Katherine Douglas Appellant References - CBD

From: Cynthia Elkins <CElkins@biologicaldiversity.org>
Sent: Wednesday, October 29, 2025 4:26 PM
To: sbcob; Jacquelyne Alexander
Cc: Rachel Mathews; Julie Teel Simmonds
Subject: References in support of appeal - SYU permit transfers (Vol A)
Attachments: Vol A - CBD Refs II.pdf

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References - Volume A (1 of 3)

Dear Supervisors and Clerk Alexander,

Please see the attached references submitted on behalf of the Center for Biological Diversity and Wishtoyo Foundation, which are submitted in support of our appeal of the Planning Commission's approval of Sable Offshore Corp.'s application to transfer the Final Development Permits for the Santa Ynez Unit, Pacific Offshore Pipeline Company Gas Plant, and Las Flores Pipeline System. Our comments were submitted under a separate cover, which also includes a list of supporting references.

Hard copies of the attached are being sent via FedEx, and they are also are available to download via Dropbox:

https://www.dropbox.com/scl/fo/ezfmsdytic6oceojc2rm7/AA9kSVPQXZ2TfXBwqvhMuMk?rlkey=suk7nr9ukk3a8e43356a294ld&st=ne78f7dg&dl=0

This Dropbox folder can also be accessed at the following shortened link:

https://tinyurl.com/CBD-Appeal-II

Please include these references as part of your administrative record for this matter, , as well as the references we submitted in February 2025, as part of the administrative record for this matter, and please contact me if there are any problems.

Thank you for your time and for considering our comments and concerns.

Sincerely,
Cynthia Elkins, Senior Paralegal
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REFERENCES

Volume A

Documents 1–8

Submitted on Behalf of the Center for Biological Diversity and Wishtoyo Foundation

February 18, 2025

Honorable Members of the Board of Supervisors
c/o Jacquelyne Alexander
Chief Deputy Clerk of the Board
Santa Barbara County
105 E. Anapamu Street, Room 407
Santa Barbara, CA 93101

Via FedEx and email: sbcob@countyofsb.org

Re: Comments in Opposition to Change of Owner, Operator, and Guarantor for the SYU, POPCO, and Las Flores Pipeline System Final Development Plan Permits; Request for CEQA Review

Dear Honorable Santa Barbara County Supervisors:

On behalf of the Center for Biological Diversity and the Wishtoyo Foundation, we submit these comments in support of our appeal of the Santa Barbara County Planning Commission's October 30, 2024, approval of Sable Offshore Corp.'s ("Sable") application for transfers of the Santa Ynez Unit (SYU) Final Development Permit (FDP), Pacific Offshore Pipeline Company (POPCO) Gas Plant FDP, and Las Flores Pipeline System FDP.

As detailed in the attached comments and previously submitted references, we urge the County's Board of Supervisors ("the County") to reverse the Planning Commission's decision because it cannot make the findings required by Santa Barbara County Code §§ 25B-9 and 10. Specifically,

- Sable does not pass the § 25B-10(a)(9) operator capability test. It lacks the resources (namely time and money) to operate the facilities in compliance with permit and code requirements—including decommissioning obligations.
- Sable's track record of violations makes clear that it cannot be trusted with this risky project.
- The Las Flores Pipeline System is old and exceedingly dangerous. The Refugio Oil Spill and ensuing expert analyses have made abundantly clear that this pipeline cannot be allowed to restart.
- As a result of the Las Flores Pipeline System's systemic structural failures, a new or revised permit is needed. Because the pipeline system had a massive failure and under Sable's plans would operate without functional cathodic protections to prevent corrosion (which were incorporated into the permit to ensure pipeline integrity), the pipeline has fundamentally and dangerously deviated from the scope of the permit.

Finally, if the County intends to further consider the requested permit transfer amendments despite the serious financial and environmental threats that this pipeline poses to the community, the County must first conduct a thorough environmental review process under the California Environmental Quality Act (CEQA) and await the conclusion of other authorization processes pending before state and federal agencies.

Thank you for your time and consideration.

Sincerely,

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I. Factual Background

A. The Las Flores Pipeline System Caused the Worst California Oil Spill in Decades.

The SYU formerly produced crude oil and natural gas from Platforms Hondo, Harmony, and Heritage located in the Santa Barbara Channel. Subsea pipelines in federal and state waters carried oil and gas to shore, where it was treated at the Pacific Offshore Pipeline Company (POPCO) Gas Plant and Las Flores Canyon Oil and Gas Plant, located in the Las Flores Canyon, approximately 20 miles west of Santa Barbara. The Las Flores Pipeline System then carried the oil approximately 122 miles to the Pentland Metering Station in Kern County. The pipeline system, constructed in the late 1980s and put into service in 1991-1992,[1] consists of two buried pipelines: Line CA-324 (formerly Line 901), which runs approximately 10.7 miles west along the coast, and Line 325A/B (formerly Line 903), which runs inland.

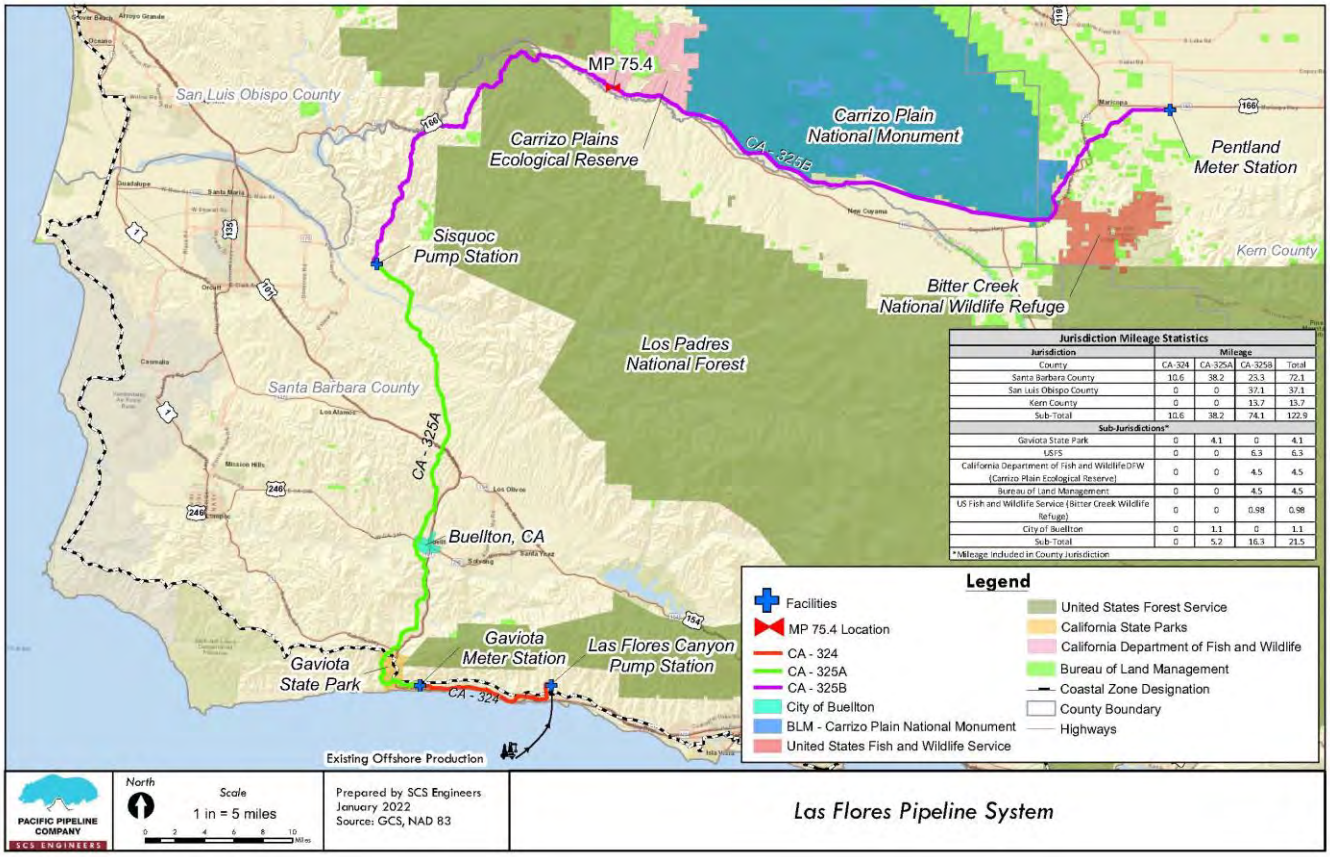

Figure 1, Las Flores Pipeline System. Source: Santa Barbara County.

[1] U.S. Dep't of Transp., Pipeline & Hazardous Materials Safety Admin., Failure Investigation Report Plains Pipeline, LP, Line 901 Crude Oil Release, May 19, 2015 Santa Barbara County, California 4 (2016) [hereinafter "Line 901 Failure Investigation Report"], https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/docs/PHMSA_Failure_Investigation_Report_Plains_Pipeline_LP_Line_901_Public.pdf.

The SYU stopped producing oil in 2015, after then-Line 901 ruptured due to massive external corrosion, spilling what is now believed to be hundreds of thousands of gallons of oil into the ocean and blackening Refugio State Beach.[2] The spill had devastating environmental impacts: it damaged approximately 1,500 acres of shoreline habitat and 2,200 acres of subtidal and fish habitats; it killed at least 558 birds—representing over 28 species—and 232 marine mammals; and it resulted in over 140,000 lost user days in Santa Barbara and Ventura Counties—including opportunities to camp, sunbathe, beach comb, exercise, swim, view wildlife, fish, dive, boat, and surf—as well as lost opportunities for research, education, and outreach by U.C. Santa Barbara.[3] The estimated monetary value of the damage to natural resources was $22.3 million,[4] and as of 2023, the aggregate total costs of the spill incurred by the pipeline owner were an astronomical $750 million.[5]

The pipeline's inherently flawed design was primarily responsible for the spill. According to the Pipeline & Hazardous Materials Safety Administration's (PHMSA) failure investigation report, the direct and proximate cause of the rupture was "progressive external corrosion" that occurred under the pipeline's coating system, which consisted of a urethane coal tar coating applied to the bare pipe, which was then covered by foam thermal insulation and wrapped with Polyken tape.[6] The report noted that water had been trapped inside the pipeline's foam insulation, "indicating that the integrity of the coating system had been compromised."[7]. A contributory cause of the rupture was the pipeline's failed cathodic protection system, which is supposed to prevent corrosion. Specifically, "[i]ndustry practices recognize that the [cathodic protection] system like the one utilized on Line 901 cannot protect an insulated steel pipeline should the coating (tape wrap over insulation) become compromised."[8]

The failed Las Flores Pipeline System has now been sitting idle for nearly a decade. As detailed in Section III below, though some repairs and modifications have been made, its inherent design flaws—coupled with its advanced age—make transporting oil from the SYU via the Las Flores Pipeline System "unusually dangerous."[9]

B. Ongoing Efforts to Restart Oil Production

In the years since the Refugio Oil Spill, there have been various proposals to restart oil production and transport from the SYU, including proposals to truck oil on California's

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[2] Expert Report of Igor Mezic, Ph.D., at ¶ 54, *Andrews v. Plains All American Pipeline, L.P.*, Case No. 2:15-cv-04113-PSG-JEM (C.D. Cal. Mar. 29, 2019) (estimating that "the most probable volume of oil in the ocean was 10,750 bbl"); *but see* Refugio Beach Oil Spill Trustees, Refugio Beach Oil Spill Final Damage Assessment and Restoration Plan/Environmental Assessment 15 (2021) [hereinafter "Refugio Beach Final Damage Assessment"], https://nrm.dfg.ca.gov/FileHandler.ashx?DocumentID=193144&inline (reporting an estimated release of 123,228 gallons/2,934 barrels).

[3] Refugio Beach Final Damage Assessment, *supra* note 2, at 3.

[4] *Id.* at 24.

[5] Plains All American Pipeline, L.P., Annual Report (Form 10-K) F-56 (Feb. 29, 2024), https://www.sec.gov/Archives/edgar/data/1070423/000107042324000008/paa-20231231.htm.

[6] Line 901 Failure Investigation Report, *supra* note 1, at 14.

[7] *Id.*

[8] *Id.*

[9] Richard B. Kuprewicz, *Evaluation of Las Flores Pipeline System Startup Proposal* 25 (Dec. 20, 2024) [hereinafter "Kuprewicz Report"].

highways while working to build new pipelines to replace the existing failed pipeline system.[10] Eventually, Exxon Mobil Corporation ("Exxon")—the longtime operator of the SYU—opted to abandon its plan to build a replacement pipeline system and to instead sell its SYU assets, including the Las Flores Pipeline System, to Sable, completing the sale on February 14, 2024.[11]

The terms of sale place a great deal of pressure on the company to restart producing and transporting oil as soon as possible. If Sable fails to restart oil production by January 1, 2026, Exxon has the right to reclaim the SYU assets without reimbursing Sable for any costs or expenditures.[12]

Moreover, Sable is in exceptionally deep debt—particularly for a company with no real current revenue and only one source of future income. It purchased the SYU for $829.2 million and borrowed approximately 75 percent of that purchase price from Exxon ($622,886,982).[13] In the months since the sale closed, the debt has grown significantly. In September 2024, Sable borrowed additional money from Exxon, bringing the total aggregate principal amount to $758,331,105.[14] With interest, the company's total long-term debt exceeds $814 million.[15]

In 2024, Sable consistently promised investors that oil will flow by "fourth quarter 2024," and—having missed that target—the company now promises a restart by first quarter 2025.[16] But replacing the dangerously designed pipelines (as Sable's predecessors planned) would cost more time and money. Instead, it is asking regulators to allow it to restart the long-idled, decades-old, and defectively designed existing pipelines, which puts the health and safety of California's coastal communities at risk.

C. The Permits at Issue

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[10] *See* Cnty. of Santa Barbara, ExxonMobil Interim Trucking for SYU Phased Restart, https://www.countyofsb.org/872/ExxonMobil-Interim-Trucking-for-SYU-Phas; Cnty. of Santa Barbara, 901/903 Replacement Pipeline Project, https://www.countyofsb.org/3801/901903-Replacement-Pipeline-Project.

[11] The sale included all SYU assets and all outstanding shares of POPCO and the Pacific Pipeline Company (PPC), which respectively own the POPCO facility and Las Flores Pipeline System. POPCO and PPC are now wholly owned subsidiaries of Sable. Sable is the operator of the SYU, POPCO, and PPC facilities. Sable Offshore Corp. Transition Plan, Pacific Pipeline Company 2 (July 2024), https://cosantabarbara.app.box.com/s/urgblguikn7jlo1igrq5yz55zyiveo7k/file/1639414417880; Sable Offshore Corp. Pacific Pipeline Company Transition Plan, Las Flores Pipeline System 2 (July 2024), https://cosantabarbara.app.box.com/s/urgblguikn7jlo1igrq5yz55zyiveo7k/file/1639419916681.

[12] Purchase and Sale Agreement between Exxon Mobil Corporation, Mobil Pacific Pipeline Company, and Sable Offshore Corp. § 7.3 (amended Dec. 15, 2023) [hereinafter "SYU Purchase and Sale Agreement"], https://www.sec.gov/Archives/edgar/data/1831481/000119312524036506/d737623dex1027.htm.

[13] Sable Offshore Corp., Quarterly Report (Form 10-Q) 14 (Nov. 14, 2024) [hereinafter "Sable 2024 3Q Report"], https://www.sec.gov/Archives/edgar/data/1831481/000183148124000011/flme-20240930.htm; SYU Purchase and Sale Agreement, *supra* note 12, § 3.1; Senior Secured Term Loan Agreement between Sable Offshore Corp. and Exxon Mobil Corporation § 2.01 (Feb. 14, 2024), https://www.sec.gov/Archives/edgar/data/1831481/000119312524036506/d737623dex101.htm.

[14] First Amendment to Senior Secured Term Loan Agreement between Sable Offshore Corp. and Exxon Mobil Corporation (Sept. 6, 2024), https://www.sec.gov/Archives/edgar/data/1831481/000183148124000011/firstamendmenttoloanagreem.htm.

[15] Sable 2024 3Q Report, *supra* note 13, at 17.

[16] *See*, *e.g.*, *id.* at 34; Sable Offshore Corp., Current Report (Form 8-K) 2 (Dec. 19, 2024), https://www.sec.gov/Archives/edgar/data/1831481/000119312524281658/d859221d8k.htm.

In March 2024, Sable applied for permission from the County Planning Commission to become the owner, operator, and guarantor for three Final Development Plan (FDP) permits related to the SYU's onshore facilities (collectively "the permit transfer amendments"):

- SYU FDP Permit No. 87-DP-32cz (RV06) from Exxon to Sable (Change in Owner, Operator, and Guarantor), which applies to a processing facility in the Las Flores Canyon;

- POPCO Gas Plant FDP Permit No. 93-FDP-015 (AM03) from Exxon to Sable (Change in Operator and Guarantor); and

- Las Flores Pipeline System FDP Permit No. 88-DPF-033 (RV01)z, 88-CP-60 (RV01) (88-DPF-25cz; 85-DP-66cz; 83-DP-25cz) from ExxonMobil Pipeline Company to Sable (Operator), and ExxonMobil Corporation to Sable (Guarantor).

On October 30, 2024, following a public hearing, the Planning Commission voted to approve the permit transfer amendments, and determined that the requests were not a project subject to CEQA. The Center and Wishtoyo Foundation appealed these decisions to the Board of Supervisors on November 5, 2024.

II. Legal Framework: County Regulations Governing Change of Owner, Operator, or Guarantor for Oil and Gas Facilities; CEQA

The Santa Barbara County Code states that the Board of Supervisors shall conduct a *de novo* review of the Planning Commission's decision, meaning it must independently decide whether to approve or deny the permit transfer amendments without deference to the Planning Commission.[17]

To protect public health and safety as well as safeguard the environment, the County of Santa Barbara has established clear requirements governing potential changes in oil facility operators.[18] The Santa Barbara County Code makes clear that a change in operator may only be granted by the Planning Commission after key requirements are satisfied. Among these requirements are:

> § 25B-10(a)(2) "Financial Guarantees. All necessary insurance, bonds or other instruments or methods of financial responsibility approved by the county and necessary to comply with the permit and any county ordinance have been updated, if necessary, to reflect the new operator and will remain in full effect following the operator change."
>
> § 25B-10(a)(9) "Operator Capability. The proposed operator has the skills, training, and resources necessary to operate the permitted facility in compliance with the permit and all applicable county codes and has demonstrated the ability to comply with compliance plans listed in section 25B-10.1.f [sic]. The director shall require relevant records of compliance, and corrective actions taken subsequent to any major incidents for facilities, if any, that are similar in nature to

[17] Santa Barbara Cnty. Code § 25B-12(b)(4).
[18] *Id.* § 25B-1.

> those that are the subject of the permit, as may be necessary to make findings. These records shall be used to provide sufficient assurance that the proposed operator does not reflect a record of non-compliant or unsafe operations systemic in nature for similar facilities to those being considered for operatorship."[19]

Similarly, the Santa Barbara County Code imposes requirements on changes in guarantors and owners. Per § 25B-9(e), permit modifications changing guarantors may only be approved where "[t]he proposed guarantor has provided all necessary instruments or methods of financial responsibility approved by the county and necessary to comply with the permit and any county ordinance." Meanwhile, § 25B-9(a) provides that "[a]ll necessary insurance, bonds or other instruments or methods of financial responsibility approved by the county and necessary to comply with the permit and any county ordinance have been updated, if necessary, to reflect the new owner(s) and will remain in full effect following the ownership change."

Moreover, where the owner, operator, or guarantor of a project changes, corresponding changes to the underlying permit may be necessary to safeguard the public interest. Both § 25B-10(b) and § 25B-9(g) (with limited exception) expressly authorize the County to impose additional conditions on the applicable permit to "ensure that any insurance or other financial guarantees that were submitted to and relied on … as a basis to make any finding required by this chapter are maintained."

Finally, under the California Environmental Quality Act (CEQA), the County must determine whether the proposed action is a "project" under CEQA, whether the project is exempt from environmental review, and—if not—whether the project will have a potentially significant environmental impact.[20] The County must prepare an environmental impact report on any project that it intends to approve and that may have a significant effect on the environment.[21]

III. The County Should Not Approve the Las Flores Pipeline System Permit Transfer Amendment Because a New or Substantially Revised Las Flores Pipeline System Permit is Needed.

The County must deny the Las Flores Pipeline System permit transfer amendment because the existing permit conditions require, at a minimum, that the operator first secure a new or modified permit. A new or revised permit is needed to fully evaluate, address and mitigate the pipeline system's catastrophic failure, ongoing and growing challenges and vulnerabilities, and additional public safety and environmental risk.

A. The Las Flores Pipeline System FDP Permit

The Las Flores Pipeline System's FDP permit "is premised upon findings that where feasible, all significant environmental effects of the project" occurring in the county and identified in a 1985 Final Environmental Impact Report/Environmental Impact Statement ("1985 EIR/EIS") related to the construction of the pipelines "will be substantially mitigated by the permit conditions,"

[19] *See also id.* § 25B-9 (setting similar standards governing changes in owner and guarantor).
[20] Cal. Code Regs. tit. 14, §§ 15060, 15061, 15065.
[21] Cal. Pub. Res. Code § 21151.

and requires the County to review these mitigation measures to ensure those within its jurisdiction are being implemented.[22] The 1985 EIR/EIS noted that "[p]rotection of a pipeline from corrosion is of critical importance to the environment" because corrosion "would eventually reduce the strength of the pipe sufficiently to cause a break and allow an oil leak."[23] Thus, the 1985 EIR/EIS considered the pipeline's design—including cathodic protections, wrapping the pipe, and coating the pipe—to be a key measure to reduce the probability of an oil spill, noting that the pipeline system's coating and cathodic corrosion protection were "very effective in reducing the risk" of oil spills and the environmental harm they cause.[24]

Corrosion is an electro-chemical reaction between a steel pipe and its environment.[25] When metal is exposed to oxygen, water, and other elements, its surface loses electrons and takes on a rusty appearance.[26] As chemical engineer and pipeline integrity expert Richard B. Kuprewicz explains, corrosion attack can include general pipewall thinning and various forms of corrosion cracking, such as stress corrosion cracking, selective seam corrosion cracking, and pit corrosion.[27] "All such corrosion threats can lead to a pipeline failure."[28] Cathodic protection is the chief method to prevent and reduce external corrosion in buried pipelines like CA-324 and CA-325 and functions by impressing a weak electrical current into the pipeline to supply it with a new source of electrons.[29] "As long as the current is sufficient, corrosion is prevented, or at least mitigated and held in check."[30]

B. The Las Flores Pipeline System's Deviation from Permit Requirements and the Disastrous Consequences

The Las Flores Pipeline's cathodic protection system is not effective on portions of the pipe because of how the pipe is insulated. Indeed, the inherent design flaws of the Las Flores Pipeline System, which have rendered its cathodic protection ineffective, directly caused the 2015 Refugio Beach Oil Spill and made the pipelines "unusually dangerous."[31]

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[22] Las Flores Pipeline System Final Development Plan Conditions, 88-DPF-033 (RV01)z, 88-CP-60 (RV01) (88-DPF-25cz; 85-DP-66cz; 83-DP-25cz) B-3 (Oct. 30, 2024) ["Las Flores Pipeline System FDP Conditions"], https://cosantabarbara.app.box.com/s/q0faook1eac79jlwf5nbumyxko7rzrom/file/1680579541543.

[23] Cal. State Lands Comm'n & Bureau of Land Mgmt., Draft Environmental Impact Report/Environmental Impact Statement for the Celeron/All American and Getty Pipeline Projects 4-106 (Aug. 1984) [hereinafter "1984 Draft EIR/EIS"], https://cosantabarbara.app.box.com/s/gc3vhh8ns8aiwketnq35vwbehnhre672. Note that the 1984 Draft EIR/EIS is incorporated into the final EIR/EIS. Cal. State Lands Comm'n & Bureau of Land Mgmt., Final Environmental Impact Report/Environmental Impact Statement for the Celeron/All American and Getty Pipeline Projects 3 (Jan. 1985) [hereinafter "1985 Final EIR/EIS"], https://cosantabarbara.app.box.com/s/lkl9oo9xdsaangevdp6pasfo0cmimvlt.

[24] 1984 Draft EIR/EIS, *supra* note 23, at 4-106, 2-5, 4-117, H-35, 2-5; 1985 Final EIR/EIS, *supra* note 23, at 468-71, 125, 162, 174.

[25] U.S. Dep't of Transp., Pipeline & Hazardous Materials Safety Admin., *Fact Sheet: Cathodic Protection*, https://primis.phmsa.dot.gov/comm/FactSheets/FSCathodicProtection.htm (last visited Feb. 11, 2025).

[26] *Id.*

[27] Kuprewicz Report, *supra* note 9, at 10.

[28] *Id.* at 12.

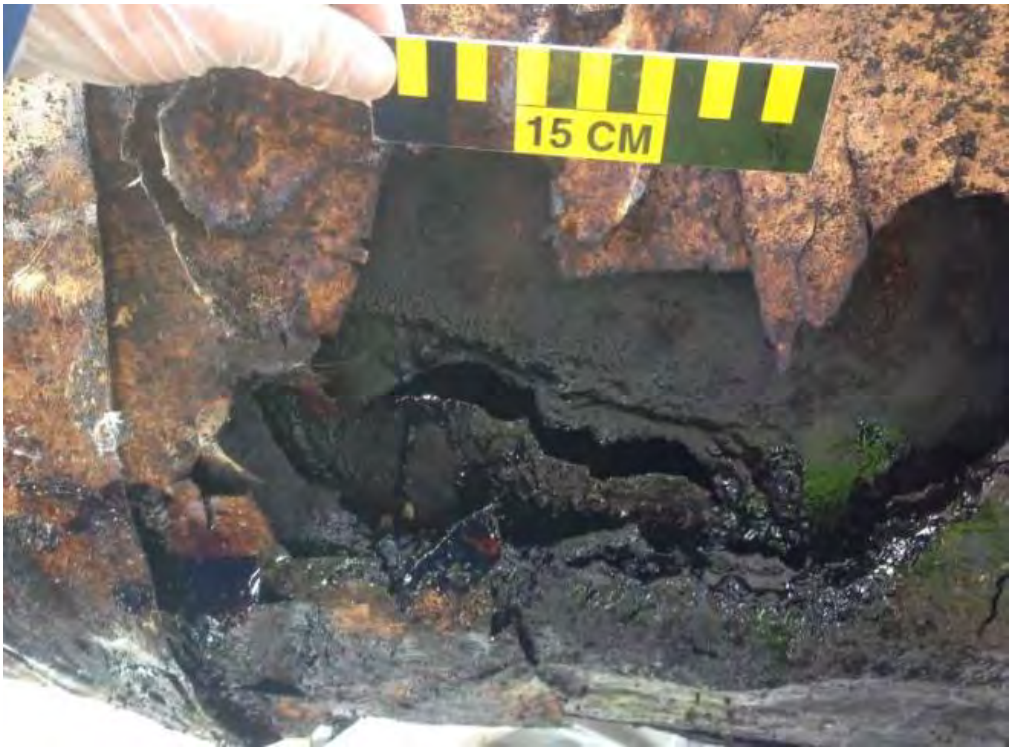
[29] *Id.*

[30] *Id.*

[31] Kuprewicz Report, *supra* note 9, at 15; Line 901 Failure Investigation Report, *supra* note 1, at 14

As mentioned above, the pipeline was designed with a urethane coal tar coating applied directly to the pipe, which was then covered in foam thermal insulation and wrapped with Polyken tape.[32] These are the same corrosion prevention measures that, along with cathodic protection, formed the basis for evaluation in the1985 EIR/EIS.[33] It is now understood that over time, urethane coal tar coatings can fail to tightly adhere to steel pipelines (which is precisely what happened here) and when the coating separates (or "disbonds") from the pipeline, the cathodic protection currents cannot reach the pipe.[34] As a result, cells of corrosion may develop under the coating and can generate external corrosion cracking.[35]

To compound the problem, "the Las Flores Pipeline System's external insulation traps [water] and serves as a water conduit," furthering the external corrosion attack, while the Polyken tape wrap "is also well known to not be conductive, further shielding and preventing [cathodic protection] current from reaching the outer pipe wall. **This is a perfect storm or combination of factors all working to render CP ineffective.** Without effective cathodic protections, the pipeline is at particularly high risk of spilling again."[36] Moreover, the high temperature at which the Las Flores Pipeline System operates "accelerates external corrosion," heightening the risk of a spill.[37] Simply put, this pipeline system is "unusually dangerous given its age and inherent design flaws."[38]



[32] Kuprewicz Report, *supra* note 9, at 12; *see also* Line 901 Failure Investigation Report, *supra* note 1, at 14.
[33] 1984 Draft EIR/EIS, *supra* note 23, at 4-106, 2-5, 4-117, H-35, 2-5; 1985 Final EIR/EIS, *supra* note 23, at 468-71, 125, 162, 174.
[34] Kuprewicz Report, *supra* note 9, at 12-13.
[35] *Id.*at 13.
[36] *Id.* (emphasis in original).
[37] *Id.* at 13-14.
[38] Kuprewicz Report, *supra* note 9, at 2.

Figure 2, The failed pipe and surrounding insulation and coating. Source: Line 901 Failure Investigation Report.

Given the pipeline system's poor design and the continued ineffectiveness of its cathodic protection system, there is a serious risk and in fact a likelihood that it will not be able to securely transport oil without future spills. Indeed, PHMSA's 2016 Line 901 Failure Investigation Report noted that the rupture occurred while the pipeline was only operating "at approximately 56% of the [maximum operating pressure]."[39] Further, the PHMSA Failure Investigation Report notes that inspections of these poorly maintained pipes revealed "[a]n increasing frequency and extent of corrosion anomalies" which manifested in significant metal loss along the pipeline walls—as seen in the below chart.[40]

Number of Anomalies (Then-Line 901)[41]

Metal loss	June 19, 2007	July 3, 2012	May 6, 2015
Greater than 80%	0	0	2
60-79%	2	5	12
40-59%	12	54	80

Similarly, in 2023, the Santa Barbara County Planning Commission found that then-lines 901 and 903 had degraded due to a lack of adequate repairs, internal corrosion, and corrosion under insulation.[42] This led to the determination that "[t]he risks of an oil spill are elevated above what was previously approved and the project [meaning the repair and eventual resumption of pipeline operations] would be detrimental to health, safety . . . and general welfare of the neighborhood and environment."[43]

The age of the Las Flores Pipeline System is also concerning. As acknowledged by the 1985 EIR/EIS, the risk of a spill *more than doubles* as pipelines age from 20 to 40 years.[44] Further, there is a five times increase in failure frequencies for pipelines that are not equipped with cathodic protection over the average failure rate.[45] The original permit, which incorrectly assumed that the pipeline would feature an effective cathodic protection system, described the pipeline as having a "service li[fe] of approximately 30 years."[46] It is unsurprising, therefore, that the County's draft EIR for the new pipeline proposal estimated that restarting the existing

[39] Line 901 Failure Investigation Report, *supra* note 1, at 14.
[40] *Id*. at 13.
[41] *Id*.
[42] Santa Barbara Cnty. Plan. Comm'n, Action Letter and Findings re: Tautrim, Gaviota Coast Conservancy, and GreyFox LLC Appeals of the Zoning Administrator Approval of Plains Lines 901-903 Valve Upgrade Project, 5 (March 3, 2023) [hereinafter "Action Letter"] (emphasis added), https://cosantabarbara.app.box.com/s/yefd3qjlqolx8smxriyxxlgzywa9ntp5.
[43] *Id*.
[44] 1984 Draft EIR/EIS, *supra* note 23, at 4-166.
[45] Administrative Draft EIR, Plains Pipeline Replacement Project 5.6-78 (Mar. 2022), https://www.environmentaldefensecenter.org/wp-content/uploads/2024/08/DEIR_PlainsReplacementPipeline_03.21.22.pdf.
[46] 1985 Final EIR/EIS, *supra* note 23, at 174.

pipeline could result in a spill once a year, and a rupture once every four years even with the "installation of additional valve stations" as proposed in lieu of cathodic protection.[47] Despite massive corrosion, a major oil spill, and the fact that the pipelines have been in place for over 30 years, Sable is not pursuing a pipe replacement project.

C. Sable's Dangerous Restart Plans and the Fire Marshal's Inadequate Conditions for Proceeding

Sable's pipeline restart plans—which do not appear to have been part of the record before the Planning Commission but have since been publicly released by the Fire Marshal—state that repairing or recoating the compromised pipelines "is not feasible because the presence of insulation and its associated shielding limits the effectiveness of cathodic protection (CP)," and "[r]epair or recoat won't address inadequate or ineffective CP" on these pipelines.[48] Instead of replacing the problematic pipes and preventing corrosion, Sable proposes to simply monitor the corrosion levels on the existing pipelines.[49]

Indeed, because the pipeline's cathodic protection system does not function as intended and the existing pipes cannot be repaired, Sable must obtain from the Fire Marshal a waiver of compliance with key federal pipeline safety regulations that address corrosion prevention.[50] The Fire Marshal issued waivers for then-Line 901 (CA-324) and then-Line 903 (CA-325) on December 17, 2024, and PHMSA issued letters assenting to them on February 11, 2025.[51] The general operating conditions included in the waivers merely impose monitoring, testing, and repair requirements to "manage the risk of corrosion."[52] The conditions fail to prevent the corrosion that plagues these pipelines, fail to ensure consistency with pipeline safety, and do not align with the FDP conditions that require the pipelines to have effective cathodic protection systems in place (to *prevent* corrosion, not merely manage corrosion risk).

For example, the Fire Marshal's inadequate conditions for Line 324 include, *inter alia*:

- Limiting maximum operating pressure to 1,003 pounds per square inch gauge (psig), even though the pipeline previously ruptured at an operating pressure of 750 psig[53];

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[47] Plains Administrative Draft EIR, *supra* note 45, at 5.6-77, 5.6-79.
[48] Sable Offshore, Line 324 Restart Plan 7 (n.d.), https://osfm.fire.ca.gov/what-we-do/pipeline-safety-and-cupa/pathways-for-restarting-pipelines; Sable Offshore, Line 325 Restart Plan 7 (n.d.), https://osfm.fire.ca.gov/what-we-do/pipeline-safety-and-cupa/pathways-for-restarting-pipelines.
[49] Line 324 Restart Plan, *supra* note 48, at 7-8; Line 325 Restart Plan, *supra* note 48, at 7-8.
[50] Consent Decree, *United States v. Plains All American Pipeline, L.P.*, no. 2:20-cv-02415 (C.D.Cal. Mar. 13, 2020).
[51] Letter from James Hosler, OFSM, to Lance Yearwood, Sable re: CA-324 (Dec. 17, 2024) [hereinafter "CA-324 Waiver"]; Letter from James Hosler, OFSM, to Lance Yearwood, Sable re: CA-325A/B (Dec. 17, 2024) [hereinafter "CA-325 Waiver"]; Letter from Alan K. Mayberry, PHMSA, to James Hosler, OFSM re: Docket No. PHMSA-2025-0002 (Feb. 11, 2025); Letter from Alan K. Mayberry, PHMSA, to James Hosler, OFSM re: Docket No. PHMSA-2025-000 (Feb. 11, 2025); 49 U.S.C. § 60118(d).
[52] CA-324 Waiver, *supra* note 51, at 2; CA-325 Waiver, *supra* note 51, at 2.
[53] Line 901 Failure Investigation Report, *supra* note 1, at 166.

- Authorizing a maximum operating temperature of 140°F, even though high pipeline temperatures accelerate corrosion, and "the rate of corrosion at 140°F is about 32 times that for a pipeline operating at 60°F, a typical ambient soil condition"[54]; and
- Requiring in-line inspection tool runs at least twice a year for the first two years of operation and annually thereafter and requiring immediate repair of anomalies of greater than 50% of wall thickness, even though an in-line inspection run just prior to the Refugio Oil Spill indicated that corrosion at the site of the spill was just 47% wall thickness (which was later found to be a gross underestimate).[55]

These weak conditions propose corrosion risk management in place of corrosion prevention, which introduces significant opportunity for error—and there is no room for error in this old, vulnerable pipeline system.

It is critical to understand that while pipeline integrity management tools—such as the inline inspection tools required in the waiver—can be used to monitor the condition of pipelines over time, they are emphatically "not a substitute for proper pipeline design or effective cathodic protections."[56] Indeed, using the *wrong* pipeline integrity tools—those that fail to adequately detect the specific corrosion threats at issue with a given pipeline—creates an "illusion of safety."[57] For example, an in-line inspection survey completed just days before the 2015 Refugio Oil Spill predicted a maximum depth of 47% of the original pipe wall thickness at the site of the rupture, when the actual external corrosion at the failure site had a maximum depth of 89%, according to post-spill physical measurements.[58] Notably, under the proposed state waiver conditions, this inline inspection run would not have required an immediate repair.

D. A New or Modified Permit is Required.

Increased monitoring and more frequent repairs are no substitutes for effective cathodic protections. Instead, a new or modified permit (as well as a new environmental review, as discussed in Section VII below) is needed. The existing permit conditions were adopted with the understanding that the pipelines would be equipped with *effective* cathodic protections in accordance with the 1985 EIR/EIS, which did not explore the alternative of waiving those protections and using testing and inspection in lieu of effective corrosion prevention. A new or modified permit, or a finding of substantial conformity, is required where there is a departure from the original "procedures, operating techniques, design, equipment and other descriptions (hereinafter procedures)" originally approved for the pipeline, because "these procedures were part of the project description which received environmental analysis, [and] a failure to include such procedures in the actual project could result in significant unanticipated environmental

[54] Kuprewicz Report, *supra* note 9, at 13-14.
[55] *Cf.* 49 C.F.R. § 195.452(h)(4)(i)(A) (requiring immediate repair of anomalies greater than 80% wall thickness); PHMSA Failure Report, *supra* note 1, at 13.
[56] Kuprewicz Report, *supra* note 9, at 8.
[57] *Id.* at 11, 15.
[58] PHMSA Failure Report, *supra* note 1, at 13. Note that at the time of the failure, the results of this in-line inspection had not yet been reported to the operator. *Id.* at 25.

impacts."[59] A new or modified permit is also required prior to undertaking activities that may result in significant changes in impacts on the County.[60]

Furthermore, the permit conditions require a "new or modified permit, or authority to continue operation under the existing permit prior to undertaking . . . major pipeline or pump station modifications"[61] and note that the County can modify or revoke the permit under certain circumstances such as failure to comply with any "permit condition."[62]

Additionally, the FDP Conditions of Approval for the Las Flores Pipeline System provide that "[i]f at any time [the] County determines that these permit conditions are inadequate to effectively mitigate significant environmental impacts caused by the project, or that recent proven technological advances could provide substantial additional mitigation, then additional reasonable conditions shall be imposed to further mitigate these impacts."[63] The County "shall conduct a comprehensive review of the project conditions and consider adding reasonable conditions which incorporate proven technological advances . . . at appropriate intervals," and "[a] comprehensive review of conditions which are not effectively mitigating impacts may be conducted at any appropriate time."[64]

We now understand that the Las Flores Pipeline System has a perfect storm of design flaws, rendering the corrosion protections intended to limit the risk of a spill ineffective. Existing permit conditions are thus "inadequate to effectively mitigate significant environmental impacts," and it is an "appropriate time" to conduct a comprehensive review of the permit conditions. Moreover, the pipeline system's failure, its ineffective cathodic protections, its operating and environmental conditions, and the need for Sable to seek state waivers from pipeline safety regulations to restart them all constitute major modifications with risks and implications that preclude any finding of substantial conformity—meaning that a new, or substantially modified, permit is required if the County intends to approve the permit transfer amendments.

The State Waivers will also result in significant changes in impacts to the county because they require frequent excavation of portions of the pipelines for monitoring and repair, which will necessarily increase environmental disturbance beyond what is normally required for pipelines. For example, Sable must demonstrate the tolerance and accuracy of its inline inspection tool runs by excavating portions of the pipelines, including "at least four (4) separate validation digs that do not interact with each other" and "[a] minimum of four (4) independent direct examination excavations" used for unity plots for each run.[65] Excavating a pipeline involves using heavy machinery to strip the topsoil, expose the pipe, clean the exposed pipe, perform any maintenance,

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[59] Las Flores Pipeline System FDP Conditions, *supra* note 22, at A-7.
[60] *Id.* at A-13.
[61] *Id.* at A-13.
[62] *Id.* at A-2 ("If the Planning Commission determines at a noticed public hearing that AAPLP is not in compliance with any permit condition(s), pursuant to the provisions of Sec. 35-185 of Article II and/or Sec. 35-330 of Article III of the Santa Barbara County Code, the Planning Commission is empowered, in addition to revoking the permit pursuant to said section, to amend, alter, delete, or add conditions to this permit.")
[63] Las Flores Pipeline System FDP Conditions, *supra* note 22, at B-2.
[64] *Id.*
[65] CA-324 Waiver, *supra* note 51, at 8, n. 6; CA-325 Waiver, *supra* note 51, at 8, n. 6.

and backfill the excavation.[66] Whereas pipelines not requiring a state waiver only undergo inline inspections—and the accompanying environmental disturbance—once every five years,[67] the State Waivers require these inline inspections twice a year for the first two years and annually thereafter.[68]

Sable wishes to restart a dated, fatally flawed, corrosion-prone, inadequately protected, and degraded pipeline system. However, as the Planning Commission previously noted, "[t]he risks of an oil spill [from this system] are elevated above what was previously approved."[69] Sable's plan to proceed without a fully functioning cathodic protection system constitutes a major modification of the Las Flores Pipeline permit for which there can be no finding of substantial conformity, and the frequent excavations to monitor and repair the pipeline will "result in significant changes in impacts on the County" when compared to the pipeline's original operating conditions. A new or substantially modified permit is needed to address the increased risk and impacts associated with the modified conditions of operating the pipeline.

IV. The County Should Deny the Permit Transfer Amendments for All Permits Because of Sable's Financial Instability.

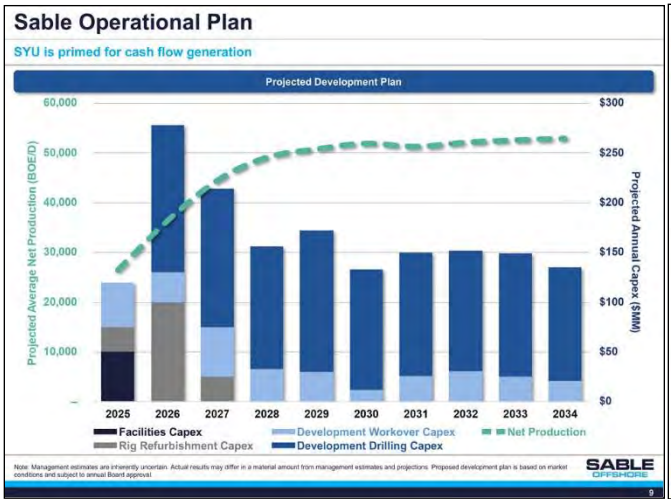
The County cannot approve the permit transfer amendments without finding that Sable has the "resources necessary to operate the permitted facility in compliance with the permit and all applicable county codes."[70] It must also find that "[a]ll necessary insurance, bonds or other instruments or methods of financial responsibility approved by the county and necessary to comply with the permit and any county ordinance have been updated, if necessary, to reflect the new operator and will remain in full effect following the operator change."[71] Critically, the County "may impose additional conditions on the permit in order to ensure that any insurance or other financial guarantees that were submitted to and relied on by the planning commission as a basis to make any finding required by this chapter are maintained."[72]

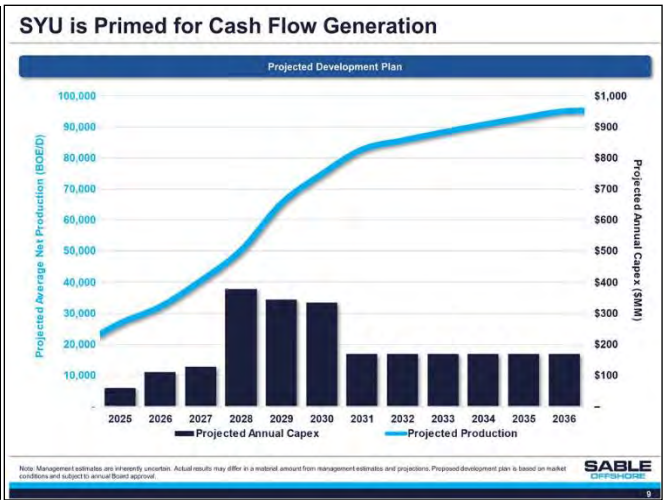
Sable is a newly formed corporation with a short and questionable track record. Its Third Quarter 2024 report reveals dire financial straits: it has a total revenue of $0, reported a net loss of $255.6 million, and ended the quarter with outstanding debt of $814.4 million.[73] *All* of Sable's operations are focused on restarting oil production in the SYU, and the company "lack[s] the ability to generate operating revenues" until it receives all regulatory approvals and makes necessary repairs to the pipeline.[74] It's no surprise, then, that "substantial doubt exists about the

[66] *See*, *e.g.*, Enbridge, Preventative Maintenance Digs, https://www.enbridge.com/projects-and-infrastructure/public-awareness/preventative-maintenance-digs (last visited Feb. 18, 2025).
[67] 49 C.F.R. § 195.452(j)(3).
[68] CA-324 Waiver, *supra* note 51, at 6; CA-325 Waiver, *supra* note 51, at 6.
[69] Action Letter, *supra* note 42, at 5.
[70] Santa Barbara Cnty. Code § 25B-10(a)(9).
[71] *Id.* § 25B-10(a)(2); *see also id*. §§ 25B-9(a)(2) (change of owner), 25B-9(b)(2) (change of owner/operator via a merger), 25B-9(e) (change of guarantor).
[72] *Id.* § 25B-10(b).
[73] Sable 2024 3Q Report, *supra* note 13, at 1-2, 17.
[74] *Id.* at 31.

Company's ability to continue as a going concern,"[75] and the company's SEC filings are replete with warnings about its solvency.[76]

Underscoring these concerns is the company's most recent investor slide deck, which quietly revised up its predicted capital expenditures ("capex") for the next three years while revising down its 10-year average net production estimates from a peak of over 90,000 barrels of oil equivalent per day (BOED) to just over 50,000 BOED.[77] Notably, "[a]t the time of the 2015 Refugio Incident, oil production from the SYU was about 27,500 barrels per day (bpd),"[78] a further indication that even Sable's reduced production predictions may be overblown.





Left, Sable Offshore Projected Net Production vs. Capex, Nov. 2024.
Right, Sable Offshore Projected Net Production vs. Capex, May 2024.

[75] *Id.* at 6.
[76] *See*, *e.g.*, Sable Offshore Corp., Annual Report (Form 10-K) 18-41 (Mar. 28, 2024), https://www.sec.gov/ix?doc=/Archives/edgar/data/1831481/000119312524080879/d11434d10k.htm (listing 23 pages of non-exhaustive risk factors that "could materially and adversely affect [Sable's] business, financial condition or results of operations.").
[77] *Compare* Sable Offshore Corp., *Investor Presentation* 9 (Nov. 2024), https://www.sec.gov/Archives/edgar/data/1831481/000119312524261016/d887182dex991.htm, *with* Sable Offshore Corp., *Investor Presentation* 9 (May 2024), https://www.sec.gov/Archives/edgar/data/1831481/000119312524139462/d793326dex992.htm.
[78] Santa Barbara Cnty. Plan. Comm'n, Staff Report for a Change of Owner, Operator, and Guarantor for the Santa Ynez Unit, POPCO Gas Plant, and Las Flores Pipeline System Final Development Plan Permits 6 (Oct. 22, 2024) [hereinafter "Staff Report"], https://cosantabarbara.app.box.com/s/q0faook1eac79jlwf5nbumyxko7rzrom/file/1680579541543.

Sable CEO Jim Flores' last company, according to news reports, also had "a balance sheet loaded with debt"[79] and eventually declared bankruptcy.[80] Creditors raised concerns over Flores' last company's executive bonuses amid the bankruptcy.[81]

Under these circumstances, it is impossible for the County to find that Sable has the "resources" necessary to operate the SYU in accordance with all permit requirements and laws.[82] As explained below, the County should be most concerned that Sable does not have the resources to properly decommission the SYU assets following permanent shut down of the facility. It should also be concerned that Sable does not have the resources to pay for environmental remediation and other costs of an oil spill, particularly in the first months or years of operation.

The County should be particularly skeptical of any attempt to use Sable's market capitalization as a means of assessing Sable's resources. Market capitalization simply reflects the number of outstanding Sable shares multiplied by the company's stock price. As such, this figure can be volatile and speculative—rather than reflective of the company's actual resources or revenue. Researchers from the U.S. Government Accountability Office have noted that cash flow evaluations, "such as debt-to-earnings and debt-to-funds" ratios are key to assessing a company's financial strength and determining whether additional bonds are needed to ensure that decommissioning costs are covered.[83] Given Sable's enormous debt, absence of a current revenue source, and significant decommissioning obligations—all discussed below—both methods of evaluating Sable's financial strength raise red flags.

A. Financial Assurances for Decommissioning Liability

All three permits require Sable to decommission the SYU facilities at the end of the oil field's life.[84] However, the permit terms are vague and inadequate to protect the County from the eventuality that Sable could be unwilling or unable to fulfill this obligation (e.g., if it goes bankrupt). Given Sable's astronomical debt and risky business model, the County cannot make the necessary finding that Sable has the resources necessary to operate the permitted facilities in compliance with the permits' decommissioning requirements.[85] Moreover, it would be reckless to approve these permit transfer amendments without adopting additional conditions to ensure

[79] Brickley, Peg, West Texas Fracker Sable Permian Files for Bankruptcy Amid Restructuring Talks, Wall St. J. (June 26, 2020), https://www.wsj.com/articles/west-texas-fracker-sable-permian-files-for-bankruptcy-amid-restructuring-talks-11593195413.
[80] Reuters, Sable Permian Resources files for bankruptcy (June 26, 2020), https://www.reuters.com/article/idUSL4N2E31TQ.
[81] Brickley, Peg, Sable Permian Heads off Fight Over Executive Bonuses, Wall St. J. (Dec. 10, 2020), https://www.wsj.com/articles/sable-permian-heads-off-fight-over-executive-bonuses-11607639171.
[82] *See* Santa Barbara Cnty. Code § 25B-10(a)(9).
[83] U.S. Gov't Accountability Off., Offshore Oil and Gas Resources: Actions Needed to Better Protect Against Billions of Dollars in Federal Exposure to Decommissioning Liabilities 28 (Dec. 2015), https://www.gao.gov/assets/gao-16-40.pdf.
[84] SYU FDP Permit Conditions, 87-DP-32cz (RV06) XIX-1, XIX-2 (Oct. 30, 2024); POPCO Gas Plant FDP Conditions, 93-FDP-015 (AM03) Q-1, Q-2 (Oct. 30, 2024); *see also* Santa Barbara Cnty. Code § 25B-4(i) ("The current owner or operator, as determined by the records of the director, of a facility subject to this chapter shall be responsible for the proper abandonment of the facility.").
[85] *See* Santa Barbara Cnty. Code § 25B-10(a)(9).

that the facilities' decommissioning is fully funded and that clear triggers for decommissioning exist.

1. The permits do not protect the County if Sable were to become insolvent prior to decommissioning.

Sable has not posted any bonds to provide for decommissioning costs or any other sufficient financial guarantee. At the time these permits were initially granted, decommissioning was an issue to be dealt with far in the future, and the problems of orphaned oil and gas infrastructure were not well understood. Now, because of decades of regulatory failures to implement strong decommissioning policies, California faces a crisis of fossil fuel companies failing to set aside sufficient funds for decommissioning, leaving idle infrastructure and wells to pollute water and neighborhoods, and declaring bankruptcy to avoid their decommissioning responsibilities.[86]

In California, for example, when authorities recommended decommissioning the Rincon Island Platform in 2016, the operator successfully avoided its decommissioning obligations by filing for bankruptcy just before its lease was terminated.[87] This has effectively shifted decommissioning costs to the taxpayers and stuck local communities with hazardous, deteriorating infrastructure for years as governments struggle to fund and carry out decommissioning. In the case of the Rincon Island Platform, the state was obligated to take over decommissioning and was only able to collect about $18 million from an existing performance bond and through a settlement with a predecessor operator.[88] Thus far, the state has had to pay an additional $53 million to plug and abandon the wells on the lease and conduct an environmental analysis of the decommissioning

[86] Olade, Mark & Arkle, Peter, The American Oil Industry's Playbook, Illustrated: How Drillers Offload Costly Cleanup Onto the Public (Dec. 30, 2024), https://www.propublica.org/article/oil-orphan-wells-cleanup-playbook-siana-tom-ragsdale; Olade, Mark & Menezes, Ryan, California's multibillion-dollar problem: the toxic legacy of old oil wells (Feb. 6, 2020), https://publicintegrity.org/environment/wells-run-dry/californias-multibillion-dollar-problem-the-toxic-legacy-of-old-oil-wells/; Schuwerk, Robert, et al., Double or Nothing: How regulators are gambling on the future self-interest of large oil and gas companies to decommission the Gulf of Mexico's aging infrastructure, Carbon Tracker Initiative 7 (2022), https://carbontracker.org/reports/double-or-nothing; Richards, Heather, Why Interior could get stuck with the tab for cleaning up oil platforms, E&E News (Apr. 12, 2024), https://www.eenews.net/articles/why-interior-could-get-stuck-with-the-tab-for-cleaning-up-oil-platforms/; Agerton, Mark, et al., Financial liabilities and environmental implications of unplugged wells for the Gulf of Mexico and coastal waters, 8 Nature Energy 536-547 (2023), https://www.nature.com/articles/s41560-023-01248-1; Hartsig, Andrew, Ocean Conservancy, Protecting the Ocean and Taxpayers by Strengthening Standards for Offshore Oil and Gas Decommissioning (2024), https://oceanconservancy.org/wp-content/uploads/2024/09/Decommissioning-Report-Final.pdf ; Rogers, Greg, Overlooked: Why oil and gas decommissioning liabilities pose overlooked financial stability risk (2023), https://carbontracker.org/reports/overlooked-why-oil-and-gas-decommissioning-liabilities-pose-overlooked-financial-stability-risk/; Boomhower, Judson, et al., Cal. Council of Sci. & Tech., Orphan Wells in California: An Initial Assessment of the State's Potential Liabilities to Plug and Decommission Orphan Oil and Gas Wells (2018), https://ccst.us/wp-content/uploads/CCST-Orphan-Wells-in-California-An-Initial-Assessment.pdf; U.S. Gov't Accountability Off., Offshore Oil and Gas Resources: Actions Needed to Better Protect Against Billions of Dollars in Federal Exposure to Decommissioning Liabilities (December 2015).

[87] Cal. State Lands Comm'n, Staff Report 71, Consider certification of a Final Environmental Impact Report for Rincon Island 3-4 (Aug. 29, 2024), https://slcprdwordpressstorage.blob.core.windows.net/wordpressdata/2024/08/08-29-24_71.pdf.

[88] *Id.* at 5.

process, and will require additional funding to complete decommissioning.[89] The estimated cost of decommissioning the onshore Rincon facilities is currently $14 million.[90]

Should Sable follow this familiar bankruptcy scenario when it comes time to decommission the SYU facilities, the current permits provide the County with no financial protections. The POPCO FDP Permit requires decommissioning of the facilities "[i]immediately following permanent shut down," and separately mandates posting of a "performance bond, or other security device acceptable to County Counsel, in an amount determined by the County."[91] However, County staff have conflated these two separate requirements, stating "a performance bond, or other security device shall be posted by POPCO *following* permanent shut down of the facilities . . . ."[92] This is not only a misreading of the plain language of the permit requirement, it conflicts with standard practice and altogether defeats the purpose of the performance bond requirement. Regulators require financial assurances for oil and gas decommissioning *prior* to production because if they wait until after the project has stopped generating revenue, the producer may not have the resources to post a bond.[93]

The financial protections found in the permits for the SYU and the Las Flores Pipeline System are even weaker than those in the POPCO permit, allowing Sable to either "post a performance bond or other security device acceptable to County Counsel to ensure compliance," or to agree to do nothing more than "continue to pay property taxes as assessed during project operation until site restoration is complete."[94] Sable has opted not to post a bond.[95] The fact that County staff believe Sable currently has sufficient cash equivalents to cover payment of property taxes is totally irrelevant to the much larger and necessary question of whether it will be able to afford the future cost of decommissioning.[96] The 2023 property taxes for the Las Flores Pipeline System totaled $77,681.90.[97] As discussed below, the record does not contain an estimate of decommissioning costs for the SYU's onshore facilities that would allow the County to consider whether a property tax bill would provide any incentive to decommission. However, federal estimates for decommissioning the offshore facilities alone exceed $471,000,000. It is arbitrary and capricious for the County to assume that property tax liability somehow guarantees decommissioning, particularly when Sable may find it less onerous to pay these taxes (or file for bankruptcy) instead of decommissioning the facilities.

Moreover, as petroleum engineering consultant Dwane Purvis recently explained in the Journal of Petroleum Technology, it is critical to understand that a project's reserves may appear to be "'economically producible' while the project as a whole is 'uneconomic' and 'noncommercial'" because of its associated decommissioning liability.[98] Oil companies consider a project to be

[89] *Id.*
[90] *Id.* at 13.
[91] POPCO Gas Plant FDP Conditions, *supra* note 84, at Q-2.
[92] Staff Report, *supra* note 78, Att. A, pp. 6-7 (emphasis added).
[93] *See*, *e.g.*, 30 C.F.R. §§ 556.900-556.907.
[94] SYU FDP Permit Conditions, *supra* note 84, XIX-1.
[95] Staff Report, *supra* note 78, at 9, 31, Att. A p.2
[96] *Id*.
[97] *Id.* at 10.
[98] Purvis, Dwayne, Decommissioning Costs Make Producing Projects Uneconomic, J. of Petroleum Tech. (2024), https://jpt.spe.org/decommissioning-costs-make-producing-projects-uneconomic.

"economically producible" when "net revenue from an ongoing producing project exceeds the net expenses" *excluding* decommissioning costs.[99] However, "[n]ot including decommissioning costs, not evaluating them for reasonableness, and not explaining their significance can all lead to substantially misleading projections."[100] Thus, a buyer could purchase a project during its mid-life, "operate it profitably for many years, and then pay decommissioning costs greater than all its historical proceeds."[101] Sable may very well be in this position.

Finally, the fact that Exxon may be held jointly and severally liable for future decommissioning of the SYU is no substitute for ensuring that Sable has posted sufficient financial assurances to guarantee decommissioning because there is no guarantee that Exxon will be willing and able to decommission the SYU after it is long gone from the company's balance sheet.[102] As decommissioning activities accelerate, weaker operators are expected to increasingly default on their obligations, requiring regulators to look to the "last companies standing" to step in—concentrating the industry's decommissioning costs in the largest oil and gas companies.[103] (Agerton, et al., 2023, found that 88% of well decommissioning liability in the Gulf is "associated with" a supermajor,[104] and a 2022 Carbon Tracker report similarly found that the 10 largest publicly traded offshore oil and gas companies are jointly and severally liable for 78% of total outer continental shelf decommissioning costs, amounting to at least $26.7 billion.[105]) As decommissioning liability increasingly boomerangs back to these companies, their willingness and ability to fulfill these obligations may wane.[106] Moreover, "these companies have only been required to post surety bonds worth around 1% of their estimated direct liabilities, and nothing for contingent joint and several liability."[107]

Invoking joint and several liability is also administratively onerous and can further delay decommissioning for years, as companies may pursue expensive and time-consuming administrative and judicial appeals. Indeed, some of the largest oil companies in the world are currently fighting orders to decommission the Hogan and Houchin platforms in the Santa Barbara Channel.[108] The County could find itself facing a similar legal battle if it fails to require Sable to provide robust financial assurances prior to and as a condition of approving the permit transfer amendments.

2. <u>The County should require financial assurances if it intends to approve the permit transfer amendments.</u>

The current permit conditions fail to establish sufficient financial assurances "necessary" to ensure Sable's compliance with the facilities' decommissioning requirements.[109] To protect the

[99] *Id.*
[100] *Id.*
[101] *Id.*
[102] Schuwerk, et al., 2022, *supra* note 86.
[103] *Id.* at 5.
[104] Agerton, et al., 2023, *supra* note 86, at 540.
[105] Schuwerk, et al. 2022, *supra* note 86, at 5.
[106] *Id.*; Richards 2024, *supra* note 86.
[107] Schuwerk, et al. 2022, *supra* note 86, at 9.
[108] Richards 2024, *supra* note 86.
[109] Santa Barbara Cnty. Code §§ 25B-10(a)(2), (b); 25B-9(a)(1), (e)(1).

environment and its own coffers, the County should not approve the permit transfer amendments without first imposing additional conditions "to ensure that any insurance or other financial guarantees that were submitted to and relied on by the planning commission as a basis to make any finding required by this chapter are maintained."[110] If the permit transfer amendments are allowed, the County must protect its natural resources and the interests of its constituents by (1) obtaining an accurate estimate of total decommissioning costs for the SYU, and (2) requiring Sable to provide financial assurances to cover this total estimated cost prior to approving the permit transfer amendments.

To understand the scope of Sable's decommissioning liabilities, the County must obtain an independent, accurate estimate of the cost of decommissioning all SYU assets, including those located in the County. Exxon estimated its SYU decommissioning costs (called asset retirement obligations (AROs)) to be $349,138,000 in December 2023.[111] A 2020 study commissioned by the Bureau of Safety and Environmental Enforcement estimated decommissioning costs to be even higher, totaling $471,609,600 just for the infrastructure in federal waters.[112] Yet Sable lists its AROs for the SYU at only $96,929,000, and provides no explanation for the 72 percent reduction in costs from the estimates made by its predecessor.[113] This fuzzy math inflates Sable's value on paper and obscure its true financial liabilities.[114] It also calls into question Sable's ability to decommission the SYU, particularly given that its current total long-term debt exceeds $814 million, and it is operating at an accumulated deficit of $682.1 million (up from the $426.6 million cited in the Staff Report for the permit amendments at hand).[115]

The County should be deeply concerned about this obfuscation; if Sable goes bankrupt or otherwise cannot pay for decommissioning, the County will have to contend with abandoned, contaminated sites and expensive clean-up and restoration—to say nothing of the costly and time-consuming legal actions that might be required to attempt to recoup some of the costs.

