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STATE OF CALIFORNIA

NATURAL RESOURCES AGENCY

DEPARTMENT OF CONSERVATION

GEOLOGIC ENERGY MANAGEMENT DIVISION

TERMS OF SATISFACTION OF ORDERS TO PAY CIVIL PENALTIES

NOS. 1560 & 1621

Operator: E & B Natural Resources Management Corporation (E0100)

This Terms of Satisfaction (**Satisfaction**) is made by and between the State Oil and Gas Supervisor (**Supervisor**), acting through the California Geologic Energy Management Division (**CalGEM**), and E & B Natural Resources Management Corporation (**E&B**) (collectively, the Parties).

Recitals

1. CalGEM supervises the drilling, operation, maintenance, and plugging and abandonment of oil, gas, and geothermal wells in the State of California.

2. E&B is the operator (as defined by Public Resources Code [PRC] section 3009) of the injection wells (as defined in California Code of Regulations, title 14 [Regulations], section 1720.1, subdivision (f)) identified on E&B's Organization Detail page in CalGEM's Well Statewide Tracking and Reporting System (collectively, the **Wells**).
3. On September 25, 2025, CalGEM issued Order No. 1560 imposing civil penalties on E&B in the total amount of $131,080.00 for alleged violations of Regulations sections 1724.10, subdivision (i)(4), 1724.10.1, subdivision (e), 1724.13, subdivision (a)(1), and 1777, subdivision (c)(4). Order No. 1560 is included herein as **Exhibit A**.
4. On October 3, 2025, E&B timely appealed Order No. 1560.
5. E&B subsequently provided CalGEM with the results of mechanical integrity testing for the Enas Fee 7-5 well, (API 0403065876) conducted on October 3, 2019, which CalGEM previously did not have in its records.
6. On April 15, 2026, CalGEM issued Order No. 1621 imposing civil penalties on E&B in the total amount of $1,077,500.00 for alleged violations of PRC section 3203 and Regulations sections 1714 (collectively, the "unpermitted well work violations"), 1722, subdivision (d), 1724.10, subdivision (i)(4), 1724.10.1, subdivisions (a) and (e), 1724.13, subdivisions (a)(1)-(2) and (c), 1744, subdivision (b), and 1777, subdivision (c)(4). Order No. 1621 is included herein as **Exhibit B**.
7. On April 23, 2026, E&B timely appealed Order No. 1621.
8. The combined total civil penalties for Order Nos. 1560 and 1621 is $1,208,580.00.
9. E&B generally admits to the underlying violations addressed in each order but disputes CalGEM's characterization of the violations in Order No. 1621 as "major" as well as the duration of violation accumulation under PRC section 3236.5. CalGEM disagrees with E&B's rationale on characterization of the violations but has agreed to include documentation E&B provided to support their claim, see **Exhibit C**.
10. The Supervisor acknowledges that prior to CalGEM issuing Order No. 1621, E&B voluntarily contacted CalGEM in good faith, admitted to the unpermitted well work,

and indicated that corrective actions were being taken to remediate the underlying reasons for the violations.

11. In addition, unprompted by CalGEM, E&B seeks to plug and abandon three idle wells at its own expense and without credit towards its Idle Well Management Plan. These wells are not operated by E&B and are at risk of becoming deserted wells.
12. The Supervisor finds value in the health, safety, and environmental benefits that come from operators taking proactive responsibility for and timely action to plug and abandon wells that are or have high risk of becoming deserted wells.
13. In consideration of E&B's forthrightness and willingness to accept responsibility for the violations, CalGEM's prioritization of the avoidance of unauthorized injection, and E&B responsibly addressing wells at risk of desertion, the Supervisor finds E&B should be afforded the opportunity to demonstrate ongoing compliance and perform the necessary work in exchange for a reduction in the civil penalties amount imposed by Order Nos. 1560 and 1621.
14. The Supervisor and E&B have engaged in settlement discussions and intend by this Satisfaction to settle and conclude all issues raised by and alleged in Order Nos. 1560 and 1621.

Terms and Conditions

For good and valuable consideration and incorporating the above recitals, the Supervisor hereby delineates, and E&B hereby agrees to, the following Terms of Satisfaction:

1. E&B hereby withdraws its appeals of Order Nos. 1560 and 1621 and waives any further right of appeal of Order No. 1560 and 1621 with prejudice.
2. Initial Penalty Amount. E&B shall make an initial payment of $400,000.00 (the "Initial Payment") to CalGEM according to the schedule and terms set forth below.

