

STATE OF CALIFORNIA
CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
STATE WATER RESOURCES CONTROL BOARD

DIVISION OF WATER RIGHTS

ORDER WR 2025-0018-EXEC

ORDER APPROVING SETTLEMENT AGREEMENT

In the Matter of Administrative Civil Liability for Violations of Division 2 of the
California Water Code in Lake County Associated with the Diversion and Use of
Water for Cannabis Cultivation by

Juan Merodio and Agustin Merodio

BY THE EXECUTIVE DIRECTOR¹

1.0 INTRODUCTION

This matter comes before the Executive Director of the State Water Resources Control Board (State Water Board or Board) following the issuance of an Administrative Civil Liability Complaint (Complaint) and Draft Cease and Desist Order to Juan Merodio and Agustin Merodio (collectively, the Respondents). In accordance with the attached Settlement Agreement, the State Water Board Division of Water Rights' Prosecution Team (Prosecution Team) and the Respondents have agreed to settle this matter in lieu of proceeding to a hearing. The issuance of a decision or order pursuant to a settlement agreement is authorized under Government Code section 11415.60.

2.0 BACKGROUND

The Respondents acquired Lake County Assessor Parcel Number (APN) 122-251-010-000 (the Property) on or around November 24, 2003.

On April 29, 2022, Division of Water Rights (Division) staff, the California Department of Fish and Wildlife (CDFW), the Office of Enforcement's Cannabis Enforcement Unit representing the Central Valley Regional Water Quality Control Board (Central Valley Water Board), and the Lake County Sheriff's Office, participated in a search warrant investigation of the Property. During the inspection Division staff documented the diversion of water from an unnamed stream tributary to Rocky Creek, a tributary to Cache Creek, to an on-stream reservoir for consumptive use irrigating illicit cannabis cultivation occurring on the Property.

¹ State Water Board Resolution No. 2012-0061 delegates to the Executive Director the authority to issue a decision or order by settlement of the parties under

Government Code section 11415.60.

On November 9, 2022, the Division sent the Respondents by certified mail a Notice of Violation and Inspection Report (NOV/IR), which documented inspection observations, violation findings, and the required actions to correct the violations. Between May 2022 and June 2023, the Respondents worked with CDFW and Central Valley Water Board staff to correct the violations on the Property documented by those entities. The Respondents contacted Division staff via email on April 5, 2023, stating they intended to address the violations and take the corrective actions requested in the Division's NOV/IR. However, the Respondents did not provide Division staff with evidence of their prior corrective actions nor attempt to file an initial statement of water diversion and use and/or obtain a water right for the on-stream reservoir.

On March 25, 2025, the Assistant Deputy Director of the Division, acting under delegated authority, issued the Respondents an Administrative Civil Liability Complaint (Complaint) and Draft Cease and Desist Order. The Complaint alleged the Respondents failed to file an initial statement of water diversion and use for the water diversion occurring on the Property; diverted and used water in violation of Water Code section 1052, subdivision (a); failed to implement requirements of the State Water Board's *Cannabis Cultivation Policy – Principle and Guidelines for Cannabis Cultivation* (Cannabis Cultivation Policy) established pursuant to Water Code section 13149; and diverted and used water for cannabis cultivation for which a license is required but was not obtained. The Complaint and a draft Cease and Desist Order are included as attachments to the Settlement Agreement.

The Complaint recommended an administrative civil liability in the amount of \$29,500 for the alleged violations. The Prosecution Team determined that this amount of civil liability took into consideration the extent of the harm caused by the alleged violations, their nature and persistence, the length of time over which the alleged violations occurred, the corrective actions taken by the Respondents, and all other relevant circumstances, pursuant to Water Code section 1055.3.

On March 27, 2025, the Respondents electronically submitted a Hearing Request requesting a hearing before the State Water Board, Administrative Hearings Office on the Complaint. Additionally, the Respondents (Juan Merodio) called and emailed the Prosecution Team to discuss resolving the alleged violations without proceeding to a hearing on the Complaint.

The Respondents and the Prosecution Team engaged in settlement negotiations and agreed to settle the alleged violations without an administrative hearing or civil litigation by presenting this Settlement Agreement and a proposed Order to the State Water Board or authorized delegate for adoption as an Order by settlement, pursuant to Government Code section 11415.60.

3.0 SETTLEMENT AGREEMENT

The Respondents and the Prosecution Team executed a settlement agreement,

August 15, 2025, and attached hereto (Settlement Agreement). The general terms of the settlement are:

- (1) The Respondents stipulate to request cancelation of any hearing on the Complaint and Draft Cease and Desist Order, waive the right to petition for reconsideration of this Order, and agree to the other terms and conditions described in the Settlement Agreement and incorporated herein;
- (2) The Respondents within ninety [90] days of the effective date of this Settlement Agreement will obtain an appropriate water right registration or water right permit or license for the on-stream reservoir constructed on the Property. The Respondents will exercise due diligence to maintain the water right including the conditions under which water may be diverted and used; and
- (3) The Respondents are subject to administrative civil liability in the amount of \$10,000, to be paid consistent with the payment schedule detailed in the Settlement Agreement, which will be deposited into the Water Rights Fund pursuant to Water Code section 1551.

ORDER

IT IS HEREBY ORDERED THAT the attached Settlement Agreement between the Prosecution Team and the Respondents is approved. The Respondents must perform all of the following actions:

1. Pay \$10,000 in administrative civil liability for the violations alleged in the Complaint in accordance with the following payment schedule:
 - a. Following the Executive Director's or authorized delegate's issuing this Order approving this Settlement Agreement, the Respondents shall submit a payment of **eight hundred and thirty-three dollars** [\$833] on the fifteenth [15th] of each month for twelve [12] consecutive months.
2. Payment shall be made by cashier's check, certified check, or money order made payable to the "State Water Resources Control Board – Water Rights Fund." Properly execute and deliver payment to:

State Water Resources Control Board
Division of Water Rights
Attention: Cannabis Enforcement Section
P.O. Box 2000
Sacramento, CA 95812-2000

3. Within ninety [90] days of the effective date of this Settlement Agreement, the Respondents will obtain an appropriate water right registration or water

right permit or license for the on-stream reservoir constructed on the

Property. The Respondents agree to exercise due diligence to maintain the water right including the conditions under which water may be diverted and used.

The administrative civil liability, if not paid consistent with the stipulated payment schedule, will be recoverable as provided in Water Code section 1055.4. Failure to comply with the terms and conditions of the water right registration or water right permit or license obtained for the on-stream reservoir may result in future enforcement actions by the Division, which may include imposition of administrative civil liability pursuant to Water Code section 1846.

STATE WATER RESOURCES CONTROL BOARD

ORIGINAL SIGNED BY:

October 1, 2025

Eric Oppenheimer
Executive Director

Date