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[110] *Id.* § 25B-10(b).
[111] Sable Offshore Corp., Current Report (Form 8-K)/A Ex. 99.1 (Apr. 1, 2024), https://www.sec.gov/Archives/edgar/data/1831481/000119312524083453/d771316dex991.htm.
[112] BSEE, Decommissioning Cost Update for Pacific Outer Continental Shelf Region Facilities Volume 2 (Sept. 2020), G-39, G-48, G-63 https://www.bsee.gov/sites/bsee.gov/files/vol-2-a-study-for-the-bureau-of-safety-and-environmental-enforcement-bsee-final-9-8-20.pdf.
[113] Sable 2024 3Q Report, *supra* note 13, at 1.
[114] *See* Boettner, Ted, et al., Diversified Energy: Business Model Built to Fail Appalachia 28-30 (April 2022), https://ohiorivervalleyinstitute.org/wp-content/uploads/2022/04/Diversified-Energy-Report-FINAL-2-min.pdf.
[115] Sable 2024 3Q Report, *supra* note 13, at 1; Staff Report, *supra* note 78, at 24.

SABLE OFFSHORE CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(dollars in thousands)

	Successor	Predecessor
	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 288,232	$ —
Restricted cash	35,252	—
Materials and supplies	15,838	16,213
Prepaid expenses and other current assets	4,828	—
Total current assets	**344,150**	**16,213**
Oil and gas properties (Successful efforts method)		
Oil and gas properties	1,111,302	4,382,289
Less: Accumulated depreciation, depletion and amortization	—	(3,693,325)
Total oil and gas properties - net	**1,111,302**	**688,964**
Other, net	17,682	6,404
Total assets	**$ 1,473,134**	**$ 711,581**
Liabilities and Stockholders' Equity/Parent Net Investment		
Accounts payable and accrued expenses	$ 95,601	$ 5,384
Due to related party, net	—	11,370
Excise tax payable	2,308	—
Other current liabilities	361	1,148
Total current liabilities	**98,270**	**17,902**
Warrant liabilities	258,549	—
Asset retirement obligations	96,929	349,138
Senior Secured Term Loan including paid-in-kind interest, net	814,421	—
Deferred tax liabilities	20,646	—
Other	16,820	5,520
Total liabilities	**1,305,635**	**372,560**
Commitments and Contingencies (Note 8)		
Stockholders' Equity/Parent Net Investment		
Parent net investment	—	339,021
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued and outstanding at September 30, 2024	—	—
Common Stock, $0.0001 par value; 500,000,000 shares authorized; 78,789,516 issued and outstanding at September 30, 2024	7	—
Additional paid-in capital	849,621	—
Accumulated deficit	(682,129)	—
Total Stockholders' Equity/Parent Net Investment	**167,499**	**339,021**
Total Liabilities and Stockholders' Equity/Parent Net Investment	**$ 1,473,134**	**$ 711,581**

Sable Offshore Corp. Condensed Consolidated Balance Sheet, Nov. 2024

Once the County has an accurate understanding of the total cost of decommissioning, it should require Sable to demonstrate that there are financial assurances in place to cover this entire cost, including by providing evidence that the company has complied with its concurrent financial assurance obligations governed by other agencies. Currently, it is not clear whether Sable has met these obligations. For example, on September 26, 2024, the California Geologic Energy Management Division ("CalGEM") notified Sable that it was not in compliance with state bonding requirements related to plugging and abandonment of its onshore Las Flores Canyon production facilities.[116] Months later, there is still no record of Sable having posted the required indemnity bond.[117] Likewise, the federal Bureau of Ocean Energy Management's financial assurances records do not indicate whether Sable has provided any supplemental financial assurances to guarantee the estimated $471,609,600 cost of decommissioning Platforms

[116] *See* Letter form Courtney Kasbert, CalGEM, to Michael Mills, Stoel Rives LLP (Sept. 26, 2024); Cal. Pub. Resources Code § 3205.8(a)(1).
[117] CalGEM, Operator Financial Responsibility Program, https://www.conservation.ca.gov/calgem/Pages/Operator-Financial-Responsibility-Program.aspx (last visited Feb. 18, 2025).

Harmony, Heritage, and Hondo.[118] We believe Sable is likely to request a waiver of these financial assurances based on prior correspondence with the bureau.[119] If the State Lands Commission approves the transfer of four offshore leases from Exxon to Sable, it will likely require Sable to post surety bonds to cover the decommissioning of pipelines and other infrastructure located in state waters. Exxon's bonds for those leases currently total $95,080,000.[120]

Notably, unlike the County, Exxon has robustly protected itself against this liability by contractually requiring Sable to provide Exxon a $350,000,000 performance bond to guarantee its SYU decommissioning obligations at or prior to resuming production.[121] Moreover, Exxon has the right to request a review of decommissioning obligations at any time after January 1, 2026, (and at other specified times), at which point it can adjust the required performance bond to an amount of "no less than" $500,000,000.[122] These performance bonds protect Exxon, but do not guarantee any protection for the County.

Finally, the County should determine whether these financial assurances sufficiently cover the cost of decommissioning the facilities within the County's jurisdiction. To the extent that they reveal funding gaps for the entire cost to decommission and restore the portions of the system within the County's jurisdiction, the County should require Sable to place funds sufficient to make up the difference in a sinking trust escrow account held by the County to be used only for the purpose of decommissioning (with a multiplier factor that accounts for inflation and increasing decommissioning costs). Such an account avoids over-reliance on surety providers, which are also at risk of becoming insolvent if the decommissioning bonds are called.

3. <u>The County must adopt clear decommissioning triggers if it intends to approve the permit transfer amendments.</u>

The County should not approve any permit transfer amendments without setting further concrete, enforceable triggers and deadlines for decommissioning each of the SYU facilities.

For example, only the current SYU FDP permit includes any kind of trigger for decommissioning, stating:

> When averaged (arithmetic mean) operational throughput of oil and gas processing facilities, storage, or transportation facilities over any twelve (12) consecutive month period is at or below 3 percent of the maximum permitted operating capacity, the County shall review the permits at a duly noticed public

[118] *See* BOEM, Pacific Region Property and Decommissioning Liability Assessment Information, https://www.boem.gov/oil-gas-energy/risk-management/property-lists (last visited Feb. 11, 2025).
[119] Letter from J. Caldwell Flores, Sable, to Necy Sumait, BOEM (May 29, 2024) (on file with authors).
[120] *See* Letter from Drew Simpkin, California State Lands Commission, to Dylan Boyer, Exxon Mobil Corporation (Apr. 10, 2024) (noting that Lease 6371 requires a bond of $80,000 and Lease 5515 requires a bond of $30 million); Cal. State Lands Comm'n Staff Report 57 (Dec. 5, 2023) (recommending amending surety bond for Lease 4977 to $5 million); Cal. State Lands Comm'n Staff Report 58 (Dec. 5, 2023) (recommending amending surety bond for Lease 7163 to $15 million).
[121] SYU Purchase and Sale Agreement, *supra* note 2, §§ 11.1(b), 11.18.
[122] *Id.* § 11.18.

> hearing to determine if facility abandonment or facility modifications are appropriate, and if the site should be rezoned or redesignated in the Comprehensive Plan. If such a determination is made, Sable shall remove any and all abandoned facilities constructed under this permit, excavate any contaminated soil, recontour the site, and revegetate the site in accordance with a County approved Abandonment Plan within one year of such determination.[123]

However, this permit term fails to mandate decommissioning at a set point in time or production and fails to provide the County clear guidelines for determining whether "facility abandonment or facility modifications are appropriate." Even the term "maximum permitted operating capacity" is not clearly defined (though the permit conditions state that facilities operated under the permit "shall be used only for . . . the processing of a maximum of 140 KBD oil and 21 MMSCFD gas"[124]).

Decommissioning obligations should be secured at the permitting stage—not later down the road, and certainly not left until after the project is already uneconomic. Should the SYU be allowed to restart despite the major environmental and financial risks it poses to the county, we recommend that the County revise all three permits in anticipation of the eventual winding down of oil production so that decommissioning obligations are triggered at the point at which the project becomes uneconomic (i.e., when the project's decommissioning costs exceed its future profits).[125] This trigger should be calculated by an independent expert prior to the County's approval of the permit transfer amendments. Moreover, the County should include a provision to require Sable to proactively report its mean operational throughput of oil and gas on an annual basis to allow the County to monitor the SYU's operational status and prepare for potential decommissioning.

B. Financial Assurances for Oil Spill Liability

Sable lacks both the financial resources and insurance coverage to address another major oil spill from this system. Sable has provided the County with an insurance certificate for $401,000,000 in general and excess liability, as well as a property insurance certificate.[126] It has also provided Certificates of Financial Responsibility (COFRs)[127] issued by the California Office of Spill Prevention and Response (OSPR) for its pipelines in state waters and for the Las Flores Pipeline System (which are required under the SYU permit).[128] Though the COFRs do not disclose the level of financial responsibility demonstrated, other OSPR records list the amount as $101,000,000 for both the onshore and offshore facilities.[129]

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[123] SYU FDP Permit Conditions, *supra* note 84, XIX-1.
[124] *Id.* I-7.
[125] *See* Purvis 2024, *supra* note98.
[126] Staff Report, *supra* note 78, at 326-29.
[127] SYU Permit, Condition XI-2.w.
[128] Staff Report, *supra* note 78, at 331-33; SYU FDP Permit Conditions, *supra* note 84, XI-2.w.
[129] *See* OSPR Dispatch Report, Marine Facility, Evidence of Certificate of Responsibility 21 (Feb. 6, 2025), https://nrm.dfg.ca.gov/FileHandler.ashx?DocumentID=90093&inline; OSPR Dispatch Report, Inland Facility, Evidence of Certificate of Responsibility 5 (Feb. 6, 2025), https://nrm.dfg.ca.gov/FileHandler.ashx?DocumentID=121519&inline.

Under state law, the amount of financial responsibility required is based on the reasonable worst case spill volume, but is capped at $300 million for offshore facilities and $100 million for onshore facilities.[130] The record does not disclose Sable's worst case spill volume, so the County is unable to determine whether the financial assurances provided are actually sufficient to cover the costs of a worst-case spill. However, we know that the total aggregate costs of the 2015 Refugio Oil Spill were approximately $750 million[131] and that Sable projects that it will extract nearly twice the BOED as was flowing at the time of the Refugio Spill.[132] The County should therefore be deeply concerned about Sable's financial ability to remediate another major spill—which is at high risk of occurring again due to the inherent design flaws of the Las Flores Pipeline System—given that its insurance coverage and COFR amounts are hundreds of millions of dollars short of the total aggregate costs of the Refugio Spill. This is particularly concerning if a spill occurred soon after the pipelines restart, as the Company's cash flow is entirely dependent on oil flow.

Given Sable's financial instability and the fact that the company has plainly not demonstrated that it has the "resources" necessary to comply with the permit conditions requiring it to clean up and restore areas damaged by an oil spill, the permit transfer amendments should be rejected.[133]

V. The County Should Deny the Permit Transfer Amendments for All Three Permits Because Sable Lacks the Resources to Operate the Facilities in Compliance with Permit and Code Requirements.

The County cannot make the requisite operator capability finding that Sable has the "resources necessary to operate the permitted facility in compliance with the permit and all applicable county codes."[134] Specifically, Sable lacks the time and money to operate the facility in compliance with the permit and code requirements going forward. The terms of the SYU purchase agreement allow Exxon to take back the SYU facilities—without reimbursing Sable—if Sable fails to restart production by January 1, 2026.[135] Even if Sable meets this deadline, its outlook is bleak. Sable borrowed hundreds of millions of dollars from Exxon to purchase SYU at a 10 percent interest rate (compounding annually).[136] Sable's loan obligations now exceed $800 million and the loan matures in just over two years.[137] Moreover, since Sable has no other source of production, the company has acknowledged that "[u]ntil we restart production of the SYU

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[130] Cal. Code Regs. tit. 14, § 791.1(h)(1)(B), (C), (G).
[131] Plains All American Pipeline, L.P., Annual Report (Form 10-K) F-56 (Feb. 29, 2024), https://www.sec.gov/Archives/edgar/data/1070423/000107042324000008/paa-20231231.htm.
[132] *Compare* Sable Offshore Corp., *Investor Presentation* 9 (Nov. 2024) *with* Staff Report, *supra* note 78, at 6.
[133] SYU FDP Permit Conditions, *supra* note 84, IV-E.2, XI-2.w.
[134] Santa Barbara Cnty. Code § 25B-10(a)(9).
[135] Sable 2024 3Q Report, *supra* note 13, at 16 ("Additionally, if we fail to restart production of the SYU Assets by January 1, 2026 (the "Restart Failure Date"), then pursuant to the Purchase and Sale Agreement dated November 1, 2022, by and among Legacy Sable, EM and MPPC relating to the Sable-EM Purchase Agreement, for 180 days thereafter, EM will have the exclusive right, but not the obligation, to require us to reassign the SYU Assets and rights to EM or its designated representative, without reimbursing us for any of our costs or expenditures (the "Reassignment Option").").
[136] *Id*.
[137] *Id*. at 16-17 ("The Senior Secured Term Loan matures on the earliest to occur of (i) the five year anniversary of the applicable effective time (such effective time, 12:00:01 a.m. (Houston Time) on January 1, 2022.").

Assets, we will not generate any revenue or cash flows from operations."[138] As such, Sable has placed itself in a position where it must rush to production and extract fossil fuels sufficient to cover its enormous and growing debt. It is unsurprising, therefore, that Sable has already run afoul of regulations—as discussed in Section VI—by undertaking development without first obtaining the requisite permits.

To make matters worse, Sable's loan has a springing maturity date of 180 days that goes into effect upon the resumption of production from SYU wells.[139] This means that once Sable starts producing oil from the SYU, Sable cuts its payback period to 180 days. This is particularly worrisome because the combination of the aged and corrosion-prone nature of the pipeline system and Sable's rush to bring the SYU back into full production makes it likely that significant issues will emerge once the SYU is brought back online.

Ultimately, the County is being asked to transfer key permits for old, worn and famously problematic infrastructure into the hands of an entity without the requisite financial resources, time, or track record to ensure it can operate and cleanup responsibly. This is a recipe for disaster and exactly the kind of scenario that the § 25B-10 requirements were created to avoid.

VI. The County Should Deny the Permit Transfer Amendments for All Permits Because of Sable's Record of Regulatory Violations.

Santa Barbara County Code § 25B-10(a)(9) makes clear that the proposed operator must have the skills, training, and resources necessary to operate the permitted facility in compliance with the permit, all applicable county codes, and the applicable compliance plans. Sable has shown that it lacks the skills and training necessary to do so. In the company's very short existence, it has already demonstrated an inability to comply with important regulations.

For instance, on September 26, 2024, CalGEM sent Sable a letter noting that Sable was not in compliance with California bonding requirements for the Las Flores Canyon Processing Facility.[140] This was no minor oversight. The bonds neglected by Sable are imposed by the State of California for the purposes of covering decommissioning costs.[141] All three permits require Sable to decommission the SYU facilities at the end of their useful lives,[142] and Sable's failure to post these decommissioning bonds creates further doubt as to Sable's compliance with these requirements.

On September 27, 2024, the California Coastal Commission sent a notice of violation to Sable due to Sable's failure to comply with the Coastal Act and Santa Barbara County's Local Coastal Program.[143] Sable's violation stemmed from its failure to obtain the requisite permits prior to

[138] Sable Offshore Corp., Annual Report (Form 10-K) 20 (Mar. 28, 2024).
[139] Sable 2024 3Q Report, *supra* note 13, at 16.
[140] Letter from Courtney Kasberg, Cal. Dept. of Conservation, to Michael Mills, Counsel for Sable Offshore Corp. (Sept. 26, 2024).
[141] *Id*.; Cal. Pub. Resources Code § 3205.8.
[142] SYU FDP Permit Conditions, *supra* note 84, XIX-1, XIX-2; POPCO Gas Plant FDP Permit Conditions, *supra* note 84, Q-1, Q-2; Las Flores Pipeline System FDP Conditions, *supra* note 22, O-1.
[143] Cal. Coastal Comm'n, Notice of Violation No. V-9-24-0152 (Sept. 27, 2024).

engaging in pipeline development work within the coastal zone.[144] Sable blatantly continued operations in the coastal zone following the issuance of this letter.[145] After learning of Sable's continued noncompliance, the Coastal Commission sent Sable a second letter on October 4, 2024.[146]

Ultimately, due to Sable's unwillingness to fully cooperate with the Coastal Commission regarding future plans for operation in the coastal zone, the Commission issued a cease and desist order on November 11, 2024, barring Sable's unpermitted industrial activity within the coastal zone.[147] The order cited the safety and environmental risks of the unpermitted development activities and ordered Sable to stabilize and restore sites to prevent further damage to coastal resources.[148] It also directed Sable to do the following: (1) submit an interim erosion control plan to secure and stabilize open pits at the unpermitted construction sites to "prevent significant damage to coastal resources" likely to be exacerbated by the rainy season; (2) apply for an after-the-fact authorization for unpermitted work by March 11, 2025; and (3) apply for a Coastal Development Permit (CDP) for any proposed future work by March 11, 2025.[149] At the Coastal Commission's February 5, 2025, meeting, Chief of Enforcement Lisa Hegge stated that while Sable has complied with the interim erosion control plan requirement, the Commission is "not thrilled" by the fact that Sable has not yet agreed to submit permit applications for its past and future work.[150] She also noted that the Coastal Commission is investigating reports of additional violations associated with the pipeline.[151]

Instead of coming to an agreement with the Coastal Commission, "Sable shifted operations offshore and carried out additional development activities."[152] On February 11, 2025, the Coastal Commission staff sent a new Notice of Violation letter to Sable, this time stemming from Sable's unpermitted offshore development activities.[153] On February 18, 2025, the Coastal Commission was forced to issue a new cease and desist order to Sable to halt its unpermitted onshore and offshore developmental activities.[154]

Notably, Sable's response to both the CalGEM and Coastal Commission notices of violation has been to deny wrongdoing and argue that the regulator was in error.[155] Moreover, Sable's

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[144] Cal. Coastal Comm'n, Cease and Desist Order No. ED-24-CD-02 (Nov. 12, 2024).
[145] Letter from Brady Bradshaw, Center for Biological Diversity, to the Cal. Coastal Comm'n (Oct. 7, 2024); Magnoli, Giana, Coastal Commission Blasts Sable for Unpermitted Oil Pipeline Work on Gaviota Coast, Noozhawk, (Oct. 7, 2024 at 7:48 pm), https://www.noozhawk.com/coastal-commission-blasts-sable-for-unpermitted-oil-pipeline-work-on-gaviota-coast/.
[146] Cal. Coastal Comm'n, Cease and Desist Order No. ED-24-CD-02 (Nov. 12, 2024)
[147] *Id.*
[148] *Id.*
[149] *Id.* at 3-6.
[150] Hegge, Lisa, Remarks at Meeting of the California Coastal Commission (Feb. 5, 2025, 1:31:39-1:34:09), https://cal-span.org/meeting/ccc_20250205/.
[151] *Id.*
[152] Cal. Coastal Comm'n, Cease and Desist Order No. ED-25-CD-01 (Feb. 18, 2025)
[153] *Id.*
[154] *Id*.
[155] *Id*.; Letter from Michael Mills, counsel for Sable Offshore Corp., to Courtney Kasberg, Cal. Dep't of Conservation (Oct. 4, 2024); Press Release, Sable Offshore Corp. Continues to Coordinate with California Coastal

violations extend beyond CalGEM and the Coastal Commission's jurisdictions. Following an inspection, the Central Coast Regional Water Quality Board issued violation and non-compliance notices to Sable on December 13, 2024. These notices concerned unauthorized waste discharge into Santa Barbara County waterways, as well as a directive to seek permit coverage.[156]

On December 17, 2024, the California Department of Fish and Wildlife (CDFW) also issued a notice of Fish and Game Code violations to Sable concerning its activities on CDFW properties.[157]

Sable's compliance failures, combined with its unwillingness to accept responsibility, raise significant red flags. These violations also make clear that Sable lacks the requisite skills and training to comply with the detailed provisions laid out in the permits, compliance plans, and county codes.

VII. The County Cannot Approve the Permit Transfer Amendments Without Preparing an Environmental Impact Report Under CEQA.

Prior to approving the permit transfer amendments, the County is obligated to prepare an Environmental Impact Report (EIR) under CEQA because the County's approval of the requested permit transfer amendments is a "project" within the meaning of CEQA, does not qualify for any CEQA exemption, and has the potential to significantly impact the environment. The County's action constitutes a key step towards Sable restarting and operating the SYU, POPCO Gas Plant, and Las Flores Pipeline System.

A. The Permit Transfer Amendments Constitute a "Project" Under CEQA.

The Planning Commission's finding that no environmental review is necessary because there is no "project" subject to CEQA is unfounded because it impermissibly failed to consider the action as a whole.

CEQA defines the term "project" expansively to include "the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, and that is . . . [a]n activity involving the issuance to a person of a lease, permit, license, certificate, or other entitlement for use by one or more public agencies."[158] The term "refers to the activity which is being approved and which may be subject to several discretionary approvals by governmental agencies."[159] It "does not mean each separate governmental approval."[160] Thus, CEQA review "cannot be avoided by

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Commission on Maintenance and Repair Work in the Coastal Zone (Nov. 14, 2024), https://sableoffshore.com/news/news-details/2024/Sable-Offshore-Corp.-Continues-to-Coordinate-with-California-Coastal-Commission-on-Maintenance-and-Repair-Work-in-the-Coastal-Zone/default.aspx.

[156] State of California, Summary of State Regulation of Crude Oil Pipelines in Santa Barbara County (Jan. 13, 2025), https://resources.ca.gov/-/media/CNRA-Website/Files/NewsRoom/Educational-Portal/Post--Summary-of-regulatory-oversight-over-Sable-oil-pipelines-011325.pdf.

[157] *Id.*

[158] Cal. Code Regs. tit. 14, § 15378(a)(3).

[159] *Id.* § 15378(c).

[160] *Id.*

chopping up proposed projects into bite-size pieces which, when taken individually, may have no significant adverse effect on the environment."[161]

Yet "chopping" is precisely what the Planning Commission did when it concluded that the only action at issue was an "approval of permit changes to reflect a new ownership, guarantor, and/or operator," which it found to be "an administrative action that does not involve any physical modifications to the existing facilities."[162] To support this conclusion, Planning Commission staff passed off responsibility to other agencies, concluding that "the permit transfers do not authorize restart of the facilities—that's an entirely separate process under the regulatory authority of several other state and federal agencies."[163]

"The whole of the action" is the restart of oil and gas extraction, transport, and processing from the SYU for the first time in nearly a decade following a devastating oil spill, which—if approved—would result in direct physical changes to the environment. Preparations for a restart include a large amount of construction, development, and refurbishment of mothballed facilities that is already underway without environmental review. This is plainly a "project" under CEQA. The fact that this project is subject to other approvals by other agencies does not absolve the County of its own responsibilities. Indeed, CEQA requires agencies to work together to determine which will lead the environmental review process, and its guidelines specify that the local government would "normally" be the lead agency conducting review.[164] CEQA does not permit the County to avoid environmental review by considering only its own role in the project and defining the project so narrowly that it amounts to simply switching out one corporate name for another on a handful of legal documents. The County's approval of the permit transfer amendments and allowing Sable to resume operations under these three, decades-old, pre-spill permits is a consequential component of the SYU restart.

Finally, as a further basis for the finding that there was no "project" under CEQA, Planning Commission staff asserted that "the County has historically considered all previously processed 25B Permit Amendments to not constitute as [sic] a 'project,'" and pointed to a previous amendment to one of the permits at issue.[165] Whether a past permit transfer amendment met the definition of a "project" under CEQA has no bearing on whether the current permit transfer amendments do. CEQA does not contain a "that's how we've always done it" exemption. The County must consider the unique facts and impacts of the specific activity before it determines whether the activity is a "project." Indeed, Sable's troubled compliance history—such as its

[161] *Association for a Cleaner Environment v. Yosemite Community College Dist.* (2004) 116 Cal.App.4th 629, 638 [10 Cal.Rptr.3d 560].
[162] Staff Report, *supra* note 78, at 216 (citing 14 Cal. Code Regs. § 15378(b)(5)).
[163] Presentation of Jacquelynn Ybarra, Senior Planner, Santa Barbara Cnty. Plan. Comm'n Meeting (Oct. 30, 2024), 2:00:00 - 2:00:48, https://www.youtube.com/live/xN5pnbV9wss?si=r6H83Qk7ZAw6YV80&t=7200.
[164] Cal. Pub. Resources Code § 21165; Cal. Code Regs. tit. 14, § 15051(b)(1).
[165] Staff Report, *supra* note 78, at 8.

unpermitted coastal zone work—is highly relevant to the consideration of the extent of the project's environmental impacts,[166] as well as to the permit transfer decision itself.[167]

B. An Environmental Impact Report is Needed Prior to Approving the Permit Transfer Amendments.

Under CEQA, local agencies must prepare an EIR "on any project that they intend to . . . approve which may have a significant effect on the environment."[168] As detailed in the Center's comments submitted to the Planning Commission on October 28,[169] the significant environmental effects of restarting the SYU include the following:

- *Heightened risk of oil spills*. As discussed throughout these comments, the Las Flores Pipeline System is at unusually high risk of spilling because of its age and inherent design flaws. Additionally, reports indicate that the SYU platforms had widespread corrosion and gas leaks requiring emergency responses before they were shut-in.[170] Federal officials who inspected Platform Hondo on May 1, 2015, found "numerous corrosion issues" and components out of compliance. Just three weeks before that, they also found corrosion, five failed gas detectors, and "leakage rates higher than the maximum allowable" on that platform's Well H-12U.[171] Platforms Hondo, Heritage, and Harmony had early-2015 gas leaks that required their crews to gather for safety reasons, including an incident on Platform Heritage at 10:29 a.m. on May 19.[172] Platform Hondo also had a gas leak on April 27, 2015, and Platform Harmony had one on March 29 of that year.[173] A federal inspection of Harmony on Aug. 27, 2015, found "corrosion issues throughout the platform" and "electrical issues throughout the platform."[174]
- *Frequent need for pipeline excavation*. As discussed in Section III.D above, the maintenance and repair requirements imposed by the State Waivers will have significant environmental effects caused by frequent excavation of portions of the pipelines for monitoring and repair. Under the terms of the State Waivers, each pipeline must undergo at least 12 inline inspections over the next decade, whereas pipelines not requiring a waiver only require integrity assessments twice in a decade.[175] Moreover, the State Waiver requires each inspection run to have a minimum of four separate validation digs and four independent direct examination excavations.[176] Thus, there will be at least 192 excavations just to validate

[166] *See Standing Rock Sioux Tribe v. United States Army Corps of Eng'rs* (2021) 450 U.S.App.D.C. 503, 517 [985 F.3d 1032, 1046]) (holding that, under the federal National Environmental Policy Act, an agency's decision to rely in its risk analysis on general pipeline safety data, rather than the pipeline operator's specific safety record, rendered the effects of the agency's decision highly controversial and spoke to whether a project is likely to have significant environmental impacts).
[167] Santa Barbara Cnty. Code § 25B-10(a)(9).
[168] Cal. Pub. Resources Code § 21151(a); *see also id.* § 21165.
[169] Letter from Julie Teel Simmonds and Miyoko Sakashita, Center for Biological Diversity, to Santa Barbara Cnty. Plan. Comm'n 19-23 (Oct. 28, 2024).
[170] BSEE, Offshore Accident Reports,
[171] *Id.*
[172] *Id.*
[173] *Id.*
[174] *Id.*
[175] CA-324 Waiver, *supra* note 51, at 6; CA-325 Waiver, *supra* note 51, at 6; 49 C.F.R. § 195.452(j)(3).
[176] CA-324 Waiver, *supra* note 51, at 8, n. 6; CA-325 Waiver, *supra* note 51, at 8, n. 6.

the pipeline inline inspection tool runs, to say nothing of the number of excavations required to make any repairs on this decades-old, corroded pipeline. These excavations require the use of heavy machinery to remove topsoil and expose the pipe[177] and will result in significant and frequent environmental disturbance along the pipeline route.

- *Expansion and prolongation of operations in the SYU*. The 1985 EIR/EIS contemplated a 30-year service life of the project"[178] and original production estimates from the SYU have already been exceeded.[179] Exxon extracted over 671 million barrels of oil equivalent from 112 wells between 1981 to 2014.[180] While likely an inflated expectation, Sable has told investors that it plans to extract another 646 million barrels of oil equivalent and could drill as many as 102 more wells.[181] The company has also told investors that it is "[d]eveloping a strategy for carbon capture and storage (CCS) leveraging existing infrastructure and access."[182] CCS, which involves the injection of CO_2 into the seabed through existing wells, "has the potential to contaminate groundwater, cause earthquakes, and displace deposits of brine, which can be toxic" to marine life.[183] Offshore CCS would also likely require new construction of onshore and offshore infrastructure and pipelines, including "land-based transportation networks that could traverse population centers."[184] Finally, Sable's investor materials suggest that it may use well stimulation treatments such as hydraulic fracturing and acidizing of wells in the future,[185] and Exxon previously indicated its intent to use well stimulation treatments to both restart and continue to develop oil in the SYU.[186] All of these factors represent a significant expansion and prolongation of SYU operations that far exceed the operations contemplated in the 1985 EIR/EIS.
- *Increased water pollution*. Offshore oil and gas platforms discharge produced water containing chemicals that are toxic to aquatic life, including dispersed oils, aromatic

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[177] *See* Enbridge, Preventative Maintenance Digs, https://www.enbridge.com/projects-and-infrastructure/public-awareness/preventative-maintenance-digs (last visited Feb. 18, 2025).
[178] 1984 Draft EIR/EIS, *supra* note 23, at 2-35.
[179] Compare Exxon Company, Development and Production Plan Santa Ynez Unit Development I-2 (Oct. 1982), https://www.boem.gov/sites/default/files/about-boem/BOEM-Regions/Pacific-Region/DPPs/9C4---1982-10-Platforms-Harmony-Heritage-Hondo---Santa-Ynez-Unit---Development---Production-Plan.pdf ("Exxon estimates that primary recovery by the proposed development will amount to approximately 300 to 400 million barrels (MMB) of crude oil and 600 to 700 billion standard cubic feet (BSCF) of natural gas. Recovery of these reserves will take place over a period of approximately 25 to 35 years.") with BSEE, Platforms Operated by Sable Offshore Corp., https://www.bsee.gov/stats-facts/ocs-regions/pacific/pacific-ocs-platforms/exxonmobil (last visited Feb. 11, 2025) (listing total oil production for the SYU at 507,404,000 bbls, and total natural gas production as 963,105,000 mcf).
[180] Sable Offshore Corp., *Investor Presentation* 4, 5 (Nov. 2024).
[181] *Id.* at 5, 8.
[182] Sable Offshore Corp., *Investor Presentation* 3 (Nov. 2024).
[183] Fendt, Nikki, et al., Ctr. for Int'l Envtl. L., Deep Trouble: The Risks of Offshore Carbon Capture and Storage 1 (July 2024), https://www.ciel.org/wp-content/uploads/2023/11/Deep-Trouble-The-Risks-of-Offshore-Carbon-Capture-and-Storage.pdf (*citing* Anderson, Steven T., Risk, Liability, and Economic Issues with Long-Term CO_2 Storage—A Review, 26 Natural Resources Research 89 (2017), https://doi.org/10.1007/s11053-016-9303-6.).
[184] *Id.* at 5.
[185] *See* Sable Offshore Corp., Amend. No. 2 to Registration Statement (Form S-1) 34 (Apr. 29, 2024), https://www.sec.gov/Archives/edgar/data/1831481/000119312524123245/d791997ds1a.htm ("While currently none of our California operations rely on hydraulic fracturing stimulation or acidizing of wells . . . any restrictions on the future use of those well stimulation treatments or other forms of injection may adversely impact our operation.").
[186] Declaration of Ken Dowd, ECF No. 23-3 at ¶14, *Ctr. for Biological Diversity v. BOEM*, Case 2:16-cv-08473-PSG-FFM (C.D. Cal. Feb. 8, 2017).

hydrocarbons and alkylphenols, heavy metals, biocides, corrosion inhibitors, emulsion breakers, coagulants, oxygen scavengers, and naturally occurring radioactive materials.[187] Moreover, well stimulation treatments—if used—would change the types and quantity of water pollution discharges from the project. Many of the chemicals used in acidizing are F-graded hazardous chemicals—carcinogens, mutagens, reproductive toxins, developmental toxins, endocrine disruptors or high acute toxicity chemicals.[188] These acidizing chemicals can make up as much as 18 percent of the fluid used in these procedures.[189] Further, each acidization can use as much as hundreds of thousands of pounds of some chemicals.[190] An evaluation of thousands of well stimulation treatments in the Gulf of Mexico revealed that each well treatment releases about 20,000 gallons of discharges including biocides, polymers and solvents into the ocean.[191] Discharges from well stimulations are likely to cause adverse marine ecosystem effects.[192] For example, a 2021 study identified that produced waters comingled with hydraulic fracturing chemicals had acute toxicity and thiol reactivity in some cases up to nine months after fracking.[193]

- *Increased air pollution*. The SYU—including platforms, pipelines and processing facilities—creates air pollution, including carcinogens and endocrine disruptors, that threaten human health. When in operation, the SYU Las Flores Canyon and POPCO facilities were together the largest greenhouse gas emitters and sources of pollution in Santa Barbara County for carbon dioxide, methane, volatile organic compounds, PM2.5, and formaldehyde.[194]
- *Threats to sensitive habitat and special status wildlife*. A 2020 report identified 62 special-status plant species, seven natural communities of special concern, and 50 special status wildlife species, including 17 species formally listed as threatened or endangered, within a 10-mile radius of the existing pipeline route.[195] This includes the endangered San Joaquin kit fox, the Gaviota tarplant, monarch butterfly, the endangered tidewater goby, the endangered southern California steelhead, the threatened California red-legged frog, the Californian tiger salamander, the coast range newt, the western pond turtle, California fully protected blunt-

[187] Neff, J. K. Lee, and E. M. DeBlois, Produced water: overview of composition, fates, and effects, Produced Water 3-54 (2011); Bakke, T., et al., Environmental impacts of produced water and drilling waste discharges from the Norwegian offshore petroleum industry, 92 Marine Envtl. Rsch. 154–169 (2013).
[188] Abdullah, Khadeeja, et al., Toxicity of acidization fluids used in California oil exploration, Toxicological & Environmental Chemistry (2016).
[189] *Id.*
[190] *Id.*
[191] Center for Biological Diversity, Toxic Waters: How Offshore Fracking Pollutes the Gulf of Mexico 2 (July 2021), https://www.biologicaldiversity.org/campaigns/fracking/pdfs/Toxic-Waters-offshore-fracking-report-Center-forBiological-Diversity.pdf.
[192] Zhong, C., et al., Hydraulic fracturing return fluids from offshore hydrocarbon extraction present new risks to marine ecosystems, 55 Envtl. Sci. & Tech., 4199-4201 (2021).
[193] Aghababaei, M., et al., Toxicity of hydraulic fracturing wastewater from black shale natural-gas wells influenced by well maturity and chemical additives. 23(4) Envtl. Sci.: Processes & Impacts 621-632 (2021).
[194] *See* Cal. Air Resources Bd., CARB Pollution Mapping Tool, https://ww3.arb.ca.gov/carbapps/pollution-map/ (filter for Year: 2014 and County: Santa Barbara County).
[195] SCS Tracer Environmental, Line 901 & Line 903 Full Replacement Project Biological Resources Assessment 1, 60, 64 (Oct. 5, 2020), https://cosantabarbara.app.box.com/s/6fph2qyle9dnn1gg8k1xividj3n00uew/file/1182171113994.

nosed leopard lizard, and the silvery legless lizard.[196] Oil spills and construction work along the pipelines threaten these habitats and wildlife.

- *Threats to cultural resources.* Ocean waters in and around the Santa Barbara Channel protect ancient Chumash villages that lay under the ocean on the submerged lands of San Luis Obispo and Santa Barbara Counties. Healthy populations of marine species, including humpback whales, are essential to the culture and lifeways of Chumash peoples, whose traditional territories include the Channel Islands and the mainland. Restarting and expanding SYU operations threatens sacred lands and wildlife that sustain Chumash culture, religious practices, and lifeways.
- *Threats to the Chumash National Marine Sanctuary.* In October 2024, the federal government designated the area encompassing the Gaviota Coast as part of the Chumash Heritage National Marine Sanctuary. This area is adjacent to the SYU processing facilities and pipeline system at issue and will likely be impacted by pollution and oil spills. The offshore pipelines connecting to the onshore processing facilities run through the new sanctuary. The Sanctuary prohibits new offshore oil and gas production, and although there's an exemption for pre-existing leases, the designation demonstrates "the national significance of the area's ecological, historical, archeological, and cultural resources."[197]

Moreover, restarting the SYU is a project that demands an entirely new EIR. The 1985 EIR/EIS prepared by the California State Lands Commission and the U.S. Bureau of Land Management for the construction of the pipelines is wholly irrelevant to the current decision whether to put these failed, antiquated pipelines back into service after sitting idle for a decade.

For example, as noted above, the 1985 EIR/EIS confidently asserts that "[t]he entire pipeline would be protected from corrosion with cathodic protection systems," and therefore "should not experience the corrosion problems which account for 39 percent of current spills."[198] The document concludes that "[a]ssuming a 40-year project life, it is unlikely that any spills would occur."[199] Notably, the document rejected a suggestion to include a mitigation measure "to improve or replace pipeline segments as they age and deteriorate," stating that "these modern pipelines would be much safer than their predecessors" and have "service lives of approximately 30 years."[200]

Of course, these predictions were wrong and are wholly irrelevant to the proposed project at hand. We now know that the cathodic protection system on the pipelines is defective, caused massive external corrosion, and led to a rupture and major environmental damage.[201] Given our current understanding of the pipelines' inherent design flaws—discussed in Section III above—the County cannot rely on the findings, alternatives, and mitigation measures considered in the 1985 EIR/EIS because that decades-old document incorrectly assumed the pipelines would have functioning corrosion protections as a primary means to prevent oil spills. While, in the rush to restart, Sable has altered the pipelines and sought waivers from otherwise required federal

[196] *Id.*
[197] NOAA, Chumash Heritage National Marine Sanctuary, 89 Fed. Reg. 83554, 83554, 83595-96 (Oct. 16, 2024).
[198] 1984 Draft EIR/EIS, *supra* note 23, at 2-5, 4-111, H-35.
[199] *Id.* at 4-122.
[200] 1985 Final EIR/EIS, *supra* note 23, at 174.
[201] Line 901 Failure Investigation Report, *supra* note 1, at 14.

pipeline safety measures, these changes in the pipeline system, which has sat idle for ten years following a catastrophic oil spill, have not been subject to environmental review to assess the impacts of restart, to evaluate the effectiveness of mitigation measures, or to consider alternatives to reviving and prolonging the growing threats posed by these antiquated pipelines. The County cannot proceed to approve these permit transfer amendments without conducting such review.

Even if the 1985 EIR/EIS still had some relevance to the current decision, the County must at the very least prepare a Subsequent EIR because there has been a significant change in plans, circumstances, and available information about the pipelines in the decades since that document was produced.[202] As these comments demonstrate, allowing a company like Sable to restart a post-failure, post-spill, ten-years-idled pipeline system that has already reached the end of the project life contemplated in the 1985 EIR/EIS (and now needs a waiver from otherwise required pipeline safety regulations) constitutes a "substantial change in circumstances" that should require major revisions to the previous EIR due to "a substantial increase in the severity of previously identified significant effects."[203]

VIII. Conclusion

We strongly urge the County to deny Sable's permit transfer amendment applications in order to protect the integrity of our environment and the safety of California's communities. The county code requirements for permit transfer are not met here. The failed Las Flores Pipeline System has already ruptured once due to massive external corrosion caused by ineffective cathodic protections. Sable admits that it *cannot* fix the cathodic protections on the existing pipelines. As such, the County must revise the existing Las Flores Pipeline System permit (or replace it entirely with a new permit) to account for the heightened risk associated with restarting a deeply flawed pipeline without effective corrosion controls.

Additionally, Sable is in extraordinary debt and under immense pressure to start oil production as soon as possible to get out from under that debt. This raises serious concerns about the company's ability to cover the costs of decommissioning and oil spills. Moreover, Sable's rush to restart production has resulted in a large number of troubling regulatory violations, which raise serious questions about its fitness to operate such a risky project. No transfer approval should be granted until, at the very least, Sable has rectified its outstanding regulatory violations.

Next, if the County intends to approve the permit transfer amendments despite the serious safety concerns, environmental harms, and financial issues raised in these comments, it must *first* work with other agencies to conduct a new, thorough environmental review under CEQA considering all feasible alternatives and mitigation measures, including not restarting the failed Las Flores Pipeline System, replacing the damaged and inadequately protected pipes, and stronger requirements related to oil spill avoidance and decommissioning. Only through these steps can the County make an informed and responsible decision that safeguards coastal resources and communities.

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[202] *See* Cal. Pub. Resources Code § 21166; Cal. Code Regs. tit. 14, § 15162.
[203] Cal. Code Regs. tit. 14, § 15162(a)(2).

For all of these reasons, it is imperative that County Planning Commission's October 30, 2024, approval of the permit transfer amendments be overturned. Transferring the permits to Sable to restart the same system responsible for the Refugio Oil Spill (without addressing the underlying cause) poses serious environmental and public safety risks to Santa Barbara County.

November 5, 2024

Via E-Mail and FedEx

County of Santa Barbara
Office of the Clerk of the Board
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Santa Barbara, CA 93101
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Re: Appeal of Planning Commission Approval of Change of Owner, Guarantor, and Operator for the Santa Ynez Unit Permits, Including the Las Flores Canyon Facility, POPCO Gas Plant, and Pipeline System, to Sable Offshore Corp.

On behalf of the Center for Biological Diversity and Wishtoyo Foundation, we seek to appeal the Planning Commission's October 30, 2024, approval of the transfer of the Santa Ynez Unit, POPCO, and Las Flores Pipeline System permits to Sable Offshore Corp. (Sable).[1]

1) Center for Biological Diversity and Wishtoyo Foundation Are Aggrieved Parties to the Approval

Appellants Center for Biological Diversity and Wishtoyo Foundation are aggrieved by the County's approval of the transfer of County permits for the Santa Ynez Unit infrastructure to Sable. The Center is a nonprofit organization that works to protect imperiled plants and animals and the habitat upon which they depend. The Center has been working to protect the Santa Barbara region for many decades, including longstanding efforts to conserve species onshore and offshore, from the San Joaquin kit fox to the majestic blue whale. The Center's interests were harmed by the 2015 oil spill from the Santa Ynez Unit pipeline, and since then we have been engaged in efforts to ensure environmental protections at almost every stage of Santa Ynez Unit activities and permitting.

Wishtoyo is a nonprofit corporation with over 700 members. Wishtoyo is a place, organization, and movement inspiring people to live in harmony with our Earth again. Wishtoyo serves as a "rainbow bridge" linking Chumash and indigenous lifeways with the protection of natural and cultural resources, utilizing traditional ecological knowledge to provide environmental and cultural preservation and justice, education, research, and advocacy. Wishtoyo has a longstanding record of protecting and restoring the coastal watersheds of Chumash homelands, the Santa Barbara Channel, and the Pacific Ocean. Since its inception, Wishtoyo has fought to protect rivers, oceans, wildlife, and cultural resources from pollutants. Wishtoyo has advocated state and federal forums for adequate protocols and protections to prevent future oil spills along the Gaviota Coast, Santa Barbara Channel, and in California's inland and coastal waters from oil

[1] We were advised on a call with Deputy Clerk Katherine Douglas in the Office of the Clerk of the Board that there is no filing fee for this energy project appeal.

pipelines. Wishtoyo worked with the Northern Chumash Tribal Council to advocate for the Chumash Heritage National Marine Sanctuary to further protect marine environments off the coast of California and improve connectivity of protected marine habitats. Wishtoyo also ran the Chumash Tribal Marine Protected Area Ocean Conservation education program to teach social, cultural, and ecological importance of a healthy ocean environment to K-12 school children.

The Planning Commission's transfer of permits to Sable harms the Center and Wishtoyo Foundation because the Planning Commission failed to adequately ensure the ability of Sable to prevent and respond to oil spills, protect clean air and water, and fulfill its asset retirement obligations. The Planning Commission's arbitrary findings and decision to approve the permit transfers poses significant risks to the environment and public safety that the Center and Wishtoyo Foundation seek to protect.

2) Appealed Decision

The Planning Commission approved the following permit transfers on October 30, 2024:

- Santa Ynez Unit (SYU) Final Development Plan (FDP) Permit No. 87-DP-32cz (RV06) from ExxonMobil Corporation to Sable (Owner, Operator, and Guarantor);

- Pacific Offshore Pipeline Company (POPCO) Gas Plant FDP Permit No. 93-FDP-015 (AM03) from ExxonMobil Corporation to Sable (Operator and Guarantor); and

- Las Flores Pipeline System FDP Permit No. 88-DPF-033 (RV01)z, 88-CP-60 (RV01)(88-DPF-25cz;85-DP-66cz; 83-DP-25cz) from ExxonMobil Pipeline Company (EMPCo) to Sable (Operator), and ExxonMobil Corporation to Sable (Guarantor).

The Center and Wishtoyo Foundation appeal these Planning Commission approvals and its findings under Santa Barbara County Code Chapter 25B, Article II of the County Code (Coastal Zoning Ordinance) and the California Environmental Quality Act (CEQA).

3) Statement of Reasons the Decision Is Inconsistent with the Development Code or Law

The Planning Commission's approval of these permit transfers lack sufficient support, run contrary to the factual evidence, and/or are inconsistent with the Santa Barbara County Land Use and Development Code for the reasons summarized below and explained in greater detail in section 4 (Grounds for Appeal):

- The Planning Commission failed to require a new or revised permit and adequately address non-conformity with existing County permits and conditions of approval. The transfers do not comply with existing development plan, conditional use, or coastal development permit requirements. Under the terms of the original permits, the County must require new or revised development plan, conditional use, and coastal development permits before transfer and restart.

- The Planning Commission's decision regarding Sable's financial guarantees, oil spill response plan and capacity, and other permit transfer requirements was flawed. The transfers do not comply with County Code provisions governing the change of owner,

operator, or guarantor for certain oil and gas facilities. The Planning Commission's findings on financial guarantees, operator ability, compliance plans, safety audits, and compliance with permit and other legal requirements, for example, are not adequately supported by the evidence before it. Nor are the Planning Commission's actions consistent with existing permit terms, the Coastal Act, the Elder Pipeline Safety Act of 1981, Public Resources Code section 3205.8, or Article II of the County Code (Coastal Zoning Ordinance), among other provisions;

- The Planning Commission's process for approving the transfer of permits for the Santa Ynez Unit was flawed; and

- The Planning Commission's permit transfer decision failed to comply with CEQA. The determination that the permit transfers are "not a project" under CEQA and failure to conduct environmental review on the transfers and SYU restart before making a decision violates CEQA.

We reserve the right to supplement this appeal with additional reasons and evidence.

4) Grounds for Appeal

The transfer of these permits to Sable is highly consequential because Sable acquired the Santa Ynez Unit assets to restart oil production and transport through the corroded pipeline that ruptured in 2015, spilling hundreds of thousands of gallons of oil along the Gaviota coast. The spill devastated 150 miles of shoreline, damaged coastal ecosystems, and harmed local fisheries and businesses. Following this disaster, the pipelines and facilities shut down and have remained out-of-service for nearly ten years. The transfer of permits to Sable enables restart of these operations. Restarting the Santa Ynez Unit risks serious environmental and public safety consequences, from oil spills to air pollution. It requires an owner, operator, and guarantor with proven financial resources, a track record of compliance with applicable laws, and safety measures to prevent and respond to another oil spill and cover the full costs of decommissioning and restoration. However, Sable's questionable financial resources and request to waive certain safety measures, such as corrosion protection, raise serious concerns about transferring the permits. The Planning Commission's approval brings renewed risks to the environment and communities up and down the coast and around the pipeline system.

The Planning Commission's decision to approve the transfer of permits for the Santa Ynez Unit to Sable was arbitrary and an abuse of discretion due to lack of evidence to support the decision, significant issues in the transparency of the decision-making process, and misunderstandings about its scope of authority under Chapter 25B, CEQA, and the existing development permits and conditions of approval.

First, the Planning Commission failed to require a new or revised permit and adequately address non-conformity with existing County permits and conditions of approval. The Santa Ynez Unit no longer conforms with key permit conditions. The Planning Commission acted arbitrarily and abused its discretion by failing to require a new or revised development plan, major conditional use, and coastal development permits after the failure of the pipeline system and the current owner/operator's non-conformity with existing permits and conditions of

approval. Modifications of the Santa Ynez Unit that are recently completed, underway, and planned invoke various permit conditions that trigger a revised or new permit. Specifically, changes to the pipeline system, including but not limited to, restart after catastrophic failure, state waiver of safety measures, and construction on the pipeline system are modifications triggering the need for a new or revised permit. Additionally, upgrades, changes, and repairs to the processing facilities, as well as plans for the potential for new drilling, acid well stimulation, extended reach drilling, and carbon storage at the Santa Ynez Unit are modifications indicating a need for new or revised permits. This restart now requires a comprehensive suite of construction, repair, equipment modification, changes in operations, and waivers from otherwise required safety features that constitute substantial modifications in the previously approved infrastructure.

Additionally, the Planning Commission should not have issued this decision without first verifying with Office of the State Fire Marshal (with input from the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration) that the pipeline can even meet safety requirements for restart. The County has both the authority and duty to ensure that the Santa Ynez Unit complies with applicable state and federal pipeline safety laws and to consider what additional risks to environmental resources are posed by any state waiver the owner/operator might (but has not yet) received. In this case, the County failed to ensure that Sable's plans for restart meet essential safety standards and that activities required prior to restart comply with governing laws, including but not limited to the Coastal Act, even if some aspects arguably fall within the direct jurisdiction of another entity.

Sable has requested a waiver from cathodic protection requirements on the pipelines, a fundamental safety measure designed to prevent corrosion and minimize spill risks. This request is especially concerning given that the 2015 oil spill was caused by corrosion in these same pipelines, which remain vulnerable to corrosion due to operating and environmental conditions. At the Planning Commission hearing, Sable claimed that the pipelines are fully equipped with cathodic protection, but this assertion contradicts its need for a state waiver, creating a serious inconsistency that the County must resolve before approving any permit transfers. With these pipelines now inactive for nearly a decade, restarting them without resolving these protection measures presents significant safety hazards.

Sable's requested waiver from cathodic protection requirements on the pipeline system is a significant departure from the pipeline design originally required under the development plan and major conditional use permit terms as well as federal and state law.

Moreover, the California legislature passed the Coastal Best Available Technology (CBAT) law in response to the 2015 spill, underscoring the heightened regulatory standards required for such aging infrastructure. It is therefore unacceptable for the County to approve this transfer without first confirming with the Fire Marshal that the pipeline can meet best available technology and other pipeline safety requirements, which it cannot. By proceeding without these verifications, the Planning Commission's decision lacks the evidentiary support necessary to make a finding that Sable can responsibly manage the risks associated with restarting the compromised infrastructure.

The Planning Commission, contrary to the evidence, found consistency with the permit, County code, and state and federal laws. Not only does the pipeline fail to meet the conditions of the

permit and the Elder Pipeline Safety Act to have effective cathodic protection, but additional instances of non-compliance render this finding in error. The California Coastal Commission issued notices of violation to Sable for failing to comply with the Coastal Act by carrying out construction on the pipeline in the coastal zone without a Coastal Development Permit. In its September 27, 2024 notice of violation, the Coastal Commission clarified that the "upgrade project" did not qualify as an exempt repair and maintenance activity under the Coastal Act or Coastal Zoning Ordinance. It also noted that "Santa Barbara County has declined to enforce the above-noted Coastal Act/LCP violations."[2]

Sable's non-compliance disqualifies it for transfer under 25B-10(a)(5) (compliance with existing requirements) and 25B-10(a)(9) (operator capability). Accordingly, the Planning Commission abused its discretion by making findings of consistency.

Second, the Planning Commission's flawed decision on Sable's financial guarantees inadequately examined Sable's financial capability to manage potential environmental liabilities. Sable is burdened by a $426 million debt and lacks a stable revenue stream, which casts doubt on its ability to manage the significant costs associated with potential oil spills and required facility decommissioning and site restoration. The Planning Commission failed to consider independently audited financial statements. For example, Sable's November 1, 2024 Securities Exchange Commission Prospectus disclosed that an independent report "expresses substantial doubt about [the company's] ability to continue as a 'going concern.'"[3] The Planning Commission's decision runs contrary to evidence that Sable's cash flow may be insufficient to address oil spill costs, like the $750 million in cleanup, fines, penalties, and other costs from the 2015 oil spill along with its separate decommissioning liabilities—as well as the myriad other dangers of offshore drilling such as a blowout, explosion, gas leak, or fire. The insurance certificates provided are inadequate, particularly without providing the underlying policies to know if they cover disasters like earthquakes, mudslides, severe storms, and wildfires, to which the Santa Ynez Unit infrastructure locations are prone. Yet, the Planning Commission relied on Sable's unsubstantiated representations at the hearing of the company's financial stability based on its market capitalization—a misleading measure reflecting current stock price and overlooking debt, cash flow, commodity price volatility, and operational risks.

The Planning Commission also ignored evidence that Sable has insufficient financial assurances for its decommissioning and restoration obligations. The decommissioning and restoration costs for the Santa Ynez Unit infrastructure, which includes offshore platforms, pipelines, and processing facilities, are projected to be in the hundreds of millions of dollars. Sable has not posted adequate performance bonds or provided the required financial guarantees to cover these decommissioning expenses that are a legal and permit requirement. In its Securities and Exchange Commission filings, Sable lists its asset retirement obligations at $94,174—a massive underestimate. Meanwhile, the Bureau of Ocean Energy Management estimates that decommissioning the federal offshore infrastructure alone will cost $471.6 million.

At the hearing, staff confirmed that Sable has posted no bonds for the onshore infrastructure, and they represented, in error, that such a financial assurance could not be required. First, the

[2] Notice of Violation from California Coastal Commission to Sable Offshore Corp. (Sept. 27, 2024).
[3] Sable Offshore Corp. Prospectus (Nov. 1, 2024).

California law, Pub. Res. Code §§ 3202(a) & 3205.8(a)(1), requires bonding of full decommissioning costs of processing facilities upon transfer, and Sable has yet to comply. Second, the County's POPCO permit requires the permittee to post a bond for decommissioning and restoration, which Sable has not fulfilled. Third, Chapter 25B authorizes the Planning Commission to "impose additional conditions on the permit in order to ensure that any insurance or other financial guarantees that were submitted to and relied on by the planning commission as a basis to make any finding required by this chapter are maintained." Sec. 25B-10(b).

Furthermore, the original development plan and major conditional use permits are replete with provisions conferring discretion on the County to impose additional requirements when there are changes in the required elements of the project (like cathodic protections against corrosion) or changes in attendant risk or impacts—irrespective of remarks by County staff to the contrary.

Finally, the Planning Commission relied on incorrect and incomplete information mentioned at the hearing about predecessor liability to make its financial guarantees findings. For example, it is common for predecessor oil companies to dispute liability offshore even where predecessor liability is federal law. Under state law, it has proven even more difficult. Any such reliance is misplaced, naïve, and dangerous.

Here, where the largest U.S. oil company—ExxonMobil—is transferring permits for old, troubled assets to a new, indebted company—Sable—the County's oversight of financial guarantees requires more scrutiny than the Planning Commission provided.

Despite all of this and Sable's limited assets and high debt, the Planning Commission approved the transfer. The Planning Commission lacked due diligence to resolve inconsistencies and seek out sufficient evidence to support its findings. It failed to secure these financial assurances, which risks leaving the County with the enormous costs of decommissioning and environmental restoration if Sable is unable to fulfill these obligations.

Third, the Planning Commission relied on a submitted, but not yet approved, oil spill response plan. The plan has not been approved of by the Office of Spill Prevention and Response (OSPR) as sufficient for addressing worst-case spill scenarios, and a prior plan was rejected for assuming a zero-barrel spill for the out-of-service pipeline. The lack of an approved plan is problematic on two counts. First, by proceeding without a fully authorized and vetted response plan, the Planning Commission bypassed essential regulatory requirements meant to ensure that an operator can respond swiftly and effectively to an oil spill. Second, without an approved plan, the Certificates of Financial Responsibility (COFR) lack a firm basis because the financial assurances are calculated from spill estimates in the plan. Here, the proposed plan's worst-case spill discharge estimate of 1,935 bbl on the coast, a fraction of the 2015 spill volume, is likely a gross underestimate, making the Planning Commission's reliance on the COFR arbitrary. By relying on an oil spill response plan that has yet to be approved, the Commission's finding of adequate financial capacity rests on unverified assumptions about Sable's preparedness and financial capability. Remarks at the hearing suggested that a submitted plan is sufficient, but this is no ordinary project or transfer.

Fourth, the Planning Commission's process for approving the transfer of permits for the Santa Ynez Unit was flawed due to a lack of a fair and impartial hearing, transparency, and adherence to public process requirements.

The Planning Commission's process lacked transparency, depriving both the public and Commissioners of critical information needed for a fair and thorough assessment. Key documents—such as all the original permit documents now at issue, Sable's insurance policies, audited financial statements, and the findings OSPR made when issuing Certificates of Financial Responsibility—were notably absent from the record. Some Commissioners expressed concerns that they had not been provided with essential financial and safety documentation, leaving them unable to verify Sable's readiness or financial capacity to assume the responsibilities of the Santa Ynez Unit. In essence, they were asked to trust but not given the information it would have taken to verify. Moreover, the public and Commissioners did not have access to foundational permitting documents for the original pipelines and facilities, further impairing public engagement in this high-stakes decision. By failing to ensure that these documents were available for review, the County limited public oversight and left Commissioners without the tools needed for an informed decision.

The decision was unfairly influenced by staff misrepresentations. Planning Commission staff presented the transfer process as a mere checklist of paper submissions that the Commissioners had no discretion to evaluate, rather than recognizing the broader and more intensive oversight responsibilities under Chapter 25B, which mandates thorough scrutiny of the applicant's financial stability and operational ability. Staff statements appeared to have downplayed the Planning Commission's duty to carefully review and enforce the existing permit conditions, misleading the Planning Commission about its authority and discretion to require additional conditions and financial guarantees by implying that its powers were limited to ensuring Sable pays its property taxes. Instead, the existing permits contemplate a much greater oversight role for the County, and Chapter 25B empowers the Planning Commission to impose stricter financial assurance requirements as needed to ensure that the criteria for transfer, including financial guarantees, are satisfied. *See* Sec. 25B-10(b).

Additionally, the lack of an environmental review as discussed below deprives the public of participation and input into this important decision and thwarts informed decision making about the implications of this transfer of permits and restart of operations by a much less financially stable and proven owner, operator, guarantor than its predecessor. Given the environmental impacts of restarting the Santa Ynez Unit and its onshore infrastructure after the 2015 rupture and catastrophic spill, the Planning Commission's failure to conduct a transparent environmental review process with public participation amounts to a lack of public process.

Fifth, the Planning Commission failed to comply with CEQA. The Planning Commission's determination that its action is "not a project" is in error. Treating the permit transfer as a mere administrative change "that will not result in direct or indirect physical changes in the environment," CEQA Guidelines § 15378(b)(5), is fundamentally flawed. The Planning Commission overlooked the important oversight role that it has in considering whether to approve the transfer. Its flawed determination also ignores the Planning Commission's obligation to require a new or modified permit given post-failure circumstances and post-failure knowledge about the state of the infrastructure, as well as its discretion to require additional conditions and

guarantees to ensure environmental protection, permit compliance, and financial assurances. It also inappropriately isolates the transfer from the restart of the Santa Ynez Unit. Restarting this oil and gas infrastructure that is the County's biggest source of harmful air pollutants and that was responsible for one of California's worst oil spills presents significant risks to coastal ecosystems, air quality, and public health. CEQA requires these risks be examined, mitigated, and publicly disclosed before a decision. The Planning Commission's failure to initiate this review violates CEQA and deprives the public of necessary information on the environmental consequences of the Santa Ynez Unit restart under Sable. By bypassing this process, the Planning Commission not only disregarded legal requirements but also increased the likelihood of future environmental harm without adequate mitigation or safeguards in place.

5) Conclusion

In summary, the Planning Commission's approval of the permit transfers for the Santa Ynez Unit was arbitrary, an abuse of discretion, and unsupported by adequate evidence. This appeal respectfully requests a reconsideration of the decision, ensuring a full vetting of financial stability, operational ability, and compliance with permits and laws before any approvals of permit transfers. Thank you for your consideration.

Sincerely,

Miyoko Sakashita
Oceans Program Director, Senior Counsel
Center for Biological Diversity

Mati Waiya
Founder & Executive Director
Wishtoyo Foundation

Enclosed:
Center for Biological Diversity letter to the Santa Barbara Planning Commission, Re: Change of Owner, Operator, and Guarantor for the Santa Ynez Unit, Pacific Offshore Pipeline Company Gas Plant, and Las Flores Pipeline System Final Development Plan Permits; SYU Restart (October 28, 2024).

Center for Biological Diversity letter to CAL FIRE, Santa Barbara County, California State Lands Commission, Notice of CEQA Violation and Request to Prepare EIR for Restart of SYU Infrastructure, Including Onshore Lines 901/903 (CA-324, CA-325), After Pipeline Failure, Major Oil Spill, and Ten Years Idle (September 24, 2024).

CENTER for BIOLOGICAL DIVERSITY Because life is good.