Installment Payment #	Due Date	Payment Amount
1	within three (3) business days of Effective Date	$28,571.43

2	11/1/26	$28,571.43
3	12/1/26	$28,571.43
4	1/1/27	$28,571.43
5	2/1/27	$28,571.43
6	3/1/27	$28,571.43
7	4/1/27	$28,571.43
8	5/1/27	$28,571.43
9	6/1/27	$28,571.43
10	7/1/27	$28,571.43
11	8/1/27	$28,571.43
12	9/1/27	$28,571.43
13	10/1/27	$28,571.43
14	11/1/27	$28,571.41
	Total:	**$400,000.00**

3. Estimated Costs for Offsetting Plugging and Abandonment Work.
    a. E&B shall commence and complete the Offsetting Plugging and Abandonment Work (as described in Section 6 below) to satisfy $324,470 of the total civil penalties amount.
    b. Should E&B fail to timely commence or complete the Offsetting Plugging and Abandonment Work, E&B shall immediately pay the $324,470 amount (as described in Section 5.b below).
4. Penalty Amount Reduction. Subject to E&B's timely payment of the Initial Payment (as described in Section 2 above), commencement and completion of the Offsetting Plugging and Abandonment Work, avoidance of unauthorized injection, and compliance with the reporting requirements (as described in Section 9 below), the

Supervisor reduces the cash payment of the total civil penalties amount imposed by Order Nos. 1560 and 1621 by $484,110 (the "Contingent Penalty Amount").

5. Default.

   a. If E&B fails to timely pay the Initial Penalty Amount, E&B shall have three (3) business days following the applicable payment due date to cure such failure. If E&B fails to make the required payment within such cure period, then the full civil penalties amount of $1,208,580, less any payments already received pursuant to this Satisfaction, shall become immediately due and payable.

   b. If E&B fails, for reasons within E&B's control and notwithstanding E&B's diligent efforts, to commence the Offsetting Plugging and Abandonment Work within 12 months of the Effective Date (as described in Section 6.c below) or fails to complete the Offsetting Plugging and Abandonment Work within 6 months of commencing it (as described in Section 6.d below), and as such deadlines may be extended pursuant to Section 7, then the Offsetting Plugging and Abandonment Work costs of $324,470 shall become immediately due and payable. The 6-month deadline to complete the work may be extended with CalGEM's prior written approval, but the deadline to complete the work under any extensions shall not exceed a total of 18 months from the Effective Date.

   c. If any of the following occurs, then E&B shall pay CalGEM the Contingent Penalty Amount of $484,110 as follows:

      i. By March 31, 2028, or a later date approved by CalGEM , if at least one injection well operated by E&B accrues 30 days or more of unauthorized injection (as defined in Section 8.b) during the Compliance Obligation Period (as defined in Section 8.a).

      ii. By January 15, 2027, or a later date approved by CalGEM, if E&B fails to timely submit the Initial Compliance Report (as described in Section 9 below).

iii. By January 15, 2028, or a later date approved by CalGEM, if E&B fails to timely submit the Final Compliance Report (as described in Section 9 below).

6. Offsetting Plugging and Abandonment Work.

a. Based on CalGEM's records, The Lewy Family Trust is the current operator of the "Cauley 59" (API No. 0402916534), "Cauley 60" (API No. 0402916535), and "Cauley 62" (API No. 0402916537) wells located on the Cauley lease in the Poso Creek Oil Field (collectively, the "Cauley Wells").

b. Within 6 months of the Effective Date, E&B must obtain all necessary rights and duties to perform the Offsetting Plugging and Abandonment Work on behalf of The Lewy Family Trust. Notwithstanding the foregoing, if E&B is unable to act on behalf of The Lewy Family Trust to satisfy this term, then, within 6 months of the Effective Date, E&B will acquire the Cauley Wells in accordance with all applicable requirements, including PRC sections 3202 and 3204. CalGEM explicitly disclaims any role or responsibility relating to any contract that may be entered into by and between E&B and The Lewy Family Trust necessary to satisfy this term.

c. Within 12 months of the Effective Date, E&B must commence the Offsetting Plugging and Abandonment Work in accordance with all applicable requirements, including PRC sections 3203, 3228, 3229, and 3230, and the conditions included in any permit or approval CalGEM may issue pursuant to PRC sections 3203 and 3229.

