information called for in OSWER Directive 9902.3-2A – Given the interim nature of the MW-71R work plan, we do not believe this information is necessary at this time to evaluate what is proposed.
3. Installation and sampling of several monitor wells in the deep flow zone – Until the work called for in the MW-71R work plan is completed, we believe it premature to consider additional monitor wells in the deep flow zone.
4. Provide further detail on proposed step test – Sparton believes that given the objectives of this work plan, there is sufficient detail. In particular, because the step test is only being used to determine a sustainable pumping rate, the description of the test appears adequate. Additionally, because water from MW-71R has been analyzed 13 times since installation of the well, there does not appear to be a need for analysis during the step test.
5. Collect additional water level measurements in other monitor wells during step test – Given the limited purpose of the step test, Sparton does not agree that such measurements are necessary.
6. Discuss how possible impacts of pumping and reinjection will be measured and evaluated – Sparton believes this issue is adequately addressed in the MW-71R work plan.

7. Include a complete description of 4,800 foot clay layer and the deep flow zone – Sparton believes a sufficient description already exists in previous submissions and that further development is not necessary in connection with the proposed MW-71R work plan.
8. Discuss contingencies if unacceptable levels of chromium are measured in the extracted groundwater – Sparton will modify the work plan to address this concern.
9. Provide a more detailed description of the reinjection well – Sparton believes the MW-71R work plan provides sufficient detail.
10. Increase the sampling frequency of MW48, MW55, MW56, and MW67 – Sparton does not believe this information would be helpful in connection with the limited objectives of the MW-71R work plan.
11. Provide additional detail on the design and operation of the dry well – Sparton will revise the work plan to provide additional detail.
12. Discuss other methods of disposal of extracted groundwater – This issue was discussed extensively prior to the development of the MW-71R work plan and Sparton understood that EPA and NMED were satisfied with the options considered and the approach selected.
13. Sample for additional breakdown products – Sparton believes that the work plan, which is consistent with the sampling plan already adopted, identifies appropriate constituents of concern to look for.
14. Sample for all metals in water recovered through MW-71R – Sparton believes that based upon its 21 year experience at this site during which other metals have been sought but not found at elevated levels that sampling for metals other than chromium is unnecessary.
15. Provide more details on how the step test data will be evaluated – Sparton will provide additional information.
16. Discuss contingencies for handling effluent that is not suitable for reinjection – Sparton's experience with operating two treatment systems at this site for the last several years is that the treatment system it has proposed is sufficient to handle the contaminants that are expected to be present in the groundwater that will be recovered and the effluent from the treatment system will be suitable for reinjection. While Sparton does not expect chromium to be an issue, it is prepared to add ion-exchange capsules, if necessary.
17. Better describe potential future actions – Sparton believes that because the MW-71R work plan is an interim project designed to identify whether further work is necessary, that

September 13, 2004

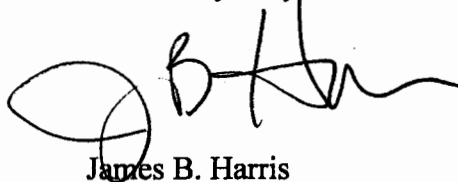
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the information requested would be speculative at best. Sparton intends to address these questions after a year's worth of operation and sampling.

18. Provide a brief description and purpose of each permit and its requirements – Sparton will revise the work plan accordingly.

Based on discussions Tony Hurst has already had with EPA and NMED representatives, we are confident that these issues can be resolved in the cooperative spirit that has characterized our efforts over the last several years. As Tony has previously advised you, Stavros Papadopoulos has been out of the country for the past thirty days and, therefore, has not had an opportunity to review EPA's and NMED's comments in detail. He will need perhaps thirty days in order to be prepared to visit with EPA and NMED representatives to discuss the concerns that we have identified in this notice. Based on that fact and the large number of issues to be addressed, Tony has previously discussed extending the informal dispute resolution period to ninety days instead of the specified thirty days. It is my understanding that EPA and NMED understand Sparton's need. If I am right, I would appreciate EPA and NMED sending me a letter confirming that the informal dispute resolution will run for ninety days beginning from September 13, 2004.

Yours very truly,

A handwritten signature in black ink, appearing to read 'JBH', with a large, stylized initial 'J' and a long, sweeping horizontal line extending to the right.

James B. Harris

JBH/tkh

cc: Charles A. Barnes (*Via Facsimile*)
Baird Swanson (*Via Facsimile*)