Via E-mail and Certified U.S. Mail, Return Receipt Requested

October 28, 2024

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Re: Change of Owner, Operator, and Guarantor for the Santa Ynez Unit, Pacific Offshore Pipeline Company Gas Plant, and Las Flores Pipeline System Final Development Plan Permits; SYU Restart

Director Chair Martinez, Vice-Chair Bridley, Commissioners Cooney, Parke, and Reed, and Director Plowman,

The Center for Biological Diversity requests that the Planning Commission pause and require the owner(s)/operator(s) of the Las Flores Pipeline System obtain a new or revised Development Permit, Conditional Use Permit, and Coastal Development Permit as a condition precedent to any permit Change of Ownership. The County should also complete an environmental review of

a new or modified permit prior to any Santa Ynez Unit ("SYU") and SYU pipeline system restart.

In light of what's at stake—the restart of a nine-year idled oil and gas operations including the onshore pipeline system that ruptured disastrously in 2015— the County must step up its oversight of the pipeline restart and pause consideration of the applications to transfer permits until all legal requirements are met and Sable establishes its fitness for the transfer. The existing owners/operators are not in compliance with all permit requirements, Sable has been issued notices of violation from the Coastal Commission, and it has not demonstrated its ability to responsibly restart and operate the SYU. The potential for another spill from this oil and gas infrastructure poses a significant threat to Santa Barbara County and the Gaviota Coast. The environmental and economic impacts of such an event would be catastrophic, affecting not only the environment but local communities and livelihoods.

Should the County continue to consider the pending applications to transfer the permits for the Las Flores Canyon processing facility, POPCO gas plant, and Las Flores Pipeline System (collectively, the Santa Ynez Unit), we urge you to deny them for the reasons explained below.[1]

I. The County Has Unfulfilled Due Diligence and Open Government Duties

As an initial matter, the County and state and federal agencies have failed to adequately inform and include the public in this consequential restart project. Open government is a basic tenant of California law and Santa Barbara County has a mandate for open and transparent decisionmaking. The County should locate and provide the public with all permits and other documents used to approve the original pipeline system, this should be on the project webpages. The documents included for example on the page for the permit transfers contains a section titled "Documents" but does not (as far as we have been able to find) include the referenced permit applications or other permit documents, including but not limited to:

- The application for and County Final Development Plan Permit No. 87-DP-32cz (as modified on July 25, 2001 by 87-DP-032cz (RV05) Synergy Project and on February 19, 2003 with 87-DP-032cz (RV06) Offshore Power Cable Repair & Enhancement Project (under which the SYU is permitted according to the project description).
- The application for and County Final Development Plan Permit No. 93-FDP-015 and 74-CP-II (RV1) (under which the POPCO Gas Plant is permitted according to the transfer description).
- The application for and County Final Development Permit No. 88-DPF-033 (RV01)z and 88-CP-60 (RV01) (88-DPF-25cz; 85-DP-66cz; 83-DP-25cz) (under which the pipeline system is permitted according to the project description; all we have been able to locate are the Final Development Plan Conditions as modified in May 2003 and September 19, 2023, which we have been advised may constitute the entirety of the permit). The permit applications are important, because (to provide just one example), the "procedures,

[1] We incorporate by reference our September 24, 2024 Letter to the County, SLC, and CAL FIRE (with references), which is included with our references cited in today's letter in the following folder: 2024-10-28 County Letter Refs. Please let us know if you have any trouble accessing the documents.

operating techniques, design, equipment and other descriptions described by AAPLP in its application to the County 83-DP-25 cz, 83-CP-97 cz, and in subsequent clarifications and additions to that application and the Final Development Plan" are "incorporated herein as permit conditions and shall be required elements of the project." (Final Development Plan Conditions, Condition A-7).

- Any CEQA and NEPA analyses accompanying the above permitting decisions.
- Any Coastal Development Permits related to the above permitting decisions (if different from the above).

To ensure that Sable can meet the permit and lease conditions, the County and public need to review the original and modified permit applications and permits. We attempted to get copies of any applications and permits, including any Coastal Development Permit (CDP), from the County but learned from County staff that the printed documents are no longer in the County's files and were never converted to digital format. Although the original CDP is unavailable, the Final Development Plan and Conditional Use Permit for the pipeline system reference what was then a forthcoming CDP 47 times.[2] It is insufficient to rely on a belief that the CDPs would have contained the same conditions as the Final Development Plan, as advised by staff.[3] It is disturbing that the County does not possess and thus cannot have reviewed or verified continued adherence to the original applications and permits for the SYU as due diligence requires.

Full transparency and public participation is particularly critical due to Sable's publicly announced intention to restart oil and gas operations this quarter. Only with this information will the public be fully informed about, and can the County adequately evaluate, whether the terms of the initial applications and permits have been met by the existing operators, whether new or modified permits are necessary, and whether permit transfers to Sable should even be considered.

II. Transfer of the Santa Ynez Unit Permits to Sable Is Not An Everyday Paperwork Exercise—It Carries Major Implications and Risks

The County would be abdicating its duties if it considered a change of ownership without examining the full implications of Sable's acquisition and restart of the Santa Ynez Unit. The current plan to somehow rehabilitate and restart a post-failure, post-spill, nine years-idled pipeline system without greater County engagement and oversight is hard to fathom, and its environmental effects must be examined. The Office of the State Fire Marshal and State Lands Commission have also declined to examine the full impacts of restart, as spelled out in our September 24 letter to those agencies and the County. This is even more troubling because restarting the old, unsafe pipeline may well be even more dangerous than constructing a new pipeline.

[2] Las Flores Pipeline System Final Development Conditions, 88-DP-33 RV01, 88-CP-060 RV01 (88-DPF-25cz; 85-DP-66cz; 83-DP-25cz). December 12, 1988, Modified May 2003 (Modified on September 19, 2023 with the Change of Ownership, Change of Guarantor, and Change of Operator for the Las Flores Pipeline System [Lines 901/903]).

[3] October 4, 2024 Email from Jacquelynn Ybarra to Julie Teel Simmonds.

The pipeline system has outlived its intended lifespan, had a major failure, is subject to high rates of corrosion, and lacks effective cathodic protection, a fundamental aspect of its original design and approval. In 1986, Santa Barbara County approved the Celeron/All American Pipeline Project to transport oil from offshore platforms through three counties, with a substantial portion of the pipeline, the onshore processing facilities, and the offshore pipelines in the coastal zone. These decades-old pipelines and facilities put public safety and the sensitive coastal environment at grave risk.

Today, the pipeline system lacks corrosion protections sufficient to meet legal requirements, and thus Sable is seeking a State Waiver from cathodic protection safety measures. Pipelines with cathodic protections and other safety measures designed to minimize the risk of oil spills (not just the amount of spills should they occur) were an integral part of the original pipeline system design, environmental analysis, and ultimate approvals. For example, the 1985 EIR/EIS claimed "[t]he entire pipeline would be protected from corrosion with cathodic protection systems."[4] It stated that the cathodic protection system would "prevent the adverse impacts of an oil spill."[5] The pipelines were constructed from 1988-91; Line 903 became operational in 1991, and Line 901 in 1994.[6]

The 1985 EIR/EIS for the pipelines only specified a "projected 30-year life of the project."[7] Moreover, the original plans for SYU estimated that recovery of the oil and gas reserves SYU "will take place over a period of approximately 25 to 35 years."[8] As first production from the Unit began in 1981, production should have ceased by 2016 at the latest. And federal records show that the original oil and gas production estimates have already been exceeded.[9]

The pipeline carried oil from the Santa Ynez Unit for its 30-year anticipated lifespan. Then, in 2015, the Plains All American Pipeline (Line 901) ruptured and spilled what is now believed to be about 450,000 gallons of oil,[10] killing hundreds of birds and mammals and closing fisheries

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[4] Draft EIR/EIS at 2-5; see also, for example *id*. at 2-13, 2-14, 4-106, 4-110 ("Internal corrosion is the largest cause of a spill due to pipeline fault and this is more characteristics of older pipelines which were constructed of different materials and did not have the cathodic protection systems proposed by Celeron/All American and Getty.").

[5] Draft EIR/EIS at H-35.

[6] Revised NOP for Pipeline Replacement Project.

[7] 1985 EIR/EIS at 2-35.

[8] *See, e.g.*, Exxon Company, Development and Production Plan Santa Ynez Unit Development, Oct. 1982 at I-2, https://www.boem.gov/sites/default/files/about-boem/BOEM-Regions/Pacific-Region/DPPs/9C4---1982-10-Platforms-Harmony-Heritage-Hondo---Santa-Ynez-Unit---Development---Production-Plan.pdf.

[9] *Id*.; Exxon Company, Development and Production Plan (Cumulative Updates) Santa Ynez Unit Development, Sept. 1987 at I -2, https://www.boem.gov/sites/default/files/about-boem/BOEM-Regions/Pacific-Region/DPPs/9A3---1987-09-Platforms-Harmony-Heritage-Hondo---Santa-Ynez-Unit-Cumulative-Updates.pdf; BSEE, Sable Offshore Corp.: Platforms Operated by Sable Offshore Corp., https://www.bsee.gov/stats-facts/ocs-regions/pacific/pacific-ocs-platforms/exxonmobil.

10 Expert Report of Igor Mezic, Ph.D., Andrews v. Plains All American Pipeline, L.P., United States District Court, Central District of California, Case No. 2:15-cv-04113-PSG-JEM, March 29, 2019 (pp. 16-17).

and beaches. Consequently, the three offshore platforms, two processing facilities, and the offshore and onshore pipeline systems have been out of service for nearly a decade.

This rupture was caused in part by progressive external corrosion and ineffective protection against that corrosion.[11] The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration ("PHMSA") failure investigation report found that the pipeline wall had corroded to 1/16th of an inch before the spill occurred.[12] The PHMSA failure investigation report also stated that "cathodic protections are required under the federal Pipeline Safety Regulations to prevent external corrosion of buried pipelines," but that cathodic protections failed and were ineffective in preventing the corrosion and rupture of Lines 901/903.

While its predecessors once pursued building replacement pipelines (and even proposed trucking oil on California highways in the interim),[13] the new owner, Sable, is not pursuing a pipeline replacement project and is instead doubling down on trying to restart the entire SYU operation using already-failed and ever-aging pipelines. Moreover, because of the limited effectiveness of the cathodic protections—corrosion prevention measures—the owner is seeking a State Waiver from that requirement. Sable recently told its investors that it "affirms that initial restart of production from Sable's [SYU] is expected in fourth quarter 2024."[14]

The draft EIR for the abandoned 901/903 Replacement Pipeline Project[15] is instructive on the risks a restart poses. It estimated that restarting Lines 901/903 (recently renamed CA-324 and CA-325) could result in a spill once a year, and a rupture once every four years even with the "installation of additional valve stations" as proposed.[16] Another recent analysis by Sable indicates that a worst-case spill from this old pipeline could be 41,899 barrels of oil or *over 1.7 million gallons*.[17]

As the 1985 EIR/EIS acknowledged, the risk of a spill *more than doubles* as pipelines age from 20 to 40 years.[18] Restarting Lines 901/903 and its connected onshore and offshore infrastructure risks significant harm to our beaches, waterways, air quality,[19] wildlife, Tribal cultural resources,

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[11] U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration Failure Investigation Report, Plains Pipeline, LP, Line 901 Crude Oil Release, May 19, 2015 (May 2016).
[12] *Id*.
[13] County of Santa Barbara, Planning & Development webpage for 901/903 Replacement Pipeline Project, https://www.countyofsb.org/3801/901903-Replacement-Pipeline-Project; County of Santa Barbara, Planning & Development, webpage for ExxonMobil Interim Trucking for SYU Phased Restart, https://www.countyofsb.org/872/ExxonMobil-Interim-Trucking-for-SYU-Phas (last visited September 21, 2024).
[14] Sable Offshore Corp., Security and Exchange Commission Form 8-K, Aug. 30, 2024.
[15] County of Santa Barbara, Planning & Development webpage for 901/903 Replacement Pipeline Project, https://www.countyofsb.org/880/901903-Valve-Upgrade (last visited September 21, 2024).
[16] Santa Barbara County, Administrative Draft of Draft EIR for Plains Pipeline Replacement Project, at Section 5.6, p. 79.
[17] Sable Offshore Corp., Pacific Pipeline Company Integrated Contingency Plan Las Flores Canyon Core Plan (Apr. 2024) at 14-4.

human health, ecosystems, and coastal economy and is contrary to California's commitment to transition away from fossil fuels and their infrastructure. The County must use the full extent of its authority under the existing permits and under local and state law to ensure that this restart does not harm California's coastal resources and communities.

III. The County Should Pause and Ultimately Deny the Permit Transfer Applications Under Chapter 25B of the County's Code of Ordinances

The County should pause its consideration of the permit transfers until other relevant aspects of the restart project are resolved. These include but are not limited to compliance of the existing owners and operators with the permit terms and conditions, Cal Fire's State Waiver and other restart decisions, the Coastal Commission's coastal development permit decisions, all necessary environmental reviews, required federal permitting and oversight, air and water discharge permits, and financial assurance requirements for the SYU assets (including but not limited to those required for production facilities by AB 1167, Cal. Pub. Res. Code § 3205.8). Ensuring full compliance with all applicable law prior to resumption of operations or permit transfers is particularly important in light of Sable's recent violations of the Coastal Act as laid out in the Coastal Commissions Notices of Violation, discussed below.[20] Only once these processes are resolved can the County determine whether Sable will be able to meet any or all of the permit terms and conditions. To do otherwise would be arbitrary and an abuse of discretion.

Importantly, there are several criteria to approve a change of guarantor, owner, or operator under Chapter 25B of the County Code that are unmet here, or that at least raise substantial questions necessitating further scrutiny, including: a) the financial assurances are inadequate to fulfill the SYU asset retirement obligations and the capability of the new operator is unproven; b) Sable has a record of non-compliance with the Coastal Act and existing permit requirements warrant a new or revised development plan; c) the safety audit and Oil Spill Response Plans are not yet finalized/incomplete. Finally, it is imperative that the County's decisions on Change of Ownership and SYU restart be informed by an environmental review under CEQA.

Considering these outstanding issues, the County should pause its decision on the Change of Owner, Guarantor, and Operator for the SYU unless and until these issues are resolved. If the County decides to proceed without awaiting verification of the factors described here and without environmental review under CEQA, then at this stage we strongly recommend that the County deny the Change of Ownership.

a. Financial Guarantees and Operator Capability

The financial guarantees for the SYU are inadequate and therefore Change of Owner, Guarantor, and Operator criteria cannot be fulfilled. Santa Barbara Ordinances Sec. B-9(a)(2), (b)(2) & (e)(1) & 25B-10 (a)(2) all require the adequacy of financial assurances. At present, the County is not requiring any financial assurances for decommissioning SYU and is wishful thinking that

[20] See, e.g. California Coastal Commission, Notice of Violation, V-9-24-0152 (Sable Offshore Corporation) (Sept. 27, 2024) (attached).

payment of property taxes without any additional conditions or financial assurances provides sufficient financial guarantees for this massive fossil fuel infrastructure.

The proposed findings that financial guarantee criteria are met must be reversed and reconsidered. Sable has not to our knowledge adequately demonstrated its ability or willingness to fully comply with all applicable laws and permit terms, including but not limited to adequate financial responsibility/sufficient financial guarantees for decommissioning, site remediation, site restoration, oil spill and natural resource damages for offshore and onshore facilities and pipelines.

The Commission must also ensure operator capability. Section 25B-10 (a)(9) does not authorize a transfer until and unless:

> The proposed operator has the skills, training, and resources necessary to operate the permitted facility in compliance with the permit and all applicable county codes and has demonstrated the ability to comply with compliance plans listed in section 25B-10.1.f. The director shall require relevant records of compliance, and corrective actions taken subsequent to any major incidents for facilities, if any, that are similar in nature to those that are the subject of the permit, as may be necessary to make findings. These records shall be used to provide sufficient assurance that the proposed operator does not reflect a record of non-compliant or unsafe operations systemic in nature for similar facilities to those being considered for operatorship.

Because of the unique circumstances here, the Commission can and should "impose additional conditions on the permit in order to ensure that any insurance or other financial guarantees that were submitted to and relied on by the planning commission as a basis to make any finding required by this chapter are maintained." Sec. 25B-10(b). Specifically, a permit condition that requires Sable to put in escrow the full amount of decommissioning and restoration costs is warranted here.

Sable Has Not Proven It Can or Will Meet the Permit Terms. Sable has not demonstrated that it can or will be able to fully comply with the terms of the permits at issue. The County has a duty to ensure that the permittee is qualified by probing and requiring evidence of its qualifications. A new permittee must have the ability, track record, and financial resources to maintain, safely operate, and decommission the SYU pipelines and other assets, including the ability to ensure environmental protections, public safety, and full decommissioning and site restoration. The permittee must also be fully capable of responding to emergencies and incidents. Importantly, there are extraordinary circumstances present in restarting the Santa Ynez Unit—including a history of a catastrophic oil spill and infrastructure that has outlived its design life— that heighten the need for careful consideration.

Financial Guarantees Are Insufficient. All of the relevant agencies and the County should be together requiring financial assurances for all of the risks and costs associated with the entire SYU infrastructure. While the public does not have access to all of the information the agencies possess, we are concerned about discrepancies that warrant the County's attention.

Importantly, Sable's reported liabilities for decommissioning the Santa Ynez Unit require heightened scrutiny. Sable's own Securities and Exchange Commission filing expressed "substantial doubt . . . about the Company's ability to continue as a going concern,"[21] meaning there is deep uncertainty about its ability to remain solvent. The County's Staff Report also acknowledges that Sable is currently operating at an accumulated deficit of $426.6 million dollars. Troublingly, this deficit excludes hundreds of millions of dollars in decommissioning liabilities that Sable appears to have left off its balance sheet. ExxonMobil estimated SYU decommissioning costs (called asset retirement obligations (AROs)) at $349,138,000 in December 2023.[22] A 2020 BSEE-commissioned study estimated decommissioning costs to be even higher, totaling $471,609,600 for federal infrastructure alone.[23] Yet Sable lists its AROs for SYU at only $94,174,000, and provides no explanation for this 73 percent reduction in costs from the estimates of its predecessor,[24] *see* figure below (emphasis added). This fuzzy math allows Sable to inflate the value of the company on paper and obscure its true financial liabilities, calling into question its ability to decommission SYU.[25]

[21] Sable Offshore Corp., Form 10-Q (Aug. 13, 2024), https://www.sec.gov/Archives/edgar/data/1831481/000183148124000007/flme-20240630.htm.
[22] ExxonMobil, Santa Ynez Unit (SYU) Combined Financial Statements Exhibit 99.1 (Dec. 31, 2023). https://www.sec.gov/Archives/edgar/data/1831481/000119312524083453/d771316dex991.htm
[23] BSEE, Decommissioning Cost Update for Pacific Outer Continental Shelf Region Facilities Volume 2 (Sept. 2020), https://www.bsee.gov/sites/bsee.gov/files/vol-2-a-study-for-the-bureau-of-safety-and-environmental-enforcement-bsee-final-9-8-20.pdf
[24] Sable Offshore Corp., Form S-1 Registration Statement at F-2 (Oct. 2024); https://d18rn0p25nwr6d.cloudfront.net/CIK-0001831481/fd070160-544a-4660-b5c0-fb2347dafd2e.pdf
[25] See Ted Boettner, et al., Diversified Energy: Business Model Built to Fail Appalachia at 28-30 (April 2022), https://ohiorivervalleyinstitute.org/wp-content/uploads/2022/04/Diversified-Energy-Report-FINAL-2-min.pdf

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

SABLE OFFSHORE CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(dollars in thousands)

	Successor June 30, 2024	Predecessor December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 112,069	$ —
Restricted cash	35,095	—
Materials and supplies	16,578	16,213
Prepaid expenses and other current assets	3,350	—
Total current assets	**167,092**	**16,213**
Oil and gas properties (Successful efforts method)		
Oil and gas properties	1,068,322	4,382,289
Less: Accumulated depreciation, depletion and amortization	—	(3,693,325)
Total oil and gas properties - net	**1,068,322**	**688,964**
Other, net	5,497	6,404
Total assets	**$1,240,911**	**$ 711,581**
Liabilities and Stockholders' Equity/Parent Net Investment		
Accounts payable and accrued expenses	$ 57,651	$ 5,384
Due to related party, net	—	11,370
Excise tax payable	2,308	—
Other current liabilities	1,300	1,148
Total current liabilities	**61,259**	**17,902**
Warrant liabilities	149,473	—
Asset retirement obligations	94,174	349,138
Senior Secured Term Loan including paid-in-kind interest, net	790,377	—
Deferred tax liabilities	19,781	—
Other	3,800	5,520
Total liabilities	**1,118,864**	**372,560**

The County should be deeply concerned about this obfuscation; if Sable goes bankrupt or otherwise can't pay for decommissioning, the County will have several abandoned, contaminated sites and expensive clean-up and restoration with which to contend. The serious environmental and fiscal risks of the transfer are strong reason for the County to reject the change of owner, operator, and guarantor. But if the transfer is allowed, the County must protect the interests of its constituents and natural resources by (1) obtaining an accurate estimate of total decommissioning costs for SYU, and (2) requiring Sable to provide financial assurances to cover this total estimated cost prior to approving the transfer.

As you are likely aware, there has been a pervasive problem with fossil fuel companies failing to set aside funds for decommissioning liabilities and leaving idle infrastructure and wells to pollute water and neighborhoods for years.[26] The best practice is to ensure that the full amount of decommissioning and restoration costs is put in escrow at the outset of any transfer. This is such

[26] Agerton, Mark, et al. Financial liabilities and environmental implications of unplugged wells for the Gulf of Mexico and coastal waters, 8 Nature Energy 536-547 (2023); Ocean Conservancy, Offshore Oil and Gas Decommissioning (2024); Rogers, Greg, Overlooked: Why oil and gas decommissioning liabilities pose overlooked financial stability risk (2023), https://carbontracker.org/reports/overlooked-why-oil-and-gas-decommissioning-liabilities-pose-overlooked-financial-stability-risk/, Schuwerk, Rob, It's Closing Time (2020), https://carbontracker.org/reports/its-closing-time/.

a significant problem that the California Legislature enacted AB1167—requiring financial assurances of full decommissioning costs of wells and processing facilities upon transfer.

The Commission should condition any transfer on verifying full financial assurances for decommissioning and restoration of the onshore processing facilities and pipeline system as well as the offshore wells, platforms, and pipelines.

Specifically, the Commission should pause and verify Sable's compliance with AB 1167. This includes notifying the Supervisor at CalGEM of the acquisition and providing financial assurances for full decommissioning costs of all wells and production facilities. Cal. Pub. Res. Code §§ 3202(a) & 3205.8(a)(1). Next, it should verify that Sable has provided supplemental federal financial assurances for the offshore wells and platforms. Finally, to the extent that those financial assurances reveal funding gaps for the entire cost to decommission and restore the Santa Ynez Unit and pipeline system, the Commission can and should condition the Change of Ownership on Sable putting remaining asset retirement obligations in escrow to be used only to for that purpose (with a multiplier factor that accounts for inflation and increasing decommissioning costs).

Sable is newly formed and has a short and questionable track record. The company has a concerning and potentially over-leveraged funding structure. ExxonMobil took a $2 billion write down for the sale of the SYU assets to Sable.[27] Sable is in debt for 97 percent of the purchase to Exxon.[28] Flame, which is part of Sable Offshore, has had to disclose to the Securities Exchange Commission that it has material weaknesses in its internal control over financial reporting that put it at liability risk.[29] Plus the founder's last project declared bankruptcy[30] and according to news reports had "a balance sheet loaded with debt."[31] Creditors raised concerns over the financial decision on executive bonuses amid the bankruptcy.[32] The company's financials should be scrutinized to determine its ability to operate, maintain, and upgrade the SYU infrastructure and its pollution controls for the life of the project and financial assurances for full decommissioning and restoration costs should be secured up front.

The Severe Risks of Restarting the SYU Warrant Additional Permit Conditions. To the extent the County nonetheless considers transferring the permits to Sable, additional permit terms and conditions are necessary to ensure permit performance and environmental protection.

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[27] Mcwilliams, Gary, Exxon faces $2 billion loss on sale of troubled California oil properties, Reuters.com (Nov. 6, 2022) https://www.reuters.com/business/energy/exxon-faces-2-bln-loss-sale-troubled-california-oil-properties-2022-11-06/.
[28] *Id*.
[29] Flame Acquisition Corp, SEC filing 14a (Nov. 10, 2022).
[30] Reuters, Sable Permian Resources files for bankruptcy (June 26, 2020), https://www.reuters.com/article/idUSL4N2E31TQ.
[31] Brickley, Peg, West Texas Fracker Sable Permian Files for Bankruptcy Amid Restructuring Talks (Jun. 26, 2020).
[32] Peg Brickley, *Sable Permian Heads off Fight Over Executive Bonuses*, Wall Street Journal (December 10, 2020), https://www.wsj.com/articles/sable-permian-heads-off-fight-over-executive-bonuses-11607639171.

The County should consider these permit conditions, among others that it deems appropriate: (1) verification of all financial assurances for decommissioning and restoration from all state and federal agencies; (2) proof of an escrow account in which Sable holds funds in the amount of estimates for its asset retirement obligations for the full decommissioning of all offshore and onshore SYU infrastructure—including platforms, wells, pipelines, and processing facilities;[33] and (3) any transfers should ensure that the previous owners/operators commit to predecessor liability for any damage to the environment and for decommissioning and restoration costs for the SYU.

As the County is certainly aware, there are numerous instances where small oil companies acquire oil and gas assets, only to maximize short-term profits on the declining oil fields and then abandon their clean-up responsibilities. They all too often leave behind extensive asset retirement obligations that they fail to fulfill. For example, Venoco and Signal Hill have left massive decommissioning obligations in peril with Platforms Holly, Hogan, and Houchin.[34] This problem is also widespread in the Gulf of Mexico, and a federal investigation of federal decommissioning activities revealed severe problems with federal enforcement and oversight. The Government Accountability Office uncovered massive failures of the federal regulators to effectively ensure that oil companies met their offshore decommissioning obligations.[35] Consequently, the burden of decommissioning and environmental cleanup too often falls on the government and, ultimately, the taxpayers. All during a time when companies like ExxonMobil celebrated record profits—in 2023 Exxon recorded $36 billion in earnings, and in 2022, $55.7 billion.[36] This pattern not only poses significant environmental risks, but also threatens to undermine the County's and state agencies' responsibilities to the people of Santa Barbara County and the state as a whole.

b. The Assignee Has Been Non-Compliant With Existing Requirements, and the County Should Require New or Modified Permits for Restart

Sable Has Failed to Comply with the Coastal Act and Lacks Key Permits. The Commission cannot reasonably determine that Sable has met existing requirements. Section 25B-10(a)(5) requires that the operator be in compliance with all requirements of the permit, ordinances and any notice of violation. Sable's recent actions, including defying a Notice of Violation issued by the Coastal Commission by continuing work without the necessary permits, raise serious concerns about their management's reliability and commitment to regulatory compliance. This

[33] In the alternative, the County should consider a permit condition requiring Sable to establish a decommissioning sinking fund with an initial deposit representing 15 percent of the total estimated cost of decommissioning, followed by monthly deposits in an amount equal to $0.40 per barrel of oil and gas produced. *See e.g.* State Lands Commission approach with the San Pedro Pipeline https://www.slc.ca.gov/Meeting_Summaries/2010_Documents/08-20-10/Complete_Items/C42.pdf.
[34] Richards, Heather, Why Interior could get stuck with the tab for cleaning up oil platforms, E&E News (Apr. 12, 2024), https://www.eenews.net/articles/why-interior-could-get-stuck-with-the-tab-for-cleaning-up-oil-platforms/.
[35] Government Accountability Office (GAO), GAO-24-106229, Offshore Oil and Gas: Interior Needs to Improve Decommissioning Enforcement and Mitigate Related Risks (Jan. 2024).
[36] NYTimes, Oil Giants Pump Their Way to Bumper Profits, (Feb. 2, 2024), available at https://www.nytimes.com/2024/02/02/business/oil-gas-companies-profits.html.

behavior demonstrates a disregard for the rules and undermines trust in their ability to responsibly manage this project.

Sable has already been warned that it has violated state law in its pursuit of restart. As noted above, on September 27, 2024, the California Coastal Commission issued a Notice of Violation to Sable for the unauthorized and unlawful development activities along the onshore SYU pipeline system associated with the proposed restart of the Santa Ynez Unit.[37] Despite the order to stop work, on October 4, 2024, it appeared that construction activities continued on the pipeline system, including within the coastal zone, without proper oversight or a coastal development permit and despite the Commission's Notice of Violation.[38] The construction in the coastal zone, even after the warning to stop, continued in environmentally sensitive habitat area.[39] After another warning from the Commission, Sable moved the crews to other parts of the pipeline.[40] The company's disregard for environmental compliance calls into question its ability to comply with the terms and conditions of these permits.

The restart of SYU requires its owners/operators to obtain a CDP to come into compliance with the Coastal Act. As noted above, while the County cannot locate the original Coastal Development Permits for this pipeline system, such permits were apparently issued and consisted of the same terms as the development plan conditions of approval. The Coastal Act requires a coastal development permit (CDP) for all "development" in the coastal zone.[41] While the Coastal Commission has delegated much of its permitting authority over coastal development to local governments through certified local coastal programs, the Coastal Act specifically requires any developments located on tidelands, submerged lands, public trust lands, or any development which constitutes a major public works project or major energy facility to obtain a CDP directly from the Coastal Commission.[42] Furthermore, many CDPs issued by local governments remain appealable to the Commission. Finally, should local governments fail to enforce the requirements of the Coastal Act and its certified local coastal program, the Commission is authorized to step in.[43] Which, is why here, the Coastal Commission had to take action against Sable's unlawful coastal zone activities when the County declined.

The owners/operators certainly cannot rely on the Coastal Act's exemption for repair and maintenance activities for restart. As clearly articulated in the Coastal Commission's recent Notice of Violation on the limited issue of valve installation, repair and maintenance can only occur absent a CDP if they do not result in an "addition to, or enlargement or expansion of, the object of those repair or maintenance activities" and if they do not pose a "risk of substantial

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[37] *Id*.
[38] Bradshaw, Brady, Letter to California Coastal Commission, (Oct. 7, 2024).
[39] Environmental Defense Center, Sable Offshore Corp. ("Sable") Pipeline Repair Work; ESHA and Jursidcitional Waters Preliminary Assessment (Oct. 3, 2024).
[40] Lovely, Margaux, Construction Crews at Work Near Oil Pipeline in Gaviota After State Orders Sable to Cease Unpermitted Work, Santa Barbara Independent (Oct. 4, 2024), https://www.independent.com/2024/10/04/construction-crews-at-work-near-oil-pipeline-in-gaviota-after-state-orders-sable-to-cease-unpermitted-work/.
[41] Pub. Res. Code § 30600.
[42] Pub. Res. Code §§ 30519, 30601.
[43] Pub. Res. Code §§ 30809-11.

adverse environmental impacts,"[44] which is not the case even just with the valves installation, as the Commission clearly communicated in its Notice of Violation. Santa Barbara County's Coastal Zoning Ordinance similarly requires a Coastal Development Permit for "[a]ny repair or maintenance to facilities or structures or work located in an environmentally sensitive habitat area,[45]" which the pipeline system indisputably traverses.

These CDP requirements would certainly, then, also apply to the repair, maintenance, and restart of the pipeline system and processing facilities as a whole. At least before it settled its lawsuit with the pipeline owners/operators over the valves installation, the Santa Barbara County Planning Department similarly concluded that any retrofit of the existing onshore pipelines would be considered "outside of regular maintenance and repair activities" and that "discretionary actions to permit restart activities are needed from the California State Fire Marshal, PHMSA, and SB County."[46]

The Final Development Plan, Conditions of Approval, and existing regulatory restrictions on what repairs and maintenance can be conducted without a CDP all definitively point to the need for a CDP before further work on the pipeline system and its connected infrastructure and their restart. Furthermore, the changed circumstances around Line 901/903 further accentuate the need for the County (and the Commission if the County fails to act) to use its full authority to ensure the restart does not jeopardize California's coastal ecosystems and communities. The California legislature amended the Coastal Act in 2023 to exclude new and expanded oil and gas development from coverage as coastal-dependent industrial facilities and to require new and expanded fossil fuel developments, including pipelines, to obtain a CDP.[47] Here, the rehabilitation and restart of Line 901/903 are akin to new or expanded operations, because the pipelines and connected infrastructure have outlived their expected life and sat idle for almost a decade.[48]

Additionally, the air and water pollution permits for the SYU are expired. Sable's efforts to renew the air permits remain unresolved and are still pending. The restart of the SYU, as the region's largest air pollution source, should be required to update its air pollution controls to meet best available technology standards.[49] In the many years since it was built and decade of being idle, the Air Board should require a new, rather than renewed, air pollution permit. Plus, these facilities have a documented history of operational failures and violations, including unauthorized emissions leaks. Additionally, the current Draft Permits rely on outdated data and monitoring protocols. The water pollution permits for the offshore platforms expired on February

[44] Pub. Res. Code § 30610(d).
[45] Coastal Zoning Ordinance Appendix C (Repair and Maintenance Activities Requiring a Permit).
[46] Revised NOP for the Draft Environmental Impact Report / Environmental Impact Assessment for the 901/903 Replacement Pipeline Project at 2-3.
[47] Pub. Res. Code § 30260(b)(4); see also id. at § 30262(b) (repair and maintenance of an existing oil and gas facility may be permitted in accordance with Section 30260 only if it does not result in "expansion of capacity.")
[48] Pub. Res. Code § 30262(b).
[49] Maher, Ryan, Letter to Santa Barbara County Air Pollution Control District (May 23, 2024).

28, 2019,[50] and the industrial stormwater permit for Las Flores Canyon appears to have expired on June 30, 2020. They may be administratively extended, but they should not be for out-of-service facilities. There is little to no information available publicly about these permits, which the County should investigate and ensure that the permit requirements are stringent enough to meet water quality standards and that Sable can comply with pollution controls and monitoring.

In October 2024, coastal Santa Barbara was designated as a National Marine Sanctuary because of its importance to Chumash heritage and culture.[51] The designation demonstrates "the national significance of the area's ecological, historical, archeological, and cultural resources."[52] Further, the state waters portion of the SYU is now subject to a certification requirement, and any repair must be authorized by the Office of the National Marine Sanctuary. Moreover, the federal government may place additional terms and conditions on the activities as a condition of certification to achieve the sanctuary's purposes. Accordingly, the County should ensure compliance with these federal requirements.

The County Must Require a New or Revised Permit. Before the Commission proceeds with its decision on the permit transfers, it should require a new or revised development plan and other county permits that comprehensively address the SYU changed and unusual circumstances. The 2015 Pipeline System failure and protecting the County from another disaster is the County's business, yet it has distanced itself from the restart process in disturbing ways. The County wrongly disavowed its jurisdiction over the pipeline—it retained ample authority under the Final Development Permit. Specifically, the 1988 Celeron Settlement confirms that "the County shall retain its right to apply review, approval or enforcement procedures pursuant to law covering Celeron's actions in violation of this Agreement or in violation of the terms and conditions of Celeron's permits which have been issued and approved by Celeron or in violation of statutes, ordinances and regulations which are not preempted and which lawfully pertain to the Celeron Project."[53] Additionally, the Commission's rationale for preemption was in error because preemption only applies to interstate pipelines, which this pipeline system is not; and even if preemption applied, it only extends to the issue of pipeline safety regulations not other relevant laws.

Here, the County, even assuming its views of preemption and the 1989 Celeron settlement were correct (which they are not), has the authority and the duty to ensure that Sable will perform as agreed in the Final Development Plan. The County has abused its discretion by failing to require a new or revised permit due to current owner/operator non-conformity with existing County permits and conditions of approval.

The previously issued Final Development Plan and Conditions of Approval require a new or modified permit. The Las Flores Pipeline System no longer conforms with key permit conditions

[50] https://www.epa.gov/npdes-permits/cag280000-general-permit-southern-california-offshore-oil-and-gas-exploration
[51] NOAA, Chumash Heritage National Marine Sanctuary, 89 Fed. Reg. 23,607 (Oct. 16, 2024)
[52] *Id.*
[53] Agreement Between Celeron Pipeline Company of California and the County of Santa Barbara (Feb. 8, 1988).

now that a post-failure pipeline is proposed for restart. This has been no run of the mill cessation of operations and restart. This is a post-disaster restart of a pipeline poorly designed to fail, that has failed, that has been idle for almost ten years, whose cathodic protections cannot be restored, that needs a State Waiver from otherwise required safety measures, that has numerous pipeline anomalies, that will continue to face a high corrosion rate as it transports oil at high temperatures across a highly variable elevation profile, and that is proposed to be owned and operated by a company who was just cited for unauthorized work in the coastal zone, among other permit modification-triggering circumstances.

A few of the relevant provisions from the Final Development Plan Conditions of Approval for the failed pipeline system are: [54]

A-2. Grounds for Permit Modification or Revocation

If the Planning Commission determines at a noticed public hearing that AAPLP is not in compliance with any permit condition*(s)*, pursuant to the provisions of Sec. 35-185 of Article II and/or Sec. 35-330 of Article III of the Santa Barbara County Code, the Planning Commission is empowered, in addition to revoking the permit pursuant to said section, to amend, alter, delete, or add conditions to this permit. *(modified by the Planning Commission on September 6, 2000)*

A-7. Substantial Conformity

The procedures, operating techniques, design, equipment and other descriptions (hereinafter procedures) described by AAPLP in its application to the County 83-DP-25 cz, 83-CP-97 cz, and in subsequent clarifications and additions to that application and the Final Development Plan are incorporated herein as permit conditions and shall be required elements of the project. Since these procedures were part of the project description which received environmental analysis, a failure to include such procedures in the actual project could result in significant unanticipated environmental impacts. Therefore, modifications of these procedures will not be permitted without a determination of substantial conformity or a new or modified permit. The use of the property and the size, shape, arrangement and location of buildings, structures, walkways, parking areas and landscaped areas shall be in substantial conformity with the approved Final Development Plan.

A-13. Facility Throughput and Source Limits

All facilities constructed under this permit shall be used only for the shipment of a maximum volume of heated crude oil demonstrated to be within the design parameters of the pipeline facilities as built. The subject volumes will be outer continental shelf (OCS) and other locally produced onshore and offshore petroleum from the Santa Barbara and Santa Maria Basins. AAPLP shall obtain a new or modified permit, or authority to continue operation under the existing permit prior to undertaking any of the following activities which may, in the judgment of the County, result in significant changes to the impacts on the County. Such changes could include but not be limited to: 1) major pipeline or pump station modifications; 2) major changes in pipeline throughput; 3) introduction of production to the pipeline from sources other than those described above; and 4) introduction of a different product from anysource.

Other source volumes may be transported subject to a determination of substantial conformity by the Planning Commission and a finding of facts and determination that project impacts will not be increased by transporting and processing those other sources.

[54] Las Flores Pipeline System Final Development Conditions, 88-DP-33 RV01, 88-CP-060 RV01, at A-7, A-7, A-13 (emphasis added).

B-2. Imposition of New and Comprehensive Review of Conditions

> If at any time County determines that these permit conditions are inadequate to effectively mitigate significant environmental impacts caused by the project, or that recent proven technological advances could provide substantial additional mitigation, then additional reasonable conditions shall be imposed to further mitigate these impacts. Imposition of such conditions shall only be considered and imposed as part of the County's comprehensive review of the project conditions. County shall conduct a comprehensive review of the project conditions and consider adding reasonable conditions which incorporate proven technological advances three years after permit issuance and at appropriate intervals thereafter. A comprehensive review of conditions which are not effectively mitigating impacts may be conducted at any appropriate time. Upon written request of AAPLP, the Board of Supervisors shall determine whether the new condition required is reasonable considering the economic burdens imposed and environmental benefits to be derived.

Restart of this pipeline system (and its connected infrastructure) after a catastrophic failure of its fundamental design and a massive oil spill (which now necessitates a whole new set of spill avoidance and mitigation measures, a State Waiver, assignments of leases and permits, new oil spill contingency plans, certificates of financial assurances, among other authorizations before restart may be allowed) are certainly such modifications.

The County cannot with a straight face say that this post-failure pipeline system with all of its corrosion issues and risks, including its utterly flawed and ineffective cathodic protection system, has functioned as permitted. The failure of cathodic protections and the extreme conditions under which this pipeline operates (including its elevation profile and high temperatures) is not just a blip that can be papered over with a package of monitoring and integrity management measures. It is a fundamental design flaw in the pipeline system that poses significant environmental risks that have never before been assessed by the County (and state agencies) under the California Environmental Quality Act.

c. The Compliance Plans and Safety Audit Are Not Yet Complete

Sable Lacks Approved Oil Spill Contingency Plans — a Vital Component of Ownership and Operation of a Post-Spill Restart. Sable has not fulfilled the conditions required for the transfer of permits from Exxon. Notably, it does not have an approved Oil Spill Contingency Plan, which is crucial for an effective response to any potential spills. Section 25B-10 (a)(6) requires a finding that the owner/operator have updated and approved compliance plans, and this includes an oil spill contingency plan. On information and belief, the Office of Oil Spill Prevention and Response has not approved Sable's oil spill contingency plan for its onshore facilities, and it is currently under review with the agency. Further, the offshore Oil Spill Contingency Plan is also unapproved, which must be resubmitted to the regulator, but Sable has yet to do so.

The Staff Report makes consistency findings for compliance plans, relying on the owner/operator's promise to revise all plans and obtain approval within six months after assuming operations. This consistency determination is arbitrary and particularly important here, where the pipeline is aged beyond its initial approved lifespan, has spilled previously, and cannot operate in compliance with state and federal cathodic protection safety rules.

The County must pause and ensure that Sable can meet the rigors of oil spill response before the Change of Ownership is approved. The County should have learned from past lessons that operator response to an oil spill is a key component of preventing environmental damage. The

2015 oil spill became all the more catastrophic when Plains All American, the former owner, failed to adequately respond to warnings that there was a problem. Human error and malfeasance will always remain a risk but at the very least adequate plans must be carefully scrutinized, approved, and in place prior to restart.

It would be arbitrary and an abuse of discretion for the County to simply rely on Sable's promise to have such plans in place and allow it to restart oil production, processing, and transportation from the SYU without an approved Oil Spill Contingency Plan for either the onshore or offshore operations.

The Safety Audit Requirement Is Unmet. The County should verify the Safety Audit from Cal Fire and not eschew its responsibility to make sure that the SYU can pass a Safety Audit. The Staff Report notes that the requirements of the Safety Audit for the pipeline system are satisfied because of its lack of jurisdiction under a 1988 settlement agreement between the County and Celeron Pipeline. This finding, however, is arbitrary because even if the County does not itself conduct the Safety Audit, the County can and must verify that Cal Fire conducts and approves of a Safety Audit *before* the County makes its consistency determination. Additionally, Cal Fire safety audits from 2018 to 2023 are not helpful because the facilities were out-of-service during that period. The planned restart warrants a contemporaneous safety audit. Furthermore, the conclusions of Cal Fire and OSPR regarding pipeline safety and spill and rupture risk should be reviewed for the County for consistency with its own permit conditions, laws, and regulations and should be reviewed under CEQA as discussed below.

IV. The County Must Prepare an Environmental Impact Report Under CEQA

As an initial matter, we disagree with the County's determination that the change of ownership, operator, or guarantor is "not a project" under CEQA Guidelines 15378(b)(5), which exempts "[o]rganizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment," is fundamentally flawed. Here, the change of owner and operator from one corporation to another is not such an activity and is also inextricably intertwined with the restart of offshore oil and gas production, petroleum transportation, and processing facilities, as well as associated construction, repair, refurbishment, and workforce mobilization. Sable's plans to restart operations after more than nine years of inactivity through this transfer of permits will cause significant direct and indirect physical changes in the environment and must be assessed under CEQA. This is a project under CEQA and there is no applicable exemption.

Furthermore, the County must examine the entire restart in an EIR. Restarting oil and gas activity from the SYU including use of the onshore pipeline system that ruptured and requires a waiver from otherwise required safety regulations and numerous modifications risks oil spills and other environmental harms that must be analyzed under CEQA. A restart of these operations, including transporting oil through a pipeline system that was designed to fail and has failed, threatens public safety, our beaches, waterways, air quality, wildlife, Tribal cultural resources, human health, ecosystems, and coastal economy and is contrary to California's commitment to transition away from fossil fuels. Restart would only prolong a project that should have already ceased by its own projections. As noted above, the 1985 EIR/EIS for the onshore pipelines only

specified a "projected 30-year life of the project" [55] and production estimates have already been exceeded,[56] thus extending production by attempting to modify a failed pipeline system that cannot function as designed and previously permitted should be considered a new project or at a minimum a modification and expansion of an existing project, particularly in light of the disastrous failure of the onshore pipeline system.

The Santa Barbara County Planning & Development Department noted recently that the baseline conditions for the proposed (then abandoned) 901/903 Replacement Pipeline are that of a non-operational pipeline, stating that "baseline conditions evaluated in the Draft EIR/EIS were changed to the conditions that existed on the ground at the time the 2019 NOP and NOIs were released, which is, and continues to be, a non-operational pipeline."[57] The existing baseline conditions are a failed, non-operational pipeline system and associated operations, and any restart of Lines 901/903, Las Flores Canyon and POPCO processing facilities, and the offshore infrastructure constitutes at a minimum an expansion of activity.

In addition to constituting an expansion of production as compared to its expected life and as compared to its long-term non-operational status, Sable has also indicated to investors that the restart of the SYU and resumption of drilling from the three offshore platforms would lead to the expansion of wells on their leases on the outer-continental shelf, which would presumably result in a greater volume of oil flowing though the 40-year old failed pipelines than previously anticipated.[58] While it is unclear how Sable substantiates its claims or how reliable they are, Sable has stated that it had identified more than 100 "infill development and step-out opportunities across the leasefield," relying on technology developed by Exxon to create "extended reach well[s]" that "increase the ability to produce more oil from existing facilities."[59]

In 2015, corrosion and failure of this pipeline system caused one of the most disastrous oil spills in California history; since then, the pipeline has sat idle—from the coast of Santa Barbara County to Kern County—as have the associated onshore facilities, offshore pipelines, and outer continental shelf platforms and other infrastructure. While the owners and operators once pursued a replacement pipeline, they are now hastily attempting to restart the failed pipeline system. As detailed in our September 24, 2024 letter to the State Lands Commission, Santa Barabara County, and CAL FIRE (attached), they are out of compliance with several of the original Conditions of Approval due to the failure of the pipeline system's design, the catastrophic spill, and the many modifications (including a state waiver of existing pipeline safety regulations) needed to restart the failed onshore system. There is no way to remediate this

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[55] California State Lands Commission & Bureau of Land Management, Draft Environmental Impact Report/ Environmental Impact Statement ("1985 EIR/EIS") for the Celeron/All American and Getty Pipeline Projects (Aug. 1984), at 2-35.

[56] Compare Development and Production Plan cited above to BSEE, Sable Offshore Corp.: Platforms Operated by Sable Offshore Corp., https://www.bsee.gov/stats-facts/ocsregions/pacific/pacific-ocs-platforms/exxonmobil.

[58] Sable Offshore Group, Investor Presentation, May 2024, *Available at* https://s202.q4cdn.com/300304768/files/doc_presentation/2024/05/Sable-Offshore-Corp-Investor-Presentation_May-2024.pdf

[59] *Id.*

pipeline system to an "as new" status or one that is as protective as would have been ensured by truly effective cathodic protections. Along with public safety and ongoing pipeline corrosion and integrity risks, a few of the harms that must be analyzed in a new CEQA review of the modified pipeline system are described below.

Oil spills are an inevitable consequence of oil production, including pipeline transportation. A recent analysis by Sable indicates that a worst-case spill from the failed onshore pipeline system could be 41,899 barrels of oil or *over 1.7 million gallons*.[60] Reports indicate the Santa Ynez Unit platforms are corroded, increasing chances of a potential spill.[61] The three platforms —Platform Harmony, Platform Hondo, and Platform Heritage— were installed in 1989, 1976, and 1989, respectively.[62] Records from the federal government show that they had widespread corrosion and gas leaks requiring emergency responses before they were shutdown following the 2015 Refugio oil spill.[63] Federal officials who inspected Platform Hondo on May 1, 2015 found "numerous corrosion issues" and components out of compliance. Just three weeks before that, they also found corrosion, five failed gas detectors, and "leakage rates higher than the maximum allowable" on that platform's Well H-12U.[64] Platforms Hondo, Heritage, and Harmony had early-2015 gas leaks that required their crews to gather for safety reasons, including an incident on Platform Heritage at 10:29 a.m. on May 19.[65] Platform Hondo also had a gas leak on April 27, 2015, and Platform Harmony had one on March 29 of that year. A federal inspection of Harmony on Aug. 27, 2015, found "corrosion issues throughout the platform" and "electrical issues throughout the platform."[66]

The offshore pipelines on the leases here are also old and are more vulnerable than onshore pipelines to incidents. Specifically, exposure to wave action can alter the pipeline stability, causing gradual displacement, especially in small diameter pipelines.[67] Aging poses risks of corrosion, erosion and fatigue stress to subsea pipelines.[68] Subsea pipeline corrosion accelerates over time,[69] and can act synergistically with fatigue stress to increase the rate of crack propagation.[70] Marine environments are especially known to produce significant corrosion on

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[60] Sable Offshore Corp., Pacific Pipeline Company Integrated Contingency Plan Las Flores Canyon Core Plan (Apr. 2024) at 14-4.
[61] Tyler Hayden, Inspection Reports Detail Corrosion, Leaks on Exxon Platforms, Santa Barbara Independent (May 24, 2019), https://www.independent.com/2019/05/24/corrosion-and-leaks-on-exxons-santa-barbara-platforms%E2%80%A8/.
[62] BOEM, Pacific OCS Map, https://www.boem.gov/sites/default/files/documents/newsroom/POCSR-Map.pdf.
[63] BSEE, Offshore Accident Reports, https://www.biologicaldiversity.org/campaigns/Refugio_oil_spill/pdfs/exxonmobile-offshore-accident-reports.pdf.
[64] *Id*.
[65] *Id*.
[66] *Id.*
[67] U.S. Department of Transportation: Federal Highway Administration. Impacts of Climate Change and Variability on Transportation Systems and Infrastructure: The Gulf Coast Study, Phase 2 (2015).
[68] Petroleum Safety Authority (PSA) Norway, Material Risk – Ageing offshore installations (2006).
[69] Mohd, M.H. and J.K. Paik, Investigation of the corrosion progress characteristics offshore oil well tubes, 67 Corrosion Science 130-141 (2013).
[70] PSA Norway 2006.

steel surfaces, and when a steel structure is at or beyond its elastic limit, the rate of corrosion increases 10 to 15 percent.[71] One offshore pipeline study found that after 20 years the annual probability of pipeline failure increases rapidly, with values in the range of 0.1 to 1.0, which equates to a probability of failure of 10 to 100 percent per year.[72]

Oil spills harm wildlife, including threatened and endangered species. When the pipeline ruptured in 2015, it killed an estimated 558 birds, 232 marine mammals and harmed 1,500 acres of shoreline and 2,200 acres of marine subtidal habitat.[73] "The crude oil that entered the ocean posed a significant risk to and injured marine plants and wildlife, including seagrasses, kelp, invertebrates, fish, birds, and mammals."[74] Oil spills have a wide array of lethal and sublethal impacts on marine species, both immediate and long-term.[75] Direct impacts to wildlife from exposure to oil include behavioral alteration, suppressed growth, induced or inhibited enzyme systems, reduced immunity to disease and parasites, lesions, tainted flesh, and chronic mortality.[76] Oil can also exert indirect effects on wildlife through reduction of key prey species.[77] Oil destroys the water-proofing and insulating properties of feathers and fur of birds and mammals, respectively, thereby compromising their buoyancy and ability to thermoregulate.[78] California's endangered species—sea otters, whales, western snowy plovers, to name a few—are susceptible to harm from oil spills.

Pollution from routine operations also dirty the air and water. The SYU operation, including platforms, pipelines and processing facilities create air pollution, including carcinogens and endocrine disruptors, that threaten human health. Even without the Santa Ynez Unit operating, Santa Barbara is already in non-attainment for California's standards for ozone and particulate matter (PM10).[79] When they were operational, ExxonMobil's Santa Ynez Unit was the largest source of pollution in Santa Barbara County for carbon dioxide, methane, volatile organic compounds, $PM_{2.5}$, and formaldehyde. Volatile organic compounds (VOCs) emitted during oil production include the "BTEX compounds" — benzene, toluene, ethyl benzene and xylene —

[71] Mohd and J.K. Paik 2013; A. Igor, R.E. Melchers, Pitting corrosion in pipeline steel weld zones, 53:12 Corros. Sci. 4026–4032 (2011); R.E. Melchers, M. Ahammed, R. Jeffrey, G. Simundic, Statistical characterization of surfaces of corroded steel plates, 23 Mar. Struct. 274–287 (2010).
[72] Bea, R., C. Smith, B. Smith, J. Rosenmoeller, T. Beuker, and B. Brown, Real-time Reliability Assessment & Management of Marine Pipelines. 21st International Conference on Offshore Mechanics & Arctic Engineering (2002).
[73] California Department of Fish and Wildlife et al., Refugio Beach Oil Spill Final Damage Assessment and Restoration Plan/Environmental Assessment (June 2021).
[74] *Id*.
[75] National Academies of Sciences, Engineering, and Medicine, Oil in the Sea IV: Inputs, Fates, and Effects (2022); Venn-Watson, S. *et al.* Adrenal Gland and Lung Lesions in Gulf of Mexico Common Bottlenose Dolphins (Tursiops truncatus) Found Dead following the Deepwater Horizon Oil Spill. PLoS ONE 10, e0126538 (2015).
[76] Holdway, D. A, The acute and chronic effects of wastes associated with offshore oil and gas production on temperate and tropical marine ecological processes, 44 Marine Pollution Bulletin 185-203 (2002).
[77] Peterson, Charles, et al., Long-term ecosystem response to the Exxon Valdez oil spill, 302 Science 2082 (2003).
[78] Jenssen, B. M. 1994. Review Article: Effects of oil pollution, chemically treated oil, and cleaning on the thermal balance of birds 86 Environmental Pollution 207-215 (1994); Peterson et al. 2003.
[79] *See* https://www.ourair.org/air-quality-standards/.

which Congress has listed as Hazardous Air Pollutants.[80] Many of these VOCs are associated with serious short-term and long-term effects to the respiratory, nervous or circulatory systems.[81] Additionally, VOCs create ground-level ozone, or smog, which can contribute to asthma, premature death, stroke, heart attack and low birth weight.[82] Recent research highlights the strong link between fine particulate matter emissions from burning fossil fuels and serious illness and premature death.[83] Notably, before it shut down in 2015, the Santa Ynez Unit was Santa Barbara County's largest facility source of greenhouse gas emissions.[84] It contributed 55 percent of Santa Barbara County's total emissions.[85] The restart of the Santa Ynez Unit will contribute to the climate crisis and its concomitant damages to California — ranging from sea level rise and severe weather to public health and infrastructure damage. The lease assignment, extensions and restart of the SYU will cause exceedances of national ambient air quality standards.

Restarting the SYU will pollute the water from routine operations. Offshore oil and gas platforms discharge produced water. Produced water contains several chemicals that are toxic to aquatic life. These compounds include dispersed oils, aromatic hydrocarbons and alkylphenols, heavy metals, biocides, corrosion inhibitors, emulsion breakers, coagulants, oxygen scavengers, and naturally occurring radioactive materials.[86] The most common metals in produced water are arsenic, cadmium, copper, chromium, lead, mercury, nickel, and zinc.[87] Several compounds in produced water are known to have negative biological effects.[88] Studies of chronic exposure of the blue mussel (*Mytilus edulis,* a common biomarker) to produced water have shown DNA damages within 1 km of the outfalls.[89]

Although currently enjoined pending a court-ordered environmental review, well stimulation treatments were planned for the SYU, which would contaminate produced water with additional

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[80] 42 U.S.C. § 7412(b).
[81] Colborn, T. et al. Natural gas operations from a public health perspective, 17 Human and Ecological Risk Assessment 1039- 1056 (2011).
[82] Jerrett, M. et al. Long-term ozone exposure and mortality, 360 N Engl J Med 1085-1095 (2009).
[83] *See, e.g.*, Vohra, Karn et al., *Global mortality from outdoor fine particle pollution generated by fossil fuel combustion*, 195 Environmental Research (Apr. 2021).
[84] U.S. Environmental Protection Agency, 2014 Greenhouse Gas Emissions from Large Facilities, https://ghgdata.epa.gov/
[85] *Id*.
[86] Neff, J., K. Lee, and E. M. DeBlois. Produced water: overview of composition, fates, and effects, Produced water 3-54 (2011).
[87] Bakke, T., J. Klungsøyr, and S. Sanni, Environmental impacts of produced water and drilling waste discharges from the Norwegian offshore petroleum industry, 92 Marine Environmental Research 154–169 (2013).
[88] See e.g., Meier, S., H. Craig Morton, G. Nyhammer, B. E. Grøsvik, V. Makhotin, A. Geffen, S. Boitsov, K. A. Kvestad, A. Bohne-Kjersem, A. Goksøyr, A. Folkvord, J. Klungsøyr, and A. Svardal, Development of Atlantic cod (Gadus morhua) exposed to produced water during early life stages: Effects on embryos, larvae, and juvenile fish, 70 Marine Environmental Research 383–394 (2010).; Tollefsen, K. E., R. C. Sundt, J. Beyer, S. Meier, and K. Hylland, Endocrine modulation in Atlantic cod (Gadus morhua L.) exposed to alkylphenols, polyaromatic hydrocarbons, produced water, and dispersed oil, 74 Journal of Toxicology and Environmental Health, Part A 529–542 (2011).
[89] Brooks, S., C. Harman, B. Zaldibar, U. Izagirre, T. Glette, and I. Marigómez, Integrated biomarker assessment of the effects exerted by treated produced water from an onshore natural gas processing plant in the North Sea on the mussel Mytilus edulis, 62 Marine pollution bulletin 327–339 (2011).

toxic chemicals. For example, scientific research has indicated that the chemicals used in acidizing are F-graded hazardous chemicals—carcinogens, mutagens, reproductive toxins, developmental toxins, endocrine disruptors or high acute toxicity chemicals.[90]

SYU is located in sensitive habitat and affects special status wildlife. A 2018 report identified 41 special-status plant species, two natural communities of special concern, and 43 special status wildlife species along the pipeline route.[91] This includes the San Joaquin kit fox,[92] the Gaviota tarplant, monarch butterfly, the endangered tidewater goby, the endangered southern California steelhead,[93] the threatened California red-legged frog, the California tiger salamander,[94] the coast range newt, the western pond turtle, California fully protected blunt-nosed leopard lizard, and the silvery legless lizard. Originally the report was prepared for the now-abandoned pipeline replacement project, yet the same habitats and wildlife are threatened by Sable's pipeline restart and operational activities.

SYU operations including the onshore pipelines also threaten cultural resources and the Chumash National Marine Sanctuary. Ocean waters in and around the Santa Barbara Channel protect ancient Chumash villages that lay under the ocean on the submerged lands of San Luis Obispo and Santa Barbara Counties. Since time immemorial, the humpback whale has played an important role in the culture and lifeways of Chumash maritime tribes, bands, and clans. Chumash people continue to have a strong cultural and spiritual interest in the protection of the species. Some Chumash people navigate on tomols (Chumash plank canoes) and by other means and encountering humpback whales is essential to their connection with their ancestors and provides them with a spiritual echo through time and connection to the planet as they traverse between the Channel Islands (the origin of the Chumash Peoples) and the mainland. Healthy populations of humpback are thus essential to sacred Chumash journeys between their traditional territories. The Project may threaten sacred lands and wildlife that sustain Chumash culture, religious practices, and lifeways.

The County must also consider that in October 2024, the federal government designated the area encompassing the Gaviota Coast as part of the Chumash Heritage National Marine Sanctuary. This area is adjacent to the SYU processing facilities and pipeline system at issue here, and will likely be impacted by pollution and oil spills. The offshore pipeline connecting the onshore processing facilities run through the new sanctuary. The Sanctuary prohibits new offshore oil and gas production; and although there's an exemption for pre-existing leases, the designation

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[90] Abdullah, Khadeeja, Timothy Malloy, Michael K. Stenstrom & I. H. (Mel) Suffet., Toxicity of acidization fluids used in California oil exploration, Toxicological & Environmental Chemistry (2016).
[91] SCS Tracer Environmental, Line 901 & Line 903 Full Replacement Project Biological Resources Assessment (Jan. 2018).
[92] U.S. Fish & Wildlife Serv., Species Status Assessment Report for the San Joaquin Kit Fox (*Vulpes macrotis mutica*) (2020), https://ecos.fws.gov/ServCat/DownloadFile/185116.
[93] Katz, Jacob *et al.*, Impending extinction of salmon, steelhead, and trout (Salmonidae) in California, 96 Envt'l Biol. Fishes 1169 (2013).
[94] U.S. Fish & Wildlife Serv., California Tiger Salamander Santa Barbara County DPS 5 Year Review (July 2022) https://ecos.fws.gov/docs/tess/species_nonpublish/3762.pdf.

demonstrates "the national significance of the area's ecological, historical, archeological, and cultural resources."[95]

In summary, the environmental impacts associated with the SYU project are significant and multifaceted. The potential for oil spills, public safety impacts, air and water pollution, and the disturbance of Chumash cultural resources among other impacts necessitates a comprehensive EIR under CEQA to inform the County's decisions. Given the controversy surrounding the SYU restart and the sensitive nature of the affected areas, it is imperative that the County conducts a detailed analysis with full public transparency and participation.

V. Conclusion.

In conclusion, the County must prioritize transparency, legal compliance, and environmental safety before approving the transfer of (and resumption of operations from) these onshore oil and gas pipelines and facilities. The County should ensure that all relevant documents are made publicly available, that a thorough CEQA review is conducted before restart of SYU operations is authorized, and that the County scrutinizes Sable's ability to fully comply with all permit terms and conditions, financial assurance requirements, and other applicable laws before the permits are transferred and operations are allowed to resume. Only through these steps can the County make an informed and responsible decision that safeguards coastal resources and communities.