d. Within 6 months of commencing the Offsetting Plugging and Abandonment Work, E&B must complete the work. The 6-month deadline to complete the work may be extended with CalGEM's prior written approval, but the deadline to complete the work under any extensions shall not exceed a total of 18 months from the Effective Date. Upon completion, E&B must submit to CalGEM a written

report of abandonment, and CalGEM shall provide to E&B written approval or disapproval of the work, in accordance with PRC sections 3208 and 3232.

e. Notwithstanding PRC section 3206, subdivision (a)(2), completion of the Offsetting Plugging and Abandonment Work shall not be deemed as an elimination of idle wells for purposes of any approved Idle Well Management Plan.

7. Delays Beyond E&B's Control.

a. Notwithstanding Sections 5.b, 6.c, and 6.d, the deadlines for commencement and completion of the Offsetting Plugging and Abandonment Work shall be extended on a day-for-day basis, beginning at the time of notice and ending at the time of approval, for any period during which E&B's commencement or completion of such work is delayed by (i) CalGEM's review, processing, issuance, or approval of any notice, permit, application, plan, program, variance, or other authorization necessary for the work, or (ii) other regulatory or governmental action or delay beyond E&B's reasonable control; provided that E&B has diligently pursued all required approvals and the performance of the work and has timely responded to reasonable requests for additional information or action within E&B's control.

b. Upon written notice to CalGEM of a delay described in this Section 7, any extension under this Section shall be automatic and shall not require CalGEM's prior written approval. E&B shall not be deemed to have failed to timely commence or complete the Offsetting Plugging and Abandonment Work, and the $324,470 amount identified in Section 5.b shall not become due, to the extent that such failure results from a delay described in this Section. The eighteen-month limitation contained in Sections 5.b and 6.d shall not apply to delays covered by this paragraph.

8. Definitions.

a. The "Compliance Obligation Period" shall be January 1, 2027, through December 31, 2027.

b. "Unauthorized injection" shall mean, before receiving CalGEM written authorization to reinitiate injection, injection into an injection well following:

   i. The well becoming overdue for mechanical integrity testing (MIT), or

   ii. The well failing a test as determined at the time testing was performed, or

   iii. CalGEM's notification to E&B, after review of the test results submitted pursuant to Regulations section 1724.10, subdivision (i)(2), that the well failed the test performed.

c. The "Offsetting Plugging and Abandonment Work" means plugging and abandoning the Cauley Wells, decommissioning the production facilities attendant to the Cauley Wells, and completing a full well site and lease restoration in accordance with all applicable requirements, including PRC sections 3208, 3228, 3229, and 3230; Regulations sections 1722, 1723 through 1723.8, 1724 through 1724.1, 1760, 1775, and 1776; and the conditions included in any permit or approval CalGEM may issue pursuant to PRC sections 3203 and 3229.

9. Reporting.

a. E&B shall submit an Initial Compliance Report to CalGEM by January 15, 2027. This report shall include the following information for the Wells up to December 31, 2026:

   i. Well Identifiers (see the "Operator Compliance Report Template," which CalGEM previously provided to E&B);

   ii. Mechanical Integrity Testing (MIT) Part One (see Operator Compliance Report Template);

   iii. Mechanical Integrity Testing (MIT) Part Two (see Operator Compliance Report Template).

b. E&B shall submit a Final Compliance Report to CalGEM by January 15, 2028. This report shall include the information identified in subdivision (a), as well as clearly identifiable notations for any unauthorized injection, for the Wells during the Compliance Obligation Period.

c. Once submitted, CalGEM will review E&B's compliance reports to determine compliance with MIT requirements and days of unauthorized injection, if any.

10. Notice. During the Compliance Obligation Period, upon discovery of unauthorized injection into any of the Wells, E&B shall immediately notify CalGEM and confirm that injection has ceased and the injection lines have been disconnected in accordance with Regulations sections 1724.13 and 1777.