We strongly recommend that the Planning Commission deny Sable's application, if it chooses to proceed at this time. Protecting our environment and ensuring the safety of our community must be top priorities

Sincerely,

Julie Teel Simmonds, Senior Counsel
jtsimmonds@biologicaldiversity.org

Miyoko Sakashita, Senior Counsel
miyoko@biologicaldiversity.org

cc: Jim Hosler, Chief /Assistant Deputy Director, CAL FIRE
Jim.Hosler@fire.ca.gov

[95] NOAA, Chumash Heritage National Marine Sanctuary, 89 Fed. Reg. 23607 (Oct. 16, 2024).

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U.S. SECURITIES AND EXCHANGE COMMISSION

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): October 23, 2025

Sable Offshore Corp.

(Exact name of registrant as specified in its charter)

Delaware	**001-40111**	**85-3514078**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

845 Texas Avenue, Suite 2920 **Houston, TX**		**Houston, TX 77002**
(Address of principal executive offices)		(Zip code)

(713) 579-6161
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $.0001	SOC	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.
Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01 Regulation FD Disclosure.

On October 23, 2025, Sable Offshore Corp. (the "Company" or "Sable") issued a press release announcing its response to the California Office of the State Fire Marshal ("OSFM"). A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Additionally, a copy of the letter received from OSFM and the response letter issued by Sable are attached hereto as Exhibit 99.2 and 99.3, respectively, and are incorporated herein by reference.

The information contained in this 8-K is summary information that is intended to be considered in the context of the Company's Securities and Exchange Commission filings and other public announcements. The Company undertakes no duty or obligation to publicly update or revise this information, although it may do so from time to time.

The information furnished pursuant to this Item 7.01, including Exhibits 99.1, 99.2, and 99.3, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference in any filing made by the Company under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

Exhibit No.	Description
99.1	Press Release of Sable Offshore Corp., dated October 23, 2025, Sable Offshore Corp. Responds to the California Office of the State Fire Marshal.
99.2	OSFM Letter to Sable, dated October 22, 2025.
99.3	Sable Letter to OSFM, dated October 23, 2025.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Sable Offshore Corp.

Date: October 24, 2025

By: /s/ Gregory D. Patrinely

Name: Gregory D. Patrinely

Title: Executive Vice President and Chief Financial Officer

Exhibit 99.1

Sable Offshore Corp. Responds to the California Office of the State Fire Marshal

Houston, TX – Sable Offshore Corp. ("Sable" or the "Company") (NYSE: SOC) today delivered a letter to the California Office of the State Fire Marshal ("OSFM") in response to its October 22, 2025 letter to Sable alleging deficiencies in the Company's compliance with State Waivers. Sable strongly disagrees with the allegations, which are inconsistent with the plain language of the waivers and numerous past discussions with OSFM experts that confirm Sable is in full compliance with the waivers. Sable plans to supplement this initial response and looks forward to quickly resolving this misunderstanding with OSFM.

OSFM's October 22, 2025 letter and Sable's initial response are attached to this press release.

About Sable

Sable Offshore Corp. is an independent oil and gas company, headquartered in Houston, Texas, focused on responsibly developing the Santa Ynez Unit in federal waters offshore California. The Sable team has extensive experience safely operating in California.

Forward-Looking Statements

The information in this press release include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "could," "should," "will," "may," "believe," "anticipate," "intend," "estimate," "expect," "project," "continue," "plan," "forecast," "predict," "potential," "future," "outlook," and "target," the negative of such terms and other similar expressions are intended to identify forward- looking statements, although not all forward-looking statements will contain such identifying words. These statements are based on the current beliefs and expectations of Sable's management and are subject to significant risks and uncertainties. Actual results may differ materially from those described in the forward-looking statements. Factors that could cause Sable's actual results to differ materially from those described in the forward-looking statements include: the ability to recommence sales from the Santa Ynez Unit assets and the cost and time required therefor; global economic conditions and inflation; increased operating costs; lack of availability of drilling and production equipment, supplies, services and qualified personnel; geographical concentration of operations; environmental and weather risks; regulatory changes and uncertainties; litigation, complaints and/or adverse publicity; privacy and data protection laws, privacy or data breaches, or loss of data; our ability to comply with laws and regulations applicable to our business; and other one-time events and other factors that can be found in Sable's Annual Report on Form 10-K for the year ended December 31, 2024, and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K, which are filed with the Securities and Exchange Commission and are available on Sable's website (www.sableoffshore.com) and on the Securities and Exchange Commission's website (www.sec.gov). Except as required by applicable law, Sable undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect the impact of events or circumstances that may arise after the date of this press release.

Disclaimers

The Santa Ynez Unit assets discussed in this press release restarted production in May 2025 and have not sold commercial quantities of hydrocarbons since such Santa Ynez Unit assets were shut in during June of 2015 when the only onshore pipeline transporting hydrocarbons produced from such Santa Ynez Unit assets to market ceased transportation. Since the May 2025 production restart, the oil produced has been transported via pipeline to storage tanks onshore at Sable's Las Flores Canyon processing facility where it is being stored pending restart of the Las Flores Pipeline System. There can be no assurance that the necessary approvals will be obtained that would allow the Las Flores Pipeline System to recommence transportation or the contemplated use of an Offshore Storage and Treating Vessel that would allow the Santa Ynez Unit assets to recommence sales.

Contacts

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713-579-8111

DEPARTMENT OF FORESTRY AND FIRE PROTECTION
OFFICE OF THE STATE FIRE MARSHAL
P.O. Box 944246
Sacramento, California 94244-2460
(916) 568-3800
Website: www.fire.ca.gov

October 22, 2025

Lance Yearwood
Vice President
Sable Offshore Corp
845 Texas Avenue, Suite 2920
Houston, Texas 77002

SUBJECT: STATE WAIVER REQUIREMENTS PRIOR TO RESTART OF LINES CA-324 AND CA-325A/B

Dear Mr. Yearwood,

On December 17, 2024, the CAL FIRE - Office of the State Fire Marshal (OSFM) issued State Waivers for the above captioned pipelines. The Pipeline and Hazardous Materials Safety Administration (PHMSA) issued the concurrence with the terms of the State Waivers on February 11, 2025. Those State Waivers were issued in accordance with the terms of the Consent Decree (CD) between Plains Pipeline, L.P. and the United States of America and the People of the State of California, DOJ Case REF. NO. 90-5-1-1-1130 (Appendix B, Article 1.1.D).

Sable sought the State Waivers to manage the risk of corrosion under insulation that may occur as a result of inadequate cathodic protection (CP) due to the shielding effects of the polyurethane foam and the polyethylene tape wrap surrounding the pipelines. It is critical to stress that a State Waiver prescribes alternative measures that provide an equal or greater level of safety than the required regulation. The OSFM granted the State Waivers on the condition that Sable complies with the specific requirements contained therein.

On September 11, 2025, Sable submitted a restart plan to OSFM for review and approval. OSFM's review of the restart plan is ongoing. During this process, OSFM identified a requirement of the State Waivers that has not yet been met and that Sable must complete prior to any potential restart. Pursuant to item 9 in the State Waivers, Sable must repair all immediate and 180-day repair conditions prior to restart. Those conditions are further clarified in the sections titled "Immediate Repair Conditions" and "180-Day Repair Conditions." Most pertinent here is the 180-day repair condition language (see Condition 35 in the CA-324 State Waiver and Condition 36 in the CA-325A/B State Waiver) that includes "anomalies that have an ILI reported depth of 40% or greater wall loss, including tool sizing tolerance for depth." Footnotes 7 and 9 further

clarify that remediation means "a permanent repair method." The State Waivers require all such anomalies to be remediated, including tool tolerance. According to OSFM records, Sable has not satisfied this condition in the State Waivers.

The above findings alone and the inconsistencies with the State Waiver requirements prevent restart under the law. The OSFM continues to review the restart plan submitted by Sable in September, and while OSFM is providing this initial notification of deficiency to Sable regarding the State Waiver requirements, OSFM may have further comment or requirements arising out of that review.

Sincerely,

DANIEL BERLANT
State Fire Marshal

cc: James Hosler, OSFM, Assistant Deputy Director
Alin Podoreanu, OSFM, Supervising Pipeline Safety Engineer
Joshua Cleaver, CAL FIRE, Staff Counsel

SABLE OFFSHORE CORP.

October 23, 2025

Mr. Daniel Berlant
Office of the State Fire Marshal
California Department of Forestry and Fire Protection
PO Box 944246
Sacramento, CA 94244-2460

RE: Response to October 22, 2025 OSFM Letter re CA-324 and CA-325A/B

Dear Mr. Berlant,

Sable Offshore Corp. (Sable) provides this response to the California Office of the State Fire Marshal's (OSFM's) letter dated October 22, 2025. OSFM asserts that Sable has not satisfied Condition 9 of the February 11, 2025 State Waivers.

OSFM conclusions are in error, ignore the remainder of the Waivers and are inconsistent with numerous discussions between OSFM and Sable.

Condition 9 provides:

> All immediate and 180-day repair conditions that are listed in this state waiver must be evaluated and remediated prior to restarting CA-325A/B. Sable must utilize Ultrasonic Thickness Wall Measurement (UTWM) and Ultrasonic Shear Wave Crack Detection (USCD) in-line inspection (ILI) tools within seven (7) days of achieving initial steady state operation in accordance with an ILI survey schedule approved by the OSFM. Sable must utilize the most recent Ultrasonic Thickness Wall Measurement (UTWM) and Ultrasonic Shear Wave Crack Detection (USCD) in-line inspection (ILI) results when identifying these repair conditions (emphasis added).[1]

Despite the imprecise language used in the first sentence of Condition 9, it is readily apparent when considering the full text of Condition 9 and the rest of the State Waivers that immediate and 180-day repair conditions that are "listed in this state waiver" are only those which were identified through the UTWM and USCD ILI runs prescribed in Condition 9. As expressly stated in Condition 9, these ILI runs only will (or could) occur

[1] See also Condition 9 of the State Waiver for CA-324.

after restart, which is a necessary precursor to achieving the requirement of "within 7 days of achieving initial steady state operation." Further, under the last sentence of Condition 9, Sable is required to use only the "most recent" ILI runs as prescribed in Condition 9 (specifically not older runs) when identifying the "repair conditions" referenced in the first sentence. By definition, conditions from pre-waiver ILI runs cannot constitute repair conditions "listed in this state waiver".

Pre-waiver anomalies and the ILIs used to detect them are separately and independently subject to the Consent Decree's Integrity Management Requirements at Appendix B, Article I, Section 4.A.1.a, which requires remediation of "all internal or external metal loss anomalies that have an ILI reported depth of 40% or greater wall loss, within one year of discovery." Tool tolerance is not a part of these requirements. As it was required to do by law, Sable complied in good faith with the repair criteria in the Consent Decree when actioning the results of ILI runs performed before the State Waivers were issued.

Further, the State Waivers consistently use the present or future tense in each of the assessment and repair-related conditions. For example, in Condition 19, the State Waivers require Sable to provide a 90-day advance notification to OSFM detailing several specifications of an ILI it intends to perform pursuant to Conditions 21 – 23, and which (per Condition 30) are to be used to "discover" repair conditions listed in Conditions 31-37 of the State Waivers. In Condition 26, the State Waivers provide that "Sable must require its ILI tool vendor(s) to include in the vendor's inspection report all metal loss indications of 10% or greater … prior to adding in any correction for tool tolerance." And in Condition 27, the State Waivers provide that "Sable must incorporate ILI tool accuracy by ensuring that each ILI tool service provider determines the tolerance of each tool, in accordance with API Standard 1163 Second Edition and includes that tolerance in determining the size of each indication reported to Sable."

There is nothing in the text of any of these conditions that suggests that the requirements *retroactively* apply to ILIs performed *prior* to the issuance of the State Waivers. Rather, they indicate that the requirements to account for tool tolerance in discovering an immediate or 180-day repair condition listed in the State Waivers are *prospective* in nature, attaching only to ILIs conducted and repair conditions discovered after the Waivers were issued and pursuant to the protocols and inspection timelines proscribed in the Waivers – which apply ***after restart***.

Additionally, Footnote 10 of the State Waivers states as follows: "For example, if the ILI tool reports a 31% metal loss anomaly and the tool sizing tolerance is ±10 for depth, then this anomaly is a 180-day repair condition since it can be considered as an external metal loss anomaly with 41% metal loss depth. If Sable is unable to remediate such indications within 180 days of discovery, Sable must notify the OSFM, **temporarily reduce the operating pressure**, and take further remedial action in accordance with 49 C.F.R. §195.452 until the indication is remediated or **until otherwise authorized by OSFM.**" This footnote is consistent with the understanding articulated above that the State

Wavier conditions are *prospective* and apply after restart has occurred. Specifically, unless the restart has occurred, it would be impossible for Sable to "temporarily reduce the operating pressure" as required by Footnote 10.

In addition to this background on the content of the State Waivers and the Consent Decree, I have been personally involved in numerous discussions with OSFM personnel concerning restart and the application of Condition 9. In those discussions, OSFM personnel have consistently and repeatedly confirmed to Sable that the requirements of Condition 9 apply prospectively after restart has commenced – and that the State Waiver requirements are distinct from the requirements in the Consent Decree applicable to the anomaly repair program Sable already has conducted.

More specifically, in July 2024, OSFM's Tuan Tran confirmed to Sable that it should continue its ongoing anomaly repair program (which began in May 2024—long before the State Waivers were issued by OSFM or became effective) consistent with federal law, applicable regulations, and the Consent Decree. As part of that discussion, OSFM further confirmed that Sable's ongoing anomaly repair program would not be affected by any conditions adopted as part of the State Waivers, and that Sable would not be required to perform additional maintenance activities on already-completed anomaly repairs to comply with any alternate standards imposed by the State Waivers. In discussions with OSFM's Tuan Tran and Alin Podreanu on August 5, 2024, Sable confirmed the scope of its ongoing repair program and intention to continue repairing identified anomalies with 40% metal loss or greater, consistent with the Consent Decree. The OSFM representatives did not indicate that the Consent Decree's 40% metal loss threshold should include an allowance for tool tolerance.

After the State Waivers were issued, Sable repeatedly confirmed to OSFM that it had repaired anomalies with 40% or greater metal loss, and OSFM never required tool tolerance be considered. For example, in a presentation shared with OSFM in advance of hydrotesting Line CA-325 in March 2025, Sable confirmed that "[a]ll metal loss anomalies [on Lines CA-324 and CA-324] that have an ILI reported depth of 40% and greater wall loss" were repaired. As part of the same discussions, during a meeting with OSFM on March 12, 2025, OSFM asked Sable about the tool sizing tolerances used during the inspections that took place in 2023, which generated the metal loss rates used to determine which anomalies were repaired by Sable. OSFM also identified several "State Waiver Remediation Conditions" that were intended to be "[r]equirements prior to hydrotest … and restart." OSFM specifically asked whether Sable's anomaly repair threshold accommodated for tool sizing tolerance, consistent with Footnote 10. Sable explained its understanding (based on the 2024 discussions with OSFM described above) that OSFM intended the State Waiver Conditions to apply on a prospective basis after restart, such that Sable would not be required to modify its repair methodology or perform any additional repairs to account for tool tolerance prior to restart. OSFM concurred with Sable's understanding and approved proceeding with the hydrotests.

On May 19, 2025, Sable once again reconfirmed to OSFM that it had repaired all anomalies of 40% or greater metal loss as of May 18, 2025. As part of those discussions, OSFM did not assert that a tool sizing tolerance should have been considered. And, during Sable's recent August 12-14, 2025, Operations and Maintenance inspection with OSFM, which were attended by Assistant Deputy Director Hosler and at least five additional OSFM engineers, Sable again confirmed with OSFM that the State Waivers' tool tolerance condition was intended to apply prospectively—after restart occurs—given the successful spike and 8-hour hydrotests on the Pipelines. At this meeting, OSFM again agreed with Sable's understanding, and there was consensus among Sable and OSFM that the successful spike and 8-hour hydrotest was more than sufficient to confirm the integrity of the line and account for any possible tool tolerance from the 2022-23 ILI runs.

Based on this history, and the consistent interpretation of the State Waiver Conditions by OSFM experts and personnel, we believe that OSFM's letter contains a misunderstanding of the Conditions and how OSFM has consistently interpreted and applied them.

Conclusion

CA-324 and CA-325 A/B have received an extraordinary level of assessment, testing and repair – far beyond what industry standards require. That heightened assessment repair will continue after restart, with ILI runs and even more conservative repair criteria. To the extent that anomalies remain, Sable will address them pursuant to the terms of the State Waivers. Sable understands and respects OSFM's focus on pipeline safety, and that safety is of Sable's utmost concern. The correct interpretation of the State Waivers – with prospective application of anomaly repair requirements - ensures pipeline safety and that all conditions are remediated within 180 days of resuming oil transportation.

We respectfully request that, given this background, you coordinate further with the expert team at OSFM and revisit the statements in your October 22nd letter. We would be happy to discuss these issues with you further and look forward to the successful and prompt restart of CA-324 and CA-325 A/B.

Sincerely,

B. Lance Yearwood
Vice President, Pacific Pipeline Company
Sable Offshore Corp.

cc: James Hosler, OSFM, Assistant Deputy Director
Alin Podoreanu, OSFM, Supervising Pipeline Safety Engineer
Joshua Cleaver, CAL FIRE, Staff Counsel

U.S. SECURITIES AND EXCHANGE COMMISSION

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): **September 29, 2025**

Sable Offshore Corp.

(Exact name of registrant as specified in its charter)

Delaware	**001-40111**	**85-3514078**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

845 Texas Avenue, Suite 2920 **Houston, TX**		**Houston, TX 77002**
(Address of principal executive offices)		(Zip code)

(713) 579-6161
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $.0001	SOC	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.
Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01 Regulation FD Disclosure.

On September 29, 2025, Sable Offshore Corp. (the "Company") issued a press release announcing an alternative offtake strategy. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Also, on September 29, 2025, the Company posted presentation materials on its website, www.sableoffshore.com. The presentation materials are attached hereto as Exhibit 99.2 and incorporated herein by reference. These materials may also be used by the Company at one or more presentations with analysts, investors or other stakeholders.

Additionally, the Company issued a letter to the United States of America's Secretary of Interior and Secretary of Energy, requesting support to proceed with the permitting and installation of a floating, processing, storage, and offloading vessel ("FPSO") at the Santa Ynez Unit. A copy of the letter is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

The information contained in the attached press release and presentation materials is summary information that is intended to be considered in the context of the Company's Securities and Exchange Commission filings and other public announcements. The Company undertakes no duty or obligation to publicly update or revise this information, although it may do so from time to time.

The information furnished pursuant to this Item 7.01, including Exhibits 99.1, 99.2, and 99.3 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference in any filing made by the Company under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

Exhibit No.	Description
99.1	Press Release of Sable Offshore Corp., dated September 29, 2025, Sable Offshore Corp. Announces Alternative Offtake Strategy.
99.2	Presentation materials for the period September 2025.
99.3	Letter to Secretary of the Interior and Secretary of Energy, dated September 19, 2025, Request for Expedited Support of FPSO Santa Ynez Unit – Pacific OCS Area.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Sable Offshore Corp.

Date: September 29, 2025

By: /s/ Gregory D. Patrinely

Name: Gregory D. Patrinely

Title: Executive Vice President and Chief Financial Officer

Exhibit 99.1

Sable Offshore Corp. Announces Alternative Offtake Strategy

Houston, TX – Sable Offshore Corp. (“Sable” or the “Company”)(NYSE: SOC) has submitted its formal Request for Approval of Restart Plans to the California Office of the State Fire Marshal (“OSFM”) for the Las Flores Pipeline System (the “Onshore Pipeline”). As conditions precedent, the Company satisfied all operational conditions to resume petroleum transportation through the Onshore Pipeline as set forth in the Federal Consent Decree, clearing the way for approval of Sable’s Restart Plans by the OSFM. Among these satisfied conditions are anomaly repairs, safety valve installations, control room enhancements, and the production of all supporting documentation and analyses. Today, in its updated investor presentation, Sable announced that it is also pursuing an Offshore Storage and Treating Vessel (“OS&T”) strategy to provide access to domestic and global markets via shuttle tankers for federal crude oil produced from the Santa Ynez Unit (“SYU”) in the Pacific Outer Continental Shelf Area.

Sable continues to work diligently with the State of California to safely and responsibly resume petroleum transportation through the Onshore Pipeline in accordance with its Federal Consent Decree, which was entered into by several state and federal agencies. Continued delays related to the Onshore Pipeline will prompt Sable to fully pivot back to a leased OS&T strategy, which was utilized to process SYU production in federal waters from 1981 – 1994. Over this time period, the SYU produced over 160 million barrels of oil equivalent.

The Onshore Pipeline provides immediate economic relief to California residents and will play a large role in stabilizing local refineries. In the second option, the Company would have the freedom to market its production outside of the State of California. Additionally, Sable would plan to aggressively pursue all legal remedies. Sable will continue to pursue both paths in parallel. In the OS&T option, the Company expects to execute an OS&T lease contract by year end 2025 for delivery in Q3 2026. Sable would then expect to begin sales from all SYU platforms during Q4 2026 with expected comprehensive oil production rates of over 50,000 barrels of oil per day utilizing the OS&T within the SYU federal leases.

About Sable

Sable Offshore Corp. is an independent oil and gas company, headquartered in Houston, Texas, focused on responsibly developing the Santa Ynez Unit in federal waters offshore California. The Sable team has extensive experience safely operating in California.

Forward-Looking Statements

The information in this press release include “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words “could,” “should,” “will,” “may,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “continue,” “plan,” “forecast,” “predict,” “potential,” “future,” “outlook,” and “target,” the negative of such terms and other similar expressions are intended to identify forward- looking statements, although not all forward-looking statements will contain such identifying words. These statements are based on the current beliefs and expectations of Sable’s management and are subject to significant risks and uncertainties. Actual results may differ materially from those described in the forward-looking statements. Factors that could cause Sable’s actual results to differ materially from those described in the forward-looking statements include: the ability to recommence sales from the Santa Ynez Unit assets and the cost and time required therefor; global economic conditions and inflation; increased operating costs; lack of availability of drilling and production equipment, supplies, services and qualified personnel; geographical concentration of operations; environmental and weather risks; regulatory changes and uncertainties; litigation, complaints and/or adverse publicity; privacy and data protection laws, privacy or data breaches, or loss of data; our ability to comply with laws and regulations applicable to our business; and other one-time events and other factors that can be found in Sable’s Annual Report on Form 10-K for the year ended December 31, 2024, and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K, which are filed with the Securities and Exchange Commission and are available on Sable’s website (www.sableoffshore.com) and on the Securities and Exchange Commission’s website (www.sec.gov). Except as required by applicable law, Sable undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect the impact of events or circumstances that may arise after the date of this press release.

Disclaimers

The Santa Ynez Unit assets discussed in this press release restarted production in May 2025 and have not sold commercial quantities of hydrocarbons since such Santa Ynez Unit assets were shut in during June of 2015 when the only Onshore Pipeline transporting hydrocarbons produced from such Santa Ynez Unit assets to market ceased transportation. Since the May 2025 production restart, the oil produced has been transported via pipeline to storage tanks onshore at Sable's Las Flores Canyon processing facility where it is being stored pending onshore pipeline restart. There can be no assurance that the necessary approvals will be obtained that would allow the Onshore Pipeline to recommence transportation or the contemplated use of an Offshore Storage and Treating Vessel that would allow the Santa Ynez Unit assets to recommence sales.

Contacts

Investor Contact:
Harrison Breaud
Vice President, Finance & Investor Relations IR@sableoffshore.com
713-579-8111

Exhibit 99.2
Sable Offshore Corp.
Investor Presentation
September 2025
SABLE
OFFSHORE
SOC
LISTED
NYSE

Disclaimer

Exhibit 99.2

FORWARD LOOKING STATEMENTS

The information in this presentation includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this presentation, the words "could," "should," "will," "may," "believe," "anticipate," "intend," "estimate," "expect," "project," "continue," "plan," "forecast," "predict," "potential," "future," "outlook," and "target," the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements will contain such identifying words. These statements are based on the current beliefs and expectations of Sable's management and are subject to significant risks and uncertainties. Actual results may differ materially from those described in the forward-looking statements. Factors that could cause Sable's actual results to differ materially from those described in the forward-looking statements include: the ability to recommence production of the Santa Ynez Unit assets and the cost and time required therefor, production levels once recommenced; commodity price volatility; low prices for oil and/or natural gas; global economic conditions and inflation; increased operating costs; lack of availability of drilling and production equipment, supplies, services and qualified personnel; processing volumes and pipeline throughput; geographical concentration of operations; environmental and weather risks; regulatory changes and uncertainties; the uncertainty inherent in estimating oil and natural gas resources and in projecting future rates of production; reductions in cash flow and lack of access to capital; restrictions in existing or future debt agreements or structured or other financing arrangements; managing growth and integration of acquisitions, and failure to realize the expected value of acquisitions; the ability to recognize the anticipated benefits of the business combination; developments relating to our competitors and our industry; litigation, complaints and/or adverse publicity; privacy and data protection laws, privacy or data breaches, or loss of data; our ability to comply with laws and regulations applicable to our business; and other one-time events and other factors that can be found in Sable's Annual Report on Form 10-K for the year ended December 31, 2024, and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K, which are filed with the Securities and Exchange Commission and are available on Sable's website (www.sableoffshore.com) and on the Securities and Exchange Commission's website (www.sec.gov). Except as required by applicable law, Sable undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect the impact of events or circumstances that may arise after the date of this presentation.

DISCLAIMER

The Santa Ynez Unit assets discussed in this presentation restarted production in May 2025 and have not sold commercial quantities of hydrocarbons since such Santa Ynez Unit assets were shut in during June of 2015 when the only Onshore Pipeline transporting hydrocarbons produced from such Santa Ynez Unit assets to market ceased transportation. Since the May 2025 production restart, the oil produced has been transported via pipeline to storage tanks onshore at Sable's Las Flores Canyon processing facility where it is being stored pending onshore pipeline restart. There can be no assurance that the necessary approvals will be obtained that would allow the Onshore Pipeline to recommence transportation or the contemplated use of an Offshore Storage and Treating Vessel that would allow the Santa Ynez Unit assets to recommence sales.

OIL AND GAS RESOURCE INFORMATION

This presentation includes information regarding estimates of oil and natural gas resources attributable to the Santa Ynez Unit. None of the oil and gas resources attributable to the Santa Ynez Unit are currently classifiable as proved or other reserves because, since the cessation of operations on the pipeline transporting production from the assets, there has been no means to deliver production from the assets to market. Sable has obtained a report (the "NSAI Report") from Netherland, Sewell & Associates, Inc. ("NSAI"), independent petroleum consultants, with respect to the net estimated contingent resources attributable to the acquired assets and the related pre-tax discounted (at 10%) future net contingent cash flow from such contingent resources, as of December 31, 2021, based on 12-month unweighted arithmetic average of the first-day-of-the-month prices for each month in the period from January to December 2021. As defined by the Society of Petroleum Engineers and used in the NSAI Report, "contingent resources" are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. Contingent resource estimates may be characterized further as 1C (low estimate), 2C (best estimate) and 3C (high estimate). The contingent resources reflected in the NSAI Report are, as stated in the report, category 1C (low estimate). The NSAI Report states that the estimates included in the report are contingent on (1) approval from federal, state and local regulators to restart production, (2) reestablishment of oil transportation systems to deliver production to market, and (3) commitment to restart the wells and facilities. The NSAI Report states that, if these contingencies are successfully addressed, some portion of the contingent resources estimated in the report may be reclassified as reserves but notes that the estimates have not been risked to account for the possibility that the contingencies are not successfully addressed. The NSAI Report does not address (1) the portion of the contingent resources that could be reclassified as reserves if the contingencies are successfully addressed or (2) whether or to what extent any of the contingent resources that could be so reclassified would be classified as proved, probable or possible reserves. As defined in the Society of Petroleum Engineers' Petroleum Resources Management System ("PRMS"), "best estimate" is the most realistic assessment of recoverable quantities if only a single result were reported. There is at least a 50% probability that the quantities actually recovered will equal or exceed the "best estimate." As defined in the PRMS, "low estimate" is a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. There is at least a 90% probability that the quantities actually recovered will equal or exceed the "low estimate." The resource estimates and related future cash flow information included in this presentation reflect management's estimates, based in part on the contingent resources estimated in the NSAI Report and supplemented by management's own estimates of contingent resources attributable to the acquired assets and using the pricing and other assumptions noted in this presentation, of the contingent resources and cash flow that may have been attributable to the acquired assets if the contingencies had been addressed successfully on the date as of which the information is presented. Resource engineering is a process of estimating underground accumulations of hydrocarbons that cannot be measured in an exact way. The accuracy of any resource or reserve estimate depends on the quality of available data, the interpretation of such data, and price and cost assumptions made by reserve engineers. In addition, the results of drilling, testing, and production activities may justify revisions of estimates that were made previously. If significant, such revisions could impact the combined company's strategy and change the schedule of any production and development drilling. Accordingly, resource estimates may differ significantly from the quantities of oil and natural gas that are ultimately recovered.

USE OF PROJECTIONS AND ESTIMATES

This presentation contains financial projections and estimates for Sable, including with respect to its future capital expenditures, initial timing and production estimates and future cash costs. Sable's auditors have not audited, reviewed, compiled or performed any procedures with respect to the projections and estimates for the purpose of their inclusion in this presentation, and, accordingly, no such auditors have expressed an opinion or provided any other form of assurance with respect thereto for the purpose of this presentation. These projections and estimates are for illustrative purposes only and should not be relied upon as being necessarily indicative of future results. The assumptions and estimates underlying the projected information are inherently uncertain and are subject to a wide variety of significant business, regulatory, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the projected information. Even if the assumptions and estimates are correct, projections and estimates are inherently uncertain due to a number of factors outside Sable's control. Accordingly, there can be no assurance that the projected results are indicative of Sable's future performance or that actual results will not differ materially from those presented in the projected information. Inclusion of the projected information in this presentation should not be regarded as a representation by any person, including, without limitation, Sable, that the results contained in the projected information will be achieved.

Exhibit 99.2

Sable Offshore Corp. (NYSE: SOC)

Premier offshore California asset paired with experienced management team

High Quality Asset

Santa Ynez Unit ("SYU") is a massive oil-weighted resource

- Three offshore platforms located in federal waters north of Santa Barbara, California
- Wholly-owned onshore production treatment facilities
- Discovered in 1968 with significant production history. SYU produced 45,000 boe/d rate at shut-in in 2015
- **Production restarted on May 15, 2025 with significantly improved well tests compared to those at shut-in(1)**
- >100 identified infill drilling and step-out opportunities, along with workovers and ESP(2) installation on existing wellbores

Santa Ynez Unit

Highly-Qualified Stewards of the Asset

Sable management are well-qualified to operate Santa Ynez

- Exemplary track record of operating safely in California and offshore(3)
- Demonstrated expertise via numerous awards from state and federal agencies
- Sable is actively pursuing two options to extract value from SYU, including leasing an Offshore Storage and Treating Vessel ("OS&T")

Las Flores Canyon Processing Facility

(1) SYU-produced oil is being held in the Company's storage tanks at LFC while Sable awaits final approval to resume petroleum transportation through the Las Flores Pipeline System as outlined in the Consent Decree. Alternatively, Sable contemplates installing an Offshore Storage and Treating vessel to process oil and gas production. Initial restart of production is higher than expected sustained production and there is uncertainty regarding the amount and timing of production decline from recently opened wells.
(2) Electric Submersible Pump.
(3) While at Plains Exploration & Production, current Sable management team operated platforms included Irene at Point Pedernales and Hidalgo, Harvest and Hermosa at Point Arguello.

SABLE OFFSHORE

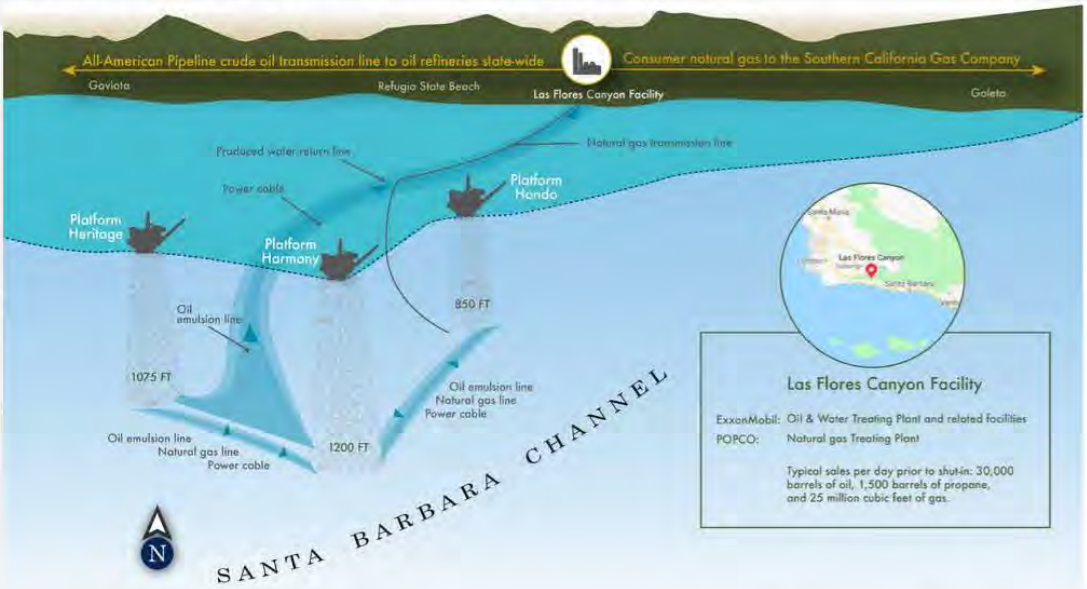
Exhibit 99.2

SYU History

Premier offshore project developed by Exxon over 40+ years

SYU Development Background

- **Discovered in 1968, over the course of 14 years Exxon consolidated more than a dozen offshore federal oil leases into a streamlined production unit known as SYU**
  - SYU construction began in 1976 with Platform Hondo, with first production in 1981, followed by Platform Harmony and Platform Heritage (both online in 1994); both Harmony and Heritage have dedicated rigs for future development. Production was initially processed in federal waters in an OS&T from 1981 to 1994.
  - SYU includes 112 wells (90 producers, 12 injectors, 10 idle); sizable inventory of infill drilling and additional step-out drilling opportunities(1)
  - Platforms located 5 to 9 miles offshore Santa Barbara County in shallow water depths of 900-1,200'(2)
- **Wholly-owned onshore oil and natural gas processing facility at Las Flores Canyon (not visible from highway)**
- **Shut in from June 2015 to May 2025 due to pipeline issue (Plains All-American Pipeline ("AAPL") operated)**
  - Production at all Exxon platforms and facilities was safely suspended. SYU was placed into a preserved state with regular inspections and maintenance
  - AAPL received Consent Decree and began work to resume petroleum transportation
  - Exxon acquired pipeline from AAPL
- **Sable restarted production at SYU Platform Harmony in May 2025 and began flowing production to Las Flores Canyon(3)**
- **Sable is pursuing an OS&T as an offtake alternative to LFC**



(1) Sable management have identified >100 infill drilling and step-out opportunities.
(2) Primary Reservoir: Miocene Monterey formation (Sour low-gravity oil (4-26 API); Secondary Reservoirs: Oligocene and Eocene oil/gas sandstone (Sweet high-gravity oil (35 API).
(3) SYU-produced oil is being held in the Company's storage tanks at LFC while Sable awaits regulatory approvals to resume petroleum transportation through the Las Flores Pipeline System as outlined in the Consent Decree. Alternatively, Sable contemplates installing Offshore Storage & Treating vessel to process oil and gas production.

SABLE OFFSHORE

SYU Technical Overview

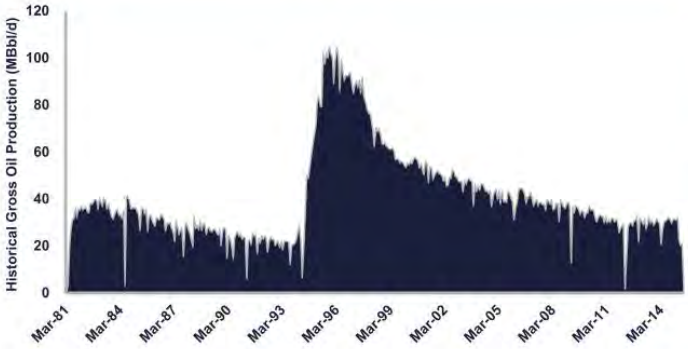
Exhibit 99.2

Significant production history and massive resource potential

Santa Ynez Unit Overview

- **Between 1981 and 2014, SYU produced over 671 MMBoe**
  - Production averaged 29 MBbl/d and 27 MMcf/d in 2014 (gross), the last full year when the asset was online
  - Low, stable decline anticipated of ~8% on average annually from existing NSAI Low Estimate Base Contingent Resources over the next five years(1)
- **Sable has also identified >100 additional infill development and step-out opportunities across the leasehold**
  - In 2010, Exxon drilled the world's longest extended-reach well from an existing fixed platform drilling rig, increasing the ability to produce more oil from existing facilities; the well extends more than six miles horizontally

Robust Production Prior to Pipeline Closure



1 Billion + Barrels Recoverable

SYU Reservoir Characterization	1,700'	Original Oil Column
	(300')	Depleted Oil
	(400')	Gas Cap Expansion
	1,000'	**Oil Column Remaining**
Massive Resource	1,207	MMBoe of Net Recoverable Total Resources
	(561)	MMBoe of Net Cum. Prod.
	646	**MMBoe of Remaining Total Net Estimated Contingent Resources**

Note: Management estimates are inherently uncertain and subject to numerous risks. Actual results may differ in a material amount from management estimates and projections.
(1) 5-year period begins after production re-start.

SABLE OFFSHORE

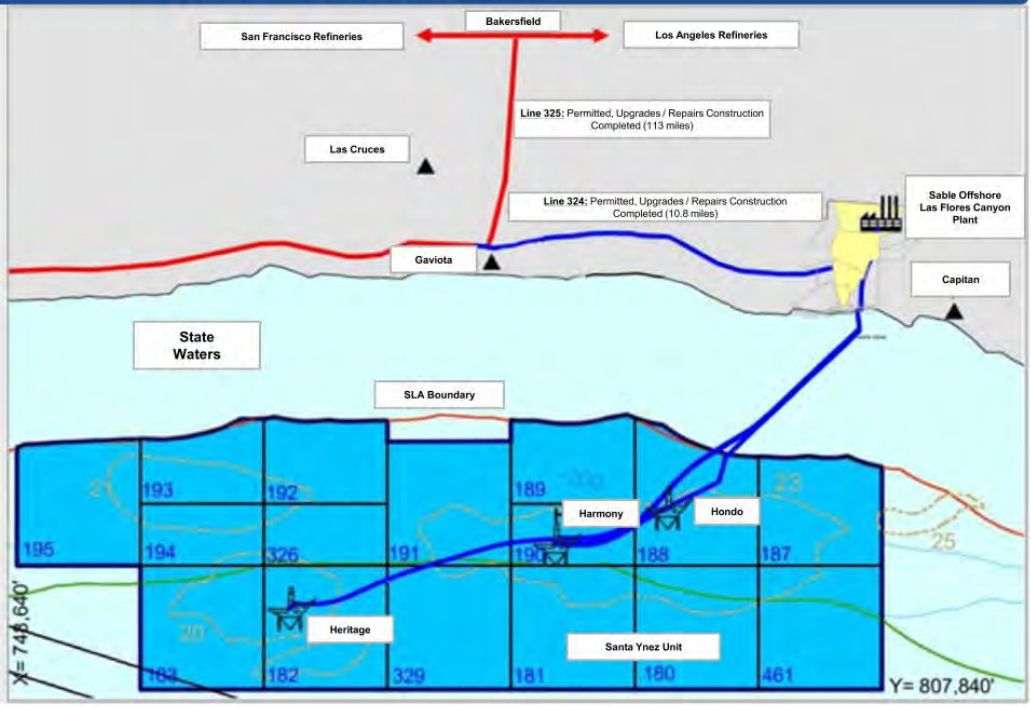
SYU Acreage Overview

Exhibit 99.2

SYU leases are all located in Federal waters

Santa Ynez Unit Overview

- **Offshore Position**
  - 16 Federal Leases, ~76,000 acres
  - First leased in 1969
  - Product marketed through OS&T from 1981 – 1994
- **Santa Ynez Unit Agreement**
  - Effective date: November 12, 1970
  - Unit blocks: OCS-P 180, 181, 182, 183, 187, 188, 189, 190, 191, 192, 193, 194, 195, 326, 329, 461
  - Sable operated, 100% WI, 83.6% NRI
  - Annual lease extensions granted by the Bureau of Safety and Environmental Enforcement and authorized well re-work during shut-in; supported by quarterly updates
- **Onshore Position**
  - ~1,480 surface acres, facilities occupy ~35 acres
  - Facilities 100% Sable owned



Note: Line 324 and Line 325 were formerly known as Line 901 and Line 903, respectively.

SYU Offtake Options

Sable is actively pursuing two options to extract value from SYU

Option 1: Las Flores Canyon and Pipeline System

- ***First sales estimate: Q4 2025***
  - Utilizes processing and offtake method from 1994-2015
  - Leverages existing onshore infrastructure, including Las Flores Canyon Facility and Las Flores Pipeline System
  - Barrels tied to California refinery system via Lines 324 and 325
  - Potential to immediately increase California domestic crude supply by approximately 15%
- ***Participates in Santa Barbara's local, county, and state communities as a key stakeholder***
  - State income taxes, production taxes, and ad valorem taxes payable to state or local jurisdictions
  - Prior operator was historically the largest taxpayer in Santa Barbara County
  - Provides significant employment to California citizens with commitment to the local community
  - Takes advantage of substantial capital investment and Best Available Technology for pipeline safety in California

Option 2: Leased Offshore Storage & Treating Vessel

- ***First sales estimate: Q4 2026***
- ***Utilizes existing OS&T permit and offtake method from 1981-1994(1)***
  - Expedited permitting support from the Federal Government has been requested
  - No state income taxes, production taxes, or ad valorem taxes payable to state or local jurisdictions
  - Barrels not tied to California refinery pricing dynamics and can be marketed domestically outside of California or internationally to the highest bidder
- ***Sable is evaluating options to refinance the EM Term Loan and fund facility modifications***
- ***Anticipates $100MM of 2026E capex for offshore facility upgrades and modifications(2)***
  - OS&T lease costs expected to be approximately $3 - $4 / Boe, which will likely be offset by LFC and Las Flores pipeline system opex savings
- ***Sable is pursuing multiple alternative paths to incremental value via the pursuit of all legal remedies***

(1) Existing OS&T permit that was utilized from 1981-1994 remains in place.
(2) Management estimates are inherently uncertain and subject to numerous risks. Actual results may differ in a material amount from management estimates and projections. Proposed development plan is based on market conditions and subject to annual Board approval.

Note: Bottom image is a photo of the Exxon Santa Ynez vessel used to store and transport oil produced at Platform Hondo.

SABLE OFFSHORE

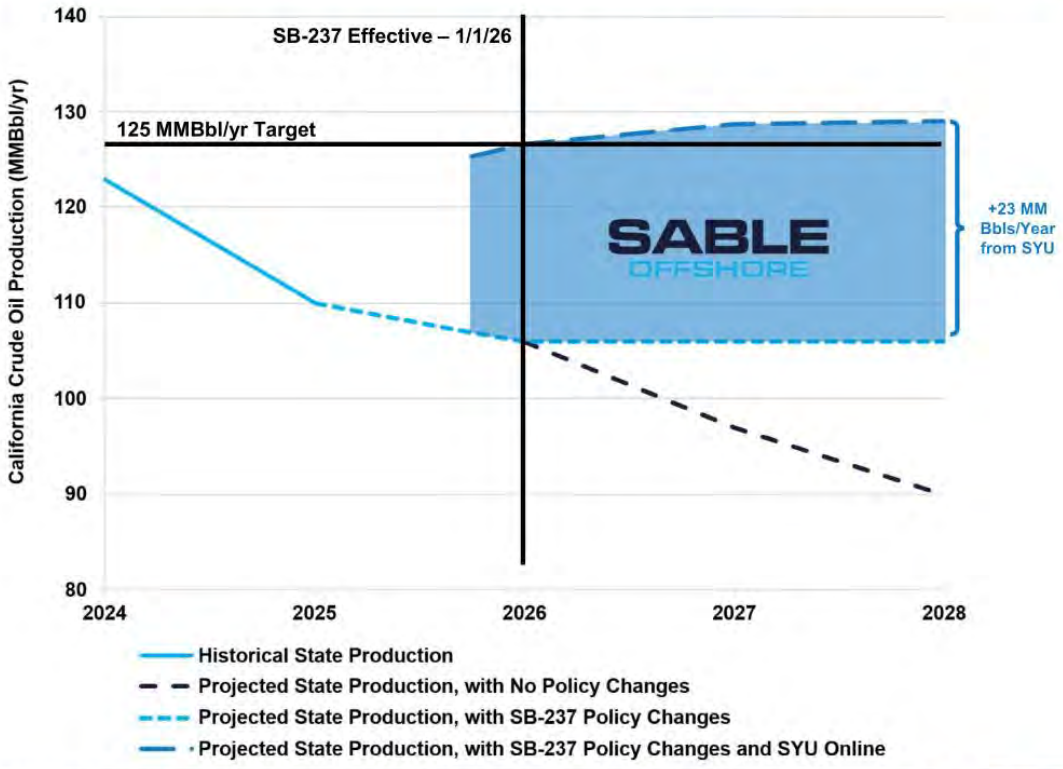
SYU Accelerates and Achieves California Supply Stabilization

SYU production provides immediate supply increase into California refineries via Option 1

Commentary

- California outlines a ~57,000 barrel of oil per day increase in production necessary to satisfy state production targets
- Only Sable's SYU and onshore assets provide immediate access to available oil reserves without the major capital investment necessary for new onshore production
- **Sable's SYU production can lower gasoline prices for California citizens**

California Crude Oil Production Forecast (MMBbl/yr)



Source: CalGEM presentation to the chairs of the Natural Resources, Transportation, and Utilities and Energy Committees of the California State Assembly on August 20, 2025.
Note: CalGEM presentation replicated to best extent possible, values are estimates. 2026 – 2028 California onshore production is Sable's internally estimated California onshore production based on operator commentary in public disclosures and sell-side equity research analysis.

SABLE OFFSHORE

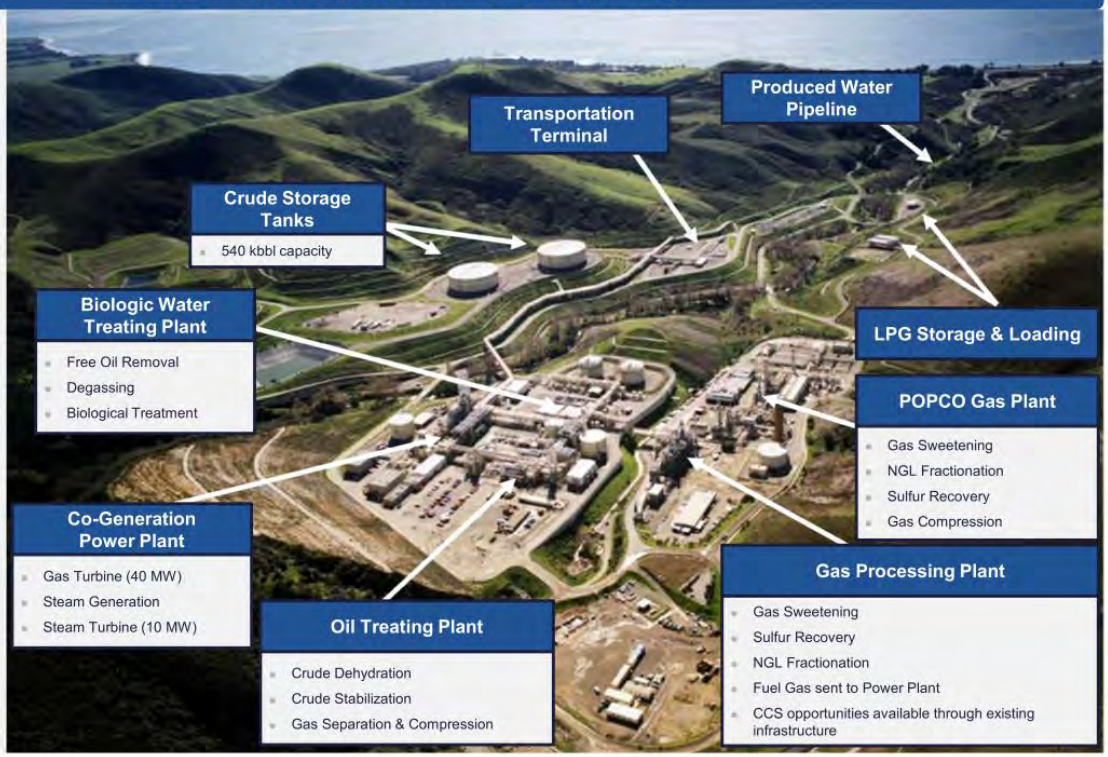
Las Flores Canyon Infrastructure (Option 1)

Exhibit 99.2

Wholly-owned infrastructure at Las Flores Canyon represents substantial capital investment and incremental value

Las Flores Canyon Cogeneration & Processing Facility

- **Fully integrated oil and gas processing facilities acquired by Sable for managing 100% of the SYU produced volumes with additional capacity for future SYU development**
- **Gas and NGL volumes sold into the Southern California market to homes and businesses and oil volumes sold at Brent based pricing to local refineries**
- **Evaluating significant CCS opportunity leveraging existing infrastructure and access**



Offshore Storage and Treating Vessel (Option 2)

Leased OS&T provides marketing flexibility, state cost savings and constructive regulatory framework

Santa Ynez Unit Serviced with OS&T Vessel in Federal Waters

- **Utilized by Exxon at the onset of SYU production in federal waters offshore Santa Barbara**
- **Replaces critical functions performed onshore in Option 1 with an offshore solution**
- **Streamlined regulatory environment**
  - Expedited permitting support from the Federal Government has been requested
- **Hydrocarbon product to be sold into domestic refineries outside of California or into international markets**
- **Sable has identified multiple vessels with ideal specifications for the SYU**

Note: Image is a photo of the Exxon Santa Ynez vessel used to store and transport oil produced at Platform Hondo.

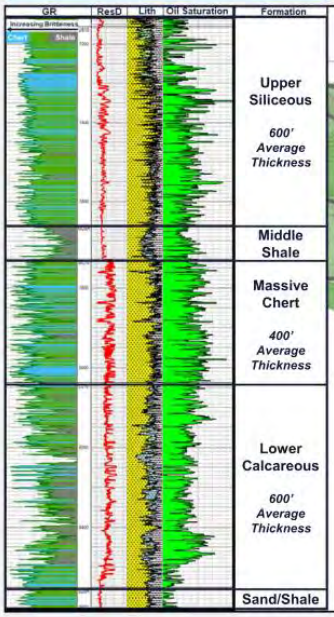
Undrilled Inventory

Exhibit 99.2

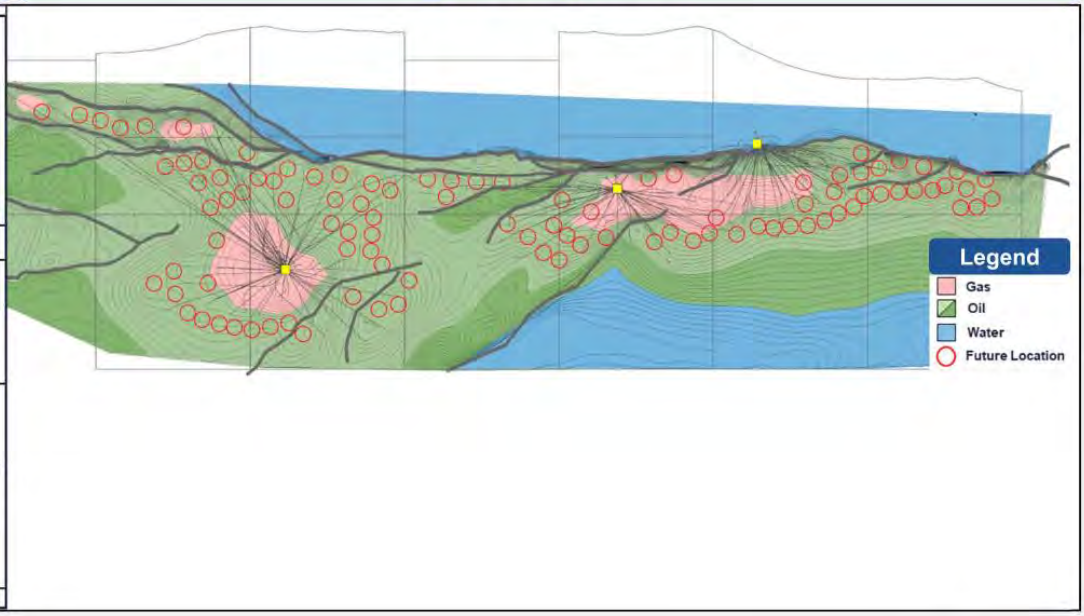
New Drill Inventory Overview

- Technical opportunity inventory is based on 80-acre drainage area, maturing field from original 120 acre spacing
- Future development strategy focuses on the high-quality Monterey Upper Siliceous reservoir in areas that have undergone increased diagenesis which leads to a more fractures, allowing for greater storage of oil and increased permeability
- Wellbores will be aligned to maximize contact with the primary fracture orientation for the field and average over 2,000' gross perforations per well

Monterey Type Log



Top of Monterey Structure



SYU is a Prolific Offshore Asset

Exhibit 99.2

SYU is a top producer with the most remaining resource among current OCS producing fields

Cumulative Production

Field Name	Prospect Name	Oil (MMBbl)	Gas (Bcf)	Total (MMBoe)
Mississippi Canyon 807	MARS-URSA	1,504	1,922	1,846
West Delta 30		593	977	767
Bay Marchand 2		547	576	649
Santa Ynez Unit	**SYU**	**507**	**984**	**671**
Eugene Island 330		462	1,902	800
Green Canyon 640	TAHITI/CAE/TONG	436	289	487
Green Canyon 743	ATLANTIS	395	266	442
Grand Isle 43		382	1,658	677
Green Canyon 654	SHENZI	328	130	351
Grand Isle 16		308	398	379
Mississippi Canyon 776	N.THUNDER HORSE	291	285	342
Garden Banks 426	AUGER	286	1,014	467
West Delta 73		280	692	403
Main Pass 41		274	1,560	552
South Pass 61		273	530	367
Mississippi Canyon 84	KING/HORN MT.	271	285	322
South Timbalier 21		259	427	335
Green Canyon 826	MAD DOG	233	68	245
Ship Shoal 208		228	1,403	477
Mississippi Canyon 778	THUNDER HORSE	203	148	230
South Pass 89		197	875	353
Mississippi Canyon 194	COGNAC	183	764	319
Alaminos Canyon 857	GREAT WHITE	182	331	240
Green Canyon 244	TROIKA	181	345	243
South Timbalier 135		170	628	282

Estimated Remaining Reserves[1]

Field Name	Prospect Name	Oil (MMBbl)	Gas (Bcf)	Total (MMBoe)
Santa Ynez Unit	**SYU**	**667**	**1,424**	**904**
Mississippi Canyon 807	MARS-URSA	473	688	596
Mississippi Canyon 940	VITO	411	200	446
Mississippi Canyon 392	APPOMATTOX	319	165	348
Mississippi Canyon 778	THUNDER HORSE	245	179	277
Walker Ridge 678	SAINT MALO	244	58	255
Green Canyon 743	ATLANTIS	188	211	226
Keathley Canyon 875	LUCIUS	131	164	160
Green Canyon 826	MAD DOG	130	84	145
Green Canyon 654	SHENZI	130	50	139
Green Canyon 640	TAHITI/CAE/TONG	120	83	134
Green Canyon 244	TROIKA	57	92	73
Mississippi Canyon 776	N.THUNDER HORSE	55	55	65
Mississippi Canyon 84	KING/HORN MT.	48	36	54
Alaminos Canyon 857	GREAT WHITE	39	45	47
Garden Banks 171	SALSA	24	90	40
Grand Isle 43		22	89	38
Garden Banks 426	AUGER	19	62	30
Eugene Island 330		9	19	12
Ship Shoal 208		5	32	11
Viosca Knoll 956	RAM-POWELL	5	24	9
South Pass 61		4	4	5
Eugene Island 238		4	91	21
West Delta 73		4	9	5
West Delta 30		3	8	5

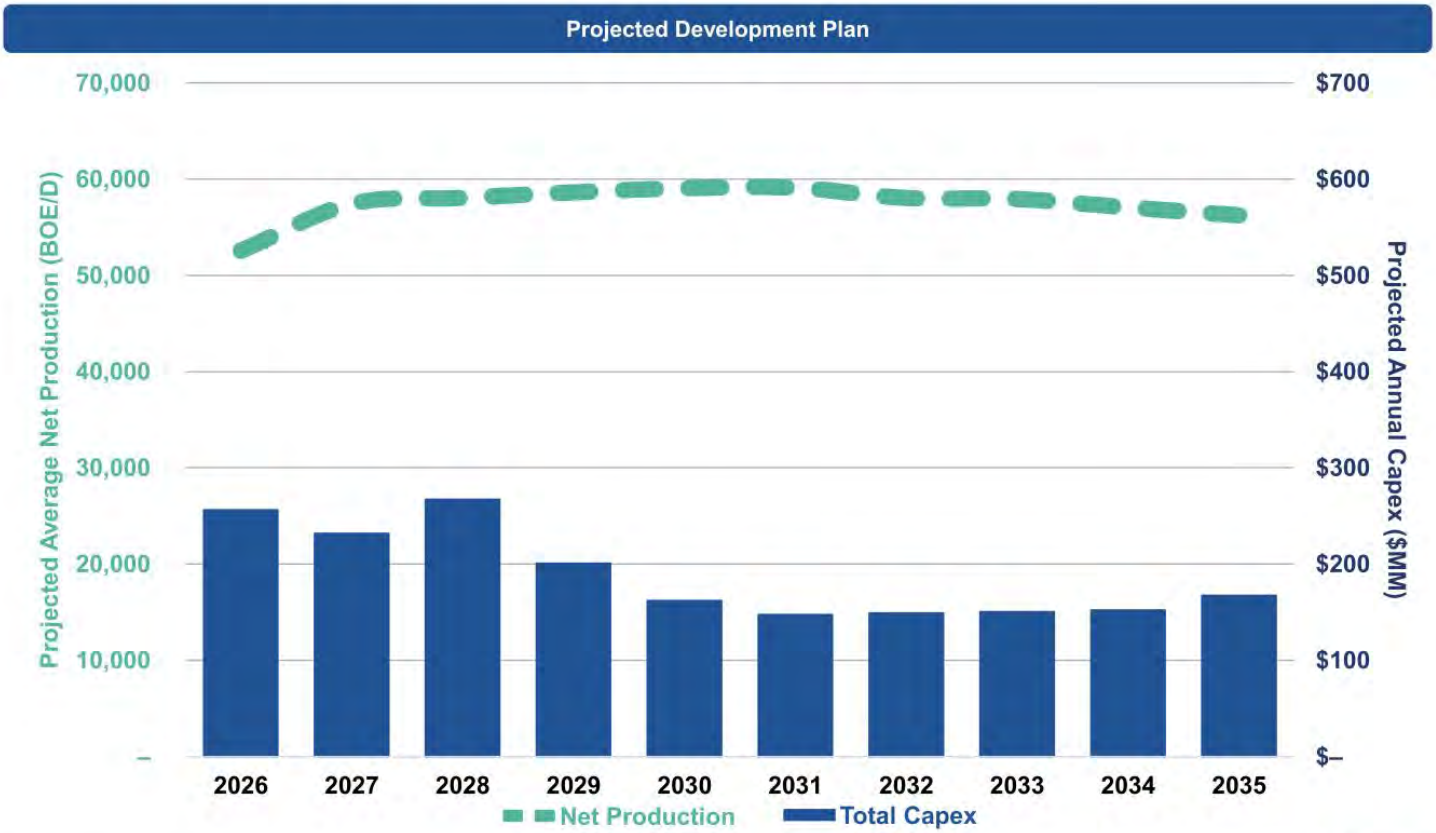
Source: BOEM 2021 report on top producing OCS fields. SYU historical production figures via ExxonMobil.
(1) Santa Ynez Unit EUR figures per Sable management, as published in our 1Q24 Contingent Resource Summary. Assumes SEC pricing as of April 2024 and effective date of May 2024.

SABLE OFFSHORE

Exhibit 99.2

Sable Operational Plan (Option 1)

Option 1 represents the fastest path to increase California domestic production



Note: Management estimates are inherently uncertain and subject to numerous risks. Actual results may differ in a material amount from management estimates and projections. Proposed development plan is based on market conditions and subject to annual Board approval.

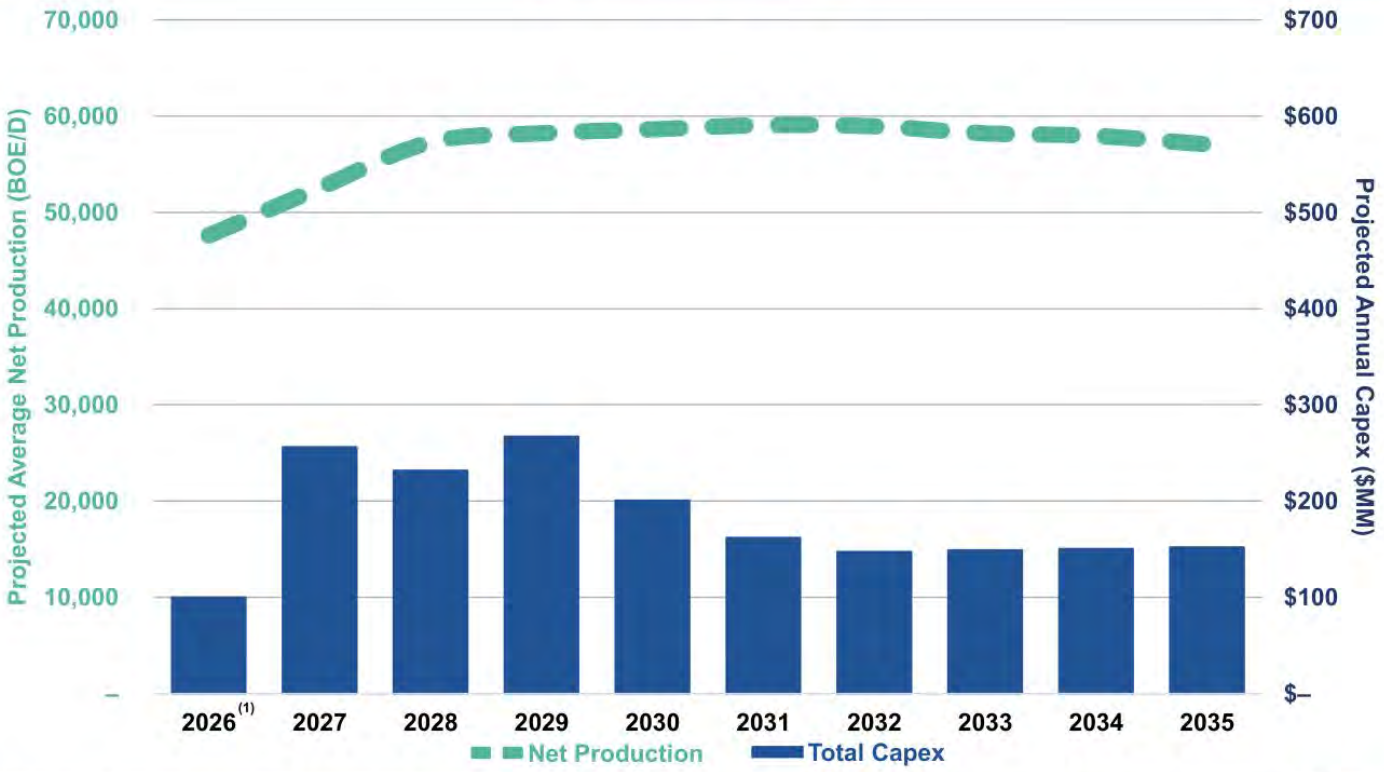
SABLE OFFSHORE

Sable Operational Plan (Option 2)

Exhibit 99.2

Option 2 allows for development plan prosecution via an OS&T vessel

Projected Development Plan



Note: Management estimates are inherently uncertain and subject to numerous risks. Actual results may differ in a material amount from management estimates and projections. Proposed development plan is based on market conditions and subject to annual Board approval.

(1) Production reflects 4Q26E (October 2026E – December 2026E) average daily production.

SABLE OFFSHORE

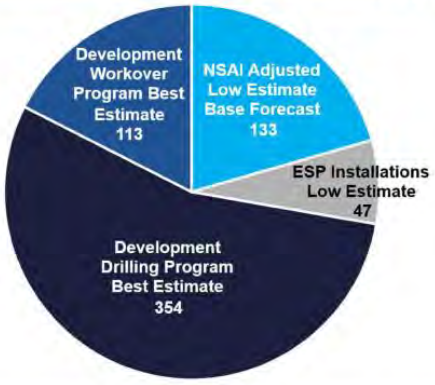
Substantial Resource Base

Exhibit 99.2

Contingent Resource Summary[1][2][3]

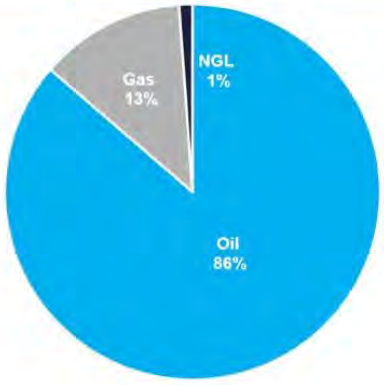
Resource Category	Net Estimated Contingent Resources				Estimated Cash Flows ($MM)	
	Oil (MMBbls)	Gas (Bcf)	NGL (MMBbls)	Total (MMBoe)	Capex ($MM)	PV-10 SEC Pricing
NSAI Adjusted Low Estimate Base Forecast[4]	111	121	2	133	–	$2,285
ESP Installations Low Estimate[5]	41	33	1	47	$100	1,013
Total Low Estimate Contingent Resources	151	154	2	179	$100	$3,298
Development Drilling Program Best Estimate[6]	308	251	4	354	$1,997	$4,810
Development Workover Program Best Estimate[7]	98	80	1	113	245	1,921
Total Best Estimate Contingent Resources	406	332	5	467	$2,242	$6,731
Total Net Estimated Contingent Resources / Total Blended NAV	**557**	**486**	**7**	**646**	**$2,342**	**$10,029**

Net Contingent Resources (MMBoe)



PV-10 Contingent Resources ($MM)

Contingent Resources by Commodity

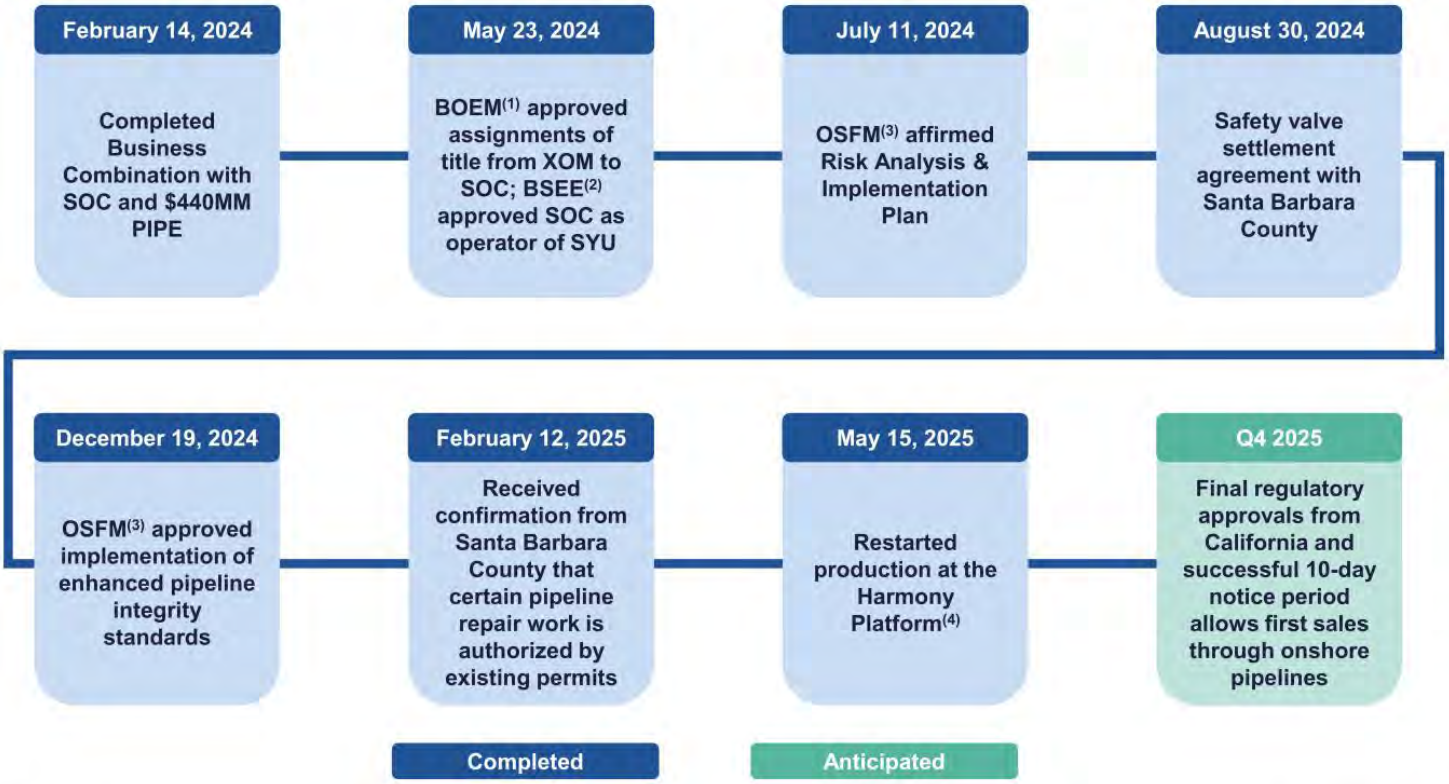


(1) Assumes SEC pricing as of April 2024 and effective date of May 1, 2024. April 2024 SEC Pricing: Oil $83.14 / Bbl; Gas $2.40 / MMBtu; NGL $64.85 / Bbl.
(2) Management estimates are inherently uncertain. Actual results may differ in a material amount from management estimates and projections.
(3) Net quantities shown herein are unrisked volumes and may represent levels of uncertainty as to their technical and commercial recovery.
(4) Estimated using NSAI Report Resources at SEC Brent Pricing and Sable management estimated lease operating expenses; low estimate contingent resources with 90% probability of delivering unrisked remaining recoverable volumes from field-wide individual historical well performance. Assumes the wells and facilities will resume operation under similar production and sales conditions present at the time production was suspended.
(5) Low estimate contingent resources with 90% probability of delivering unrisked incremental recoverable volumes from statistical field-wide historical well performance driven by the installation of ESPs.
(6) Best estimate contingent resources with 50% probability of delivering unrisked remaining recoverable volumes from statistical field-wide historical new drill locations in untested fault compartments or sub-accumulations within test fault compartments.
(7) Best estimate contingent resources with 50% probability of delivering unrisked remaining recoverable volumes from existing wellbores calculated from statistical field-wide historical work-over well performance.

SABLE OFFSHORE

Key Milestones (Option 1)

Sable is steadily advancing through regulatory and technical milestones

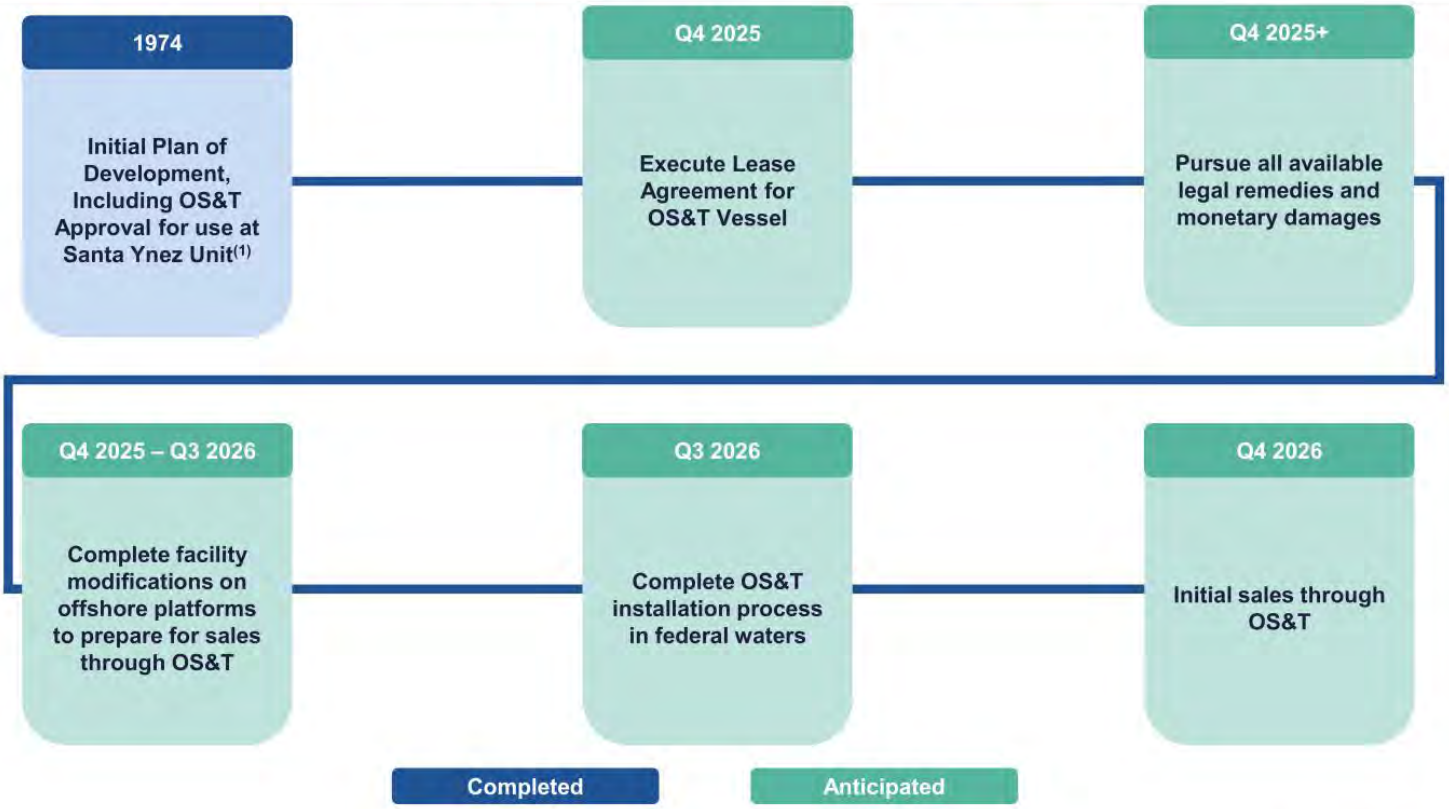


(1) Bureau of Ocean Energy Management
(2) Bureau of Safety and Environmental Enforcement
(3) California Office of the State Fire Marshal.
(4) SYU-produced oil is being held in the Company's storage tanks at LFC while Sable awaits approval of its Restart Plans by the Office of the State Fire Marshal.

SABLE OFFSHORE

Key Milestones (Option 2)

Sable plans to execute all necessary milestones to achieve first sales in Q4 2026



(1) Existing OS&T permit that was utilized from 1981-1994 remains in place.

Health, Safety, and Environmental Highlights

Exhibit 99.2

Sable management team is an award-winning, safe, and prudent California Operator

Offshore California Highlights

2004: Received Santa Barbara County's First and Only "Resolution for Good Operator" Recognizing PXP's Outstanding Operating Performance

2008: Santa Barbara County Commendation for Outstanding Maintenance Practices at LOGP

2011: Occupational Excellence Achievement Award for 21 PXP locations

2009-2010: Perfect Record Award for operating 11,390 employee hours without occupational injury or illness involving days away from work

2009: National Industry Leadership Award

2007-2008: Occupational Excellence Achievement Awards for Outstanding Safety Practices

Occupational Excellence Achievement Awards for Outstanding Safety Practices

2004: Ranked MMS's Best Operator in the Pacific OCS for Safety of Platform and Pipeline Operations

Onshore California Highlights

2006: U.S. Bureau of Land Management Operator of the Year Award

2006: Best Management Practices National Award in Habitat Conservation

2008-2004: Recipient of the Environmental Lease Maintenance Award

2006: Recipient of the Clean Lease Awards

Division of Oil, Gas and Geothermal Resources (DOGGR) Lease Maintenance Award for Outstanding Safety and Lease Maintenance 12 years and 13 years in a row at Packard and San Vicente

2010: Occupational Excellence Achievement Award for PXP's California Los Angeles Basin San Vicente and Packard locations

Two commendations from the Air Pollution Control District for Emissions Reductions and Use of Innovative Emissions Control Technology at the Arroyo Grande Oil Field

Platform Heritage

Platform Hondo

Platform Harmony

Risk Management Partner to Local Communities

- Sable Management has a track record of excellence as a safe and responsible steward of California's onshore and offshore resources
- As PXP, owned / operated offshore Point Arguello (Harvest Platform, Hermosa Platform, and Hidalgo Platform) and Point Pedernales (Irene Platform)
- Onshore operations included Arroyo Grande, Los Angeles Basin, and San Joaquin Valley assets

- *"Due to PXP's generosity and civic mindedness … [using] their facility, nearly 200 firefighters have received important Survival Training"* – Ron Lawrence, **Central Regional Training / Safety Captain LA County Fire Department**
- *"The Culver City Fire Department is forever grateful to Plains Exploration & Production Co. for their continued training support and expertise"* – Tim Wilson, **Captain / Training Officer, Culver City Fire Dept.**

(1) Minerals Management Service (MMS) was reorganized into Bureau of Ocean Energy Management (BOEM) and Bureau of Safety and Environmental Enforcement (BSEE) in 2011.
(2) Division of Oil, Gas and Geothermal Resources (DOGGR) was reorganized into California Geologic Energy Management Division (CalGEM) in 2020.

SABLE OFFSHORE

Exhibit 99.2

Key Investment Highlights

Premier asset and experienced management team drive shareholder value

✓ **Attractive Returns**	▪ Low-Cost, low-decline assets enable an aggressive shareholder return program via dividends and share repurchases
✓ **Primed for Low-Cost Production Growth**	▪ Modest reinvestment required in the near-term as Sable capitalizes on ESP installations and workovers on existing wellbores
✓ **Substantial Upside**	▪ De-risked reservoir first discovered in the 1960's ▪ Potential for substantial growth with accelerated development
✓ **High Operational Control**	▪ 100% operated with favorable 16.4% royalty burden
✓ **Conservative Leverage Profile**	▪ Sable management targeting long-term leverage ratios of ~1.0x to maximize flexibility for distributions and development
✓ **Access to Infrastructure & End Markets**	▪ Wholly-owned pipeline and processing helps preserve margin ▪ Oil sales contracts linked to Brent Crude ▪ Option 1 and Option 2 both provide attractive options for monetizing crude oil
✓ **HS&E Stewardship**	▪ Outstanding HS&E(1) and operational track record in California ▪ Significant opportunity for CCS utilizing existing assets

Santa Ynez Unit is a Differentiated, Value Driven Asset

(1) Health, safety and environment.

SABLE OFFSHORE

Exhibit 99.3

September 19, 2025

The Honorable Doug Burgum
Chairman of the National Energy Dominance Council and
Secretary of the Interior
U.S. Department of the Interior
1849 C Street NW
Washington, DC 20240

The Honorable Chris Wright
Vice Chairman of the National Energy Dominance Council and
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave, SW
Washington, DC 20585

Re: Request for Expedited Support of FPSO
Santa Ynez Unit – Pacific OCS Area

Dear Chairman Burgum and Vice Chairman Wright:

Sable Offshore Corp. respectfully requests your support to proceed with the permitting and installation of a Floating Production Storage and Offloading vessel ("FPSO") to provide access to the market for federal crude oil produced from the Santa Ynez Unit in the Pacific Outer Continental Shelf Area. There are currently over 200 FPSO's operating in the world, with three that are presently active in the Gulf of America.

Recently passed legislation by the California state legislature is creating barriers which necessitate our need for an alternative offshore solution. Our proposed FPSO plan is consistent with the offshore option previously utilized in the original Development and Production Plan for the Santa Ynez Unit. Attached is a brief description of the planned FPSO for your further review.

Aligned with President Trump's directive in establishing the National Energy Dominance Council to prioritize increasing energy production, your attention will ensure Sable Offshore Corp. can safely and responsibly develop the federal crude oil resources of the Santa Ynez Unit for the benefit of the people of the United States. Sable Offshore Corp. appreciates your expedited consideration and support.

Very truly yours,
James C. Flores
Chairman and CEO

Attachment – FPSO Description

cc: Jarrod Agen, Executive Director
National Energy Dominance Council

Kate MacGregor, Deputy Secretary
U.S. Department of the Interior

John Reiten, Deputy Executive Director
National Energy Dominance Council

Matthew Giacona, Acting Director
Bureau of Ocean Energy Management

Kenneth Stevens, Principal Deputy Director
Bureau of Safety and Environmental Enforcement

Douglas Boren, Pacific Regional Director
Bureau of Ocean Energy Management

Bobby Kurtz, Acting Associate Director Pacific OCS Region
Bureau of Safety and Environmental Enforcement

Leslie Beyer, Assistant Secretary
Land and Minerals Management

Exhibit 99.3

Santa Barbara County
California
Las Flores Canyon
Processing Facility
Hondo
Harmony
1 Nautical Mile
Heritage
Sable FPSO
OCS- P0181
LOCATION FOR
SABLE FPSO
SABLE
OFFSHORE
Santa Ynez Unit
Legend
Sable FPSO
LFC Processing Facility
Platform
Sable Federal Leases (SYU)
Sable Offshore Pipeline
12" Dry Gas
20" Emulsion Line
12" Water Line
0 0.72 1.45 2.9
Miles
Map Date:9/16/2025

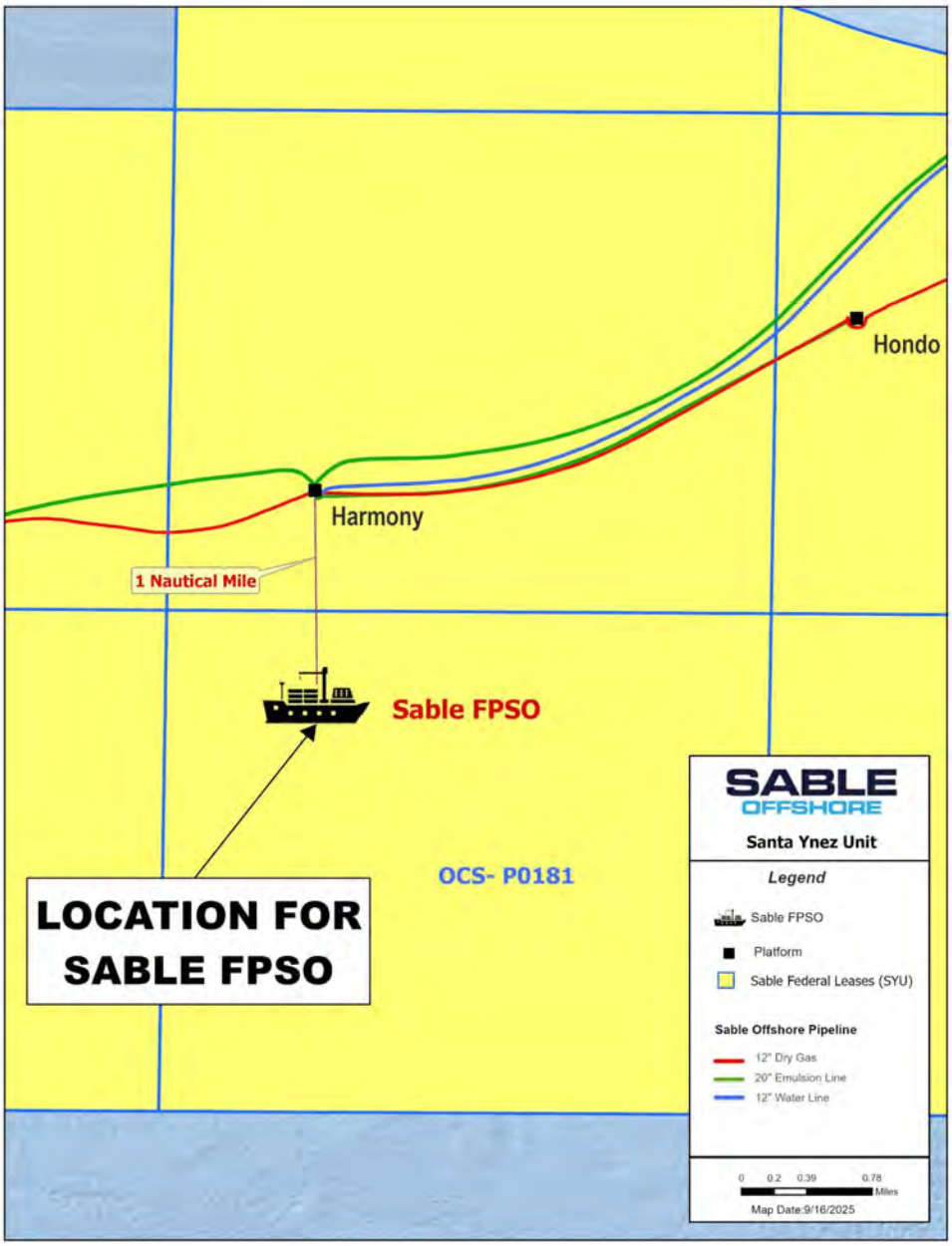

Hondo
Harmony
1 Nautical Mile
Sable FPSO
LOCATION FOR
SABLE FPSO
OCS- P0181
SABLE
OFFSHORE
Santa Ynez Unit
Legend
Sable FPSO
Platform
Sable Federal Leases (SYU)
Sable Offshore Pipeline
12" Dry Gas
20" Emulsion Line
12" Water Line
0 0.2 0.39 0.78
Miles
Map Date:9/16/2025

Exhibit 99.3

Sable Offshore Corp FPSO	
Top Side Engineering	AMEC/Fluor
Hull	Samsung
Top Sides Fabrication	Samsung
Top Sides Construction	Samsung
Turret Manufacturing	SBM Offshore
Quarter Capacity	80
Classification	LR (Lloyd's Register)
Length	850'
Width	150'
Depth	85'
Hull	Double Hull
Deadweight	150,000 tonnes
Construction	2006
Max Oil Production	100,000 barrels of oil per day
Gas Processing	80 MMSCF/D
Hull Throughput	113,000 barrels of fluid/Day
Gas Injection	40 MMSCF/D
Gas Export	40 MMSCF/D
Storage Capacity	900,000 barrels
Flare Type	Tower
Anchor legs	9

U.S. SECURITIES AND EXCHANGE COMMISSION

PDF Copy of Submission on SEC EDGAR system

This PDF document is a copy of the following submission on the SEC's EDGAR system:

Submission/Form 10-Q
Filed 2025-08-12
Accession number 0001831481-25-000064
Submitted on EDGAR account of Sable Offshore Corp., CIK 0001831481

This copy was generated on 2025-10-16.

The submission itself is available on SEC's public EDGAR database at: https://www.sec.gov/Archives/edgar/data/0001831481/000183148125000064/0001831481-25-000064-index.html.

Additional submission information is available on SEC.gov, including but not limited to whether any additional reporting entities are associated with the submission.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2025

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 001-40111

SABLE OFFSHORE CORP.
(Exact name of registrant as specified in its charter)

Delaware	85-3514078
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
845 Texas Avenue, Suite 2920 Houston, TX 77002	77002
(Address of principal executive offices)	**(Zip Code)**

(713) 579-6161
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	SOC	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No x

As of August 11, 2025 there were 99,507,250 shares of Common Stock, $0.0001 par value, issued and outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SABLE OFFSHORE CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(dollars in thousands, except par values)

	June 30, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 247,141	$ 300,384
Restricted cash	35,634	35,388
Inventory and other	20,488	15,337
Prepaid expenses and other current assets	4,981	4,166
Total current assets	**308,244**	**355,275**
Oil and gas properties (Successful efforts method)		
Oil and gas properties	1,428,848	1,194,447
Less: Accumulated depreciation, depletion and amortization	(1,809)	—
Total oil and gas properties - net	**1,427,039**	**1,194,447**
Other, net	36,755	33,450
Total assets	**$ 1,772,038**	**$ 1,583,172**
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 185,769	$ 119,753
Senior Secured Term Loan including paid-in-kind interest, net	875,561	—
Other current liabilities	1,109	918
Total current liabilities	**1,062,439**	**120,671**
Warrant liabilities	121,090	126,941
Asset retirement obligations	105,507	99,683
Senior Secured Term Loan including paid-in-kind interest, net	—	833,542
Deferred tax liability	19,868	1,162
Other	17,507	16,988
Total liabilities	**1,326,411**	**1,198,987**
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued and outstanding at June 30, 2025 and December 31, 2024	—	—
Common Stock, $0.0001 par value; 500,000,000 shares authorized; 99,482,250 and 89,310,996 issued and outstanding at June 30, 2025 and December 31, 2024, respectively	10	8
Additional paid-in capital	1,381,523	1,082,473
Accumulated deficit	(935,906)	(698,296)
Total Stockholders' Equity	**445,627**	**384,185**
Total Liabilities and Stockholders' Equity	**$ 1,772,038**	**$ 1,583,172**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SABLE OFFSHORE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(dollars in thousands, except per share data)

	Successor		Successor		Predecessor
	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	February 14, 2024—June 30, 2024	January 1, 2024—February 13, 2024
Revenue					
Oil and gas sales	$ —	$ —	$ —	$ —	$ —
Total revenue	—	—	—	—	—
Operating Expenses					
Operations and maintenance expenses	50,398	26,294	84,841	33,612	7,320
Depletion, depreciation, amortization and accretion	3,172	2,724	6,193	4,101	2,627
General and administrative expenses	75,318	33,217	97,650	183,665	1,714
Total operating expenses	128,888	62,235	188,684	221,378	11,661
Loss from operations	**(128,888)**	**(62,235)**	**(188,684)**	**(221,378)**	**(11,661)**
Other expenses (income):					
Change in fair value of warrant liabilities	(27,146)	81,178	(5,851)	79,415	—
Other (income) expense, net	(2,508)	(2,301)	(5,948)	(2,800)	128
Interest expense	21,009	19,175	42,019	28,976	—
Total other expense (income), net	**(8,645)**	**98,052**	**30,220**	**105,591**	**128**
Loss before income taxes	**(120,243)**	**(160,287)**	**(218,904)**	**(326,969)**	**(11,789)**
Income tax expense	7,823	5,149	18,706	18,572	—
Net loss	**$ (128,066)**	**$ (165,436)**	**$ (237,610)**	**$ (345,541)**	**$ (11,789)**
Basic and diluted net loss per Common Stock					
Weighted average Common Stock outstanding, basic and diluted	91,224,345	60,166,269	87,849,286	60,166,269	n/a
Basic and diluted net loss per Common Stock	$ (1.40)	$ (2.75)	$ (2.70)	$ (5.74)	n/a

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SABLE OFFSHORE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) / PARENT NET INVESTMENT
(UNAUDITED)
(dollars in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Successor:					
BALANCE—December 31, 2024	**89,310,996**	**$ 8**	**$ 1,082,473**	**$ (698,296)**	**$ 384,185**
Shared based compensation	27,362	—	6,065	—	**6,065**
Net loss	—	—	—	(109,544)	**(109,544)**
BALANCE—March 31, 2025	**89,338,358**	**8**	**1,088,538**	**(807,840)**	**280,706**
Issuance of Common Stock	10,000,000	1	282,559	—	**282,560**
Shared based compensation	143,892	1	10,426	—	**10,427**
Net loss	—	—	—	(128,066)	**(128,066)**
BALANCE—June 30, 2025	**99,482,250**	**$ 10**	**$ 1,381,523**	**$ (935,906)**	**$ 445,627**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Successor:					
BALANCE—February 14, 2024 (prior to Business Combination)	**7,187,500**	**$ 1**	**$ —**	**$ (81,018)**	**$ (81,017)**
Redeemable shares reclassified to Common Stock	5,953,859	1	61,948	—	**61,949**
Net effect of Business Combination	**13,141,359**	**2**	**61,948**	**(81,018)**	**(19,068)**
Private offering proceeds, net	44,024,910	4	417,367	—	**417,371**
Issuance of merger consideration shares	3,000,000	—	36,300	—	**36,300**
Share based compensation	2,758,334	—	10,080	—	**10,080**
Net loss	—	—	—	(180,105)	**(180,105)**
BALANCE—March 31, 2024	**62,924,603**	**6**	**525,695**	**(261,123)**	**264,578**
Share based compensation	1,920,832	—	22,905	—	**22,905**
Net loss	—	—	—	(165,436)	**(165,436)**
BALANCE — June 30, 2024	**64,845,435**	**$ 6**	**$ 548,600**	**$ (426,559)**	**$ 122,047**

	Parent Net Investment
Predecessor:	
For the period January 1, 2024 to February 13, 2024	
BALANCE—January 1, 2024	**$ 339,021**
Contributions from parent	22,474
Net loss	(11,789)
BALANCE—February 13, 2024	**$ 349,706**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SABLE OFFSHORE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(dollars in thousands)	Successor		Predecessor
	Six Months Ended June 30, 2025	**February 14, 2024—June 30, 2024**	**January 1, 2024 —February 13, 2024**
Cash flows from operating activities:			
Net loss	$ (237,610)	$ (345,541)	$ (11,789)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation, depletion, amortization and accretion	6,193	4,101	2,627
Stock-based compensation expense	16,492	69,285	—
Amortization of operating lease right-of-use asset	820	—	—
Amortization of debt issuance costs	311	503	—
Paid-in-kind interest	41,708	28,473	—
Deferred tax expense	18,706	18,572	—
Change in fair value of warrant liabilities	(5,851)	79,415	—
Changes in current assets and current liabilities, net of effect of acquisition:			
Inventory and other	(3,458)	58	5,980
Prepaid expenses and other assets	(2,694)	(1,866)	—
Accounts payable and accrued liabilities	22,435	53,126	(7,922)
Due to related party	—	—	(11,370)
Net cash used in operating activities	(142,948)	(93,874)	(22,474)
Cash flows from investing activities:			
Payments for capital expenditures	(192,982)	(4,131)	—
Cash paid for acquisition	—	(204,154)	—
Net cash used in investing activities	(192,982)	(208,285)	—
Cash flows from financing activities:			
Capital contribution from parent	—	—	22,474
Private offering proceeds	295,000	440,249	—
Payment of equity issuance costs	(12,067)	(22,878)	—
Payment on Senior Secured Term Loan	—	(18,750)	—
Payment of debt issuance costs	—	(1,503)	—
Payment of non-convertible promissory notes—related parties	—	(1,129)	—
Net cash provided by financing activities	282,933	395,989	22,474
Net change in cash	(52,997)	93,830	—
Cash, cash equivalents and restricted cash, beginning of the period	335,772	53,334	—
Cash, cash equivalents and restricted cash, end of the period	$ 282,775	$ 147,164	$ —
Reconciliation of cash, cash equivalents and restricted cash to the unaudited condensed consolidated balance sheets			
Cash and cash equivalents	$ 247,141	$ 112,069	$ —
Restricted cash	35,634	35,095	—
Total cash, cash equivalents and restricted cash	$ 282,775	$ 147,164	$ —

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SABLE OFFSHORE CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2025

Note 1 — Organization, Business Operations, and Going Concern

Organization and General

Sable Offshore Corp. ("Sable," the "Company" or "we") (formerly known as Flame Acquisition Corp. or "Flame") is an independent oil and gas company headquartered in Houston, Texas. Flame was initially formed as a special purpose acquisition company for the purpose of entering into a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

On November 2, 2022, the Company entered into an agreement and plan of merger, dated as of November 2, 2022 (as amended, supplemented, or otherwise modified from time to time, the "Merger Agreement"), with Sable Offshore Corp., a Texas corporation ("SOC"), and Sable Offshore Holdings, LLC, a Delaware limited liability company and the parent company of SOC ("Holdco" and, together with SOC, "Legacy Sable"). Pursuant to the Merger Agreement, on February 14, 2024, (i) Holdco merged with and into Flame, with Flame surviving such merger (the "Holdco Merger") and (ii) Legacy Sable merged with and into Flame, with Flame surviving such merger (the "SOC Merger" and, together with the Holdco Merger, the "Mergers" and, along with the other transactions contemplated by the Merger Agreement, the "Merger").

On November 1, 2022, SOC, entered into a purchase and sale agreement (as amended, the "Sable-EM Purchase Agreement") with Exxon Mobil Corporation ("Exxon") and Mobil Pacific Pipeline Company ("MPPC," and together with Exxon, "EM") pursuant to which SOC agreed to acquire from EM certain assets constituting the Santa Ynez field in Federal waters offshore California ("SYU") and associated onshore processing and pipeline assets (such "Assets," as defined in the Sable-EM Purchase Agreement, collectively the "SYU Assets").

On February 14, 2024 (the "Closing Date"), the Company consummated the Merger and related transactions (the "Business Combination") contemplated by the Merger Agreement, following which Flame was renamed "Sable Offshore Corp.". Pursuant to the terms and subject to the conditions set forth in the Sable-EM Purchase Agreement, the transactions contemplated by the Sable-EM Purchase Agreement were also consummated on February 14, 2024 ("Sable-EM Closing Date"), immediately after the Business Combination, as a result of which Sable purchased the SYU Assets, effective as of January 1, 2022. On February 15, 2024, Sable's shares of Common Stock, par value $0.0001 per share ("Common Stock") and warrants to purchase Common Stock at an exercise price of $11.50 per share (the "Public Warrants") began trading on NYSE under the symbols, "SOC" and "SOC.WS," respectively (refer to *Note 3 — Acquisition* for additional details).

On the Closing Date, the Company issued 44,024,910 shares of Common Stock of the Company, at a price of $10.00 per share for aggregate gross proceeds of $440.2 million (the "First PIPE Investment"). The shares of Common Stock issued in the First PIPE Investment were offered in a private placement under the Securities Act of 1933, as amended (the "Securities Act"). Upon the closing of the Business Combination, an associated marketing fee and legal fees of approximately $22.9 million was paid in full, and was recognized as an offset to the proceeds from the First PIPE Investment within Additional paid-in capital in the unaudited condensed consolidated statement of stockholders' equity (deficit)/net parent investment as of December 31, 2024 (Successor).

On September 26, 2024, the Company issued 7,500,000 shares of Common Stock of the Company, at a price of $20.00 per share for aggregate gross proceeds of approximately $150.0 million (the "Second PIPE Investment"). The shares of Common Stock issued in the Second PIPE Investment were offered in a private placement under the Securities Act. Upon the closing of the Second PIPE Investment, an associated marketing fee and legal fees of approximately $7.8 million was paid in full, and was recognized as an offset to the proceeds from the Second PIPE Investment within Additional paid-in capital in the unaudited condensed consolidated balance sheet and statement of stockholders' equity (deficit)/net parent investment as of December 31, 2024 (Successor).

On October 31, 2024, the Public Warrants (refer to *Note 7 — Warrants)* ceased trading on the New York Stock Exchange following the Company's announcement to redeem all remaining outstanding Public Warrants. During the period from February 14, 2024 through December 31, 2024 (Successor), approximately 99.8% of the Public Warrants were exercised by the holders thereof at an exercise price of $11.50 per share. As a result, holders of the Public Warrants received an aggregate 15,957,820 shares of the Company's Common Stock in exchange for $183.5 million in cash proceeds to the

Company. The remaining Public Warrants that were not exercised were redeemed by the Company for $ 0.01 per Public Warrant. Refer to *Note 7 — Warrants* for additional details regarding the warrant exercises.

On December 13, 2024, the Company entered into the Fourth Amendment to the Sable-EM Purchase Agreement, pursuant to which the following definitions were amended. “Restart Production” was redefined as 150 days after first production, extending the maturity date of the Senior Secured Term Loan by 60 days. “Restart Failure Date” was extended an additional 60 days to March 1, 2026. In the absence of further negotiations, Restart Production must take place prior to March 1, 2026, and the Senior Secured Term Loan must be refinanced within 240 days following such first production date.

On May 19, 2025, the Company announced that as of May 15, 2025, it had restarted production at SYU and begun flowing oil production from six wells at SYU's Platform Harmony to the Company's Las Flores Canyon (“LFC”). Additionally, on May 19, 2025 the Company also announced that with the completion of the Gaviota State Park anomaly repairs on the Las Flores Pipeline System (the “Onshore Pipeline”) on May 18, 2025, the Company completed its anomaly repair program on the Onshore Pipeline as specified by the Consent Decree, the governing document for the restart and operations of the Onshore Pipeline.

On May 21, 2025, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with J.P. Morgan Securities LLC, TD Securities (USA) LLC and Jefferies LLC, as representatives of the several underwriters (the “Underwriters”), relating to the underwritten public offering of 8,695,654 shares of Common Stock (the “2025 Offering”). Pursuant to the Underwriting Agreement, the Company granted the Underwriters a 30-day option to purchase up to 1,304,346 additional shares of Common Stock. On May 23, 2025 the upsized underwritten public offering of 10,000,000 shares of Common Stock at the public offering price of $29.50 per share closed. Upon the closing of the 2025 Offering, associated marketing fees and legal fees of approximately $12.4 million were incurred, and were recognized as an offset to the proceeds from the 2025 Offering within Additional paid-in capital in the unaudited condensed consolidated balance sheet and statement of stockholders' equity (deficit)/net parent investment as of June 30, 2025. The Company intends to use the approximately $282.6 million of net proceeds from the 2025 Offering for capital expenditures, working capital purposes and general corporate purposes.

Unless otherwise noted or the context otherwise requires, references to (i) the “Company,” “Sable,” “we,” “us,” or “our” are to Sable Offshore Corp., a Delaware corporation, and its consolidated subsidiaries, following the Business Combination, (ii) “Flame” refers to Flame Acquisition Corp. prior to the Business Combination, and (iii) the “Pipelines” are to Pipeline Segments 324/325 (formally known as Pipeline Segments 901/903) and the other “324/325 Assets” (formally known as “901/903 Assets” and as defined in the Sable-EM Purchase Agreement).

For the purposes of the unaudited condensed consolidated financial statements, periods on or before February 13, 2024 reflect the financial position, results of operations and cash flows of the SYU Assets (excluding the Pipelines) prior to the Business Combination, referred to herein as the “Predecessor,” and periods beginning on or after February 14, 2024 reflect the financial position, results of operations and cash flows of the Company as a result of the Business Combination, referred to herein as the “Successor”.

These unaudited condensed consolidated financial statements and notes should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2024.

Going Concern

The accompanying unaudited condensed consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern. The Company has experienced losses from operations and has negative cash flows from operations since inception. The Company expects to continue to incur losses until it can recognize revenue in connection with the sale of production from the SYU Assets. As of June 30, 2025, the Successor reported unrestricted cash of $247.1 million and an accumulated deficit of $935.9 million. Additionally, the achievement of first production triggered the acceleration of the Senior Secured Term Loan maturity date to 240 days after the production restart date, or January 10, 2026. Accordingly, the Senior Secured Term Loan must be refinanced or otherwise paid in full by or prior to the maturity date.

Following the Closing Date and through June 30, 2025, management has addressed capital funding needs with the consummation of the Business Combination, the First PIPE Investment, the Second PIPE Investment, proceeds from the

exercise of warrants (refer to *Note 7 — Warrants* for additional details regarding the warrant exercises), and net proceeds from the 2025 Offering. Management believes the Company has sufficient capital to maintain operations and resume pipeline operations, which would allow sales of production volumes from the SYU Assets. However, the Company's plans for first sales are contingent upon approvals from state and local regulators. Additionally, if the Company's estimates of the costs to reach first sales are less than the actual amounts necessary to do so, the Company may have insufficient funds available to operate its business prior to first sales and will need to raise additional capital. If the Company is unable to raise additional capital, it may be required to take additional measures to conserve liquidity, which could include, among other things, reducing overhead expenses.

Due to the remaining regulatory and legal approvals necessary to resume pipeline operations and enable sales of production volumes, and lack of assurance that new financing, or refinancing of the Senior Secured Term Loan, will be available to the Company on commercially acceptable terms, if at all, substantial doubt exists about the Company's ability to continue as a going concern. The financial statements included in this quarterly report do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that could be necessary if the Company is unable to continue as a going concern.

Note 2 — Significant Accounting Policies

Basis of Presentation

Flame was initially formed as a special purpose acquisition company for the purpose of entering into a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. On February 14, 2024, Flame completed the transactions contemplated by the Merger Agreement and the Sable-EM Purchase Agreement, with Flame surviving the transactions and changing its name to Sable Offshore Corp. thereafter. The Company was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification 805, Business Combinations, with such transactions being accounted for as a forward merger, and SYU was deemed the Predecessor entity for accounting purposes.

As a result of the Business Combination, the results of operations, financial position and cash flows of the Predecessor and Successor are not directly comparable. Since SYU was deemed to be the Predecessor entity, the historical financial statements of SYU became the historical financial statements of the combined Company, upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of SYU prior to the Business Combination and (ii) the unaudited condensed consolidated results of the Company, including SYU, following the Closing Date. The accompanying unaudited condensed financial statements include a Predecessor period, which includes the period January 1, 2024 through February 13, 2024 concurrent with the Business Combination, and a Successor period from February 14, 2024 through March 31, 2024, and thereafter. A black line between the Successor and Predecessor periods has been placed in the unaudited condensed consolidated financial statements and in the tables to the notes to the unaudited condensed consolidated financial statements to highlight the lack of comparability between these two periods.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC"). Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a complete presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. Financial presentation in prior periods has been adjusted to conform with current period presentation. These unaudited condensed consolidated financial statements for the quarterly period ended June 30, 2025 may not be representative of the financial results for the full year 2025.

The Predecessor financial statements reflect the carve-out assets, liabilities, revenues, expenses, and cash flows of SYU. SYU had not previously been separately accounted for as a stand-alone legal entity. The accounts are presented on a combined basis because SYU was under common control of EM.

The accompanying Predecessor financial statements also include a portion of indirect costs for general and administrative expenses. In addition to the allocation of indirect costs, the Predecessor financial statements reflect certain agreements executed by EM for the benefit of SYU. The allocations methodologies for significant allocated items include:

- General and administrative expenses that were not specifically identifiable to SYU were allocated to SYU as a portion of certain other operating costs based on aggregated historical benchmarking data for the period from January 1, 2022 to February 13, 2024. The total amounts allocated to SYU for the period from January 1, 2024 to February 13, 2024, which are recorded in general and administrative expenses, are $1.7 million.
- Long-term debt was not allocated to SYU as it was a legal obligation of EM, which was not directly impacted by the sale of SYU to Sable.

Management believes the allocation methodologies used in the Predecessor financial statements are reasonable and result in an allocation of EM's indirect costs of operating SYU as a stand-alone entity. These Predecessor financial statements may not be indicative of the future performance of SYU and do not necessarily reflect what the results of operations, financial position and cash flows would have been had SYU been operated as an independent company during the periods presented.

Emerging Growth Company Status

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, (the "Securities Act"), as modified by the Jumpstart our Business Startups Act of 2012, (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies. The Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates made by management include, among others, allocation assumptions and the carrying amount of asset retirement obligations, which are based on the timing and cost of future abandonments, inputs utilized to fair value warrant liabilities, and assumptions used to estimate deferred taxes.

While management believes these estimates are reasonable, changes in facts and assumptions or the discovery of new information may result in revised estimates. Actual results could differ from these estimates, and it is at least reasonably possible these estimates could be revised in the near term, and these revisions could be material.

Segment Reporting

Sable operates in a single reportable segment, oil and gas. The oil and gas segment is defined based on the way in which internally reported financial information is regularly reviewed by the chief operating decision maker ("CODM"), our Chairman and Chief Executive Officer, to analyze financial performance and allocate resources. The CODM assesses

performance and decides how to allocate resources based on net income (loss) presented in the unaudited condensed consolidated statements of operations.

Fair Value Measurements

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Refer to *Note 11 — Fair Value Measurements* for fair value disclosures.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

The Company considers cash or cash equivalents that are legally restricted from use or withdrawal as restricted cash. In March of 2024, the Company entered into the Settlement Agreement (as defined below) in regards to the Grey Fox Matter (as defined below) (refer to *Note 8 — Commitments and Contingencies* for additional details regarding the Grey Fox Matter). Pursuant to the Settlement Agreement, the Company was required to deliver a irrevocable direct pay letter of credit (the “Letter of Credit”) in the amount of $35.0 million to the plaintiffs' counsel (the "Plaintiffs") in the Grey Fox Matter. The Letter of Credit was issued by JPMorgan Chase Bank, N.A. (“JPMorgan”) and required the Company to enter into a cash collateral agreement (the “Collateral Agreement”) with JPMorgan on May 7, 2024. Pursuant to the Collateral Agreement, the Company deposited $35.0 million into a collateral account (the “Collateral Account”), which is pledged as collateral to JPMorgan as the issuer of the Letter of Credit. Pursuant to the terms of the Settlement Agreement, the Plaintiffs in the Grey Fox Matter may draw upon the Letter of Credit at a future date upon satisfaction of certain conditions, and the funds held in the Collateral Account are legally restricted to reimburse JPMorgan for such draws, in addition to any related fees and expenses. Additionally, pursuant to the Settlement Agreement, the Company will pay interest on the $35.0 million to the Plaintiffs at the rate earned on the Collateral Account (the “Interest Payable”); provided however that the Company is entitled to reduce the Interest Payable by the ordinary and customary expenses charged to the Company from JPMorgan as the issuer of the Letter of Credit, capped at $0.4 million (1%) per annum. On September 17, 2024, the Court approved the Settlement Agreement, requiring the $35.0 million deposit in the Collateral Account and the related Interest Payable to be paid upon the final payment date.

On June 30, 2025, the Plaintiffs submitted a draw statement on the Letter of Credit in the amount of $35.0 million, and the Company paid the Plaintiffs directly the interest owed. On July 7, 2025, in accordance with the Settlement Agreement, J.P. Morgan & Co. processed the $35.0 million draw statement and wired the funds to Plaintiffs pursuant to the Letter of Credit. J.P. Morgan & Co. subsequently accepted the $35.0 million restricted cash as settlement in full of the obligations created by the draw of the Letter of Credit, all as contemplated by the Settlement Agreement.

Prior to payment, the related Interest Payable was not legally restricted and was available for the Company's use. However, the Company has adopted an accounting policy to consider interest that is both (i) earned on cash that is legally restricted in relation to a legal settlement and (ii) payable as a part of such settlement, such as the Interest Payable, restricted for presentation purposes. Accordingly, the $35.0 million deposit in the Collateral Account and the related Interest Payable are presented within the restricted cash balance presented on the Company’s unaudited condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and restricted cash deposits with a financial institution, which, at times, may exceed the Federal Depository Insurance Coverage of $0.3 million. At June 30, 2025 and December 31, 2024, the Company did not experience losses on this account.

Related Parties

Transactions between related parties are considered to be related party transactions even though they may not be given accounting recognition. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 850, *Related Party Disclosures* ("ASC Topic 850"), requires transactions with related parties that would make a difference in decision making to be disclosed so that users of the unaudited condensed consolidated financial statements can evaluate their significance.

During the period from January 1, 2024 through February 13, 2024 (Predecessor), there were no related party transactions, except for the management and administrative services. SYU previously received management and administrative services from EM, a portion of which was attributable to SYU. Additionally, cash that was received on behalf of SYU by EM created a receivable for SYU, while expenditures made by EM on behalf of SYU created a payable for SYU. The net receivable or payable from all cash activity attributable to SYU is reflected as Due to related party. Refer to *Note 5 — Related Party Transactions* for related party disclosures.

Property, Plant and Equipment

Cost Basis. The Company's oil, natural gas and NGL producing activities are accounted for under the successful efforts method of accounting. Under this method, costs are accumulated on a field-by-field basis. Costs incurred to purchase, lease, or otherwise acquire a property (whether unproved or proved) are capitalized when incurred. Exploratory well costs are carried as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where sufficient progress assessing the reserves and the economic and operating viability of the project is being made. Exploratory well costs not meeting these criteria are charged to expense. Other exploratory expenditures, including geophysical costs and annual lease rentals, are expensed as incurred. Development costs, including costs of productive wells and development dry holes, are capitalized.

Other Property and Equipment. Other property and equipment primarily consist of onshore midstream facilities and transportation assets. Due to the nature of such assets, the onshore midstream facilities are presented within oil and gas properties, while the transportation assets are presented within other assets on the unaudited condensed consolidated balance sheets.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization are primarily determined under the unit-of-production method, which is based on estimated asset service life taking obsolescence into consideration.

Acquisition costs of proved properties are to be amortized using a unit-of-production method, computed on the basis of total proved oil and natural gas reserve volumes. Capitalized exploratory drilling and development costs associated with productive depletable extractive properties are amortized using the unit-of-production rates based on the amount of proved developed reserves of oil and gas that are estimated to be recoverable from existing facilities using current operating methods. Under the unit-of-production method, oil and natural gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the lease or field storage tank.

Due to the nature of our investments in midstream equipment, the cost of such assets are also to be amortized using the unit-of-production rates based on the amount of proved developed reserves of oil and gas that are estimated to be recoverable from existing facilities using current operating methods. Maintenance and repairs, including planned major maintenance, are expensed as incurred. Major renewals and improvements are capitalized and the assets replaced are retired.

SYU had previously been shut in since 2015 due to a pipeline incident but was maintained to preserve it in an operation-ready state. Thus, no depreciation, depletion or amortization was recognized prior to achieving first production on May 15, 2025. The Company produced oil volumes during the three months ended June 30, 2025 and accordingly recognized $1.8 million of depreciation, depletion, and amortization expense, which has been capitalized as Inventory and other on the

unaudited condensed balance sheet (see further discussion below of Oil Inventory) as the produced oil volumes have been retained within the Company's storage tanks as of June 30, 2025.

Depreciation, depletion, amortization, and accretion expense for oil and gas properties recognized on the unaudited condensed consolidated statement of operations for the three and six months ended June 30, 2025 (Successor), the three months ended June 30, 2024 (Successor) and the period February 14, 2024 through June 30, 2024 (Successor) consisted of asset retirement obligation related accretion expense in the amount of $3.0 million, $5.8 million, $2.7 million and $4.1 million, respectively, and depreciation on other property and equipment of $0.2 million, $0.4 million, zero and zero, respectively.

Depreciation, depletion, amortization, and accretion expense for oil and gas properties and related equipment was $2.6 million for the period from January 1, 2024 through February 13, 2024 (Predecessor).

The Company had net capitalized costs related to oil and gas properties and related equipment of $1.4 billion as of June 30, 2025 and $1.2 billion as of December 31, 2024.

Impairment Assessment. Oil and gas properties are tested for recoverability on an ongoing basis whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Among the events or changes in circumstances which could indicate that the carrying value of an asset or asset group may not be recoverable are the following:

a. a significant decrease in the market price of a long-lived asset;
b. a significant adverse change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected reserve volumes;
c. a significant adverse change in legal factors or in the business climate that could affect the value, including an adverse action or assessment by a regulator;
d. an accumulation of project costs significantly in excess of the amount originally expected; and
e. a current-period operating loss combined with a history and forecast of operating or cash flow losses.

Oil and gas properties undergo a process to monitor for indicators of potential impairment throughout the year. This process is aligned with the requirements of ASC 360 and ASC 932. Asset valuation analysis, profitability reviews and other periodic control processes assist in assessing whether events or changes in circumstances indicate the carrying amounts of any of the assets may not be recoverable.

Because the lifespans of the oil and gas properties are measured in decades, the future cash flows of these assets are predominantly based on long-term oil and natural gas commodity prices, industry margins, and development and production costs. Significant reductions in management’s view of oil or natural gas commodity prices or margin ranges, especially the longer-term prices and margins, and changes in the development plans, including decisions to defer, reduce, or eliminate planned capital spending, can be an indicator of potential impairment. Other events or changes in circumstances, can be indicators of potential impairment as well.

In general, temporarily low prices or margins are not viewed as an indication of impairment. Management believes that prices over the long term must be sufficient to generate investments in energy supply to meet global demand. Although prices will occasionally drop significantly, industry prices over the long term will continue to be driven by market supply and demand fundamentals. On the supply side, industry production from mature fields is declining. This is being offset by investments to generate production from new discoveries, field developments and technology, and efficiency advancements. The Organization of the Petroleum Exporting Countries investment activities and production policies also have an impact on world oil supplies. The demand side is largely a function of general economic activities, alternative energy sources and levels of prosperity. During the lifespan of its major assets, management expects that oil and gas prices and industry margins will experience significant volatility, and consequently these assets will experience periods of higher earnings and periods of lower earnings. In assessing whether events or changes in circumstances indicate the carrying value of an asset may not be recoverable, management considers recent periods of operating losses in the context of its longer-term view of prices and margins.

Cash Flow Assessment. If events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, management estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. In performing this assessment, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Cash flows used in recoverability

assessments are based on assumptions which are developed by management and are consistent with the criteria management uses to evaluate investment opportunities. These evaluations make use of assumptions of future capital allocations, crude oil and natural gas commodity prices including price differentials, refining and chemical margins, volumes, and development and operating costs. Volumes are based on projected field and facility production profiles, throughput, or sales. Management's estimate of upstream production volumes used for projected cash flows makes use of proved reserve quantities and may include risk-adjusted unproved reserve quantities.

Fair value of Impaired Assets. An asset group is impaired if its estimated undiscounted cash flows are less than the asset group's carrying value. Impairments are measured by the amount by which the carrying value exceeds fair value. The assessment of fair value is based upon the views of a likely market participant. The principal parameters used to establish fair value include estimates of acreage values and flowing production metrics from comparable market transactions, market-based estimates of historical cash flow multiples, and discounted cash flows. Inputs and assumptions used in discounted cash flow models include estimates of future production volumes, throughput and product sales volumes, commodity prices which are consistent with the average of third-party industry experts and government agencies, refining and chemical margins, drilling and development costs, operating costs and discount rates which are reflective of the characteristics of the asset group. Impairments incurred are Level 3 fair value measurements.

There were no impairments recognized during the six months ended June 30, 2025 (Successor), or the periods February 14, 2024 through June 30, 2024 (Successor) and January 1, 2024 through February 13, 2024 (Predecessor).

Materials and supplies

Materials and supplies are valued at the lower of cost or net realizable value and presented as a component of Inventory and other on the unaudited condensed consolidated balance sheet.

Oil Inventory

As referenced above, the Company announced that it restarted production at SYU on May 15, 2025, and began flowing oil production to LFC storage facilities. As a result, the Company recognized short term oil inventory as of June 30, 2025. FASB ASC Topic 330—Inventory ("ASC 330") dictates that inventory shall initially be valued at the price paid or consideration given to acquire an asset. By analogy, the Company capitalized the costs incurred that were directly attributable to producing and transporting the production to the onshore storage tanks, including associated depreciation, depletion, and amortization. Oil inventory is presented as a component of Inventory and other on the unaudited condensed consolidated balance sheet.

The Company has oil inventory storage capacity of 540 MBbls onshore at LFC. The Company generally expects the inventory volumes to fluctuate over time to maintain optimal operational efficiencies. The ending volume of inventory that remains in the onshore storage tanks is measured at the current period's cost, and a lower of cost or net realizable value assessment is performed for each reporting period.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include obligations incurred in the ordinary operation of the business for services performed and products received, including capital expenditures that are capitalized as oil and gas properties. Accounts payable and accrued liabilities consisted of the following as of:

(in thousands)	June 30, 2025	December 31, 2024
Accounts payable	$ 62,158	$ 16,806
Accrued operations expenditures	88,611	67,909
Legal settlement payable	35,000	35,038
Total accounts payable and accrued liabilities	$ 185,769	$ 119,753

Asset Retirement Obligations

The Company's asset retirement obligations ("ARO") primarily relate to the future plugging and abandonment of oil and gas properties and related facilities. The Company uses assumptions and judgments to estimate the respective future plugging and abandonment costs, technical assessments of the assets and their ultimate productive life (timing of

settlements), a risk-adjusted discount rate and an inflation factor in order to determine the current present value of this obligation. To the extent future revisions to these assumptions impact the present value of the existing asset retirement obligation liability, a corresponding adjustment is made to the oil and gas property balance.

The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time the assets are installed. Asset retirement obligations incurred in the current period are Level 3 fair value measurements. The costs associated with these liabilities are capitalized as part of the related assets and depreciated as the reserves are produced. Over time, the liabilities are accreted for the change in their present value. Refer to *Note 4 — Asset Retirement Obligations* for additional disclosures.

Derivative Warrant Liabilities

The Company does not currently use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including issued stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480 and ASC Topic 815, “Derivatives and Hedging” (“ASC 815”). The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

The Company accounts for its warrants as derivative warrant liabilities in accordance with ASC 815-40. Accordingly, the Company recognizes the warrant instruments as liabilities at fair value and adjusts the instruments to fair value at each reporting period. The liabilities are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company’s unaudited condensed consolidated statements of operations (Refer to *Note 11 — Fair Value Measurements* for additional details).

Income Taxes

The Company accounts for income taxes under ASC 740, “Income Taxes” (“ASC 740”). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

ASC 740 also requires that an annual effective tax rate be determined and that such annual effective rate be applied to year-to-date income in interim periods. Utilizing provisions of ASC 740, the Company's effective tax rate was negative 6.5%, negative 8.5%, negative 3.2% and negative 5.7% for the three and six months ended June 30, 2025 (Successor), the three months ended June 30, 2024 (Successor) and the period February 14, 2024 through June 30, 2024 (Successor), respectively. The effective tax rate differs from the statutory tax rate of 21% due primarily to changes in valuation allowance on the deferred tax assets and disallowed expenses. No income taxes were allocated to the Predecessor as it was not a taxable legal entity.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future federal and state pretax operating income adjusted for items that do not have tax consequences. Based on our ongoing assessment of all available evidence, both positive and negative, we concluded that it was more likely than not that our U.S. deferred tax assets in excess of deferred tax liabilities would not be realized. Also, in scheduling the reversals of our existing timing differences for the Successor period, we concluded that certain deferred tax liabilities in future periods do not have deferred tax assets available to offset, which is primarily due to our net operating losses being limited to 80% of taxable income on an annual basis. Therefore, a further valuation allowance of our deferred tax assets in excess of our liabilities is necessary and results in deferred tax expenses for the Successor period. Our judgment regarding the likelihood of realization of these deferred tax assets could change in future periods, which could result in a material impact to our income tax provision in the period of change.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the United States. The OBBBA makes permanent key elements of the Tax Cuts and Jobs Act of 2017, including 100% bonus depreciation on qualified property acquired and placed in service after January 19, 2025. Per ASC 740, the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation is enacted is required. The Company is currently reviewing what impact, if any, the OBBBA will have on the Company's tax estimates.

Parent Net Investment (Predecessor)

Parent net investment reflects the financial reporting basis of SYU's assets and liabilities and changes due to capital contributions and losses. All cash activity of SYU for the periods presented were concentrated in accounts retained by EM. Accordingly, net cash activity attributable to SYU is reflected in contributions from parent in the accompanying unaudited condensed consolidated financial statements in the Predecessor periods.

Net Loss Per Share of Common Stock

The Company complies with accounting and disclosure requirements of FASB ASC Topic 260, "Earnings Per Share." Net loss per share of Common Stock is computed by dividing net loss by the weighted average number of shares of Common Stock outstanding for the period.

The following table reflects the calculation of basic and diluted net loss per share of Common Stock.