11. Payment Options.

a. E&B may submit payment online by visiting https://www.govone.com/PAYCAL/Home/SelectAgency and selecting "California Department of Conservation Geologic Energy Management Division," then following the instructions on the screen. When filling out the "order number" field, type "1560O." Any online payment will be considered timely if made by 11:59 p.m. of the due date as described in Sections 2 and 5.

b. Alternatively, E&B may submit payment by mail by sending a check payable to "Department of Conservation" to the following address:

Department of Conservation
CalGEM, Attn: Operational Management Unit
715 P Street, MS 1803
Sacramento, CA 95814

Include "E&B Resources." "Order Nos. 1560 and 1621," and the phrase "Oil and Gas Environmental Remediation Account" on the check itself. A mailed payment will be considered timely if postmarked on or before the due date as described in Sections 2 and 5.

12. E&B understands that taking the actions set forth in this Satisfaction is not a substitute for compliance with applicable laws. E&B further understands that any violations of applicable statutory or regulatory requirements may subject E&B to enforcement action, including an order to pay civil penalties. By agreeing to this Satisfaction, the Supervisor does not waive the right to take enforcement actions for violations of applicable statutory or regulatory requirements that occur after the Effective Date of this Satisfaction. The Supervisor expressly waives the right to seek additional penalties for the same conduct and time period alleged in Order Nos. 1560 and 1621.
13. This Satisfaction constitutes the entire agreement between E&B and the Supervisor as to the matters addressed herein and supersedes and replaces any and all prior negotiations and agreements of any kind, whether written or oral, between the Parties concerning Order Nos. 1560 and 1621. To the extent Order Nos. 1560 and 1621 conflict with this Satisfaction, this Satisfaction shall control. E&B waives any right to challenge this Satisfaction or Order Nos. 1560 and 1621 in any California Superior Court or any California appellate level court. This waiver applies solely to Order Nos. 1560 and 1621 and does not waive or limit E&B's rights with respect to any future enforcement action, order, or determination unrelated to Order Nos. 1560 and 1621.
14. Upon E&B timely complying with the terms in this Satisfaction, E&B will be deemed in full compliance with Order Nos. 1560 and 1621 and the matter will be resolved.
15. The Parties agree that nothing in this Satisfaction, nor in Order Nos. 1560 and 1621, shall be construed as an admission of liability by E&B, or as establishing any factual or legal precedent binding on E&B in any future proceeding. The resolution herein is a compromise settlement of disputed claims and shall not be offered or admitted into evidence in any other matter, except as necessary to enforce the terms of this Satisfaction.

16. Persons executing this Satisfaction present and warrant that they are authorized to execute the Satisfaction on behalf of, and to bind, the entity on whose behalf that person executes the Satisfaction.
17. This Satisfaction binds E&B, and any principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations and CalGEM and any successor agency that may have responsibility for and jurisdiction over the subject matter in this Satisfaction.
18. No agreement to modify, amend, extend, supersede, terminate, or discharge this Satisfaction, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Satisfaction.
19. Each provision of this Satisfaction is severable, and in the event that any provision of this Satisfaction is held to be illegal, invalid, or unenforceable in any jurisdiction, the remainder of this Satisfaction remains in full force and effect.
20. This Satisfaction shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice-of-law rules.
21. This Satisfaction may be executed and delivered in any number of counterparts, each of which when signed and delivered shall be deemed to be an original. Such counterparts shall together constitute one document. Electronic signatures shall be considered as valid signatures.
22. This Satisfaction is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either Party on the ground that one Party drafted it or a section thereof.
23. This Satisfaction shall take effect on the date of the last signature (**Effective Date**).

[Signature page follows]

E&B Natural Resources Management Corporation, by the execution of its authorized representative below, attests that it has reviewed the terms set forth above, that it has had an opportunity to discuss the terms with its legal counsel, and that after such review and discussion, E&B Natural Resources Management Corporation agrees to all the terms as set forth above. By the execution of its authorized representative below, E&B Natural Resources Management Corporation agrees that its appeal of Order Nos. 1560 and 1621 are resolved.

E&B Natural Resources Management Corporation

Dated: _____ _____

Steve Layton
President

The Supervisor's execution below indicates that CalGEM agrees to all the terms as set forth above and the Supervisor's finding that, by agreeing to the terms above and executing where indicated, E&B Natural Resources Management Corporation has satisfied, and will satisfy, the actions required by Order Nos. 1560 and 1621.

California Department of Conservation, Geologic Energy Management Division

Dated: _____ _____

Doug Ito
State Oil and Gas Supervisor

Exhibit A

(Order No. 1560)

Exhibit B

(Order No. 1621)

Exhibit C

(E&B's June 19, 2026 Letter to Supervisor)