	Successor				Predecessor
(dollars in thousands, except per share amounts)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	February 14, 2024—June 30, 2024	January 1, 2024 —February 13, 2024
Net loss	$ (128,066)	$ (165,436)	$ (237,610)	$ (345,541)	$ (11,789)
Weighted average shares outstanding—Basic and diluted	91,224,345	60,166,269	87,849,286	60,166,269	n/a
Net loss per share—Basic and diluted	$ (1.40)	$ (2.75)	$ (2.70)	$ (5.74)	n/a

The diluted net loss per share calculation excludes the anti-dilutive effect of 8,987,062 warrants and 10,460,465 restricted share units for the three and six months ended June 30, 2025 (Successor), and 25,431,341 warrants and 4,679,166 restricted shares for the three months ended June 30, 2024 (Successor) and for the period from February 14, 2024 through June 30, 2024 (Successor).

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. The FASB issued this ASU to enhance the transparency and decision usefulness of income tax disclosures. The amendments in this ASU address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently reviewing what impact, if any, adoption will have on the Company's financial position, results of operations or cash flows.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40) - Disaggregation of Income Statement Expenses. The FASB issued this ASU to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expenses captions (such as cost of sales, SG&A, and research and development). The amendments in this ASU are effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently reviewing what impact, if any, adoption will have on the Company's disclosures.

The Company's management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Note 3 — Acquisition

On the Sable-EM Closing Date, in connection with the consummation of the transactions contemplated by the Sable-EM Purchase Agreement, the Company entered into a $625.0 million five year Senior Secured Term Loan with Exxon (the "Senior Secured Term Loan") and paid additional consideration of $203.9 million in cash to Exxon (which excludes an $18.8 million cash deposit on the Senior Secured Term Loan paid to Exxon on the Closing Date). Refer to *Note 6 — Debt* for additional details regarding the Senior Secured Term Loan.

The following table presents the adjusted purchase consideration (in thousands):

Consideration:		
Purchase consideration as per Sable-EM Purchase Agreement	$	625,000
Plus:		
Paid-in-kind interest from effective date to closing*		140,018
Materials and supplies*		16,637
Cash consideration paid		203,945
Adjusted purchase consideration	$	985,600

*Included in the initial principal associated with the Senior Secured Term Loan.

The acquisition of the SYU Asset's is accounted for under the scope of FASB's ASC Topic 805, Business Combinations ("ASC 805"). Pursuant to ASC 805, Sable was determined to be the accounting acquirer. The allocation of the purchase price included in the unaudited condensed consolidated balance sheets is based on the best estimate of management. To assist management in the allocation, the Company engaged valuation specialists.

The following table represents the allocation of the total purchase price for the acquisition of the identifiable assets acquired and the liabilities assumed at the acquisition date (in thousands):

Total consideration	$	985,600
Fair value of assets acquired:		
Oil and gas properties	$	1,060,374
Materials and supplies		16,637
Other assets		4,621
Amount attributable to assets acquired	$	1,081,632
Fair value of liabilities assumed:		
Asset retirement obligations	$	90,073
Other current liabilities		827
Deferred tax liability		1,209
Other long term liabilities		3,923
Amounts attributable to liabilities assumed		96,032
Net assets acquired and liabilities assumed	$	985,600

The Company assumed contractual agreements for warehousing space and for surface use rights. For leases with a primary term of more than 12 months, a right-of-use ("ROU") asset and the corresponding ROU lease liability was recorded. The Company recorded an initial asset and liability of $4.6 million associated with the assumed leases. The Company determines at inception if an arrangement is an operating or financing lease.

The Company also paid transaction costs in the Successor period in connection with the acquisition and the related Business Combination totaling $49.1 million, of which $24.7 million was recognized in Selling, general, and administrative expenses in the unaudited condensed consolidated statement of operations as of the Closing Date, $22.9 million was recognized as a charge to Additional paid-in-capital, and $1.5 million was capitalized as debt issuance costs on the unaudited condensed consolidated balance sheet as of the Closing Date.

Note 4 — Asset Retirement Obligations

The Company's asset retirement obligations relate to the future plugging and abandonment of oil and gas properties and related facilities. The following table describes the changes to the Company's asset retirement obligations liability as of:

(in thousands)	June 30, 2025	December 31, 2024
Beginning balance	$ 99,683	$ —
Acquisition of SYU	—	90,073
Accretion	5,824	9,610
Ending balance	$ 105,507	$ 99,683

Note 5 — Related Party Transactions

Convertible Promissory Notes

Since Flame's inception, it entered into nine convertible promissory notes with Flame Acquisition Sponsor LLC ("Sponsor") to provide working capital loans (the "Working Capital Loans") totaling $3.3 million as of February 14, 2024. The Working Capital Loans were to be either repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, such Working Capital Loans were convertible into warrants of the post-Business Combination entity at a price of $1.00 per warrant. At the Closing Date, all of the Working Capital Loans were converted into an aggregate of 3,306,370 Private Warrants at a price of $1.00 per Warrant. The warrants are identical to the Private Placement Warrants. See warrant discussion at *Note 7 — Warrants*.

Promissory Note Loans

Since Flame's inception, it entered into four non-convertible promissory notes (the "Promissory Note Loans") with the Sponsor to provide Promissory Note Loans that were used to pay for expenditures of the acquisition target totaling $ 1.1 million as of February 14, 2024. At the Closing Date, each of the Promissory Note Loans were fully repaid in cash.

Founder Reimbursement

Under the terms of the Merger Agreement, James C. Flores, the Company's Chairman and Chief Executive Officer, was entitled to reimbursement by Flame, on the Closing Date, of all of his reasonable, documented out-of-pocket fees and expenses for any agents, advisors, consultants, experts, independent contractors and financial advisors engaged on behalf of Holdco or Sable and incurred in connection with the transactions contemplated by the Merger Agreement and the Sable-EM Purchase Agreement, in each case, that were paid as of the Closing, subject to a cap equal to $3.0 million. On the Closing Date, Mr. Flores was reimbursed $2.9 million and the associated expense is included in general and administrative expenses on the unaudited condensed consolidated statement of operations for the period from February 14, 2024 through March 31, 2024 (Successor).

Agreement of Purchase and Sale

On October 3, 2024, the Company entered into an Agreement of Purchase and Sale ("PSA") with Sable Aviation, LLC ("Sable Aviation"), an entity controlled by the Company's Chairman and Chief Executive Officer. Pursuant to the terms of the PSA, the Company purchased transportation assets and related equipment from Sable Aviation in exchange for 600,000 shares of the Company's Common Stock, valued at $15.2 million.

Note 6 — Debt

Senior Secured Term Loan

Sable entered into the Senior Secured Term Loan with an initial principal of $625.0 million. The initial principal balance was increased by $16.6 million for material and supplies and $140.0 million for paid-in-kind interest from the effective date through the Closing Date less an $18.8 million cash deposit (which was paid on the Closing Date). The proceeds of the Senior Secured Term Loan were deemed funded on the Closing Date in connection with consummation of the Sable-EM Purchase Agreement. The Senior Secured Term Loan bears interest at ten percent (10.0%) per annum (computed on a 360-day year). Unless Sable elects in writing prior to an applicable interest payment date to pay accrued but unpaid interest in cash, all such accrued and unpaid interest shall be compounded annually on January 1st of each year by adding the relevant amount to the then outstanding principal amount of the Senior Secured Term Loan ("paid-in-kind interest").

The Senior Secured Term Loan matures on the earliest to occur of (i) 12:00:01 a.m. (Central Time) on January 1, 2027 (ii) 90 days after Restart Production (i.e., 240 days after first production from the wells) as defined in the Sable-EM Purchase Agreement or (iii) acceleration of the Senior Secured Term Loan in accordance with its terms. On May 19, 2025, the Company announced that as of May 15, 2025, it had restarted production at SYU and begun flowing oil production from six wells at SYU's Platform Harmony to LFC. This action triggered acceleration of the term loan maturity date to 240 days after the production restart date, or January 10, 2026. Since the Senior Secured Term Loan is now due in less than twelve months, it has been classified as a short-term debt obligation on the unaudited condensed consolidated balance sheet as of June 30, 2025.

The Senior Secured Term Loan, dated as of the Closing Date, by and among Sable, EM, as lender, and Alter Domus Products Corp., as the administrative agent for the benefit of the lender, requires that James C. Flores, our Chairman and Chief Executive Officer, remains directly and actively involved in the day-to-day management of our business, subject to the right of the holder of such indebtedness to approve his replacement, with such approval not to be unreasonably withheld.

Restrictive covenants in the Senior Secured Term Loan impose significant operating and financial restrictions on us and our subsidiaries and we may be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us by the Senior Secured Term Loan unless we gain EM's consent. These restrictions limit our ability to, among other things: engage in mergers, consolidations, liquidations, or dissolutions; create or incur debt or liens; make certain debt prepayments; pay dividends, distributions, management fees or certain other restricted payments; make investments, acquisitions, loans, or purchase oil and gas properties; sell, assign, farm-out or dispose of any property; enter into transactions with affiliates; enter into, subject to certain exceptions, any agreement that prohibits or restricts liens securing the Senior Secured Term Loan, payments of dividends to us, or payment of debt owed to us and our subsidiaries; and change the nature of our business.

The Senior Secured Term Loan also contains representations and warranties, affirmative covenants, additional negative covenants and events of default (including a change of control). During the pendency of the Senior Secured Term Loan and in case of an event of default thereunder, EM may exercise all remedies at law or equity, and may foreclose upon substantially all of our assets and the assets of our subsidiaries, including, in the event of a deficiency, cash and any other assets not acquired from EM in the Business Combination to the extent constituting collateral under the applicable financing documents. We may not be able to obtain amendments, waivers or consents for potential or actual breaches of such representations and warranties or covenants, or we may be unable to obtain such amendments waivers or consents on acceptable terms, all of which could limit management's flexibility to operate the business.

On September 6, 2024 (the "Amendment Closing Date"), the Company entered into an amendment to the Senior Secured Term Loan (the "First Amendment"), pursuant to which, approximately $4.6 million of additional principal (the "Additional Principal") was added to the outstanding principal amount of the Senior Secured Term Loan related to the termination of a vendor contract related to the SYU Assets that was not a liability assumed in the Business Combination. In accordance with the terms of the First Amendment, the Additional Principal shall be deemed to have accrued interest as if such amount has been added to the outstanding principal amount of the Senior Secured Term Loan, on January 1, 2024 (the "Amendment Effective Date"). The Additional Principal and $ 0.4 million associated paid-in-kind interest accrued for the period from the Amendment Effective Date through the Amendment Closing Date (collectively, the "Effective Additional Principal") was added to the outstanding principal amount of the Senior Secured Term Loan on the Amendment Closing Date and was accounted for as an exit cost under the scope of ASC 420. As a result, the Effective Additional Principal is

included within Other expense on the Company's unaudited condensed consolidated statement of operations for the period from February 14, 2024 through June 30, 2024 (Successor).

Debt consisted of the following as of:

(in thousands)	June 30, 2025	December 31, 2024
Senior Secured Term Loan, including paid-in-kind interest	$ 875,872	$ —
Less: Debt issuance costs, net	(311)	—
Total short-term debt, net	875,561	—
Senior Secured Term Loan, including paid-in-kind interest	—	834,165
Less: Debt issuance costs, net	—	(623)
Total long-term debt, net	$ —	$ 833,542

For the three and six months ended June 30, 2025 (Successor), the three months ended June 30, 2024 (Successor) and for the period from February 14, 2024 through June 30, 2024 (Successor), the Company incurred interest expense of $ 21.0 million, $42.0 million, $19.2 million and $29.0 million, respectively, which is included as interest expense on the unaudited condensed consolidated statements of operations and the paid-in-kind interest is accrued and included in the Senior Secured Term Loan on the unaudited condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024. For the three and six months ended June 30, 2025 (Successor), the three months ended June 30, 2024 (Successor) and for the period from February 14, 2024 through June 30, 2024 (Successor), the Company's effective interest rate on the Senior Secured Term Loan was approximately 10.0%.

Note 7 — Warrants

There were 8,987,062 warrants outstanding as of June 30, 2025 and December 31, 2024. There were no changes in the number of warrants outstanding for the three and six months ended June 30, 2025 (Successor). The table below reflects warrant activity since the Closing:

	Public Warrants	Private Placement Warrants	Working Capital Warrants	Total
Outstanding Warrants at February 14, 2024	14,374,971	7,750,000	—	22,124,971
Issued	—	—	3,306,370	3,306,370
Transferred	1,609,564	(1,609,564)	—	—
Exercised	(15,957,820)	(459,744)	—	(16,417,564)
Redemptions	(26,715)	—	—	(26,715)
Outstanding Warrants as of June 30, 2025 and December 31, 2024	—	5,680,692	3,306,370	8,987,062

Public Warrants

As described in *Note 1 — Organization, Business Operations, and Going Concern,* all of the Public Warrants were either exercised or redeemed during the period from February 14, 2024 through December 31, 2024 (Successor). The Public Warrants were only exercisable for a whole number of shares prior to their redemption and no fractional shares were issued upon exercise of the Public Warrants. The Public Warrants became exercisable 30 days after the completion of the Business Combination.

Redemption of Warrants For Cash—Prior to the Redemption Date (defined below), the Company was able to redeem the outstanding Public Warrants for cash:

- in whole and not in part;
- at a price of $0.01 per Public Warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the last sale price of our Common Stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading

day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

On October 3, 2024, the conditions under which the Public Warrants could be redeemed for cash were satisfied and the Company announced that it would redeem all of the Public Warrants that remained outstanding after 5:00 p.m. New York City time on November 4, 2024 (the "Redemption Date"), for a redemption price of $0.01 per warrant (the "Redemption").

During the period from February 14, 2024 through December 31, 2024 (Successor), warrant holders exercised 15,957,820 Public Warrants for 15,957,820 shares of Common Stock resulting in approximately $183.5 million in cash proceeds to the Company. The remaining 26,715 Public Warrants that were not exercised by the Redemption Date were redeemed by the Company for cash. Prior to their exercise/redemption, the Public Warrants were accounted for as a derivative liability and carried on the unaudited condensed consolidated balance sheets at fair value. Upon exercise, the fair value of the derivative liability was reclassified to stockholders' equity in accordance with FASB ASC Topic 480, *Distinguishing Liabilities from Equity* ("ASC Topic 480").

Private Placement Warrants and Working Capital Warrants

The Company will not be obligated to deliver any shares of Common Stock pursuant to the exercise of a Private Placement Warrant or Working Capital Warrant and will have no obligation to settle such exercise unless a registration statement under the Securities Act with respect to the shares of Common Stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable, and the Company will not be obligated to issue a share of Common Stock upon exercise of a warrant unless the share of Common Stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants.

On the Closing Date, the Company filed with the SEC a registration statement for the registration, under the Securities Act, of the shares of Common Stock issuable upon exercise of the warrants, which the SEC declared effective on May 10, 2024. The Company will use its commercially reasonable efforts to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the exercise or expiration of the warrants in accordance with the provisions of th e warrant agreement. In addition, if the shares of Common Stock are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a "covered security" under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of the Private Placement Warrants or Working Capital Warrants who exercise their warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company elects to do so, the Company will not be required to file or maintain in effect a registration statement, but it will use its best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

The Private Placement Warrants, the Working Capital Warrants, and the shares of Common Stock issuable upon the exercise of such warrants were not transferable, assignable or salable until 30 days after the Closing Date, subject to certain limited exceptions, and are entitled to registration rights. Additionally, the Private Placement Warrants and Working Capital Warrants are exercisable on a cashless basis and non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants or Working Capital Warrants are held by someone other than the initial purchasers or their permitted transferees, such warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. In the event that the holder of a Private Placement Warrant or a Working Capital Warrant elect to exercise on a cashless basis, each holder would pay the exercise price by surrendering the warrants for that number of shares of Common Stock equal to (A) the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying the warrants, multiplied by the excess of the "fair market value" less the exercise price of the warrants by (y) the fair market value. The "fair market value" shall mean the volume weighted average price of the shares of Common Stock for the 10 trading days ending on the trading day prior to the date on which the notice of exercise is received by the warrant agent. Additionally, in no event will the Company be required to net cash settle the Private Warrants or Working Capital Warrants upon exercise.

During the period from February 14, 2024 through December 31, 2024 (Successor), warrant holders exercised 459,744 Private Placement Warrants on a cashless basis for 212,637 shares of Common Stock. These exercises were accounted for in accordance with ASC Topic 480 in the same manner as exercises of Public Warrants described above. There were no Private Placement warrants exercised during the three and six months ended June 30, 2025 (Successor).

The Private Placement Warrants and Working Capital Warrants that remain outstanding at June 30, 2025 and December 31, 2024 are accounted for as liabilities and marked-to-market at each reporting period, with changes in fair value included as Changes in fair value of warrant liabilities in the Successor's unaudited condensed consolidated statements of operations (refer to *Note 11 — Fair Value Measurements*).

Note 8 — Commitments and Contingencies

Registration Rights

The holders of the Founder Shares (defined below), Private Placement Warrants and Working Capital Warrants (and any shares of Common Stock issuable upon the exercise of such instruments) are entitled to registration rights pursuant to a registration rights agreement. The holders of these securities are entitled to make up to three demands, excluding short form demands, that the Company register such securities. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the completion of a Business Combination. However, the registration rights agreement provides that the Company will not permit any registration statement filed under the Securities Act to become effective until termination of the applicable lockup period. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Grey Fox Matter

On March 26, 2024, Sable entered into a Stipulation and Agreement of Settlement (the "Settlement Agreement") among (i) Grey Fox, LLC, MAZ Properties, Inc., Bean Blossom, LLC, Winter Hawk, LLC, Mark Tautrim, Trustee of the Mark Tautrim Revocable Trust, and Denise McNutt, on behalf of themselves and the Court-certified Settlement Class (the "Plaintiffs and Settlement Class Members"), (ii) Pacific Pipeline Company ("PPC") and (iii) Sable, with respect to the settlement and release of certain claims related to the Pipelines, including claims impacting the right of way for the Pipelines (collectively, the "Released Claims").

Pursuant to the terms of the Settlement Agreement, (i) the Plaintiffs and Settlement Class Members are obligated to, among other things, (a) release Sable, PPC and the other released parties from and against the Released Claims, (b) grant certain temporary construction easements to facilitate the repair of certain portions of the Pipelines, and (c) cooperate in good faith with Sable and PPC with respect to any and all steps reasonably required to restart the Pipelines and operate them thereafter, including obtaining all necessary regulatory approvals, consistent with the requirements of the relevant government agencies and the Consent Decree issued by the United States District Court for the Central District of California in relation to Civil Action No. 2:20-cv-02415 (United States of America and the People of the State of California v. Plains All American Pipeline, L.P. and Plains Pipeline, L.P.) and (ii) Sable has agreed to among other things, (a) pay $35.0 million into an interest-bearing non-reversionary Qualified Settlement Fund, and (b) deliver to class counsel an irrevocable direct pay letter of credit issued by J.P. Morgan & Co. or another federally insured bank in the amount of $35.0 million to secure Sable's obligation to make certain payments under the Settlement Agreement. The Company expensed $70.0 million upon the effectiveness of the Settlement Agreement, which is included in general and administrative expenses on the unaudited condensed consolidated statement of operations for the period from February 14, 2024 through June 30, 2024 (Successor).

On May 1, 2024, the United States District Court for the Central District of California entered an order granting preliminary approval of the Settlement Agreement, and thus, on May 9, 2024, the Company made the initial $35.0 million payment into the Qualified Settlement Fund and delivered the $35.0 million Letter of Credit to plaintiffs' counsel. On September 17, 2024, the court approved the Settlement Agreement in full. On June 30, 2025, the Plaintiffs submitted a draw statement on the irrevocable direct pay letter of credit in the amount of $35.0 million, and the Company paid the Plaintiffs directly the interest owed. On July 7, 2025, in accordance with the Settlement Agreement, J.P. Morgan & Co. processed the $ 35.0 million draw statement and wired the funds to Plaintiffs pursuant to the Letter of Credit. J.P. Morgan & Co. subsequently accepted the $ 35.0 million restricted cash as settlement in full of the obligations created by the draw of the Letter of Credit, all as contemplated by the Settlement Agreement.

Zaca Preserve Matter

On October 3, 2024, plaintiff Zaca Preserve LLC filed a California state court complaint against Sable, its subsidiary PPC, Plains All American Pipeline LP, and Plains Pipeline LP. The case is captioned 24CV05483 and is pending in Santa Barbara Superior Court, Anacapa Division. The plaintiff filed a First Amended Complaint on December 12, 2024, and served the complaint on Sable and PPC on December 18, 2024.

The plaintiff was a class member of the Grey Fox litigation that was settled effective September 17, 2024, and chose to opt out of the final settlement class. The plaintiff raises claims similar to the Grey Fox plaintiffs, namely that the pipeline easement on its property is no longer valid in light of the 2015 Refugio oil spill and the conduct of defendants. The plaintiff brings contract and tort claims and seeks declaratory and injunctive relief determining his easement terminated and prohibiting defendants from accessing or using his easement to restart pipeline operations. The plaintiff seeks compensatory, exemplary, and statutory damages, costs, attorneys' fees, and interest, as well as declaratory and injunctive relief. By stipulation, Sable and PPC's deadline to respond to the First Amended Complaint was March 4, 2025. Sable and PPC timely filed and served their Demurrer to the Plaintiff's First Amended Complaint and Sable filed and served a Motion to Strike the First Amended Complaint. The Demurrer and Motion to Strike are set for hearing in September 2025. Sable and PPC intend to defend the case vigorously.

BSEE Matter

On June 27, 2024, the Center for Biological Diversity and the Wishtoyo Foundation filed a complaint against Debra Haaland, Secretary of the U.S. Department of the Interior; the Bureau of Safety and Environmental Enforcement ("BSEE"); and Bruce Hesson, BSEE Pacific Regional Director in the U.S. District Court for the Central District of California (Case No. 2:24-cv-05459). Sable was not named as a party to the case, but on December 3, 2024, the court granted Sable's motion to intervene as a defendant to become a party to the lawsuit, and Sable vigorously contests the plaintiffs' allegations. On January 29, 2025, the court granted plaintiffs' request to supplement and amend their complaint. In the amended complaint, plaintiffs allege that BSEE: violated the National Environmental Policy Act ("NEPA"), the Outer Continental Shelf Lands Act ("OCSLA"), and the Administrative Procedure Act ("APA") in November 2023 by approving an extension to resume operations associated with the 16 oil and gas leases Sable holds in the SYU in federal waters offshore of California in the Santa Barbara Channel; and violated NEPA and the APA in September 2024 by approving applications for permits to modify for well reworking operations and by failing to conduct supplemental environmental analysis for oil and gas development and production in the SYU. The complaint asks for the court: to issue an order finding that BSEE violated NEPA, OCSLA and the APA; to vacate and remand the extension and the applications for permits to modify; to order BSEE to complete NEPA analysis by a date certain; to prohibit BSEE from authorizing further extensions, applications for permits to modify, or any other authorizations for restarting production until it complies with NEPA, OCSLA and the APA; and for an award of costs and attorneys' fees.

On December 20, 2024, the U.S. Department of Justice (in its capacity as counsel for the BSEE) filed a motion for voluntary remand without vacatur of BSEE's November 2023 extension. A hearing on the motion for voluntary remand took place on March 21, 2025, and the court denied the motion. All parties have filed cross-motions for summary judgment and responses, which are pending before the court, and on July 10, 2025, the court ordered the parties to submit supplemental briefs on issues directed by the court, which have now been filed.

Office of State Fire Marshal Matters

On December 17, 2024, the California Office of the State Fire Marshal ("OSFM") issued two "Letters of Decision" approving Sable's implementation of enhanced pipeline integrity standards for the Onshore Pipeline. In recognition of the measures, OSFM granted state waivers of certain regulatory requirements related to cathodic protection and seam weld corrosion for the Onshore Pipeline. The U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration ("PHMSA"), on February 11, 2025, delivered notices to OSFM that PHMSA does not object to OSFM's December 17, 2024 Letters of Decision approving the implementation of these enhanced integrity standards for the Onshore Pipeline or OSFM's granting of state waivers of certain regulatory requirements related to cathodic protection and seam weld corrosion for the Onshore Pipeline.

On April 15, 2025, the Center for Biological Diversity and the Wishtoyo Foundation filed a complaint against the OSFM (as Defendant) and Sable and PPC (as Real Parties in Interest) in the Superior Court of Santa Barbara County (Case No. 25-cv-02244) alleging the OSFM's issuance of the Letters of Decision violated the California Environmental Quality Act ("CEQA") as well as state and federal pipeline safety laws and seeking a temporary restraining order (the "CBD-OSFM Lawsuit"). On the same day, the Environmental Defense Center, on behalf of various non-profits, filed a complaint against the OSFM (as Defendant) and Sable and PPC (as Real Parties in Interest) in the Superior Court of Santa Barbara County (Case No. 25-cv-02247) alleging the OSFM's issuance of the Letters of Decision violated CEQA and constituted an abuse of discretion while also seeking a temporary restraining order (the "EDC-OSFM Lawsuit" and, together with the CBD-OFSM Lawsuit, the "OSFM Lawsuits").

On June 3, 2025, the Santa Barbara County Superior Court Judge presiding over the OSFM Lawsuits issued an order preventing OSFM from issuing any further authorizations for the Las Flores Pipeline System and preventing Sable from restarting the Las Flores Pipeline System until a hearing could be held on an order for OSFM to show cause why a preliminary injunction should not be issued. A hearing was held on July 18, 2025, and on July 29, 2025, the court entered an order granting petitioners' application for issuance of preliminary injunction in part, ruling that, absent further order of the court, Sable may restart the Las Flores Pipeline System 10 days after Sable files notice that Sable has received all necessary approvals and permits for restart. The court clarified that Sable is not prevented from taking steps toward restarting the Las Flores Pipeline, and that the OSFM is not prevented from taking steps it finds appropriate in its regulatory capacity with respect to Sable's restart plans as contemplated by the federal consent decree.

California Coastal Commission Matter

On February 18, 2025, Sable filed Complaint for Damages and Declaratory and Injunctive Relief in Santa Barbara County Superior Court alleging the California Coastal Commission (the "Commission") (i) violated Article I, Section 19 of the California Constitution and the takings Clause of the Fifth and Fourteenth Amendments to the U.S. Constitution in issuing certain Notices of Violation (File Nos. V-9-24-0152 and V-9-25-0013) ("NOVs") and Executive Director Cease and Desist Order No. ED-24-CD-02 ("2024 EDCDO") relating to alleged unpermitted development activities by the Company in the California coastal zone; and (ii) impaired the Company's vested rights in issuing the NOVs and EDCDO. The Company seeks the following relief: (a) a declaration that the Commission's NOVs and EDCDO are unlawful; (b) preliminary and permanent injunctions prohibiting the Commission from taking any action to enforce the NOVs and the EDCDO; (c) unspecified damages for the Commission's taking of the Company's property; (d) attorneys' fees; and (e) the Company's costs of the suit. Counsel for the Commission filed a Demurrer to the Company's complaint on April 10, 2025, which at a hearing on June 18, 2025 was sustained with respect to Sable's action for declaratory relief under California Public Resources Code §30803 and otherwise overruled by the court as to the other five causes of action.

Also on February 18, 2025, the Commission issued Executive Director Cease and Desist Order No. ED-25-CD-01 ("2025 EDCDO") and a Notice of Intent to Commence Proceedings for Commission Cease and Desist Order, Restoration Order, and Administrative Penalty Order relating to alleged unpermitted development activities by the Company in the California coastal zone. On April 10, 2025, the Commission voted to issue a Cease-and-Desist Order, Restoration Order, and Administrative Penalty Order ("CDO"), which included the imposition of an approximately $18.0 million administrative penalty on the Company, in connection with such alleged unpermitted development by the Company in the California coastal zone. The Company does not believe this penalty is lawful and has not recognized any accrued expense for the three months ended June 30, 2025. The Company is committed to contesting the claims and intends to vigorously defend the Company's interests.

The Company filed a Verified Amended Petition for Writ of Mandamus and Complaint for Damages and Declaratory and Injunctive Relief on April 16, 2025. On April 16, 2025, counsel for the Commission filed a Cross Complaint for Declaratory and Injunctive Relief seeking a judicial declaration ordering the Company to comply with the CDO. An Ex Parte Application for Order to Show Cause and Temporary Restraining Order was also filed by counsel for the Commission (as Cross-Plaintiff) on April 16, 2025, seeking a Temporary Restraining Order ("TRO") and further injunctive relief against the Company (as Cross-Defendants) restraining the Company from violating the CDO. The court denied the Commission's Ex Parte Application at a hearing on April 17, 2025. The court further set the Commission's Motion for Preliminary Injunction for hearing on May 14, 2025, which the court later moved to May 28, 2025. On April 22, 2025, counsel for the Commission filed a Petition for Stay, Writ of Supersedeas, or Other Appropriate Order, and Request for Temporary Stay with the Second Division California Court of Appeal, seeking a temporary stay of the Santa Barbara County Superior Court's denial of the Commission's request for a TRO and an order requiring Sable to comply with the CDO. On May 15, 2025, the Court of Appeal denied the Commission's Petition. On May 28, 2025, the court granted the Commission's application for issuance of a preliminary injunction and on July 9, 2025, the court denied Sable's motion to stay the CDO. The matter is set for trial on October 16-17 and 20-21, 2025.

BOEM Matter

On April 2, 2025, the Center for Biological Diversity and the Wishtoyo Foundation filed a complaint against Doug Burgum, Secretary of the U.S. Department of the Interior; the Bureau of Ocean Energy Management ("BOEM"); and Douglas Boren, BOEM Pacific Regional Director in the U.S. District Court for the Central District of California (Case No. 2:25-cv-02840). On May 12, 2025, plaintiffs filed an amended complaint in which plaintiffs challenge BOEM's April 2025 decision determining that Sable is not required to revise the development and production plan for Platform Harmony in the SYU. The amended complaint asks for the court: to issue an order finding that BOEM's decision was not in accordance

with OCSLA and violated the APA; order BOEM to require revision of the development and production plan for Platform Harmony; prohibit BOEM from authorizing new oil and gas drilling activity at the SYU unless and until revision of the development and production plan is complete; and for an award of costs and attorneys' fees. Sable was not named as a party to the case, but on June 10, 2025, the court granted Sable's motion to intervene as a defendant to become a party to the lawsuit, and Sable vigorously contests the plaintiffs' allegations. On July 21, 2025, Sable filed a motion to dismiss this case.

County Permit Transfer Matter

Sable Offshore et al. v. County of Santa Barbara et al. — on May 8, 2025, Sable Offshore Corp., Pacific Pipeline Company, Pacific Offshore Pipeline Company, together with Exxon Mobil Corporation, Mobil Pacific Pipeline Company, and ExxonMobil Pipeline Company filed suit against the County of Santa Barbara and its Board of Supervisors (the Environmental Defense Center and various non-profits have since joined as intervening defendants). The action seeks declaratory and injunctive relief, as well as damages, arising from the County's failure to name the Sable affiliates above as the owner, operator, and guarantor under the final development permits for the SYU, POPCO Facility, and Pipelines, replacing the prior owner, operator, and guarantors, the Exxon Mobil affiliates named above.

The permit transfers at issue were approved in October 2024 by the County of Santa Barbara's Planning Commission pursuant to Santa Barbara County Code Chapter 25B. That approval was appealed by various environmental advocacy groups to the Board of Supervisors. On February 25, 2025, the Board heard the appeals but, despite a County staff recommendation to reject them, did not decide them, splitting 2-2 in a tie vote. As the appeals did not reverse the Planning Commission's decision, Sable thereafter sought the permit transfers from the County; however, the County did not transfer the permits and the lawsuit followed.

The case is proceeding in stages, with petitioners' first, second, and third causes of action (seeking to require the County to transfer the permits) set for a summary judgment hearing on September 12, 2025, and petitioners' remaining claims seeking damages and alleging constitutional violations deferred until after resolution of the first three claims.

Johnson Class Action

Tracy Johnson v. Sable Offshore Corp. et al. — on July 28, 2025, shareholder Tracy Johnson filed a putative class action complaint against the Company in the Central District of California (Case No. 2:25-cv-06869) The complaint alleges violations of Sections 10(b) and 20(a) of the Exchange Act of 1934 and Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, on behalf of a putative class of investors who purchased Sable's common stock between May 19, 2025 and June 3, 2025, when the Company engaged in a public offering. The complaint names as defendants the Company, certain of its officers, and the Company's underwriters in the offering. The complaint alleges, among other things, that the Company and certain of its officers made false and misleading statements and failed to disclose certain information regarding the Company's business activities at the Santa Ynez Unit, and the time at which it began flowing oil to Las Flores Canyon. The plaintiffs seek damages, costs, expenses, expert and attorneys' fees, and other unspecified equitable relief. The case is at a preliminary stage. The Company and the other defendants intend to vigorously defend against the claims in this lawsuit.

Note 9 — Stockholders' Equity (Successor)

Preferred Stock — The Company is authorized to issue a total of 1,000,000 shares of preferred stock at par value of $0.0001 each. At June 30, 2025 and December 31, 2024, there were no shares of preferred stock issued or outstanding.

Common Stock — The Company is authorized to issue a total of 500,000,000 shares of Common Stock at par value of $0.0001 each. At June 30, 2025 and December 31, 2024, there were 99,482,250 and 89,310,996 shares issued and outstanding, respectively.

The following summarizes the shares of Common Stock outstanding immediately following the consummation of the Business Combination:

	Shares
Public stockholders	5,953,859
Initial stockholders	7,187,500
Merger consideration shares	3,000,000
First PIPE Investment	44,024,910
Total shares outstanding at close	60,166,269

Note: Table excludes Private Placement Warrants, Working Capital Warrants convertible into Common Stock, and 10,460,465 shares of restricted stock units that were granted under the Company's Incentive Plan after the Closing but have not yet vested.

Founders Shares. 7,187,500 shares of Common Stock held by the initial stockholders ("Founders Shares") are not transferable, assignable or salable (except to our officers and directors and other persons or entities affiliated with the Sponsor, each of whom will be subject to the same transfer restrictions) until the earlier of (A) February 13, 2025 or (B) subsequent to February 14, 2024, (x) if the last sale price of our Common Stock equals or exceeds $12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after February 14, 2024, or (y) the date on which the Company completes a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all of our stockholders having the right to exchange their shares of Common Stock for cash, securities or other property (such restrictions on transfer, the "Restrictions"). The stock performance conditions described in (B) above were satisfied on August 9, 2024 and, accordingly, the Restrictions no longer apply to the Founder Shares.

Equity Issuance. On September 26, 2024, the Company issued 7,500,000 shares of Common Stock for $150.0 million in gross proceeds in connection with the Second PIPE Investment. Upon the closing of the Second PIPE Investment, an associated marketing and legal fees of approximately $7.8 million, was paid in full, and was recognized as an offset to the proceeds from the Second PIPE investment within Additional paid-in capital in the unaudited condensed consolidated balance sheets and statements of stockholders' equity (deficit)/net parent investment as of June 30, 2025 and December 31, 2024, respectively.

On May 23, 2025, the Company closed an upsized underwritten public offering of 10,000,000 shares of Common Stock at the public offering price of $29.50 per share. Upon the closing of the 2025 Offering, associated marketing fees and legal fees of approximately $12.4 million were incurred, and were recognized as an offset to the proceeds from the 2025 Offering within Additional paid-in capital in the unaudited condensed consolidated balance sheet and statement of stockholders' equity (deficit)/net parent investment as of June 30, 2025. The Company intends to use the approximately $282.6 million of net proceeds from the 2025 Offering for capital expenditures, working capital purposes and general corporate purposes.

Transportation Assets. As discussed in *Note 5 — Related Party Transactions,* on October 3, 2024, the Company purchased transportation assets and related equipment in exchange for 600,000 shares of the Company's Common Stock, valued at $15.2 million.

Warrants Exercised. During the period from February 14, 2024 through December 31, 2024 (Successor), warrant holders exercised 15,957,820 Public Warrants for 15,957,820 shares of Common Stock resulting in approximately $183.5 million in cash proceeds to the Company. Additionally, 459,744 Private Placement Warrants were exercised on a cashless exercise basis for 212,637 shares of Common Stock. Refer to *Note 7 — Warrants* for further discussion of warrant related activities.

Note 10 — Stock-Based Compensation

On February 12, 2024, the Company's stockholders approved a stock-based compensation plan (the "Incentive Plan") to enhance the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing these individuals with equity ownership opportunities and/or equity-linked compensatory opportunities. The Predecessor had no equity compensation plans or outstanding equity awards specific to the SYU Assets. The total stock-based compensation expense is included on the unaudited condensed consolidated statements of operations based upon the job function of the employees receiving the grants as follows:

(*in thousands*)	Successor			
	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	February 14, 2024 —June 30, 2024
Operations and maintenance expenses	$ 1,576	$ 1,933	$ 3,177	$ 1,933
General and administrative expenses	8,851	20,972	13,315	67,352
Total	$ 10,427	$ 22,905	$ 16,492	$ 69,285

Incentive Plan

The Company's Incentive Plan includes incentive stock options and nonqualified stock options, stock appreciation rights, restricted stock, dividend equivalents, restricted stock units and other stock or cash-based awards. Certain awards under the Incentive Plan may constitute or provide for payment of "nonqualified deferred compensation" under Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards. Awards other than cash awards generally will be settled in shares of the Company's Common Stock, but the applicable award agreement may provide for cash settlement of any award.

Our employees, consultants and directors, and employees and consultants of our subsidiaries, may be eligible to receive awards under the Incentive Plan. Following the closing of the Business Combination, the Compensation Committee of the Company's Board of Directors (the "Board") was appointed by the Board to administer the Incentive Plan (the Compensation Committee, in its role as administrator of the Incentive Plan, the "Plan Administrator").

The Plan Administrator has the authority to take all actions and make all determinations under the Incentive Plan, to interpret the Incentive Plan and award agreements and to adopt, amend and repeal rules for the administration of the Incentive Plan as it deems advisable. The Plan Administrator will also have the authority to, among other things, determine which eligible service providers receive awards, grant awards, set the terms and conditions of all awards under the Incentive Plan, including any performance goals, vesting and vesting acceleration provisions, subject to the conditions and limitations in the Incentive Plan, accelerate vesting requirements, waive or amend performance goals and other restrictions, and amend award agreements. As of June 30, 2025, 896,658 share-based awards were authorized and available for grant by the Plan Administrator under the Successor's Incentive Plan.

Restricted Stock Awards

On the Closing Date, and in connection with the executive officers' employment agreements, the Company granted 650,000 shares of restricted Common Stock to each of the Company's executive officers (other than Mr. Flores), which vested on the May 15, 2025, restart of production from the SYU Assets. The executive officer awards are subject to a three-year lock-up provision.

During March 2024, the Plan Administrator authorized the grant of 158,334 shares of restricted Common Stock in the aggregate to the independent members of the Board for their contributions towards closing the Business Combination and for their service on the Board. These restricted shares vested 12 months after the grant date.

Additionally, 2,212,190 shares of restricted Common Stock, net of forfeitures, were granted to employees of the Company following the closing of the Business Combination through June 30, 2025. These restricted shares vested on the May 15, 2025, restart of production from the SYU Assets. All of the executive officer awards, the awards granted to the members of the Board, and the awards granted to employees of the Company following the closing of the Business Combination are restricted stock awards to be settled in shares, and qualify as equity classified awards. The value of the stock-settled restricted stock awards is established by the market price on the date of grant and was recorded as compensation expense ratably over the vesting terms. Forfeitures are recognized as they occur.

The following table summarizes restricted stock award activity for the six months ended June 30, 2025 (Successor), and for the period February 14, 2024 through June 30, 2024 (Successor):

	Successor			
	Six Months Ended June 30, 2025		February 14, 2024—June 30, 2024	
	Shares	Weighted-average grant date fair value	Shares	Weighted-average grant date fair value
Non-vested, beginning of the period	4,874,270	$ 11.99	—	$ —
Granted	202,885	25.57	4,679,166	11.61
Vested	(4,970,524)	12.56	—	—
Forfeited	(106,631)	11.46	—	—
Non-vested, end of the period	—	$ —	4,679,166	$ 11.61

There was no unrecognized stock-based compensation expense associated with restricted stock awards at June 30, 2025 (Successor).

Restricted Stock Units

On April 25, 2025, the Compensation Committee approved long-term incentive grants of up to 10,653,076 restricted stock units to our CEO, executive officers and other employees of the Company. The restricted stock units will vest over nine, five or three-year periods and generally will vest ratably and annually beginning on the one-year anniversary of the grant date. The associated restricted stock unit agreements also include dividend equivalent rights, which entitle the grantee to the aggregate value of the dividends declared on the Common Stock, if any, whose dividend record date occurs during the period from the grant date until the day before the applicable settlement date for such vested restricted stock unit. Each annual vesting of restricted stock units (and the right to receive the corresponding dividend equivalent amount) is subject to continued service by the grantee. Restricted stock units that were granted to our executive officers and other members of management of the Company are to be settled in shares, and qualify as equity classified awards. The value of the stock-settled restricted stock units is established by the market price on the date of grant and was recorded as compensation expense ratably over the vesting terms. Forfeitures are recognized as they occur.

Restricted stock units were initially granted during the three months ended June 30, 2025 (Successor). No restricted stock units were granted during the three months ended June 30, 2024 (Successor), the period February 14, 2024 through June 30, 2024 (Successor), or the period January 1, 2024 through February 13, 2024 (Predecessor).

The following table summarizes restricted stock unit activity for the three months and six months ended June 30, 2025 (Successor):

	Successor	
	Shares	Weighted-average grant date fair value
Non-vested, beginning of the period	—	$ —
Granted	10,460,465	20.34
Vested	—	—
Forfeited	—	—
Non-vested, end of the period	10,460,465	$ 20.34

There was $208.6 million unrecognized stock-based compensation expense associated with unvested restricted stock units at June 30, 2025, which is to be recognized over the weighted average remaining life of 5.3 years.

Other Stock Awards

On April 25, 2025, the Compensation Committee approved an annual grant of 25,000 shares of Common Stock to each of the Company's three non-employee directors as compensation for service on the Board. These Board stock awards had a weighted-average grant date fair value of $19.82 per share, resulting in $1.5 million in compensation expense, which was recognized during the three months ended June 30, 2025 (Successor).

Merger Consideration

Pursuant to the Merger Agreement, on the Closing Date and contemporaneously with the completion of the transactions contemplated under the Sable-EM Purchase Agreement, as previously noted Holdco merged with and into Flame, with Flame as the surviving company, and immediately thereafter, Sable merged with and into Flame, with Flame as the surviving company. The aggregate consideration received by holders of limited liability company membership interests in Holdco designated as Class A shares immediately prior to the Holdco Merger Effective Time was 3,000,000 shares of Flame Class A Common Stock. Share-based compensation expense of $36.3 million was recognized associated with the issuance of the 3,000,000 shares in General and administrative expenses on the unaudited condensed consolidated statement of operations for the period from February 14, 2024 through June 30, 2024 (Successor). The Merger Consideration Shares are subject to a three-year lock-up provision.

Founders Shares

In the periods prior to the Business Combination, the Sponsor sold 434,375 Founder Shares to some of the Company's directors and executives, including Gregory D. Patrinely, the Company's Executive Vice President and Chief Financial Officer, at their original purchase price. Such sale of Founder Shares to the Company's directors and executives is within the scope of FASB ASC Topic 718, "Compensation-Stock Compensation" ("ASC 718"). Under ASC 718, stock-based compensation associated with equity-classified awards is measured at fair value upon the grant date. The Founder Shares were sold to directors and executives and effectively transferred subject to a performance condition (i.e., the consummation of a Business Combination). Compensation expense related to the Founder Shares is recognized only when the performance condition is probable of achievement under the applicable accounting literature. As such, the Company recognized $3.7 million in stock-based compensation expense upon the completion of the Business Combination, which is included in the General and administrative expenses on the unaudited condensed consolidated statement of operations for the period from February 14, 2024 through June 30, 2024 (Successor).

Note 11 — Fair Value Measurements

Certain of the Company's financial assets and liabilities are reported at fair value on the unaudited condensed consolidated balance sheets. An established fair value hierarchy prioritizes the relative reliability of inputs used in fair value measurements. The hierarchy gives highest priority to Level 1 inputs that represent unadjusted quoted market prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are directly or indirectly observable inputs other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs and have the lowest priority in the hierarchy.

Recurring Fair Value Measurements

The following tables presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

(in thousands)	Public Warrants (Level 1)	Senior Secured Term Loan (Level 2)	Private Placement Warrants (Level 3)	Working Capital Warrants (Level 3)	Total Liabilities Fair Value
Fair Value as of December 31, 2024	**$ —**	**$ 833,542**	**$ 79,263**	**$ 47,678**	**$ 960,483**
Additions	—	21,010	—	—	21,010
Change in valuation inputs or other assumptions	—	—	13,492	7,803	21,295
Fair Value as of March 31, 2025	**—**	**854,552**	**92,755**	**55,481**	**1,002,788**
Additions	—	21,009	—	—	21,009
Change in valuation inputs or other assumptions	—	—	(17,325)	(9,821)	(27,146)
Fair Value as of June 30, 2025	**$ —**	**$ 875,561**	**$ 75,430**	**$ 45,660**	**$ 996,651**

(in thousands)	Public Warrants (Level 1)	Senior Secured Term Loan (Level 2)	Private Placement Warrants (Level 3)	Working Capital Warrants (Level 3)	Total Liabilities Fair Value
Fair Value as of February 14, 2024	**$ 39,962**	**$ 761,401**	**$ 19,813**	**$ —**	**$ 821,176**
Additions	—	9,801	—	10,283	20,084
Change in valuation inputs or other assumptions	(2,875)	—	550	562	(1,763)
Fair Value as of March 31, 2024	**37,087**	**771,202**	**20,363**	**10,845**	**839,497**
Additions	—	19,175	—	—	19,175
Change in valuation inputs or other assumptions	24,294	—	37,839	19,045	81,178
Fair Value as of June 30, 2024	**$ 61,381**	**$ 790,377**	**$ 58,202**	**$ 29,890**	**$ 939,850**

There were no transfers in or out of Level 3 from other levels in the fair value hierarchy for the three and six months ended June 30, 2025 (Successor), the three months ended June 30, 2024 (Successor) or for the period from February 14, 2024 through June 30, 2024 (Successor).

There were no financial assets or liabilities accounted for at fair value on a recurring basis in the Predecessor financial statements for the period from January 1, 2024 to February 13, 2024 (Predecessor).

Fair Value of Financial Assets

The carrying amount of cash and cash equivalents, prepaid expenses and other current assets, accounts payable, and accrued liabilities approximate their fair value because of the short-term nature of the instruments.

Senior Secured Term Loan

As of June 30, 2025 and December 31, 2024, the estimated fair value of the Senior Secured Term Loan approximates the amount of principal and paid-in-kind interest outstanding because the interest rate is reflective of market rates and such outstanding amount may be repaid, in full or in part, at any time without penalty. The associated inputs are considered a Level 2 fair value measurement.

Warrant Liabilities

Prior to the Redemption, the Public Warrants were measured at the observable quoted price in active markets. Refer to *Note 7 — Warrants* for details regarding the Warrant exercises and redemptions for the period from February 14, 2024 through December 31, 2024 (Successor). The estimated fair values of the Private Warrants and the Working Capital Warrants are measured using the Modified Black-Scholes Optional Pricing Model, which utilizes Level 3 inputs. Inherent in a binomial options pricing model are assumptions related to expected share-price volatility, expected life, risk-free interest rate and dividend yield. A change in these significant unobservable inputs to a different value could result in a significantly higher or lower fair value measurement at future reporting dates. The Company estimates the volatility of its Common Stock based on historical volatility that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend rate is based on the historical rate, which the Company anticipates to remain at zero. The aforementioned warrant liabilities are not subject to qualified hedge accounting. Changes in the estimated fair value of the Private Placement Warrants and Working Capital Warrants are included in the Change in fair value of warrant liabilities on the Company's unaudited condensed consolidated statement of operations for the three and six months ended June 30, 2025 (Successor), the three months ended June 30, 2024 (Successor), the period from February 14, 2024 through June 30, 2024 (Successor) and the period January 1, 2024 through February 13, 2024 (Predecessor).

As Private Placement Warrants held by FL Co-Investment, LLC (“FL Co-Investment”) and Intrepid Financial Partners, L.L.C. (“Intrepid Financial Partners”) will not be exercisable more than five years from the effective date of the registration statement, the exercise period end date is different than other Private Placement Warrants and Working Capital Warrants which will expire five years after the Closing Date or earlier upon redemption or liquidation. Accordingly, they have different inputs to the Modified Black-Scholes Optional Pricing Model.

The following table provides quantitative information regarding Level 3 inputs used to determine the fair values of Private Placement Warrants held by FL Co-Investment and Intrepid Financial Partners as of June 30, 2025.

Inputs	June 30, 2025
Stock price	$ 21.98
Strike price	$ 11.50
Term (in years)	0.65
Volatility	85.0 %
Risk-free rate	4.10 %
Dividend yield	0.00 %

The following table provides quantitative information regarding Level 3 fair value measurements used to determine the fair value of the Working Capital Warrants and the Private Placement Warrants, excluding Private Placement Warrants held by FL Co-Investment and Intrepid Financial Partners, as of June 30, 2025.

Inputs	June 30, 2025
Stock price	$ 21.98
Strike price	$ 11.50
Term (in years)	3.63
Volatility	55.0 %
Risk-free rate	3.65 %
Dividend yield	0.00 %

The following table provides quantitative information regarding Level 3 inputs used to determine the fair values of Private Placement Warrants held by FL Co-Investment and Intrepid Financial Partners as of December 31, 2024.

Inputs	December 31, 2024
Stock price	$ 22.90
Strike price	$ 11.50
Term (in years)	1.15
Volatility	60.0 %
Risk-free rate	4.09 %
Dividend yield	0.00 %

The following table provides quantitative information regarding Level 3 fair value measurements used to determine the fair value of the Working Capital Warrants and the Private Placement Warrants, excluding Private Placement Warrants held by FL Co-Investment and Intrepid Financial Partners, as of December 31, 2024.

Inputs	December 31, 2024
Stock price	$ 22.90
Strike price	$ 11.50
Term (in years)	4.12
Volatility	45.0 %
Risk-free rate	4.24 %
Dividend yield	0.00 %

Note 12 — Supplemental Cash Flow Information

The following table provides supplemental disclosure of substantive cash flow information:

	Successor		Predecessor
(in thousands)	Six Months Ended June 30, 2025	February 14, 2024—June 30, 2024	January 1, 2024—February 13, 2024
Assets and Liabilities resulting from Business Combination:			
Senior Secured Term Loan, including paid-in-kind interest	$ —	$ 765,018	$ —
Supplies and materials	—	16,637	—
Accrued liabilities	—	129	—
Deferred tax liability	—	1,209	—
Asset retirement obligation assumed	—	90,073	—
Right-of-use assets obtained in exchange for operating lease liabilities	—	4,621	—
Right-of-use assets obtained in exchange for operating lease liabilities	501	756	—
Change in capital expenditures included in accounts payable and accrued liabilities	43,297	3,607	—
Capitalization of depletion to inventory	1,809	—	—
Change in accrued equity issuance costs	373		

Note 13 — Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the unaudited condensed consolidated balance sheet date up to the date that the unaudited condensed consolidated financial statements were issued. Based upon this review, the Company, other than as previously described herein, did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated, references to "we", "us", "our", "Sable" or the "Company" in this Item 2 are to Sable Offshore Corp. (f/k/a Flame Acquisition Corp.) and its consolidated subsidiaries, following the Business Combination. References to "Flame" are to Flame Acquisition Corp. before the consummation of the Business Combination. References to the "Pipelines" are to Pipeline Segments 324/325 (formerly known as Pipeline Segments 901/903) and the other "324/325 Assets" (formally known as "901/903 Assets" and as defined in the Sable-EM Purchase Agreement). As a result of the closing of the Business Combination, which was accounted for as a forward merger in accordance with GAAP, the financial statements of Successor (as defined below) are now the financial statements of the Company. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes thereto included elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Cautionary Note Regarding Forward-Looking Statements

The unaudited condensed consolidated financial statements include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the risk factors described in Part I, Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2024, and those described in our other SEC filings. The Company's securities filings can be accessed on the EDGAR section of the SEC's website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview

Sable Offshore Corp. is an independent oil and gas company headquartered in Houston, Texas. We were incorporated in Delaware on October 16, 2020 and, until February 14, 2024, were a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. We are an emerging growth company and, as such, we are subject to all of the risks associated with emerging growth companies.

Business Combination

On November 1, 2022 (as amended on June 13, 2023 and December 15, 2023), Sable Offshore Corp., a Texas corporation ("SOC"), entered into a purchase and sale agreement (the "Sable-EM Purchase Agreement") with Exxon Mobil Corporation ("Exxon") and Mobil Pacific Pipeline Company ("MPPC," and together with Exxon, "EM") pursuant to which SOC agreed to acquire from EM certain assets constituting the Santa Ynez field in Federal waters offshore California ("SYU") and associated onshore processing and pipeline assets (such "Assets," as defined in the Sable-EM Purchase Agreement, collectively the "SYU Assets").

On November 2, 2022, Flame entered into an agreement and plan of merger, dated as of November 2, 2022 (as amended, the "Merger Agreement"), with SOC and Sable Offshore Holdings, LLC, a Delaware limited liability company and the parent company of SOC ("Holdco" and, together with SOC, "Legacy Sable"), which provided for the following transactions at the closing: (i) Holdco would merge with and into Flame, with Flame surviving such merger (the "Holdco Merger") and (ii) SOC would merge with and into Flame, with Flame surviving such merger (the "SOC Merger" and, together with the Holdco Merger, the "Mergers" and, along with the other transactions contemplated by the Merger Agreement, the "Business Combination").

On February 12, 2024, Flame held a special meeting of stockholders (the "Special Meeting"), at which the Flame stockholders considered and adopted, among other matters, a proposal to approve the Business Combination, including (a) adopting the Merger Agreement and (b) approving the other transactions contemplated by the Merger Agreement.

Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, following the Special Meeting, on February 14, 2024 (the "Closing Date"), the Business Combination was consummated (the "Closing"). In connection with the Business Combination, Flame changed its name to "Sable Offshore Corp."

First PIPE Investment

On February 14, 2024, in connection with the Business Combination, the Company issued 44,024,910 shares of Common Stock, at a price of $10.00 per share for aggregate gross proceeds of $440.2 million (the "First PIPE Investment"). The shares of Common Stock issued in the First PIPE Investment were offered in a private placement under the Securities Act of 1933, as amended (the "Securities Act"). Upon the closing of the Business Combination, an associated marketing fee and legal fees of approximately $22.9 million was paid in full, and was recognized as an offset to the proceeds from the First PIPE Investment.

Second PIPE Investment

On September 26, 2024, the Company issued 7,500,000 shares of Common Stock of the Company, at a price of $20.00 per share for aggregate gross proceeds of approximately $150.0 million (the "Second PIPE Investment"). The shares of Common Stock issued in the Second PIPE Investment were offered in a private placement under the Securities Act. An associated marketing fee and legal fees of approximately $7.8 million was recognized as an offset to the proceeds from the Second PIPE Investment.

Public Warrant Exercises

As of November 4, 2024 (the "Redemption Date"), approximately 99.8% of the Company's outstanding Public Warrants were exercised by the holders thereof to purchase fully paid and non-assessable shares of Common Stock at an exercise price of $11.50 per share. As a result, holders of the Public Warrants received an aggregate of 15,957,820 shares of the Company's Common Stock in exchange for $183.5 million in cash proceeds to the Company. All unexercised and outstanding Public Warrants as of 5:00 p.m. New York City time on the Redemption Date were redeemed at a price of $0.01 per Public Warrant and, as a result, no Public Warrants currently remain outstanding and the Public Warrants have ceased trading on the New York Stock Exchange. The private placement warrants and working capital warrants to purchase Common Stock that were issued under the Warrant Agreement and that are still held by the initial holders thereof or their permitted transferees were not subject to this redemption and remain outstanding.

2025 Offering

On May 21, 2025, the Company entered into an Underwriting Agreement (the "Underwriting Agreement") with J.P. Morgan Securities LLC, TD Securities (USA) LLC and Jefferies LLC, as representatives of the several underwriters (the "Underwriters"), relating to the underwritten offering of 8,695,654 shares of common stock, par value $0.0001 per share (the "Common Stock"), of the Company (the "2025 Offering"). Under the terms of the Underwriting Agreement, the Company granted the Underwriters a 30-day option to purchase up to 1,304,346 additional shares of Common Stock.

On May 23, 2025 the upsized underwritten public offering of 10,000,000 shares of Common Stock at the public offering price of $29.50 per share closed. Upon the closing of the 2025 Offering, associated marketing fees and legal fees of approximately $12.4 million were incurred, and were recognized as an offset to the proceeds from the 2025 Offering within Additional paid-in capital in the unaudited condensed consolidated balance sheet and statement of stockholders' equity (deficit)/net parent investment as of June 30, 2025. The Company intends to use the approximately $282.6 million of net proceeds from the 2025 Offering for capital expenditures, working capital purposes and general corporate purposes.

SYU Assets

Beginning in 1968 and over the course of 14 years, EM consolidated more than a dozen offshore federal oil leases and organized them into a streamlined production unit known as SYU. SYU consists of three offshore platforms and a wholly owned onshore processing facility located along the Gaviota Coast at Las Flores Canyon in Santa Barbara County, California. SYU's onshore facilities and the three offshore platforms remained in continuous operation until 2015. In May

2015, an onshore pipeline operated by Plains All American Pipeline, L.P. (“Plains”) that transported produced oil from SYU experienced a leak. The SYU offshore platforms and facilities suspended production after the incident, the SYU Assets were shut in and the facilities were placed in a safe state. Prior to May 15, 2025, the offshore facilities had not produced oil and gas since May 2015; however, all equipment remained in place in an operation-ready state, requiring ongoing inspections, maintenance and surveillance. As part of these efforts, all equipment was drained, flushed and purged in 2016. All hydrocarbon pipelines within SYU were placed in a safe state and regularly monitored. In 2020, Plains entered into a Consent Decree, that provides a path for a potential restart of the Onshore Pipeline.

The discussion of the results of operations for the Predecessor periods below do not include the results from the Pipelines and the Pipelines are not included in the combined financial statements of the Predecessor included in the financial statements and related notes thereto included elsewhere in this Quarterly Report. Financial statements of the Pipelines have not been included because SEC guidance provides that the financial statements of recently acquired businesses such as the Pipelines need not be filed unless their omission would render Predecessors combined financial statements misleading or substantially incomplete. Based upon our quantitative and qualitative analysis, we do not believe omitting the financial statements of the Pipelines renders the Predecessor combined financial statements misleading or substantially incomplete. The Successor financial statements include the results from the Pipelines and the Pipelines are included in the unaudited condensed consolidated financial statements.

For the purposes of the unaudited condensed consolidated financial statements, periods on or before February 13, 2024 reflect the financial position, results of operations and cash flows of SYU prior to the Business Combination, referred to herein as the “Predecessor,” and periods beginning on or after February 14, 2024 reflect the financial position, results of operations and cash flows of the Company as a result of the Business Combination, referred to herein as the “Successor.”

Recent Events

Production Restart

On May 19, 2025, the Company announced that as of May 15, 2025, it had restarted production at SYU and begun flowing oil production from six wells at SYU's Platform Harmony to the Company's Las Flores Canyon (“LFC”). Additionally, on May 19, 2025 the Company also announced that with the completion of the Gaviota State Park anomaly repairs on the Las Flores Pipeline System (the “Onshore Pipeline”) on May 18, 2025, the Company completed its anomaly repair program on the Onshore Pipeline as specified by the Consent Decree, the governing document for the restart and operations of the Onshore Pipeline.

Office of the State Fire Marshal

On December 17, 2024, the California Office of the State Fire Marshal (“OSFM”) issued two “Letters of Decision” approving Sable’s implementation of enhanced pipeline integrity standards for the Onshore Pipeline. In recognition of these robust measures, OSFM granted state waivers of certain regulatory requirements related to cathodic protection and seam weld corrosion for the Onshore Pipeline. The U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (“PHMSA”), on February 11, 2025, delivered notices to OSFM that PHMSA does not object to OSFM’s December 17, 2024 Letters of Decision approving the implementation of enhanced integrity standards for the Onshore Pipeline or OSFM’s granting of state waivers of certain regulatory requirements related to cathodic protection and seam weld corrosion for the Onshore Pipeline.

On June 3, 2025, the Santa Barbara County Superior Court Judge presiding over the OSFM Lawsuits issued an order preventing OSFM from issuing any further authorizations for the Las Flores Pipeline System and preventing Sable from restarting the Las Flores Pipeline System until a hearing could be held on an order for OSFM to show cause why a preliminary injunction should not be issued. A hearing was held on July 18, 2025, and on July 29, 2025, the court entered an order granting petitioners’ application for issuance of preliminary injunction in part, ruling that, absent further order of the court, Sable may restart the Las Flores Pipeline System ten (10) court days after Sable files notice that Sable has received all necessary approvals and permits for restart. The court clarified that Sable is not prevented from taking steps toward restarting the Las Flores Pipeline, and that the OSFM is not prevented from taking steps it finds appropriate in its regulatory capacity with respect to Sable’s restart plans as contemplated by the federal consent decree.

Coastal Commission

On September 27, 2024, the Coastal Commission (“Commission”) issued Notice of Violation No. V-9-24-0152 to the Company, which asserted that certain maintenance and repair activities undertaken by the Company on the Pipelines in the Coastal Zone to address identified anomalies and install safety valves constituted unpermitted development activities under the California Coastal Act (Cal. Pub. Res. Code Section 30000, et seq. (the “Coastal Act”) and the County of Santa Barbara’s (“County”) Local Coastal Program (“LCP”). Sable undertook the subject repair and maintenance work, including the safety valve installation work, based on its understanding that no new coastal development permit or other Coastal Act authorization was required, consistent with the County’s practice of authorizing certain repair work on the Pipelines since they were first permitted and built over 30 years ago, as well as the County’s acknowledgement that it does not have permit authority or jurisdiction over the Company’s installation of the new safety valves in the County along the Pipelines. Following good faith negotiations with Commission staff, on November 12, 2024, the Coastal Commission issued Executive Director Cease and Desist Order No. ED-24-CD-02 to the Company requiring the Company to, among other requirements, prepare and submit an Interim Restoration Plan and submit an application either to the Commission or the County to obtain a coastal development permit for the valve installation and other maintenance and repair work. In compliance with the Order, Sable prepared, submitted, and implemented the Interim Restoration Plan as approved by Commission staff. Sable separately submitted certain applications to the County related to some of the maintenance and repair work that was subject to Notice of Violation No. V-9-24-0152. The Order expired on February 10, 2025.

On February 12, 2025 the County Planning and Development Department delivered a letter to Sable confirming that certain pipeline repair work on the Pipelines was “authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement (EIR/EIS).” The letter states in part that “[t]he County previously exercised its authority under its Local Coastal Program and delegated Coastal Act authority in approving the permits and the requested anomaly repair work is within the scope of those approved permits.” Sable subsequently recommenced the repair and maintenance activities which were subject to Notice of Violation V-9-24-0152.

Also on February 12, 2025, the County, acting under its certified Local Coastal Program authority under the Coastal Act, delivered a letter to the Commission. In this letter, the County states that the anomaly repair work as described in the attachments is “authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement. Thus, no further application to or action by the County is required.”

On February 14, 2025, Sable submitted a written response to the Coastal Commission’s Notice of Violation V-9-24-0152 detailing that, consistent with the County’s letters, certain of the alleged unpermitted development subject to the Notice of Violation was previously approved and that no further coastal development permit is required.

On February 16, 2025, the Coastal Commission sent Sable a “Notice Prior to Issuance of Executive Director Cease and Desist Order” related to certain of Sable’s Pipeline repair and maintenance activities and safety valve installation work. On February 17, 2025, Sable replied to the Coastal Commission with a letter stating that the “Coastal Act does not authorize the issuance of an [Executive Director Cease and Desist Order] under the present circumstances” and that “Sable intends to proceed with the anomaly repair work authorized by the County in its February 12, 2025 letter.”

On February 18, 2025, Sable filed a complaint against the Commission in the Superior Court of the State of California for the County of Santa Barbara (Case No. 25CV00974). In the complaint, Sable challenges the Commission’s prior Notices of Violations and Executive Director Cease and Desist Order as procedurally improper and asserts that Commission lacks authority to prohibit work authorized by existing permits. Sable seeks a declaration that the Commission's actions are unlawful, an injunction prohibiting further enforcement actions by the Commission, damages for the alleged taking of property rights, and attorneys' fees and costs. The Commission proceeded to issue an Executive Director Cease and Desist Order to Sable on February 18, 2025. Sable’s pipeline repair operations continued.

On April 10, 2025 the Commission voted to issue a Cease-and-Desist Order, Restoration Order, and Administrative Penalty Order (“CDO”), which included the imposition of an approximately $18.0 million administrative penalty on the Company, in connection with the previously described alleged unpermitted development undertaken by the Company in the California coastal zone. The Company does not believe this penalty is lawful. The Company is committed to contesting the claims and intends to vigorously defend the Company's interest.

The Company filed a Verified Amended Petition for Writ of Mandamus and Complaint for Damages and Declaratory and Injunctive Relief on April 16, 2025. On April 16, 2025, counsel for the Commission filed a Cross Complaint for Declaratory and Injunctive Relief seeking a judicial declaration ordering the Company to comply with the CDO. An Ex Parte Application for Order to Show Cause and Temporary Restraining Order was also filed by counsel for the Commission (as Cross-Plaintiff) on April 16, 2025, seeking a Temporary Restraining Order ("TRO") and further injunctive relief against the Company (as Cross-Defendants) restraining the Company from violating the CDO. The court denied the Commission's Ex Parte Application at a hearing on April 17, 2025. The court further set the Commission's Motion for Preliminary Injunction for hearing on May 14, 2025, which the court later moved to May 28, 2025. On April 22, 2025, counsel for the Commission filed a Petition for Stay, Writ of Supersedeas, or Other Appropriate Order, and Request for Temporary Stay with the Second Division California Court of Appeal, seeking a temporary stay of the Santa Barbara County Superior Court's denial of the Commission's request for a TRO and an order requiring Sable to comply with the CDO. On May 15, 2025, the Court of Appeal denied the Commission's Petition. On May 28, 2025, the court granted the Commission's application for issuance of a preliminary injunction and on July 9, 2025, the court denied Sable's motion to stay the CDO. The matter is set for trial on October 16-17 and 20-21, 2025.

BOEM Matter

On April 2, 2025, the Center for Biological Diversity and the Wishtoyo Foundation filed a complaint against Doug Burgum, Secretary of the U.S. Department of the Interior; the Bureau of Ocean Energy Management ("BOEM"); and Douglas Boren, BOEM Pacific Regional Director in the U.S. District Court for the Central District of California (Case No. 2:25-cv-02840). On May 12, 2025, plaintiffs filed an amended complaint in which plaintiffs challenge BOEM's April 2025 decision determining that Sable is not required to revise the development and production plan for Platform Harmony in the SYU. The amended complaint asks for the court: to issue an order finding that BOEM's decision was not in accordance with OCSLA and violated the APA; order BOEM to require revision of the development and production plan for Platform Harmony; prohibit BOEM from authorizing new oil and gas drilling activity at the SYU unless and until revision of the development and production plan is complete; and for an award of costs and attorneys' fees. Sable was not named as a party to the case, but on June 10, 2025, the court granted Sable's motion to intervene as a defendant to become a party to the lawsuit, and Sable vigorously contests the plaintiffs' allegations. On July 21, 2025, Sable filed a motion to dismiss this case.

Components of Results of Operations

Revenue

The Company has not had any substantial revenues since the shut-in. The Company's various operating expenses are the principal metrics used to assess its performance.

Operating Expenses

- *Operations and maintenance.* The Company's most significant costs to operate and maintain its assets are direct labor and supervision, power, repair and maintenance expenses, and equipment rentals. Fluctuations in commodity prices impact operating cost elements both directly and indirectly. For example, commodity prices directly impact costs such as power and fuel, which are expenses that increase (or decrease) in line with changes in commodity prices. Commodity prices also affect industry activity and demand, thus indirectly impacting the cost of items such as labor and equipment rentals.

- *Depreciation, depletion, amortization, and accretion.* Depreciation, depletion and amortization are primarily determined under either the unit-of-production method or the straight-line method, which is based on estimated asset service life taking obsolescence into consideration. Since being shut in, no depletion or amortization has been recorded for the Successor periods presented. An immaterial amount of depreciation was reflected for idle plants in the historical Predecessor financial statements. Also included in the Successor and Predecessor financial statements is the accretion associated with the Company's estimated asset retirement obligations ("ARO"). The ARO liabilities are initially recorded at their fair value and then are accreted using the Company's applicable discount rate over the period for the change in their present value until the estimated retirement of the asset.

- *General and administrative.* General and administrative ("G&A") costs are comprised of overhead expenditures directly and indirectly associated with operating the assets. These support services include information technology, risk management, corporate planning, accounting, cash management, human resources, and other

general corporate services. For the Predecessor period, any general and administrative expenses that were not specifically identifiable to SYU were allocated to SYU for the period from January 1, 2024 to February 13, 2024. To calculate a reasonable allocation, aggregated historical benchmarking data from comparable companies with similar operated upstream assets was used to identify general and administrative expenses as a proportion of operating expenses. Increased general and administrative services may be required in the future, commensurate with planned operations activity levels.

- *Taxes other than income.* Management anticipates future increases in ad valorem taxes, in line with the projected restart of production.

Results of Operations

The comparability of our operating results for the three and six months ended June 30, 2025 (Successor), the three months ended June 30, 2024 (Successor), the period February 14, 2024 through June 30, 2024 (Successor), and for the period January 1, 2024 through February 13, 2024 (Predecessor) was impacted by the Business Combination. In the discussion of our results of operations for these periods, we may quantitatively disclose the impacts of the Business Combination to the extent they remain ascertainable. The entirety of our activity since inception through the Closing Date were related to our formation, the preparation for our initial public offering, and since the closing of our initial public offering, the search for a target for our initial business combination (Refer to *Note 1 — Organization, Business Operations, and Going Concern*).

Following the Closing Date, all of our operations have focused on restarting production sales from the SYU Assets. We lack the ability to generate any operating revenues until we receive the necessary regulatory and legal approvals to restart production sales. Our only source of non-operating income is generated in the form of interest income on cash and cash equivalents. We also expect to continue to incur additional expenses as a result of being an operating public company, including for legal, accounting and compliance expenses.

Three Months Ended June 30, 2025 (Successor) vs. Three Months Ended June 30, 2024 (Successor)

The following table presents selected unaudited condensed consolidated financial results of operations for the Successor periods presented.

	Successor		Increase (Decrease)	
(in thousands)	**Three Months Ended June 30, 2025**	**Three Months Ended June 30, 2024**	**$**	**%**
Revenue				
Oil and gas sales	$ —	$ —	$ —	—%
Operating Expenses				
Operations and maintenance expenses	50,398	26,294	24,104	91.7%
Depletion, depreciation, amortization and accretion	3,172	2,724	448	16.4%
General and administrative expenses	75,318	33,217	42,101	126.7%
Total operating expenses	128,888	62,235	66,653	107.1%
Loss from operations	**(128,888)**	**(62,235)**	**(66,653)**	**107.1%**
Other (income) expenses:				
Change in fair value of warrant liabilities	(27,146)	81,178	(108,324)	nm
Other (income) expense, net	(2,508)	(2,301)	207	nm
Interest expense	21,009	19,175	1,834	9.6%
Total other (income) expense, net	**(8,645)**	**98,052**	**(106,697)**	**nm**
Loss before income taxes	**(120,243)**	**(160,287)**	**40,044**	**(25.0)%**
Income tax expense	7,823	5,149	2,674	51.9%
Net loss	**$ (128,066)**	**$ (165,436)**	**$ 37,370**	**(22.6)%**

nm: *not meaningful*

Operating and maintenance expenses. Operating and maintenance expenses were $50.4 million for the three months ended June 30, 2025 (Successor), representing an increase of $24.1 million, or 91.7%, compared to $26.3 million for the three months ended June 30, 2024 (Successor). The increase in operating and maintenance expenses is primarily

attributable to additional maintenance expenses incurred in connection with restart efforts, which includes a 113% increase in operations employee headcount between reporting periods, and $6.6 million related to restart incentive compensation, partially offset by $3.9 million of operating expense capitalized as Inventory and other on the unaudited condensed consolidated balance sheet as of June 30, 2025. Operations and maintenance expenses are expected to remain elevated for the remainder of 2025.

Depletion, depreciation, amortization and accretion. Depletion, depreciation, amortization and accretion was $3.2 million for the three months ended June 30, 2025 (Successor), representing an increase of $0.4 million, or 16.4%, compared to $2.7 million for the three months ended June 30, 2024 (Successor). The increase in depletion, depreciation, amortization and accretion is primarily attributable to the compounding effect of ARO accretion. The depletion, depreciation, amortization and accretion expense recognized for the three months ended June 30, 2025 (Successor) primarily represents the recognition of ARO accretion for the period. Recognition of depletion expense will resume once the assets are placed in service and sales volumes are achieved. Depletion, depreciation and amortization of $1.8 million associated with the SYU assets was recognized during the three months ended June 30, 2025 (Successor); however, as the associated production remained in the Company's storage tanks as of June 30, 2025, the entire amount has been capitalized as Inventory and other on the unaudited condensed consolidated balance sheet. Depletion, depreciation, amortization and accretion expense is expected to increase over the next several quarters as sales of production are expected to commence.

General and administrative expenses. General and administrative expenses (“G&A expenses”) were $75.3 million for the three months ended June 30, 2025 (Successor), representing an increase of $42.1 million compared to $33.2 million for the three months ended June 30, 2024 (Successor). The increase in G&A expenses is primarily attributable to $35.7 million in higher compensation related to restart incentive compensation costs, and $7.8 million in higher legal costs for the three months ended June 30, 2025 (Successor).

Total other (income) expense, net. Total other (income) expense, net was $8.6 million in income for the three months ended June 30, 2025 (Successor), representing a change of $106.7 million compared to other expense of $98.1 million for the three months ended June 30, 2024 (Successor). The change in total other (income) expense, net was primarily attributable to the $108.3 million decrease in the fair value of warrants, which decreased due to the remaining term of the warrants, as well as a decrease in the market price of the Common Stock and the effects of market volatility, and an increase of $1.8 million in interest expense due to the higher debt balance for the three months ended June 30, 2025 (Successor).

Income tax expense. Income tax expense for the three months ended June 30, 2025 (Successor) was $7.8 million, representing an increase of $2.7 million compared to $5.1 million for the three months ended June 30, 2024 (Successor). Utilizing provisions of ASC 740, the Company's effective tax rate was negative 6.5% and negative 3.2% for the three months ended June 30, 2025 (Successor) and the three months ended June 30, 2024 (Successor), respectively. The negative tax rates were due to our ongoing assessment of our ability to recover our deferred tax assets, which we concluded that it was more likely than not that our deferred tax assets in excess of deferred tax liabilities would not be realized. The income tax rate was slightly higher due to lower forecasted pre-tax book loss for the full year.

Comparison of the Six Months Ended June 30, 2025 (Successor) to the periods from January 1, 2024 through February 13, 2024 (Predecessor) and February 14, 2024 through June 30, 2024 (Successor).

The following table presents selected unaudited condensed consolidated financial results of operations for the Successor and Predecessor periods presented.

	Successor		Predecessor	Increase (Decrease)	
(in thousands)	Six Months Ended June 30, 2025	February 14, 2024—June 30, 2024	January 1, 2024—February 13, 2024	$	%
Revenue	$ —	$ —	$ —	$ —	— %
Oil and gas sales	—	—	—	—	— %
Operating Expenses					
Operations and maintenance expenses	84,841	33,612	7,320	43,909	107.3 %
Depletion, depreciation, amortization and accretion	6,193	4,101	2,627	(535)	(8.0)%
General and administrative expenses	97,650	183,665	1,714	(87,729)	(47.3)%
Total operating expenses	188,684	221,378	11,661	(44,355)	(19.0)%
Loss from operations	**(188,684)**	**(221,378)**	**(11,661)**	**44,355**	**(19.0)%**
Other (income) expenses:					
Change in fair value of warrant liabilities	(5,851)	79,415	—	(85,266)	nm
Other (income) expense	(5,948)	(2,800)	128	(3,276)	nm
Interest expense	42,019	28,976	—	13,043	nm
Total other (income) expense, net	**30,220**	**105,591**	**128**	**(75,499)**	**nm**
Loss before income taxes	**(218,904)**	**(326,969)**	**(11,789)**	**119,854**	**(35.4)%**
Income tax expense	18,706	18,572	—	134	nm
Net loss	**$ (237,610)**	**$ (345,541)**	**$ (11,789)**	**$ 119,720**	**(33.5)%**

nm: *not meaningful*

Operating and maintenance expenses. Operating and maintenance expenses were $84.8 million for the six months ended June 30, 2025 (Successor), representing an increase of $43.9 million, or 107%, compared to $7.3 million for the period from January 1, 2024 through February 13, 2024 (Predecessor) and $33.6 million for the period February 14, 2024 through June 30, 2024 (Successor), respectively, or a combined $40.9 million. The increase in operating and maintenance expenses is primarily attributable to additional maintenance expenses incurred in connection with restart efforts, which includes a 140% increase in operations employee headcount since the Closing Date, and $6.6 million related to restart incentive compensation, partially offset by $3.9 million of operating expense capitalized as Inventory and other on the unaudited condensed consolidated balance sheet as of June 30, 2025. Operations and maintenance expenses are expected to remain elevated for the remainder of 2025.

Depletion, depreciation, amortization and accretion. Depletion, depreciation, amortization and accretion was $6.2 million for the six months ended June 30, 2025 (Successor), representing a decrease of $0.5 million, or 8%, compared to $2.6 million for the period January 1, 2024 through February 13, 2024 (Predecessor) and $4.1 million for the period February 14, 2024 through June 30, 2024 (Successor), respectively, or a combined $6.7 million. The decrease in depletion, depreciation, amortization and accretion is primarily attributable to the Company not recognizing depreciation expense following the Business Combination, as the Company determined the assets were not in service since repairs are necessary prior to achieving production restart. Depletion, depreciation and amortization of $1.8 million associated with the SYU assets was recognized during the six months ended June 30, 2025 (Successor); however, as the associated production remained in the Company's storage tanks as of June 30, 2025, the entire amount has been capitalized as Inventory and other on the unaudited condensed consolidated balance sheet. The depletion, depreciation, amortization and accretion expense recognized for the six months ended June 30, 2025 (Successor) primarily represents the recognition of ARO accretion for the period, recognition of depletion expense will resume once the assets are placed in service and sales volumes are achieved. Depletion, depreciation, amortization and accretion expense is expected to increase over the next several quarters as sales of production are expected to commence.

General and administrative expenses. General and administrative expenses (“G&A expenses”) were $97.7 million for the six months ended June 30, 2025 (Successor), representing a decrease of $87.7 million compared to $1.7 million for the

period January 1, 2024 through February 13, 2024 (Predecessor) and $183.7 million for the period February 14, 2024 through June 30, 2024 (Successor), respectively, or a combined $185.4 million. The decrease in G&A expenses is primarily attributable to the $70.0 million accrued settlement of the Grey Fox Matter (Refer to *Note 8 — Commitments and Contingencies*) and $16.8 million in legal expenses and professional fees related to the Business Combination that were recognized for the period February 14, 2024 through June 30, 2024 (Successor). The remaining decrease in G&A expenses is attributable to a $54.0 million decrease in share-based compensation expense between reporting periods, partially offset by $35.7 million in higher compensation related to restart incentive compensation costs and the recognition of salaries and wages for the full six months ended June 30, 2025 (Successor), opposed to the Successor period February 14, 2024 through June 30, 2024. Predecessor G&A expenses were allocated to SYU as a portion of certain other operating costs based on aggregated historical benchmarking data as previously noted (Refer to *Note 2 — Significant Accounting Policies)*.

Total other expense, net. Total other expense, net was $30.2 million for the six months ended June 30, 2025 (Successor), representing a decrease of $75.5 million compared to other expense of $0.1 million for the period January 1, 2024 through February 13, 2024 (Predecessor) and other expense of $105.6 million for the period February 14, 2024 through June 30, 2024 (Successor), respectively, or a combined expense of $105.7 million. The decrease in total other expense, net was primarily attributable to a decrease of $85.3 million in the fair value of the warrants, due to fewer warrants outstanding for the six months ended June 30, 2025 (Successor) after all public warrants were redeemed during the three months ended December 31, 2024, and due to an increase in the market price of the Common Stock in prior year compared to flat market price of the Common Stock in the current period, partially offset by $13.0 million in higher interest expense for the six months ended June 30, 2025 (Successor) due to higher debt balance over the comparative periods. The Predecessor did not have any debt or associated interest expense, warrants, or interest income.

Income tax expense. Income tax expense for the six months ended June 30, 2025 (Successor) was $18.7 million, representing an increase of $0.1 million compared to zero for the period January 1, 2024 through February 13, 2024 (Predecessor) and $18.6 million for the period February 14, 2024 through June 30, 2024 (Successor), respectively, or a combined $18.6 million. Utilizing provisions of ASC 740, the Company's effective tax rate was negative 8.5%, and negative 5.7% for the six months ended June 30, 2025 (Successor) and the period February 14, 2024 through June 30, 2024 (Successor) respectively. The negative tax rates were due to our ongoing assessment of our ability to recover our deferred tax assets, which we concluded that it was more likely than not that our deferred tax assets in excess of deferred tax liabilities would not be realized. The income tax rate was slightly higher due to lower forecasted pre-tax book loss for the full year. The higher tax rate was offset by a lower pre-tax book loss for the Successor period.

Liquidity and Capital Resources

Overview. Our plans for restarting sales of production volumes, including restarting the remainder of the existing wells and facilities that have not been restarted and recommencing oil transportation through the Pipelines, will require significant capital expenditures in excess of current operational cash flow. Historically, SYU’s primary source of liquidity has been its operational cash flow and, since the shut-in, capital contributions from its parent. While production has restarted, prior to generating sales and positive cash flow from production, capital expenditure needs will be substantial and are expected to come from cash on hand. Additionally, the achievement of first production triggered the acceleration of the Senior Secured Term Loan maturity date to 240 days after the production restart date, or January 10, 2026. Accordingly, the Senior Secured Term Loan must be refinanced or otherwise paid in full by or prior to the maturity date.

Prior to the Business Combination, Flame had approximately $62.2 million in its trust account, which consisted of proceeds from the public stockholders and the private placement investors in connection with the Company’s initial public offering, less redemptions. Sable raised $440.2 million in gross proceeds from the First PIPE Investment in connection with the Business Combination, $150.0 million in gross proceeds from the Second PIPE Investment, and approximately $183.5 million from the exercise of 15,957,820 warrants for 15,957,820 shares of Common Stock. Additionally, more than $600 million of the Purchase Price was seller-financed through a secured Senior Secured Term Loan with EM (the “Senior Secured Term Loan”). In May 2025, Sable raised an additional $295.0 million in gross proceeds from the sale of 10,000,000 shares of Common Stock in the 2025 Offering. Based on its current financial plan, Sable management expects sales production to commence in the third quarter 2025, after which its operating cash flows are expected to be sufficient to service Sable’s operating expenses and indebtedness.

Capital Requirements. Sable currently estimates remaining start-up expenses of approximately $66.6 million in order to commence sales of production in the third quarter 2025. Management evaluates its cost estimates on an ongoing basis. The expenditures will primarily be directed toward obtaining the necessary regulatory and legal approvals and bringing additional shut-in wells back online in the third quarter 2025. After sales of production commences, Sable management

expects a rapid increase in operating cash flows that should allow Sable to fund further capital expenditures. If Sable is unable to obtain funds or provide funds as needed for the planned capital expenditure program, Sable may not be able to finance the capital expenditures necessary to restart production sales or sustain production thereafter.

Going Concern

Prior to the Business Combination, EM funded the Predecessor SYU operational expenses. Since the consummation of the Business Combination, Sable has addressed near-term capital funding needs with the First PIPE Investment, the Second PIPE Investment, proceeds from the exercise of Warrants (refer to *Note 7 — Warrants* for additional details regarding the warrant exercises) and net proceeds from the 2025 Offering, and believes the Company has sufficient capital to maintain operations and restart sales of production volumes. However, the Company's plans for restart of production sales are contingent upon approvals from federal, state and local regulators.

The achievement of first production triggered the acceleration of the Senior Secured Term Loan maturity date to 240 days after the production restart date, or January 10, 2026. Accordingly, the Senior Secured Term Loan must be refinanced or otherwise paid in full by or prior to the maturity date. Additionally, if the Company's estimates of the costs to reach first sales are less than the actual amounts necessary to do so, the Company may have insufficient funds available to operate its business prior to first sales and will need to raise additional capital. If the Company is unable to raise additional capital, it may be required to take additional measures to conserve liquidity, which could include, among other things, reducing overhead expenses.

Due to the remaining regulatory and legal approvals necessary to resume pipeline operations and enable sales of production volumes, and lack of assurance that new financing, or refinancing of the Senior Secured Term Loan, will be available to the Company on commercially acceptable terms, if at all, substantial doubt exists about the Company's ability to continue as a going concern. The financial statements included in this quarterly report do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that could be necessary if the Company is unable to continue as a going concern.

Cash Flows

The following table summarizes cash flows from Operating, Investing and Financing activities:

	Successor		Predecessor	Change	
(dollars in thousands)	June 30, 2025	February 14, 2024—June 30, 2024	January 1, 2024—February 13, 2024	$	%
Cash flows (used in) provided by:					
Operating activities	$ (142,948)	$ (93,874)	$ (22,474)	$ (26,600)	(22.9)%
Investing activities	(192,982)	(208,285)	—	15,303	7.3 %
Financing activities	282,933	395,989	22,474	(135,530)	(32.4)%
Net change in cash and cash equivalents	$ (52,997)	$ 93,830	$ —		

Cash Flows from Operating Activities. Since the regulatory and legal approvals required to restart Lines 324 and 325 have not been received, no revenues have been recognized for the comparative periods. The net cash used in operating activities for the Company was $142.9 million for the six months ended June 30, 2025 (Successor), representing an increase in cash used in operating activities of $26.6 million, or 22.9%, compared to net cash used in operating activities of $22.5 million for the period January 1, 2024 through February 13, 2024 (Predecessor) and $93.9 million net cash used in operating activities from February 14, 2024 through June 30, 2024 (Successor), respectively, or a combined $116.3 million. The primary use of cash can be attributed to maintenance and operational readiness activities in the Predecessor and Successor periods, with additional general and administrative costs incurred post the Business Combination in the Successor period.

For the six months ended June 30, 2025 (Successor), we had a net loss of $237.6 million, which consists of a non-cash increase of $5.9 million in fair value of the warrants, non-cash stock-based compensation of $16.5 million, non-cash paid-in-kind interest of $41.7 million, changes in accounts payable of $22.4 million, non-cash depreciation, depletion, amortization and accretion of $6.2 million, and non-cash tax expense of $18.7 million. Changes in accounts payable for the period is primarily attributable to the increase in vendor payables associated with the restart efforts. For the period January 1, 2024 through February 13, 2024 (Predecessor), SYU incurred a net loss of $11.8 million and for the period February 14,

2024 through June 30, 2024 (Successor) the Company incurred a net loss of $345.5 million, respectively, or a combined $357.3 million. Our combined net loss was partially offset by a non-cash change in the fair value of our warrant liabilities of $79.4 million, non-cash stock based compensation of $69.3 million, non-cash paid-in-kind interest $28.5 million, changes in accounts payable of $45.2 million and non-cash deferred tax expense of $18.6 million. Changes in accounts payable is primarily attributable to the Grey Fox Matter settlement, with $35.0 million in accounts payable and accrued liabilities as of June 30, 2024 (Refer to *Note 2 — Significant Accounting Policies)*. Future cash flow from operations will depend on our ability to bring the associated oil and gas production of the assets back online, as well as the prices of oil, natural gas and NGLs.

Cash Flows from Investing Activities. The net cash used in investing activities for the Company was $193.0 million for the six months ended June 30, 2025 (Successor), representing a decrease in cash used in investing activities of $15.3 million, or 7.3%, compared to the net cash used investing activities of zero for the period January 1, 2024 through February 13, 2024 (Predecessor) and $208.3 million for the period February 14, 2024 through June 30, 2024 (Successor), or a combined $208.3 million. The Successor investing cash flow for the six months ended June 30, 2025 (Successor) consists of cash paid for capital expenditures associated with restart efforts and for the period February 14, 2024 through June 30, 2024 (Successor) is almost entirely comprised of $204.2 million paid to EM at Closing per settlement statement. The net cash used in investing activities for the Predecessor period was zero since the SYU Assets had been shut in since 2015, without investing activities.

Cash Flows from Financing Activities. The net cash provided by financing activities for the Company was $282.9 million for the six months ended June 30, 2025 (Successor), consisting of $295.0 million of gross proceeds from the 2025 Offering and related paid fees of $12.1 million. The net cash provided by financing activities for the period January 1, 2024 through February 13, 2024 (Predecessor) was $22.5 million and net cash provided by financing activities for the period February 14, 2024 through June 30, 2024 (Successor) was $396.0 million, respectively, or a combined $418.5 million.

The Predecessor financing activities for the period January 1, 2024 through February 13, 2024 (Predecessor) consists of EM capital contributions financing the maintenance and operational readiness activities. The Successor financing activities for the period February 14, 2024 through June 30, 2024 (Successor) are comprised of the aggregate $440.2 million, net of $22.9 million of capitalized Business Combination transaction expenses, or $417.3 million net, less deposit paid to EM for the Term Loan of $18.8 million, payment of debt issuance costs of $1.5 million, and repayment of Flame non-convertible promissory notes - related parties for $1.1 million.

Contractual Obligations

Pursuant to the Senior Secured Term Loan, which financed most of the Purchase Price (as defined in the Senior Secured Term Loan), Sable will pay interest at ten percent (10%) per annum compounded annually, payable in arrears on January 1st of each year. At Sable's election, accrued but unpaid interest may be deemed paid on each interest payment date by adding the amount of interest owed to the outstanding principal (paid-in-kind) amount under the Senior Secured Term Loan. On December 13, 2024, the Company entered into the Fourth Amendment to the Sable-EM Purchase Agreement, pursuant to which the following definitions were amended. "Restart Production" was redefined as 150 days after first production, extending the maturity date of the EM Term Loan by 60 days. "Restart Failure Date" was extended an additional 60 days to March 1, 2026. In the absence of further negotiations, Restart Production must take place prior to March 1, 2026, and the Senior Secured Term Loan must be refinanced within 240 days following such first production
date. Refer to *Note 6 — Debt* for additional disclosures regarding the Senior Secured Term Loan.

On May 19, 2025, the Company announced that as of May 15, 2025, it had restarted production at SYU and begun flowing oil production from six wells at SYU's Platform Harmony to LFC. Additionally, with the completion of the Gaviota State Park anomaly repairs on the Onshore Pipeline on May 18, 2025, the Company completed its anomaly repair program on the Onshore Pipeline as specified by the Consent Decree, the governing document for the restart and operations of the Onshore Pipeline. As a result of Restart Production the Senior Secured Term Loan must be refinanced within 240 days following such first production date, or January 10, 2026. Accordingly, the Senior Secured Term Loan must be refinanced or otherwise paid in full by or prior to the maturity date.

Additional obligations include the performance of ARO as referenced under "*Critical Accounting Policies and Estimates—Asset Retirement Obligations*" below.

Off Balance Sheet Arrangements

As of June 30, 2025, the Company had no off-balance sheet arrangements.

Critical Accounting Estimates

The preparation of unaudited condensed consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

Property, Plant and Equipment.

Cost Basis. Oil and gas producing activities are accounted for under the successful efforts method of accounting. Under this method, costs are accumulated on a field-by-field basis. Costs incurred to purchase, lease, or otherwise acquire a property (whether unproved or proved) are capitalized when incurred. Exploratory well costs are carried as an asset when the well has found a sufficient quantity of resources to justify its completion as a producing well and where sufficient progress assessing the resources and the economic and operating viability of the project is being made. Exploratory well costs not meeting these criteria are charged to expense. Other exploratory expenditures, including geophysical costs and annual lease rentals, are expensed as incurred. Development costs, including costs of productive wells and development dry holes, are capitalized.

Other Property and Equipment. Other property and equipment primarily consist of onshore midstream facilities and transportation assets. Due to the natural of such assets, the onshore midstream facilities are presented within oil and gas properties, while the transportation assets are presented within other assets on the unaudited condensed consolidated balance sheets.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization are primarily determined under the unit-of-production method, which is based on estimated asset service life taking obsolescence into consideration.
Acquisition costs of proved properties are amortized using a unit-of-production method, computed on the basis of total proved oil and natural gas reserve volumes. Capitalized exploratory drilling and development costs associated with productive depletable extractive properties are amortized using the unit-of-production rates based on the amount of proved developed resources of oil and gas that are estimated to be recoverable from existing facilities using current operating methods. Under the unit-of-production method, oil and natural gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the lease or field storage tank. Maintenance and repairs, including planned major maintenance, are expensed as incurred. Major renewals and improvements are capitalized and the assets replaced are retired.

The SYU Assets had previously been shut in since 2015 due to a pipeline incident but had been maintained by EM to preserve it in an operation-ready state and thus no depletion had been recognized prior to achieving first production on May 15, 2025. Depletion, depreciation and amortization of $1.8 million associated with the SYU assets was recognized during the three months ended June 30, 2025; however, as the associated production remained in the Company's storage tanks as of June 30, 2025, the entire amount has been capitalized as Inventory and other on the unaudited condensed consolidated balance sheet. The recognition of depletion expense on the unaudited condensed consolidated statement of operations will commence upon restart and related production.

Oil Inventory. Production volumes for the period May 16, 2025 through June 30, 2025 were retained within the Company's storage tanks and recognized as short term oil inventory, and the associated depletion expense was capitalized, as noted above. FASB ASC Topic 330—Inventory (“ASC 330”) dictates that inventory shall initially be valued at the price paid or consideration given to acquire an asset. By analogy, the Company capitalized the costs incurred that were directly attributable to producing and transporting the production to the onshore storage tanks, including associated depreciation, depletion, and amortization. Oil inventory is presented as a component of Inventory and other on the unaudited condensed consolidated balance sheet.

The Company has oil inventory storage capacity of 540 MBbls onshore at LFC. The Company generally expects the inventory volumes to fluctuate over time to maintain optimal operational efficiencies. The ending volume of inventory that remains in the onshore storage tanks is measured at the current period's cost, and a lower of cost or net realizable value assessment is performed for each reporting period.

Impairment Assessment. Assets are tested for recoverability on an ongoing basis whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Among the events or changes in circumstances which could indicate that the carrying value of an asset or asset group may not be recoverable are the following:

- a significant decrease in the market price of a long-lived asset;
- a significant adverse change in the extent or manner in which an asset is being used or in its physical condition, including a significant decrease in current and projected resource or reserve volumes;
- a significant adverse change in legal factors or in the business climate that could affect the value, including an adverse action or assessment by a regulator;
- an accumulation of project costs significantly in excess of the amount originally expected; and
- a current-period operating loss combined with a history and forecast of operating or cash flow losses.

We monitor for indicators of potential impairment throughout the year. This process is aligned with the requirements of ASC 360—Property, Plant, and Equipment and ASC 932 Extractive Activities—Oil and Gas. Asset valuation analysis, profitability reviews and other periodic control processes assist in assessing whether events or changes in circumstances indicate the carrying amounts of any of the assets may not be recoverable.

If events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, management estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. In performing this assessment, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Cash flows used in recoverability assessments are based on assumptions which are developed by management and are consistent with the criteria management uses to evaluate investment opportunities. These evaluations make use of assumptions of future capital allocations, crude oil and natural gas commodity prices including price differentials, refining and chemical margins, volumes, and development and operating costs. Volumes are based on projected field and facility production profiles, throughput, or sales. Management's estimate of upstream production volumes used for projected cash flows makes use of proved reserve quantities and may include risk-adjusted unproved reserve quantities.

An asset group is impaired if its estimated undiscounted cash flows are less than the asset group's carrying value. Impairments are measured by the amount by which the carrying value exceeds fair value. The assessment of fair value is based upon the views of a likely market participant. The principal parameters used to establish fair value include estimates of acreage values and flowing production metrics from comparable market transactions, market-based estimates of historical cash flow multiples, and discounted cash flows. Inputs and assumptions used in discounted cash flow models include estimates of future production volumes, throughput and product sales volumes, commodity prices which are consistent with the average of third-party industry experts and government agencies, refining and chemical margins, drilling and development costs, operating costs and discount rates which are reflective of the characteristics of the asset group.

Asset Retirement Obligations. The Company's ARO primarily relate to the future plugging and abandonment of oil and gas properties and related facilities. The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time the assets are installed. In the estimation of fair value, the Company uses assumptions and judgments regarding such factors as the existence of a legal obligation for an asset retirement obligation, technical assessments of the assets, estimated amounts and timing of settlements, discount rates, and inflation rates.

Derivative Warrant Liabilities. We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. We evaluate all of our financial instruments, including issued stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480 and ASC 815-15. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

All of our outstanding warrants are recognized as derivative liabilities in accordance with ASC 815-40. Accordingly, we recognize the warrant instruments as liabilities at fair value and adjust the instruments to fair value at each reporting period.

The liabilities are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our statement of operations. The private placement warrants and the working capital warrants are measured at fair value using the Modified Black-Scholes Optional Pricing Model.

Emerging Growth Company; Smaller Reporting Company

We are an "emerging growth company," or EGC, as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and it has elected to comply with certain reduced public company reporting requirements. Sable could remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of the completion of the Company IPO. However, if (a) Sable's total annual gross revenue exceed $1.235 billion, (b) Sable is deemed to be a large accelerated filer, which means the market value of Common Stock that is held by non-affiliates exceeds $700.0 million as of the end of the prior fiscal year's second fiscal quarter, or (c) Sable's non-convertible debt issued within a three-year period exceeds $1.0 billion, Sable would cease to be an emerging growth company as of the following fiscal year.

Additionally, we are a "smaller reporting company," or SRC, as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. Sable will be a smaller reporting company until the last day of any fiscal year for so long as either (1) the market value of Common Stock held by non-affiliates did not exceed $250 million as of the prior June 30, or (2) Sable's annual revenues did not exceed $100 million during such completed fiscal year and the market value of Common Stock held by non-affiliates did not exceed $700 million as of the prior June 30.

We will no longer be an EGC or SRC as of December 31, 2025, after which we will not be able to take advantage of the reduced reporting and disclosure requirements discussed above.

Recent Accounting Pronouncements

Our management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2025. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2025, our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) under the Exchange Act) were effective at the reasonable assurance level as of June 30, 2025. Accordingly, management believes that the financial statements included in this Quarterly Report on Form 10-Q present fairly in all material respects our financial position, results of operations and cash flows for the periods presented.

Changes in Internal Control over Financial Reporting

During the quarterly period covered by this report there have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Refer to Part I, Item 1, *Note 8 — Commitments and Contingencies* of this Quarterly Report for a full description of our material pending legal and regulatory matters.

Item 1A. Risk Factors.

Factors that could cause our actual results to differ materially from those in this report include the risks described under the heading "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (the "2024 10-K"). Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. As of the date of this Quarterly Report, there have been no material changes to the risk factors disclosed in the 2024 10-K. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

During the three months ended June 30, 2025 (Successor), no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

		Incorporate by Reference		
No.	**Description of Exhibit**	**Form**	**Exhibit**	**Filing Date**
3.1	Second Amended and Restated Certificate of Incorporation of Sable Offshore Corp.	8-K	3.1	2/14/24
3.2	Amended and Restated Bylaws of Sable Offshore Corp.	8-K	3.2	2/14/24
10.1	Underwriting Agreement, dated as of May 21, 2025, by and among the Company and J.P. Morgan Securities LLC, TD Securities (USA) LLC and Jefferies LLC, as representatives of the several underwriters named therein.	8-K	1.1	5/23/25
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—
101.INS*	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document			
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.SCH*	Inline XBRL Taxonomy Extension Schema Document			
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document			
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed herewith.
** Furnished

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SABLE OFFSHORE CORP.

Date: August 12, 2025	By:	/s/ James C. Flores
	Name:	James C. Flores
	Title:	Chairman and Chief Executive Officer (Principal Executive Officer)
Date: August 12, 2025	By:	/s/ Gregory D. Patrinely
	Name:	Gregory D. Patrinely
	Title:	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, James C. Flores, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sable Offshore Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2025

/s/ James C. Flores
James C. Flores
Chairman and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Gregory D. Patrinely, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sable Offshore Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2025

/s/ Gregory D. Patrinely

Gregory D. Patrinely

Executive Vice President and Chief Financial Officer

(Principal Accounting Officer and Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Sable Offshore Corp. (the "Company") for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James C. Flores, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 12, 2025

/s/ James C. Flores
James C. Flores
Chairman and Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EX-32.2 5 soc-06302025xex322.htm EX-32.2

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Sable Offshore Corp. (the "Company") for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory D. Patrinely, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 12, 2025

/s/ Gregory D. Patrinely
Gregory D. Patrinely
Executive Vice President and Chief Financial Officer
(Principal Accounting Officer and Principal Financial Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

U.S. SECURITIES AND EXCHANGE COMMISSION

PDF Copy of Submission on SEC EDGAR system

This PDF document is a copy of the following submission on the SEC's EDGAR system:

Submission/Form 8-K
Filed 2025-05-19
Accession number 0001193125-25-122079
Submitted on EDGAR account of Sable Offshore Corp., CIK 0001831481

This copy was generated on 2025-10-17.

The submission itself is available on SEC's public EDGAR database at: https://www.sec.gov/Archives/edgar/data/0001831481/000119312525122079/0001193125-25-122079-index.html.

Additional submission information is available on SEC.gov, including but not limited to whether any additional reporting entities are associated with the submission.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 19, 2025

Sable Offshore Corp.
(Exact name of registrant as specified in its charter)

Delaware	**001-40111**	**85-3514078**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

845 Texas Avenue, Suite 2920 **Houston, Texas**	**77002**
(Address of Principal Executive Offices)	**(Zip Code)**

(713) 579-6161
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencements communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	SOC	The New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01 Regulation FD Disclosure.

On May 19, 2025, Sable Offshore Corp. (the "Company") issued a press release announcing restart of oil production at the Santa Ynez Unit and anticipated oil sales from the Las Flores Pipeline System in July 2025. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Also on May 19, 2025, the Company posted presentation materials on its website, www.sableoffshore.com. The presentation materials are attached hereto as Exhibit 99.2 and incorporated herein by reference. These materials may also be used by the Company at one or more presentations with analysts, investors or other stakeholders.

The information contained in the attached press release and presentation materials is summary information that is intended to be considered in the context of the Company's Securities and Exchange Commission filings and other public announcements. The Company undertakes no duty or obligation to publicly update or revise this information, although it may do so from time to time.

The information furnished pursuant to this Item 7.01, including Exhibits 99.1 and 99.2, shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference in any filing made by the Company under the Securities Act or the Exchange Act.

Cautionary Statement Regarding Forward-Looking Statements

The information in this Current Report on Form 8-K includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "could," "should," "will," " may," " believe," " anticipate," " intend," " estimate," "expect," "project," "continue," "plan," forecast," "predict," "potential," "future," "outlook," and "target," the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements will contain such identifying words. These statements are based on the current beliefs and expectations of Sable's management and are subject to significant risks and uncertainties. Actual results may differ materially from those described in the forward-looking statements. Factors that could cause Sable's actual results to differ materially from those described in the forward-looking statements include: the ability to recommence production of the SYU assets and the cost and time required therefor; litigation, complaints and/or adverse publicity; our ability to comply with laws and regulations applicable to our business; and other one-time events and other factors that can be found in Sable's Annual Report on Form 10-K for the year ended December 31, 2024, and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K, which are filed with the Securities and Exchange Commission and are available on Sable's website (www.sableoffshore.com) and on the Securities and Exchange Commission's website (www.sec.gov). Except as required by applicable law, Sable undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect the impact of events or circumstances that may arise after the date of this Current Report on Form 8-K.

Disclaimer: Restart Production

The SYU assets discussed in this Form 8-K have not sold commercial quantities of hydrocarbons since such SYU assets were shut in during June of 2015 when the only onshore pipeline transporting hydrocarbons produced from such SYU assets to market ceased transportation. There can be no assurance that the necessary permits will be obtained that would allow the onshore pipeline to recommence transportation and allow the SYU assets to recommence sales. If Restart Production (as defined in the purchase and sale agreement, dated November 1, 2022 (as amended, the "Sable-EM Purchase Agreement"), between Sable Offshore Corp., Exxon Mobil Corporation ("EM") and Mobil Pacific Pipeline Company) is not achieved by March 1, 2026, the terms of the Sable-EM Purchase Agreement with EM could result in the SYU assets being reverted to EM without any compensation to Sable therefor.

Item 9.01 Financial Statements and Exhibits

(d) *Exhibits*

Exhibit No.	Description of Exhibits
99.1	Press Release of Sable Offshore Corp., dated May 19, 2025.
99.2	Presentation Materials.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Sable Offshore Corp.

Date: May 19, 2025

By: /s/ Gregory D. Patrinely
Name: Gregory D. Patrinely
Title: Executive Vice President and Chief Financial Officer

Exhibit 99.1

Sable Offshore Corp. Reports Restart of Oil Production at the Santa Ynez Unit and Anticipated Oil Sales from the Las Flores Pipeline System in July 2025

Houston, May 19, 2025 – Sable Offshore Corp. ("Sable," or the "Company")(NYSE: SOC) today announced that as of May 15, 2025, it has restarted production at the Santa Ynez Unit ("SYU") and has begun flowing oil production to Las Flores Canyon ("LFC"). Additionally, with the completion of the Gaviota State Park anomaly repairs on the Las Flores Pipeline System (the "Onshore Pipeline") on May 18, 2025, Sable has now completed its anomaly repair program on the Onshore Pipeline as specified by the Consent Decree, the governing document for the restart and operations of the Onshore Pipeline.

Seven of the eight sections of the Onshore Pipeline have been successfully hydrotested. Sable will complete the final hydrotest in order to meet the final operational condition to restart the Onshore Pipeline as outlined in the Consent Decree. Sable expects to fill the ~540,000 barrels of crude oil storage capacity at LFC by the middle of June 2025 and subsequently recommence oil sales in July 2025.

Production Restart

- On May 15, 2025, Sable initiated the flow of oil production from six wells on Platform Harmony of the SYU to LFC at a rate of ~6,000 barrels of oil per day.
- Sable has been testing wells on Platform Harmony throughout May 2025 and the well tests have performed consistently stronger than they did at the time of shut-in on May 19, 2015 when the SYU produced approximately 45,000 barrels of oil equivalent per day.
- Approximately 30% of the 32 producing wells at Platform Harmony have been tested as of May 18, 2025 with the remaining Platform Harmony wells projected to be tested over the course of the next several days.
- Sable expects to initiate production from the additional 44 wells on Platform Heritage and the additional 26 wells on Platform Hondo in July 2025 and August 2025, respectively.

Updated Guidance

	2H25 Guidance					
	Prior Guidance (1)			Updated Guidance (2)		
Production						
Net Average Daily Production (BOE/D)	20,000	—	25,000	40,000	—	50,000
Working Interest (%)		100.0%			100.0%	
Average Net Revenue Interest (%)		83.6%			83.6%	
Cash Costs ($ / BOE)						
Lease Operating Expense	$ 17.00	—	$ 19.00	$ 11.00	—	$ 13.50
% Fixed LOE				*75%*	—	*85%*
Gathering, Processing & Transportation	$ 2.50	—	$ 3.50	$ 2.50	—	$ 3.50
Cash General & Administrative	$ 4.50	—	$ 5.50	$ 2.50	—	$ 3.50
Severance & Ad Valorem Taxes (% of Revenue)	0.5%	—	1.0%	0.5%	—	1.0%
Operational Capex						
Facilities Capex ($MM)	$ 50	—	$ 60	$ 50	—	$ 60
Workover Capex ($MM)	20	—	30	20	—	30
Total Capex ($MM)	$ 70	—	$ 90	$ 70	—	$ 90

(1) Prior production and operational capex guidance reflect 2H25 guidance as of March 2025. Prior cash costs guidance reflects 4Q24 guidance as of May 2024.

(2) Updated guidance amount is based on production level well test data at the time of the 2015 shut in, initial Harmony well results, the anticipated restart of production at Heritage and Hondo in Q3 2025, management's best estimates based upon numerous technical data points such as bottom-hole pressures, material balance calculations and estimates, reservoir simulations, management experience operating producing assets offshore California, and planned capital expenditures. Deviations from the anticipated timing and magnitude of such assumptions may impact actual results.

Management Commentary

“SOC is proud to have safely and responsibly achieved first production at the Santa Ynez Unit” said Jim Flores, Chairman and Chief Executive Officer. He continued, “The impressive well tests from Platform Harmony confirm the prolific nature of the Santa Ynez Unit reservoir after being dormant for ten years. SOC is excited about our development plan and prospects for the future. This milestone achievement is a result of a tremendous amount of effort from all of Sable’s employees, contractors, Board of Directors, stakeholders, and suppliers. We are very grateful for the cooperation and partnership from our local community and regulatory bodies as we seek to provide energy security to the State of California.”

About Sable

Sable Offshore Corp. is an independent oil and gas company, headquartered in Houston, Texas, focused on responsibly developing the Santa Ynez Unit in federal waters offshore California. The Sable team has extensive experience safely operating in California.

Forward-Looking Statements

The information in this press release include “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words “could,” “should,” “will,” “may,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “continue,” “plan,” “forecast,” “predict,” “potential,” “future,” “outlook,” and “target,” the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements will contain such identifying words. These statements are based on the current beliefs and expectations of Sable’s management and are subject to significant risks and uncertainties. Actual results may differ materially from those described in the forward-looking statements. Factors that could cause Sable’s actual results to differ materially from those described in the forward-looking statements include: the ability to recommence production of the SYU assets and the cost and time required therefor; global economic conditions and inflation; increased operating costs; lack of availability of drilling and production equipment, supplies, services and qualified personnel; geographical concentration of operations; environmental and weather risks; regulatory changes and uncertainties; litigation, complaints and/or adverse publicity; privacy and data protection laws, privacy or data breaches, or loss of data; our ability to comply with laws and regulations applicable to our business; and other one-time events and other factors that can be found in Sable’s Annual Report on Form 10-K for the year ended December 31, 2024, and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K, which are filed with the Securities and Exchange Commission and are available on Sable’s website (www.sableoffshore.com) and on the Securities and Exchange Commission’s website (www.sec.gov). Except as required by applicable law, Sable undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect the impact of events or circumstances that may arise after the date of this press release.

Disclaimers

Restart Production

The SYU assets discussed in this press release have not sold commercial quantities of hydrocarbons since such SYU assets were shut in during June of 2015 when the only Onshore Pipeline transporting hydrocarbons produced from such SYU assets to market ceased transportation. There can be no assurance that the necessary permits will be obtained that would allow the Onshore Pipeline to recommence transportation and allow the SYU assets to recommence sales. If Restart Production (as defined in the purchase and sale agreement, dated November 1, 2022 (as amended, the “Sable-EM Purchase Agreement”), between Sable Offshore Corp., Exxon Mobil Corporation (“EM”) and Mobil Pacific Pipeline Company) is not achieved by March 1, 2026, the terms of the Sable-EM Purchase Agreement with EM could result in the SYU assets being reverted to EM without any compensation to Sable therefor.

Use of projections and estimates

This presentation contains financial projections and estimates for Sable, including with respect to its future capital expenditures, initial timing and production estimates and future cash costs. Sable's auditors have not audited, reviewed, compiled or performed any procedures with respect to the projections and estimates for the purpose of their inclusion in this presentation, and, accordingly, no such auditors have expressed an opinion or provided any other form of assurance with respect thereto for the purpose of this presentation. These projections and estimates are for illustrative purposes only and should not be relied upon as being necessarily indicative of future results. The assumptions and estimates underlying the projected information are inherently uncertain and are subject to a wide variety of significant business, regulatory, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the projected information. Even if the assumptions and estimates are correct, projections and estimates are inherently uncertain due to a number of factors outside Sable's control. Accordingly, there can be no assurance that the projected results are indicative of Sable's future performance or that actual results will not differ materially from those presented in the projected information. Inclusion of the projected information in this presentation should not be regarded as a representation by any person, including, without limitation, Sable, that the results contained in the projected information will be achieved.

Contacts

Investor Contact:
Harrison Breaud
Vice President, Finance & Investor Relations
IR@sableoffshore.com
713-579-8111

EX-99.2 3 d943067dex992.htm EX-99.2

Disclaimer

FORWARD LOOKING STATEMENTS

The information in this presentation includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this presentation, the words "could," "should," "will," "may," "believe," "anticipate," "intend," "estimate," "expect," "project," "continue," "plan," "forecast," "predict," "potential," "future," "outlook," and "target," the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements will contain such identifying words. These statements are based on the current beliefs and expectations of Sable's management and are subject to significant risks and uncertainties. Actual results may differ materially from those described in the forward-looking statements. Factors that could cause Sable's actual results to differ materially from those described in the forward-looking statements include: the ability to recommence production of the SYU assets and the cost and time required therefor, production levels once recommenced; commodity price volatility; low prices for oil and/or natural gas; global economic conditions and inflation; increased operating costs; lack of availability of drilling and production equipment, supplies, services and qualified personnel; processing volumes and pipeline throughput; geographical concentration of operations; environmental and weather risks; regulatory changes and uncertainties; the uncertainty inherent in estimating oil and natural gas resources and in projecting future rates of production; reductions in cash flow and lack of access to capital; restrictions in existing or future debt agreements or structured or other financing arrangements; managing growth and integration of acquisitions, and failure to realize the expected value of acquisitions; the ability to recognize the anticipated benefits of the business combination; developments relating to our competitors and our industry; litigation, complaints and/or adverse publicity; privacy and data protection laws, privacy or data breaches, or loss of data; our ability to comply with laws and regulations applicable to our business; and other one-time events and other factors that can be found in Sable's Annual Report on Form 10-K for the year ended December 31, 2024, and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K, which are filed with the Securities and Exchange Commission and are available on Sable's website (www.sableoffshore.com) and on the Securities and Exchange Commission's website (www.sec.gov). Except as required by applicable law, Sable undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect the impact of events or circumstances that may arise after the date of this presentation.

RESTART PRODUCTION

The SYU assets discussed in this presentation have not sold commercial quantities of hydrocarbons since such SYU assets were shut in during June of 2015 when the only Onshore Pipeline transporting hydrocarbons produced from such SYU assets to market ceased transportation. There can be no assurance that the necessary permits will be obtained that would allow the Onshore Pipeline to recommence transportation and allow the SYU assets to recommence sales. If Restart Production (as defined in the purchase and sale agreement, dated November 1, 2022 (as amended, the "Sable-EM Purchase Agreement"), between Sable Offshore Corp., Exxon Mobil Corporation ("EM") and Mobil Pacific Pipeline Company) is not achieved by March 1, 2026, the terms of the Sable-EM Purchase Agreement with EM could result in the SYU assets being reverted to EM without any compensation to Sable therefor.

OIL AND GAS RESOURCE INFORMATION

This presentation includes information regarding estimates of oil and natural gas resources attributable to the SYU. None of the oil and gas resources attributable to the SYU are currently classifiable as proved or other reserves because, since the cessation of operations on the pipeline transporting production from the assets, there has been no means to deliver production from the assets to market. Sable has obtained a report (the "NSAI Report") from Netherland, Sewell & Associates, Inc. ("NSAI"), independent petroleum consultants, with respect to the net estimated contingent resources attributable to the acquired assets and the related pre-tax discounted (at 10%) future net contingent cash flow from such contingent resources, as of December 31, 2021, based on 12-month unweighted arithmetic average of the first-day-of-the-month prices for each month in the period from January to December 2021. As defined by the Society of Petroleum Engineers and used in the NSAI Report, "contingent resources" are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. Contingent resource estimates may be characterized further as 1C (low estimate), 2C (best estimate) and 3C (high estimate). The contingent resources reflected in the NSAI Report are, as stated in the report, category 1C (low estimate). The NSAI Report states that the estimates included in the report are contingent on (1) approval from federal, state and local regulators to restart production, (2) reestablishment of oil transportation systems to deliver production to market, and (3) commitment to restart the wells and facilities. The NSAI Report states that, if these contingencies are successfully addressed, some portion of the contingent resources estimated in the report may be reclassified as reserves but notes that the estimates have not been risked to account for the possibility that the contingencies are not successfully addressed. The NSAI Report does not address (1) the portion of the contingent resources that could be reclassified as reserves if the contingencies are successfully addressed or (2) whether or to what extent any of the contingent resources that could be so reclassified would be classified as proved, probable or possible reserves. As defined in the Society of Petroleum Engineers' Petroleum Resources Management System ("PRMS"), "best estimate" is the most realistic assessment of recoverable quantities if only a single result were reported. There is at least a 50% probability that the quantities actually recovered will equal or exceed the "best estimate." As defined in the PRMS, "low estimate" is a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. There is at least a 90% probability that the quantities actually recovered will equal or exceed the "low estimate." The resource estimates and related future cash flow information included in this presentation reflect management's estimates, based in part on the contingent resources estimated in the NSAI Report and supplemented by management's own estimates of contingent resources attributable to the acquired assets and using the pricing and other assumptions noted in this presentation, of the contingent resources and cash flow that may have been attributable to the acquired assets if the contingencies had been addressed successfully on the date as of which the information is presented. Resource engineering is a process of estimating underground accumulations of hydrocarbons that cannot be measured in an exact way. The accuracy of any resource or reserve estimate depends on the quality of available data, the interpretation of such data, and price and cost assumptions made by reserve engineers. In addition, the results of drilling, testing, and production activities may justify revisions of estimates that were made previously. If significant, such revisions could impact the combined company's strategy and change the schedule of any production and development drilling. Accordingly, resource estimates may differ significantly from the quantities of oil and natural gas that are ultimately recovered.

USE OF PROJECTIONS AND ESTIMATES

This presentation contains financial projections and estimates for Sable, including with respect to its future capital expenditures, initial timing and production estimates and future cash costs. Sable's auditors have not audited, reviewed, compiled or performed any procedures with respect to the projections and estimates for the purpose of their inclusion in this presentation, and, accordingly, no such auditors have expressed an opinion or provided any other form of assurance with respect thereto for the purpose of this presentation. These projections and estimates are for illustrative purposes only and should not be relied upon as being necessarily indicative of future results. The assumptions and estimates underlying the projected information are inherently uncertain and are subject to a wide variety of significant business, regulatory, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the projected information. Even if the assumptions and estimates are correct, projections and estimates are inherently uncertain due to a number of factors outside Sable's control. Accordingly, there can be no assurance that the projected results are indicative of Sable's future performance or that actual results will not differ materially from those presented in the projected information. Inclusion of the projected information in this presentation should not be regarded as a representation by any person, including, without limitation, Sable, that the results contained in the projected information will be achieved.

Sable Offshore Corp. (NYSE: SOC)

Premier offshore California asset paired with experienced management team

High Quality Asset

Santa Ynez Unit ("SYU") is a massive oil-weighted resource

- Three offshore platforms located in federal waters north of Santa Barbara, California
- Wholly-owned onshore production treatment facilities
- Discovered in 1968 with significant production history. SYU produced 45,000 boe/d rate at shut-in in 2015
- **Production restarted on May 15, 2025 with significantly improved well tests compared to those at shut-in[1]**
- >100 identified infill drilling and step-out opportunities, along with workovers and ESP[2] installation on existing wellbores

Santa Ynez Unit

Highly-Qualified Stewards of the Asset

Sable management are well-qualified to operate Santa Ynez

- Exemplary track record of operating safely in California and offshore[3]
- Demonstrated expertise via numerous awards from state and federal agencies
- Developing strategy for carbon capture and storage ("CCS") leveraging existing infrastructure and access

Las Flores Canyon Processing Facility

(1) SYU-produced oil is being held in the Company's storage tanks at LFC while Sable completes the final hydrotest in order to meet the final operational condition to restart the Las Flores Pipeline System as outlined in the Consent Decree. Initial restart of production is higher than expected sustained production and there is uncertainty regarding the amount and timing of production decline from recently opened wells.
(2) Electric Submersible Pump.
(3) While at Plains Exploration & Production, current Sable management team operated platforms included Irene at Point Pedernales and Hidalgo, Harvest and Hermosa at Point Arguello.

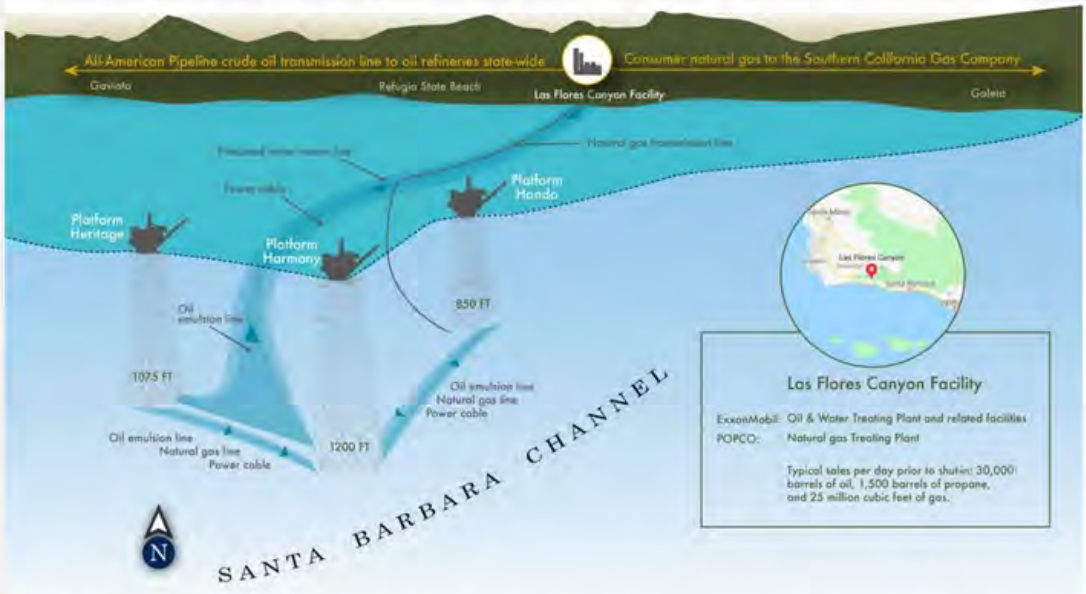
SABLE OFFSHORE

SYU History

Premier offshore project developed by Exxon over 40+ years

SYU Development Background

- **Discovered in 1968, over the course of 14 years Exxon consolidated more than a dozen offshore federal oil leases into a streamlined production unit known as SYU**
  - SYU construction began in 1976 with Platform Hondo, with first production in 1981, followed by Platform Harmony and Platform Heritage (both online in 1994); both Harmony and Heritage have dedicated rigs for future development
  - SYU includes 112 wells (90 producers, 12 injectors, 10 idle); sizable inventory of infill drilling and additional step-out drilling opportunities(1)
  - Platforms located 5 to 9 miles offshore Santa Barbara County in shallow water depths of 900-1,200'(2)
- **Wholly-owned onshore oil and natural gas processing facility at Las Flores Canyon (not visible from highway)**
- **Shut in from June 2015 to May 2025 due to pipeline issue (Plains All-American Pipeline ("AAPL") operated)**
  - Production at all Exxon platforms and facilities was safely suspended. SYU was placed into a preserved state with regular inspections and maintenance
  - AAPL received Consent Decree and began work to re-start
  - Exxon acquired pipeline from AAPL
- **Sable restarted production at SYU Platform Harmony in May 2025 and began flowing production to Las Flores Canyon(3)**
- **Sable actively evaluating strategy for CCS utilizing existing infrastructure and access**



(1) Sable management have identified >100 infill drilling and step-out opportunities.
(2) Primary Reservoir: Miocene Monterey formation (Sour low-gravity oil (4-26 API); Secondary Reservoirs: Oligocene and Eocene oil/gas sandstone (Sweet high-gravity oil (35 API).
(3) SYU-produced oil is being held in the Company's storage tanks at LFC while Sable completes the final hydrotest in order to meet the final operational condition to restart the Las Flores Pipeline System as outlined in the Consent Decree.

SABLE OFFSHORE

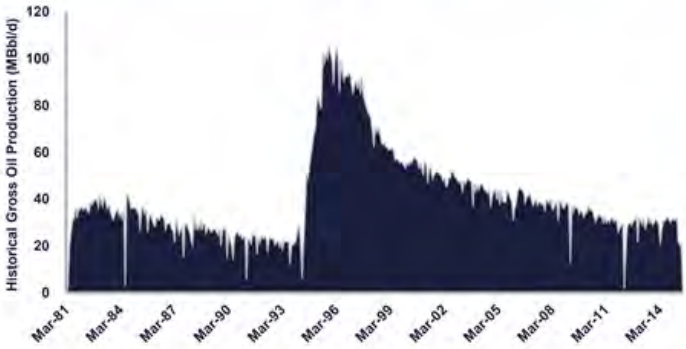
SYU Technical Overview

Significant production history and massive resource potential

Santa Ynez Unit Overview

- **Between 1981 and 2014, SYU produced over 671 MMBoe**
  - Production averaged 29 MBbl/d and 27 MMcf/d in 2014 (gross), the last full year when the asset was online
  - Low, stable decline anticipated of ~8% on average annually from existing NSAI Low Estimate Base Contingent Resources over the next five years(1)
- **Sable has also identified >100 additional infill development and step-out opportunities across the leasehold**
  - In 2010, Exxon drilled the world's longest extended-reach well from an existing fixed platform drilling rig, increasing the ability to produce more oil from existing facilities; the well extends more than six miles horizontally

Robust Production Prior to Pipeline Closure



1 Billion + Barrels Recoverable

SYU Reservoir Characterization

1,700'	Original Oil Column
(300')	Depleted Oil
(400')	Gas Cap Expansion
1,000'	**Oil Column Remaining**

Massive Resource

1,207	MMBoe of Net Recoverable Total Resources
(561)	MMBoe of Net Cum. Prod.
646	**MMBoe of Remaining Total Net Estimated Contingent Resources**

Note: Management estimates are inherently uncertain and subject to numerous risks. Actual results may differ in a material amount from management estimates and projections.
(1) 5-year period begins after production re-start.

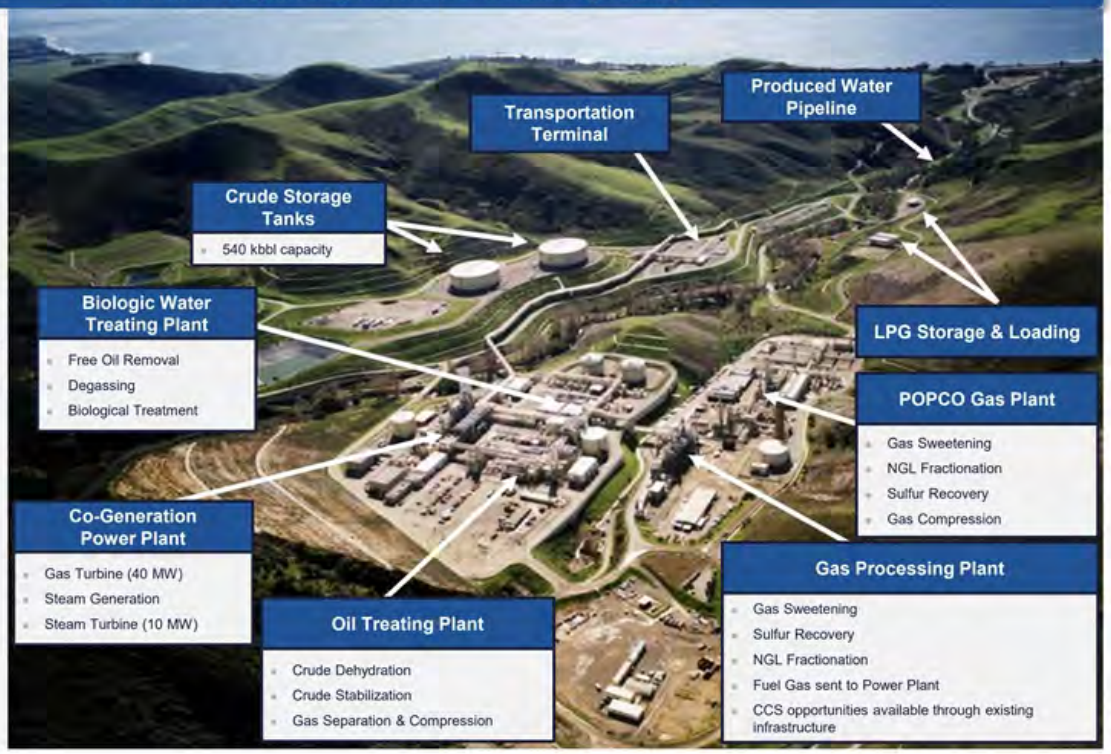
SABLE OFFSHORE

Las Flores Canyon Infrastructure

Wholly-owned infrastructure at Las Flores Canyon reduces cash costs

Las Flores Canyon Cogeneration & Processing Facility

- Fully integrated oil and gas processing facilities acquired by Sable for managing 100% of the SYU produced volumes with additional capacity for future SYU development
- Gas and NGL volumes sold into the Southern California market to homes and businesses and oil volumes sold at Brent based pricing to local refineries
- Sable management believes that the facilities have been well maintained during the downtime
- Evaluating significant CCS opportunity leveraging existing infrastructure and access

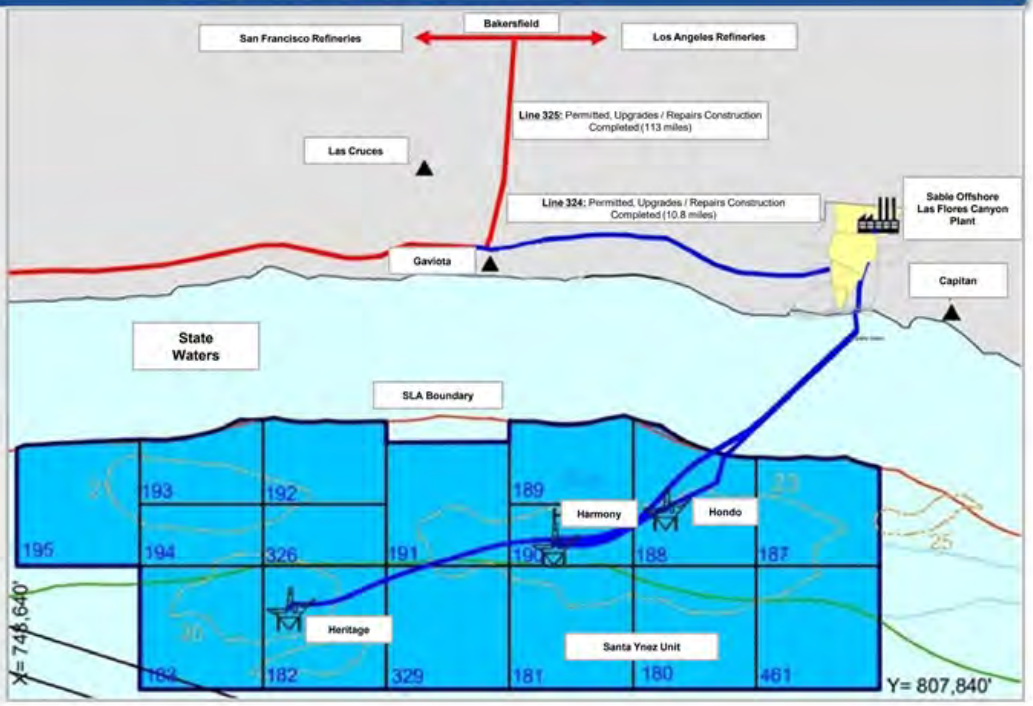


SYU Acreage Overview

SYU leases are all located in Federal waters

Santa Ynez Unit Overview

- **Offshore Position**
  - 16 Federal Leases, ~76,000 acres
  - First leased in 1969
- **Santa Ynez Unit Agreement**
  - Effective date: November 12, 1970
  - Unit blocks: OCS-P 180, 181, 182, 183, 187, 188, 189, 190, 191, 192, 193, 194, 195, 326, 329, 461
  - Sable operated, 100% WI, 83.6% NRI
  - Annual lease extensions granted by the Bureau of Safety and Environmental Enforcement and authorized well re-work since shut-in; supported by quarterly updates
- **Onshore Position**
  - ~1,480 surface acres, facilities occupy ~35 acres
  - Facilities 100% Sable owned



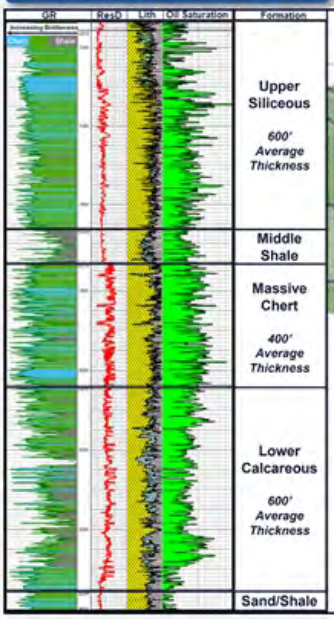
Note: Line 324 and Line 325 were formerly known as Line 901 and Line 903, respectively.

Undrilled Inventory

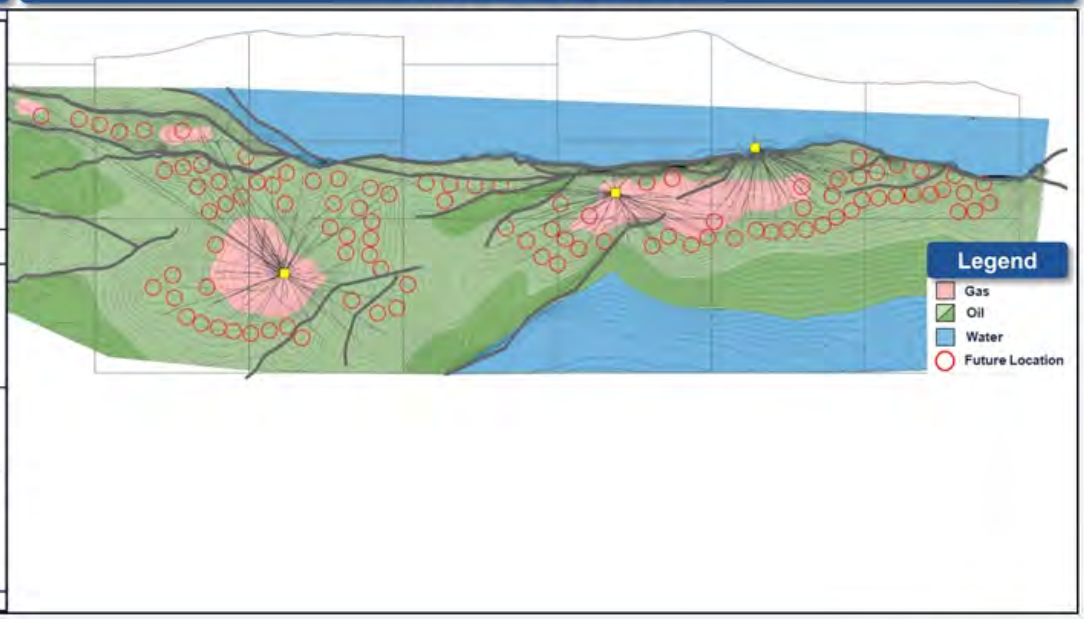
New Drill Inventory Overview

- Technical opportunity inventory is based on 80-acre drainage area, maturing field from original 120 acre spacing
- Future development strategy focuses on the high-quality Monterey Upper Siliceous reservoir in areas that have undergone increased diagenesis which leads to a more fractures, allowing for greater storage of oil and increased permeability
- Wellbores will be aligned to maximize contact with the primary fracture orientation for the field and average over 2,000' gross perforations per well

Monterey Type Log



Top of Monterey Structure



Harmony Platform Commenced Restart Production

Initial well tests at Harmony Platform have exceeded expectations

Harmony Platform

Production Restart: May 15, 2025[1]

- Estimated 2H25 net production: ~15.0 – 19.0 MBoe/d[2]
- Wells: 32
- Available well slots: 23-27[3]

Heritage Platform

Estimated Production Restart: July 2025[4]

- Estimated 2H25 net production: ~19.0 – 23.0 MBoe/d[2]
- Wells: 44
- Available well slots: 15-17[3]

Hondo Platform

Estimated Production Restart: August 2025[4]

- Estimated 2H25 net production: ~6.0 – 8.0 MBoe/d[2]
- Wells: 26
- Available well slots: 10[3]

(1) SYU-produced oil is being held in the Company's storage tanks at LFC while Sable completes the final hydrotest in order to meet the final operational condition to restart the Las Flores Pipeline System as outlined in the Consent Decree. Initial restart of production is higher than expected sustained production and there is uncertainty regarding the amount and timing of production decline from recently opened wells.

(2) Updated guidance amount is based on production levels at the time of the 2015 shut in, initial Harmony well results, the anticipated restart of production at Heritage and Hondo in Q3 2025, management's best estimates based upon numerous technical data points such as bottom-hole pressures, material balance calculations and estimates, reservoir simulations, management experience operating producing assets offshore California, and planned capital expenditures. Deviations from the anticipated timing and magnitude of such assumptions may impact actual results.

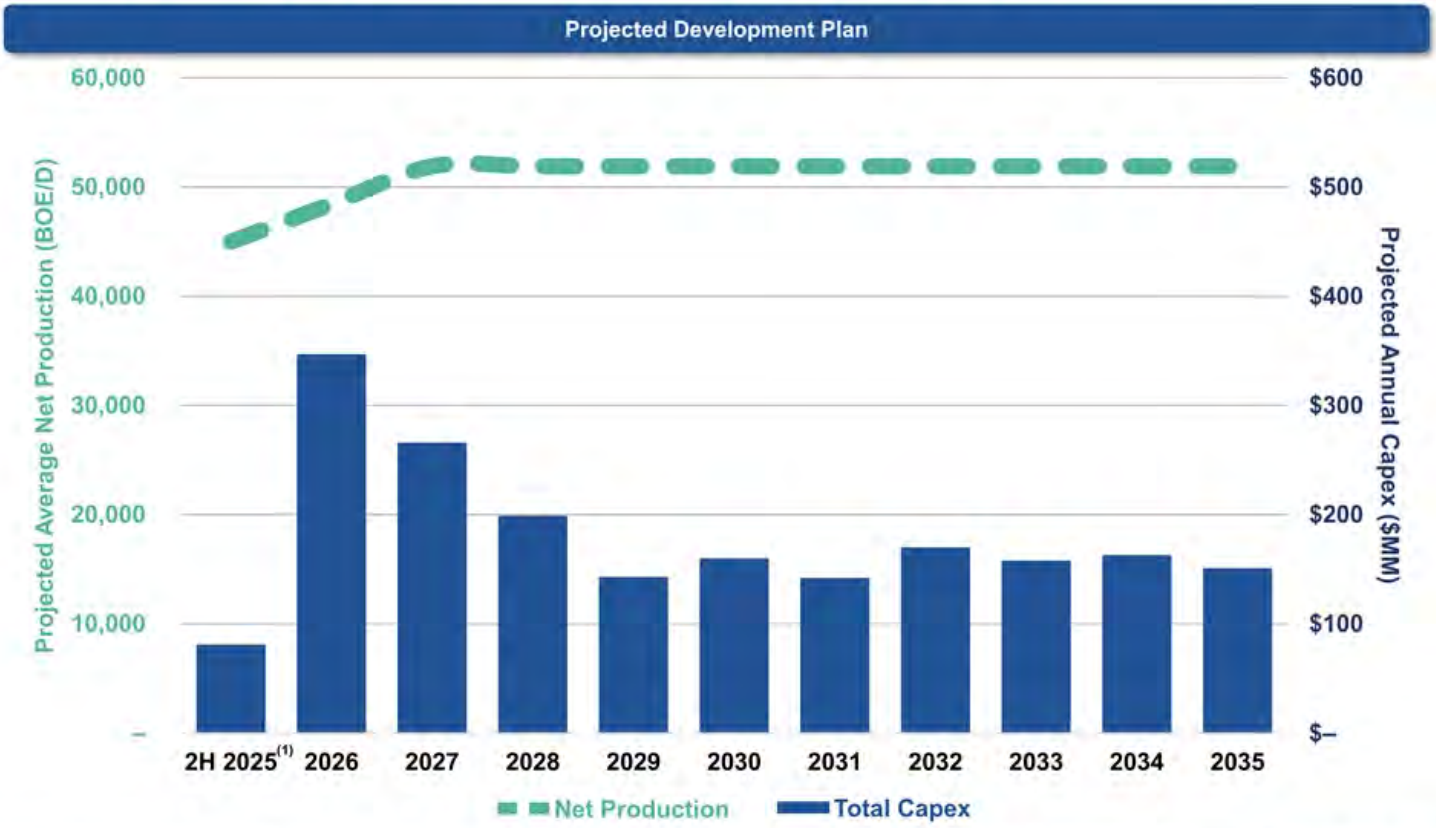
(3) Available well slots include those either actively unused or available for opportunistic reclamation.

(4) The timing of restart of production at Heritage and Hondo platforms is subject to numerous risks. Refer to slide *"Disclaimer – Forward-Looking Statements"*.

SABLE OFFSHORE

Sable Operational Plan

Maintain, re-allocate, and optimize total capital spend to grow initial flush production rates



Note: Management estimates are inherently uncertain and subject to numerous risks. Actual results may differ in a material amount from management estimates and projections. Proposed development plan is based on market conditions and subject to annual Board approval.

(1) Reflects midpoint of 2H25 guidance.

SABLE OFFSHORE

Substantial Resource Base

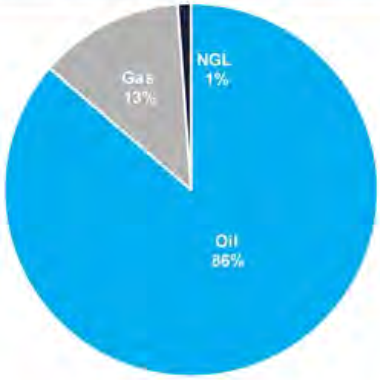
Contingent Resource Summary[1][2][3]

Resource Category	Net Estimated Contingent Resources				Estimated Cash Flows ($MM)	
	Oil (MMBbls)	Gas (Bcf)	NGL (MMBbls)	Total (MMBoe)	Capex ($MM)	PV-10 SEC Pricing
NSAI Adjusted Low Estimate Base Forecast[4]	111	121	2	133	–	$2,285
ESP Installations Low Estimate[5]	41	33	1	47	$100	1,013
Total Low Estimate Contingent Resources	151	154	2	179	$100	$3,298
Development Drilling Program Best Estimate[6]	308	251	4	354	$1,997	$4,810
Development Workover Program Best Estimate[7]	98	80	1	113	245	1,921
Total Best Estimate Contingent Resources	406	332	5	467	$2,242	$6,731
Total Net Estimated Contingent Resources / Total Blended NAV	**557**	**486**	**7**	**646**	**$2,342**	**$10,029**

Net Contingent Resources (MMBoe)

PV-10 Contingent Resources ($MM)

Contingent Resources by Commodity

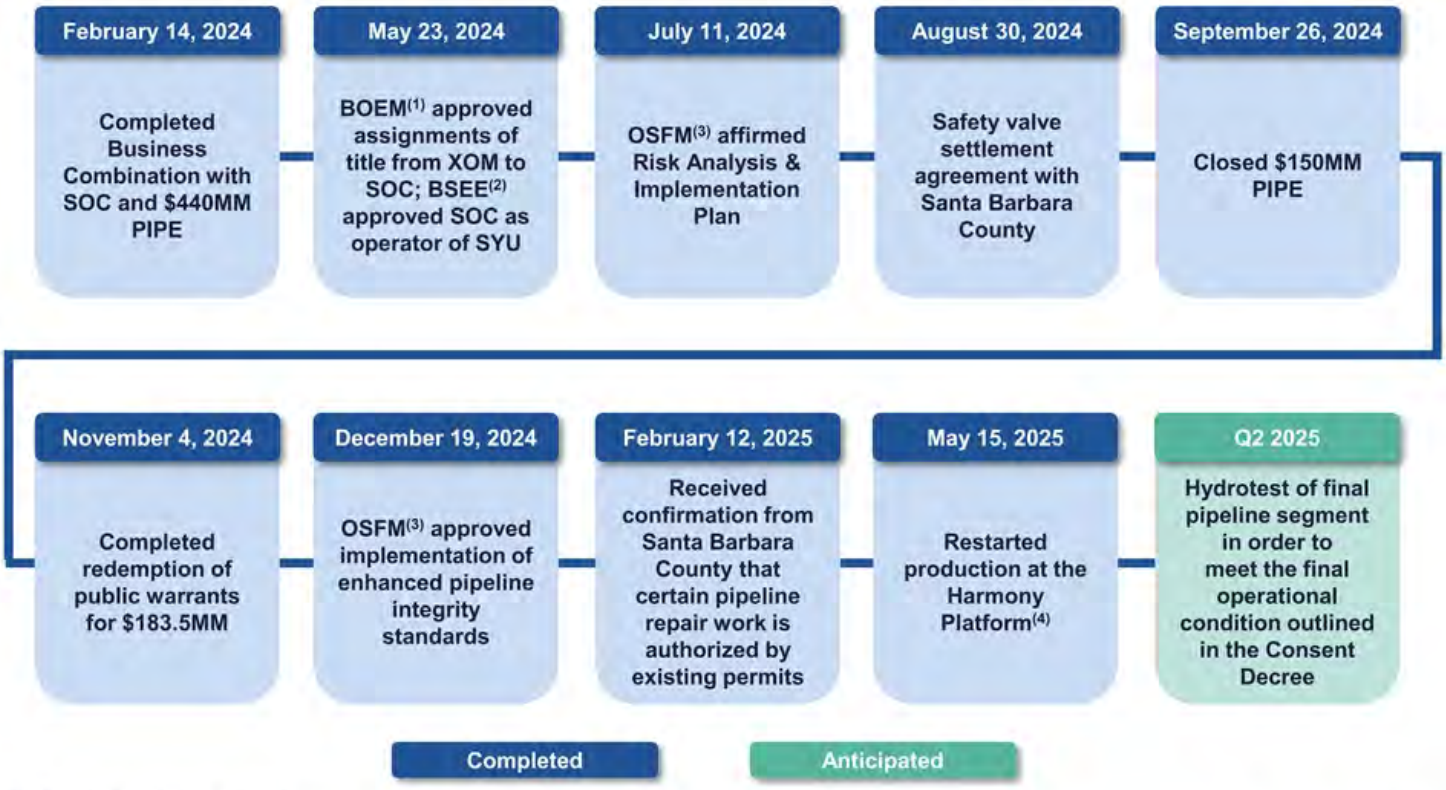


(1) Assumes SEC pricing as of April 2024 and effective date of May 1, 2024. April 2024 SEC Pricing: Oil $83.14 / Bbl; Gas $2.40 / MMBtu; NGL $64.65 / Bbl.
(2) Management estimates are inherently uncertain. Actual results may differ in a material amount from management estimates and projections.
(3) Net quantities shown herein are unrisked volumes and may represent levels of uncertainty as to their technical and commercial recovery.
(4) Estimated using NSAI Report Resources at SEC Brent Pricing and Sable management estimated lease operating expenses; low estimate contingent resources with 90% probability of delivering unrisked remaining recoverable volumes from field-wide individual historical well performance. Assumes the wells and facilities will resume operation under similar production and sales conditions present at the time production was suspended.
(5) Low estimate contingent resources with 90% probability of delivering unrisked incremental recoverable volumes from statistical field-wide historical well performance driven by the installation of ESPs.
(6) Best estimate contingent resources with 50% probability of delivering unrisked remaining recoverable volumes from statistical field-wide historical new drill locations in untested fault compartments or sub-accumulations within test fault compartments.
(7) Best estimate contingent resources with 50% probability of delivering unrisked remaining recoverable volumes from existing wellbores calculated from statistical field-wide historical work-over well performance.

SABLE OFFSHORE

Key Milestones

Sable is steadily advancing through regulatory and technical milestones



(1) Bureau of Ocean Energy Management
(2) Bureau of Safety and Environmental Enforcement
(3) California Office of the State Fire Marshal.
(4) SYU-produced oil is being held in the Company's storage tanks at LFC while Sable completes the final hydrotest in order to meet the final operational condition to restart the Las Flores Pipeline System as outlined in the Consent Decree.

SABLE OFFSHORE

Health, Safety, and Environmental Highlights

Sable management team is an award-winning, safe, and prudent California Operator

Offshore California Highlights

2004: Received Santa Barbara County's First and Only "Resolution for Good Operator" Recognizing PXP's Outstanding Operating Performance

2008: Santa Barbara County Commendation for Outstanding Maintenance Practices at LOGP

2011: Occupational Excellence Achievement Award for 21 PXP locations

2009-2010: Perfect Record Award for operating 11,390 employee hours without occupational injury or illness involving days away from work

2009: National Industry Leadership Award

2007-2008: Occupational Excellence Achievement Awards for Outstanding Safety Practices

Occupational Excellence Achievement Awards for Outstanding Safety Practices

2004: Ranked MMS's Best Operator in the Pacific OCS for Safety of Platform and Pipeline Operations

Onshore California Highlights

2006: U.S. Bureau of Land Management Operator of the Year Award

2006: Best Management Practices National Award in Habitat Conservation

2008-2004: Recipient of the Environmental Lease Maintenance Award

2006: Recipient of the Clean Lease Awards

Division of Oil, Gas and Geothermal Resources (DOGGR) Lease Maintenance Award for Outstanding Safety and Lease Maintenance 12 years and 13 years in a row at Packard and San Vicente

2010: Occupational Excellence Achievement Award for PXP's California Los Angeles Basin San Vicente and Packard locations

Two commendations from the Air Pollution Control District for Emissions Reductions and Use of Innovative Emissions Control Technology at the Arroyo Grande Oil Field

Platform Heritage

Platform Hondo

Platform Harmony

Risk Management Partner to Local Communities

- Sable Management has a track record of excellence as a safe and responsible steward of California's onshore and offshore resources
- As PXP, owned / operated offshore Point Arguello (Harvest Platform, Hermosa Platform, and Hidalgo Platform) and Point Pedernales (Irene Platform)
- Onshore operations included Arroyo Grande, Los Angeles Basin, and San Joaquin Valley assets

- *"Due to PXP's generosity and civic mindedness … [using] their facility, nearly 200 firefighters have received important Survival Training"* – Ron Lawrence, **Central Regional Training / Safety Captain LA County Fire Department**
- *"The Culver City Fire Department is forever grateful to Plains Exploration & Production Co. for their continued training support and expertise"* – Tim Wilson, **Captain / Training Officer, Culver City Fire Dept.**

(1) Minerals Management Service (MMS) was reorganized into Bureau of Ocean Energy Management (BOEM) and Bureau of Safety and Environmental Enforcement (BSEE) in 2011.
(2) Division of Oil, Gas and Geothermal Resources (DOGGR) was reorganized into California Geologic Energy Management Division (CalGEM) in 2020.

Financial Overview

2H 2025 Financial Guidance[1]

	2H25 Guidance	
	Prior Guidance [2]	Updated Guidance
Production		
Net Average Daily Production (BOE/D)	20,000 – 25,000	40,000 – 50,000
Working Interest (%)	100.0%	100.0%
Average Net Revenue Interest (%)	83.6%	83.6%
Cash Costs ($ / BOE)		
Lease Operating Expense	$17.00 – $19.00	$11.00 – $13.50
% Fixed LOE		*75% – 85%*
Gathering, Processing & Transportation	$2.50 – $3.50	$2.50 – $3.50
Cash General & Administrative	$4.50 – $5.50	$2.50 – $3.50
Severance & Ad Valorem Taxes (% of Revenue)	0.5% – 1.0%	0.5% – 1.0%
Operational Capex		
Facilities Capex ($MM)	$50 – $60	$50 – $60
Workover Capex ($MM)	20 – 30	20 – 30
Total Capex ($MM)	$70 – $90	$70 – $90

Capital Structure

$MM, unless noted otherwise	Capitalization
Share Price (as of 5/16/2025)	$28.86
(x) Common Shares Outstanding, MM[3]	89.4
Equity Value	**$2,580**
(+) 1L Term Loan (Net of Deposit)[4]	$855
(–) Cash on Balance Sheet[3]	189
Enterprise Value	**$3,246**

Financial Objectives

- ***Refinance 1st lien term loan***

  Optimize capital structure to allow for maximum shareholder returns

- ***Implement hedging program***

  Reduce downside risk while maintaining upside exposure via combination of deferred premium puts and costless collars

- ***Institute aggressive shareholder return program***

  Target fixed quarterly dividend

  Opportunistically repurchase shares with excess cash

  Maintain conservative leverage profile

Note: Management estimates are inherently uncertain and subject to numerous risks. Actual results may differ in a material amount from management estimates and projections. Proposed development plan is based on market conditions and subject to annual Board approval.

(1) Updated guidance amount is based on production levels at the time of the 2015 shut in, initial Harmony well results, the anticipated restart of production at Heritage and Hondo in Q3 2025, management's best estimates based upon numerous technical data points such as bottom-hole pressures, material balance calculations and estimates, reservoir simulations, management experience operating producing assets offshore California, and planned capital expenditures. Deviations from the anticipated timing and magnitude of such assumptions may impact actual results.

(2) Prior production and operational capex guidance reflect 2H25 guidance as of March 2025. Prior cash costs guidance reflects 4Q24 guidance as of May 2024.

(3) Private Placement Warrants and Working Capital Warrants have the option to convert on a cashless basis. Common Shares Outstanding as of 5/16/2025.

(4) 1L Term Loan and Unrestricted Cash balances as of 3/31/2025.

SABLE OFFSHORE

Attractive Production & Resources Profile at a Discount

I	**Large Production Base**	**~45 MBoe/d** Net Production Midpoint Forecast for 2H 2025	▪ Substantial production base that is ~83% oil with decades of productive history ▪ Initial well tests consistently performing stronger than they did at time of shut-in on May 19, 2015 when SYU produced 45,000 Boe/d
II	**Shallow Decline**	**~8% YoY**[(2)(3)] 5-Year Annual Average Resource Decline	▪ Shallow decline profile reduces reinvestment rate required to maintain projected production
III	**Attractive Discount to NAV**	**1.6x** Low Estimate Contingent Resources (Including Workover Program) PV-10 / TEV	▪ Attractive public valuation
IV	**~32% Discount to Peer Group on PD Reserves**	**$11.08** TEV / Low Estimate Contingent Resources (Including Workover Program) $ / Boe	▪ Versus peer group average of $16.25[(4)]
V	**Deep Inventory Opportunity**	**>100** Identified, Undrilled Opportunities	▪ Highly economic oil development opportunities representing infill and step-out locations with decades of performance history

Note: Management estimates are inherently uncertain and subject to numerous risks. Actual results may differ in a material amount from management estimates and projections. Market data as of May 16, 2025.

(1) Initial restart of production is higher than expected sustained production and there is uncertainty regarding the amount and timing of production decline from recently opened wells.
(2) 5-year period begins after production re-start.
(3) Based on projected 5-year average annual decline at time of the 2015 shut-in. Given promising initial well results due to increased bottom-hole pressures the go-forward average annual declines may differ from historical projections.
(4) Peer group includes: BRY, CHRD, CIVI, CRC, KOS, MGY, MUR, TALO and WTI.

SABLE OFFSHORE

Key Investment Highlights

Premier asset and experienced management team drive shareholder value

Attractive Returns	▪ Low-Cost, low-decline assets enable an aggressive shareholder return program via dividends and share repurchases
Primed for Low-Cost Production Growth	▪ Modest reinvestment required in the near-term as Sable capitalizes on ESP installations and workovers on existing wellbores
Substantial Upside	▪ De-risked reservoir first discovered in the 1960's ▪ Potential for substantial growth with accelerated development
High Operational Control	▪ 100% operated with favorable 16.4% royalty burden
Conservative Leverage Profile	▪ Sable management targeting long-term leverage ratios of ~1.0x to maximize flexibility for distributions and development
Access to Infrastructure & End Markets	▪ Wholly-owned pipeline and processing helps preserve margin ▪ Oil sales contracts linked to Brent Crude
HS&E Stewardship	▪ Outstanding HS&E(1) and operational track record in California ▪ Significant opportunity for CCS utilizing existing assets

Santa Ynez Unit is a Differentiated, Value Driven Asset

(1) Health, safety and environment.

U.S. SECURITIES AND EXCHANGE COMMISSION

PDF Copy of Submission on SEC EDGAR system

This PDF document is a copy of the following submission on the SEC's EDGAR system:

Submission/Form 10-K
Filed 2025-03-17
Accession number 0001831481-25-000016
Submitted on EDGAR account of Sable Offshore Corp., CIK 0001831481

This copy was generated on 2025-10-16.

The submission itself is available on SEC's public EDGAR database at: https://www.sec.gov/Archives/edgar/data/0001831481/000183148125000016/0001831481-25-000016-index.html.

Additional submission information is available on SEC.gov, including but not limited to whether any additional reporting entities are associated with the submission.

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2024

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File No. 001-40111

SABLE OFFSHORE CORP.

(Exact name of registrant as specified in its charter)

Delaware	**85-3514078**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
845 Texas Avenue, Suite 2920 **Houston, TX**	**77002**
(Address of Principal Executive Offices)	**(Zip Code)**

(713) 579-6161
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	**SOC**	**The New York Stock Exchange**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.☐ Yesx No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yesx No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	x

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yeso No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $550.0 million as of June 28, 2024 (based on the closing stock price of such stock as quoted on the New York Stock Exchange).

As of March 14, 2025 there were 89,413,358 shares of Common Stock, $0.0001 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of Sable Offshore Corp.'s Proxy Statement for the 2025 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this annual report may constitute "forward-looking statements" for purposes of the federal securities laws. Our forward-looking statements include, but are not limited to, statements regarding our or our management team's expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this annual report may include, for example, statements about:

- our ability to maintain the listing of our Common Stock on the NYSE;
- our ability to recommence production of the SYU Assets and the cost and time required therefor, and production levels once recommenced;
- our financial performance;
- our ability to satisfy future cash obligations;
- restrictions in existing or future debt agreements or structured or other financing arrangements;
- commodity price volatility, low prices for oil and/or natural gas, global economic conditions, inflation, increased operating costs, lack of availability of drilling and production equipment, supplies, services and qualified personnel, processing volumes and pipeline throughput;
- uncertainties related to new technologies, geographical concentration of operations, environmental risks, weather risks, security risks, drilling and other operating risks, regulatory changes and regulatory risks;
- the uncertainty inherent in estimating oil and natural gas resources and in projecting future rates of production;
- reductions in cash flow and lack of access to capital;
- the timing of development expenditures, managing growth and integration of acquisitions, and failure to realize expected value creation from acquisitions;
- the ability to recognize the anticipated benefits of the Business Combination, which may be affected by, among other things, our ability to grow and manage growth profitably, maintain relationships with customers and compete within our industry;
- our success in retaining or recruiting, or changes required in, our officers, directors or other key personnel;
- our officers and directors allocating their time to other businesses and potentially having conflicts of interest with our business;
- developments relating to our competitors and our industry;
- the possibility that we may be adversely impacted by other economic, business, and/or competitive factors;
- litigation, complaints and/or adverse publicity;
- privacy and data protection laws, privacy or data breaches, or the loss of data;
- our ability to comply with laws and regulations applicable to our business;
- changes in applicable laws or regulations; or
- other risks and uncertainties described in this annual report, including those under the section titled "*Risk Factors*."

The forward-looking statements contained in this annual report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the section of this annual report entitled "*Risk Factors*." Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

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PART I

Item 1. Business

References in this section to "we," "our" and "us" generally refer to Legacy Sable (as defined below) prior to the Business Combination and Sable (as defined below) after the Business Combination.

Overview

Sable Offshore Corp. ("Sable") (formerly known as Flame Acquisition Corp. or "Flame") was a blank check company originally incorporated on October 16, 2020 as a Delaware corporation for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or other similar business combination with one or more businesses or entities. On March 1, 2021, Flame consummated an initial public offering (the "Flame IPO"), after which its securities began trading on the New York Stock Exchange ("NYSE"). On November 2, 2022, Flame entered into that certain Agreement and Plan of Merger (the "Merger Agreement"), dated November 2, 2022 (as amended on December 22, 2022 and June 30, 2023), by and among Flame, Sable Offshore Holdings LLC, a Delaware limited liability company ("Holdco"), and Sable Offshore Corp., a Texas corporation and a wholly owned subsidiary of Holdco ("Legacy Sable").

Legacy Sable entered into a Purchase and Sale Agreement (as amended, the "Sable-EM Purchase Agreement") on November 1, 2022, with Exxon Mobil Corporation ("Exxon") and Mobil Pacific Pipeline Company ("MPPC," and together with Exxon, "EM") pursuant to which Legacy Sable agreed to acquire from EM certain assets constituting the Santa Ynez field in Federal waters offshore California and associated onshore processing and pipeline assets (such "Assets," as defined in the Sable-EM Purchase Agreement, the "SYU Assets").

Beginning in 1968 and over the course of 14 years, EM consolidated more than a dozen offshore federal oil leases and organized them into a streamlined production unit known as SYU. SYU consists of three offshore platforms and a wholly owned onshore processing facility located along the Gaviota Coast at Las Flores Canyon in Santa Barbara County, California. SYU's onshore facilities and the three offshore platforms remained in continuous operation until 2015. In May 2015, a Plains Pipeline that transported produced oil from SYU experienced a leak, as further described below under "*—Pipeline 901 Incident.*" The SYU platforms and facilities suspended production after the Line 901 incident, the SYU Assets were shut in and the facilities were placed in a safe state. The facilities are not currently producing oil and gas; however, all equipment remains in place in an operation-ready state, requiring ongoing inspections, maintenance and surveillance. As part of these suspension efforts, all SYU equipment was drained, flushed and purged in 2016. All hydrocarbon pipelines within SYU have been placed in a safe state and remain under regular monitoring. In 2020, Plains entered into a Consent Decree, described further below under "*—Pipeline 901 Incident,*" that provides a path for a potential restart of the pipelines.

On February 14, 2024 (the "Closing Date"), Sable consummated the mergers and related transactions contemplated by the Merger Agreement (the "Business Combination"), following which Flame was renamed "Sable Offshore Corp." Pursuant to the terms and subject to the conditions set forth in the Sable-EM Purchase Agreement, the transactions contemplated by the Sable-EM Purchase Agreement were also consummated on February 14, 2024, immediately after the Closing, as a result of which Sable purchased the SYU Assets, effective as of January 1, 2022. On February 15, 2024, Sable's shares of Common Stock, par value $0.0001 per share ("Common Stock") and warrants to purchase Common Stock at an exercise price of $11.50 per share (the "Public Warrants") began trading on NYSE under the symbols, "SOC" and "SOC.WS," respectively.

Since the Closing Date, the Company has invested significant capital to safely restore production operations to SYU. Sable began hydrotesting the Pipeline in early 2025 in advance of a potential restart of production from the Santa Ynez Unit offshore platforms and the associated Las Flores Canyon processing facilities in the second quarter of 2025.

Unless otherwise noted or the context otherwise requires, references to (i) the "Company," "Sable," "we," "us," or "our" are to Sable Offshore Corp, a Delaware corporation, and its consolidated subsidiaries, following the Business Combination, (ii) "Flame" refers to Flame Acquisition Corp. prior to the Business Combination, (iii) "PPC" refers to Pacific Pipeline Company, a Delaware corporation, the equity of which was transferred from MPPC to Sable on the Closing Date pursuant to the Sable-EM Purchase Agreement, and (iv) the "Pipelines" are to Pipeline Segments 324/325 (formally known as Pipeline Segments 901/903) and the other "324/325 Assets" (formally known as "901/903 Assets" and as defined in the Sable-EM Purchase Agreement).

Assets

SYU Assets are comprised of three platforms located in federal waters offshore California and an onshore processing facility and pipeline assets.

The offshore position is comprised of 16 federal leases across approximately 76,000 acres and includes 100% working interest with an average 83.6% net revenue interest. The Hondo platform and the Harmony platform develop the Hondo Field, and the Heritage platform develops the Pescado and Sacate Fields. The platforms are located 5 to 9 miles offshore of Santa Barbara County in shallow water depths of 900 to 1,200 feet and service 112 wells, comprised of 90 producers, 12 injectors and 10 idle with an additional 102 identified, undrilled opportunities. A 2015 analysis identified step-out potential for untested fault compartments or sub-accumulations and indicated a potential technical opportunity for up to an additional 102 identified, undrilled opportunities based on spacing assumptions ranging from 20 to 80 acres. For each platform, more opportunities exist than there are available donor wellbores based on current spacing assumptions (i.e., each platform is slot-constrained).

The wholly owned onshore processing facility is a fully integrated oil and gas processing facility with additional capacity for development. The natural gas and natural gas liquids ("NGLs") it processed prior to the Line 901 incident were sold into the Southern California markets and the oil volumes were sold to California refineries. The onshore position is approximately 1,480 surface acres, which include the processing facility and parts of the surrounding canyons. The onshore facilities occupy approximately 35 acres and are comprised of:

- an oil treating plant with capacity of approximately 180 MBop/d where it conducts crude dehydration, crude stabilization, and gas separation and compression;
- a biologic/physical water treating plant with capacity of more than 67 MBwp/d where it conducts free oil removal, degassing, and biological treatment;
- POPCO gas plant with approximately 80 MMcf/d sales capacity where it conducts gas sweetening, sulfur recovery, NGL fractionation, and gas compression;
- another gas processing plant where it conducts gas sweetening, sulfur recovery, and NGL fractionation, and sends fuel gas to the co-generation power plant;
- an almost entirely electric co-generation power plant with a capacity of 50 MW, including a 40 MW gas turbine, a 10 MW steam turbine, and steam generation;
- crude storage capacity of 540 MBbls;
- a produced water pipeline, which is partially offshore;
- liquified petroleum gas storage and loading; and
- a transportation terminal.

Sable also acquired the Pipelines in the Business Combination, which were owned and operated by Plains and were acquired by EM on October 13, 2022. The Pipelines were used to deliver oil to local refinery markets. Following the crude oil release described further below, Plains indicated it shut down the pipeline, initiated its emergency response plan, and the Pipelines were subsequently emptied and placed in a safe state.

Line 324 (formerly known as Line 901) is a 24-inch, approximately 10.8 mile long crude oil pipeline that extends from the Los Flores Station on the California Coast to the Gaviota Pump Station in Santa Barbara County, California. Line 325 (formerly known as Line 903) is a 30-inch, approximately 113 mile long crude oil pipeline that extends from the Gaviota Pump Station in Santa Barbara County, California to the 30-inch pig receiver located in Pentland Station in Kern County, California with an intermediate station at Sisquoc mile post 38.5 in San Louis Obispo, California.

On October 30, 2024, the Santa Barbara County Planning Commission ("Planning Commission") approved the Company's application for Change of Owner, Operator, and Guarantor for the Final Development Plan permits for the SYU, Pacific Offshore Pipeline Company Gas Plant, and the Pipelines. On November 5, 2024 and November 7, 2024, appeals of the Planning Commission's October 30, 2024 approval of the permit transfers were filed. On February 25, 2025, the Santa Barbara County Board of Supervisors heard the appeals and voted 2-2 to uphold the appeals and 2-2 to deny the appeals, thus taking no action. Sable understands this to mean that the Planning Commission's approval of the application stands, and has sought confirmation of the same understanding from Santa Barbara County.

SYU Production History

Between 1981 and 2014, SYU produced over 671 MMBoe of oil and gas. An average of 27 MMcf of natural gas and 29 MBbls of oil and condensate was produced per day (gross) in 2014, the last full year when the assets were online. After the Line 901 incident, the SYU platforms and facilities suspended production, the SYU Assets were shut in and the facilities were placed in a safe state as described below under " *—Pipeline 901 Incident*."

SYU Contingent Resources

The estimated quantities of petroleum contained in the SYU Assets are classified as "contingent resources" as of December 31, 2024 rather than "reserves" because they are subject to numerous contingencies. There is no assurance that any of the petroleum contained in the SYU Assets will ever be recovered or reclassified as "reserves."

The resources are contingent upon (1) approval from and/or inspection by federal, state and local regulators to restart production, (2) reestablishment of oil transportation systems to deliver production to market and (3) commitment to restart the wells and facilities. Some or all of the contingent resources maybe reclassified as "reserves" if all of the contingencies are successfully resolved but there is no assurance that the contingencies will be resolved or resolved in a timely manner or that any of the petroleum in the SYU Assets will be recovered.

As a result of the contingencies noted above, none of the estimated petroleum quantities attributed to the SYU Assets as of December 31, 2024 meet the requirements for disclosure as reserves pursuant to the guidelines published by the SEC in Rule 4-10(a) of Regulation S-X.

Pipeline 901 Incident

In May 2015, Plains All American Pipeline, L.P. ("Plains") experienced a crude oil release from the Las Flores to Gaviota Pipeline (Line 901) in Santa Barbara County, California (the "Line 901 incident"). According to Plains, a portion of the released crude oil reached the Pacific Ocean at Refugio State Beach through a drainage culvert. Following the release, Plains indicates that it shut down the pipeline and initiated its emergency response plan. A Unified Command, which included the U.S. Coast Guard, the Environmental Protection Agency ("EPA"), the State of California Department of Fish and Wildlife ("CDFW"), the California Office of Spill Prevention and Response and the Santa Barbara Office of Emergency Management, was established for the response effort. Clean-up and remediation operations with respect to impacted shoreline and other areas has been determined by the Unified Command to be complete, and the Unified Command has been dissolved. Plains' estimate of the amount of oil spilled, based on relevant facts, data and information, and as set forth in the Consent Decree described below, is approximately 2,934 barrels; of this amount, Plains estimated that 598 barrels reached the Pacific Ocean.

Several governmental agencies and regulators initiated investigations into the Line 901 incident, various claims were made against Plains and a number of lawsuits were filed against Plains, the majority of which Plains indicates have been resolved.

Following the Line 901 incident, Plains entered into a cooperative Natural Resource Damage Assessment ("NRDA") process with the federal and state agencies designated or authorized by law to act as trustees for the natural resources of the United States and the State of California (collectively, the "Trustees"). Additionally, various government agencies sought to collect civil fines and penalties from Plains under applicable state and federal regulations. On March 13, 2020, Plains entered into a pre-negotiated settlement agreement in the form of a Consent Decree (the "Consent Decree") with the U.S. Department of Justice, Environmental and Natural Resources Division, the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration ("PHMSA"), the EPA, CDFW, the California Department of Parks and Recreation ("State Parks"), the California State Lands Commission ("SLC"), the California Department of Forestry and Fire Protection's Office of the State Fire Marshal ("OSFM"), Central Coast Regional Water Quality Control Board ("Regional Board"), and Regents of the University of California. The Consent Decree was approved and entered by the Federal District Court for the Central District of California on October 14, 2020. The Consent Decree resolved all regulatory claims related to the incident and Plains was required to pay various civil penalties and compensation related to the Line 901 incident. The Consent Decree also contains requirements for potentially restarting Line 901 and the Sisquoc to Pentland portion of Line 903.

On October 13, 2022, Plains sold Line 901 and the Sisquoc to Pentland portion of Line 903 to PPC. As required by the terms of the Consent Decree, PPC assumed responsibility for compliance with the Consent Decree as it relates to the future ownership and operation of Line 901 and the Sisquoc to Pentland portion of Line 903.

The EM-Plains Purchase Agreement requires Plains to indemnify EM against certain liabilities directly arising out of or directly relating to the oil spilled from Line 901 and the subsequent clean up and remediation. The Sable-EM Purchase Agreement requires EM to indemnify Sable against certain liabilities associated with the Line 901 incident prior to January 1, 2022 and for a period of two years following the closing under the Sable-EM Purchase Agreement.

Restarting Lines 324 and 325

Restarting Lines 324 and 325 requires certain regulatory approvals and other actions, such as pipeline repair and maintenance activities, that may implicate federal, state, and local regulations.

AB 864 Coastal Best Available Technology

Pursuant to Assembly Bill ("AB") 864, the Office of the State Fire Marshall ("OSFM") promulgated Coastal Best Available Technologies ("CBAT") regulations that mandates the use of the best available technology for pipelines in environmentally sensitive coastal areas to minimize oil spills. In adhering to CBAT regulations, operators are required to submit a risk analysis to the OSFM for approval. If an operator identifies the best available technology to mitigate the quantity of hazardous liquid spills in case of a release, it must specify these technologies and propose their retrofitting into the pipeline. Following the installation of these technologies, the OSFM will review the operator's records to confirm compliance with CBAT regulations. On July 13, 2022, OSFM accepted the AB 864 Risk Analysis and Initial and Supplemental Implementation Plans submitted by PPC's predecessor in April 2021 (the "2021 CBAT Plan"). On July 20, 2024, the OSFM stated that the 2021 CBAT Plan remains in effect and complies with AB-864, representing the best available technology.

On September 4, 2024, Santa Barbara County (the "County") acknowledged that it does not have permit authority or jurisdiction over PPC's installation of sixteen new safety valves in the County along the Pipelines in accordance with the 2021 CBAT Plan. The County's acknowledgement was delivered pursuant to a conditional settlement agreement dated August 30, 2024 (the "Safety Valve Settlement Agreement"), among the County, PPC and the Company.

Pursuant to the Safety Valve Settlement Agreement, PPC agreed to the following additional surveillance and response enhancements in the County:

i. PPC will create a Santa Barbara County-based Surveillance and Response Team, trained to comply with PPC's tactical response plan, which will be responsible for timely initial incident response and equipped with key resources to deploy in early containment, particularly for those regions of the Pipeline between Gaviota and Las Flores Canyon;
ii. PPC will provide Santa Barbara first responders with additional training and equipment to assist in PPC's incident response efforts; and
iii. PPC will undertake the following Pipeline system enhancements: (1) install and operate and maintain primary and secondary operations control centers in Santa Barbara County, and (2) refurbish the Gaviota pump in its existing station.

PPC, the Company and the County further agreed, in the Safety Valve Settlement Agreement, to file a stipulation to dismiss the pending lawsuit, *Pacific Pipeline Company and Sable Offshore Corp. v. Santa Barbara County Planning Commission and Board of Supervisors* (Case No. 2:23-cv-09218-DMG-MRW) within 15 days of final installation of all sixteen underground safety valves in the County.

Sable subsequently installed each of the sixteen required valves. Pursuant to the Safety Valve Settlement Agreement, *Pacific Pipeline Company and Sable Offshore Corp. v. Santa Barbara County Planning Commission and Board of Supervisors* was voluntarily dismissed on December 9, 2024.

Refer to *Pipeline Maintenance and Repair Work* of *Item 1. Business* below for further discussion of regulatory developments related to the Company's installation of safety valves.

OSFM Restart Plan Approval

The Consent Decree requires OSFM approval of restart plans for each of the Pipelines (the "Restart Plans") prior to returning Lines 324 and 325 to service. The Consent Decree prescribes what must be submitted in the Restart Plans, including a long-term plan for enhancing the existing cathodic protection system (in the form of state waivers through the OSFM) and the AB 864 risk assessment and mitigation plan (i.e., additional isolation valves or other CBAT).

On July 29, 2024, PPC submitted the Restart Plans to OSFM for approval. On December 17, 2024, the OSFM approved Sable's implementation of enhanced pipeline integrity standards for the Pipelines by granting state waivers of certain regulatory requirements related to cathodic protection and seam weld corrosion for the Pipelines. On February 11, 2025, PHMSA notified the OSFM that PHMSA does not object to the OSFM's granting of the state waivers.

Sable plans to submit updated Restart Plans and anticipates the OSFM will approve the Restart Plans following the completion and testing of the anomaly repair and maintenance work.

Pipeline Maintenance and Repair Work

Federal regulations require Sable to "take prompt action to address all anomalous conditions in [a] pipeline that [an] operator discovers." The Consent Decree requires Sable to comply with this and other federal regulatory requirements related to pipeline safety at heightened standards. In addition, as discussed above in the AB 864 Coastal Best Available Technology section of Item 1. Business, Sable is required to comply with AB 864's requirements to install certain safety valves along the Pipelines in the County. Accordingly, Sable has been undertaking pipeline repair activities for both Lines 324 and 325, including installing the sixteen safety valves required under the approved 2021 CBAT Plan.

On September 27, 2024, the California Coastal Commission (the "Coastal Commission") issued Notice of Violation No. V-9-24-0152 to Sable, which asserted that Sable's safety valve installation work and certain maintenance and repair activities undertaken by Sable on the Pipelines in the coastal zone to address anomalies and install safety valves constituted unpermitted development activities under the California Coastal Act (Cal. Pub. Res. Code Section 30000, et seq. (the "Coastal Act") and the County's Local Coastal Program ("LCP"). Sable undertook the subject repair and maintenance work , including the safety valve installation work, based on its understanding that no new coastal development permit or other Coastal Act authorization was required, consistent with the County's practice of authorizing repair work on the pipelines since they were first permitted and built over 30 years ago. Following good faith negotiations with Coastal Commission staff, on November 12, 2024, the Coastal Commission issued Executive Director Cease and Desist Order No. ED-24-CD-02 (the "Order") to Sable requiring Sable to, among other requirements, prepare and submit an interim restoration plan and submit an application either to the Coastal Commission or the County to obtain a coastal development permit for the valve installation and other maintenance and repair work. In compliance with the Order, Sable prepared, submitted, and implemented the Interim Restoration Plan as approved by Coastal Commission staff. Sable separately submitted certain applications to the County related to some of the maintenance and repair work that was subject to Notice of Violation No. V-9-24-0152. The Order expired on February 10, 2025.

On February 12, 2025, the County delivered a letter to Sable confirming that certain Pipeline anomaly maintenance and repair work referenced in the Coastal Commission's Notice of Violation V-9-24-0152 was "authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement (EIR/EIS)." The letter states in part that "[t]he County previously exercised its authority under its Local Coastal Program and delegated Coastal Act authority in approving the permits and the requested anomaly repair work is within the scope of those approved permits." Sable subsequently recommenced the repair and maintenance activities which were subject to Notice of Violation V-9-24-0152.

In addition, also on February 12, 2025, the County delivered a letter to the Coastal Commission. In this letter, the County responded to a request by the Coastal Commission to consent to consolidated coastal development permit process for certain activities undertaken and planned by Sable on the Pipelines. The County's letter also stated that certain maintenance and repair work on the Pipelines that was referenced in the Coastal Commission's Notice of Violation V-9-24-0152 is "authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement. Thus, no further application to or action by the County is required."

On February 14, 2025, Sable submitted a written response to the Coastal Commission's Notice of Violation V-9-24-0152 detailing that, consistent with the County's letters, certain of the alleged unpermitted development subject to Notice of Violation V-9-24-0152 was previously approved and that no further coastal development permit is required.

On February 16, 2025, the Coastal Commission sent Sable a "Notice Prior to Issuance of Executive Director Cease and Desist Order" related to certain of Sable's Pipeline repair and maintenance activities and safety valve installation work. On February 17, 2025, Sable replied to the Coastal Commission with a letter stating that the "Coastal Act does not authorize the issuance of an [Executive Director Cease and Desist Order] under the present circumstances" and that "Sable intends to proceed with the anomaly repair work authorized by the County in its February 12, 2025 letter."

On February 18, 2025, Sable filed a complaint against the Coastal Commission in the Superior Court of the State of California for the County of Santa Barbara (Case No. 25CV00974). In the complaint, Sable challenges the Coastal Commission's Notice of Violation V-9-24-0152 and the Order, in addition to other claims. Sable seeks a declaration that the Coastal Commission's actions are unlawful, an injunction prohibiting further enforcement actions by the Coastal Commission, damages for the alleged taking of property rights, and attorneys' fees and costs.

Also on February 18, 2025, the Coastal Commission issued (i) Executive Director Cease and Desist Order No. ED-25-CD-01 with respect to alleged unpermitted development activities located onshore along the Pipelines and (ii) a Notice of Intent to Commence Proceedings for a Commission Cease and Desist Order, Restoration Order, and Administrative Penalty Order with respect to alleged unpermitted development activities located onshore along the Pipelines and offshore at certain SYU facilities.

On March 6, 2025, Sable submitted additional materials to the County regarding certain anomaly repair and maintenance work completed by the Company prior to its receipt of Notice of Violation V-9-24-0152. It is Sable's understanding that such work was authorized by the Pipelines' original environmental review, coastal development permits, and related approvals. Sable has requested that the County confirm in writing that the previously completed work was previously approved and that no further coastal development permit is required.

On March 10, 2025, Sable submitted a Statement of Defense and written response to the EDCDO/NOI to the Coastal Commission, which detailed that all alleged unpermitted development activities located onshore along the Pipelines and offshore at certain SYU facilities as described in the EDCDO/NOI did not constitute unpermitted development or violations of the Coastal Act because such activities were previously analyzed, approved, and authorized under existing coastal development permits for the Pipelines and the SYU facilities. As such, Sable denied that the Coastal Commission possessed the authority to issue the EDCDO/NOI or any cease and desist order, restoration order, or administrative penalty order with respect to such work.

Sable's pipeline repair operations remain ongoing.

Given the Company's current progress in complying with AB 864, submitting the Restart Plan to the OSFM, and repairing Lines 324 and 325, we believe that these requirements will not inhibit our ability to restart the onshore and offshore facilities consistent with our timeline of restarting production during the second quarter of 2025.

Operations

General

Sable is the owner of the SYU Assets. Prior to consummation of the Business Combination, EM was the owner and operator of the platforms and onshore processing facility and Plains was the owner and operator of the Pipelines. EM acquired the Pipelines from Plains on October 13, 2022 pursuant to the EM-Plains Purchase Agreement. In connection with the Business Combination, a substantial portion of the existing employees of SYU Assets have continued in their same capacity with Sable. The offshore platforms have permanent drilling systems in place.

Title to Properties

The interests in the properties on which the SYU Assets are located and their operations are conducted derive from ownership, leases, easements, rights-of-way, permits, or licenses from landowners or governmental authorities, permitting the use of such real property for their operations. EM did not make rental payments for use of a right-of-way easement for the Pipelines and there is some risk the government could allege the easement has lapsed, as further described under "*Risk*

Factors- We do not own all of the land on which our assets are located or all of the land that we must traverse in order to conduct our operations. There are disputes with respect to certain of the rights-of-way or other interests and any unfavorable outcomes of such disputes could require us to incur additional costs." Aside from the foregoing, the owners of the SYU Assets believe they have satisfactory title or other rights to all such properties in accordance with industry standards, and Sable conducted thorough diligence and title investigations in advance of the Business Combination. Individual properties may be subject to burdens that do not materially interfere with the use or affect the value of the properties. Burdens on properties may include customary royalty interests, liens incident to operating agreements and for current taxes, obligations or duties under applicable laws, development obligations under natural gas leases, or net profits interests. Separately, the Bureau of Safety and Environmental Enforcement ("BSEE") has confirmed that Sable's recent completion of lease-holding activities serves to maintain all 16 leases within the Santa Ynez Unit to December 9, 2025. Refer to *Item 1A Risk Factors* and *Item 3. Legal Proceedings* for pending litigation concerning federal leases.

Delivery Commitments

Sable has no commitments to deliver a fixed and determinable quantity of its oil or natural gas production in the near future under any existing sales contracts.

Derivative Activities

Sable is not currently party to any commodity derivative contracts. After the restart of production, Sable may enter into commodity derivative contracts with unaffiliated third parties to achieve more predictable cash flows and to reduce exposure to fluctuations in oil and natural gas prices. Sable may enter into commodity derivative contracts at times and on terms desired to maintain a portfolio of commodity derivative contracts covering a specified percentage or range of its estimated production, typically over a one-to-three-year period, at any given point of time. It may, however, hedge more or less than this approximate amount from time to time.

Sable is not currently party to any interest rate swaps and substantially all of Sable's indebtedness from the Business Combination consists of fixed-rate indebtedness. However, if Sable incurs variable rate indebtedness in the future it may periodically enter into interest rate swaps to mitigate exposure to market rate fluctuations by converting variable interest rates to fixed interest rates.

Sable will only enter into derivative contracts with creditworthy counterparties (generally, financial institutions) deemed by management as competent and competitive market makers. Those counterparties may include existing or future lenders or their affiliates. Sable will continue to evaluate the benefit of employing derivatives in the future.

Competition

Sable operates in a highly competitive environment for securing trained personnel, contracting for drilling equipment, and from time to time leasing or otherwise acquiring new acreage. Many of its competitors possess and employ financial, technical and personnel resources substantially greater than Sable's, which can be particularly important in the areas in which it operates. As a result, Sable's competitors may be able to pay more for productive oil and natural gas properties and exploratory prospects, as well as evaluate, bid for and purchase a greater number of properties and prospects than its financial or personnel resources permit. Sable's ability to acquire additional properties and to find and develop reserves and resources will depend on its ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, there is substantial competition for capital available for investment in the oil and natural gas industry and many of its competitors have access to capital at a lower cost than that available to Sable.

Seasonality

Sable's offshore operations can be impacted by inclement weather from time to time. The price Sable receives for natural gas production is typically impacted by seasonal fluctuations in demand for natural gas. The demand for natural gas typically peaks during the coldest months and tapers off during the milder months, with a slight increase during the summer to meet the demands of electric generators. The weather during any particular season can affect this cyclical demand for natural gas. Seasonal anomalies such as mild winters or hot summers can lessen or intensify this fluctuation. In addition, certain natural gas users utilize natural gas storage facilities and purchase some of their anticipated winter requirements during the summer. This can also lessen seasonal demand fluctuations. Recently there has been elevated

global demand for natural gas due to shortages exacerbated by geopolitical issues and conflicts but there is no assurance that demand will remain elevated.

Insurance

In accordance with customary industry practice, Sable will maintain insurance against many, but not all, potential losses or liabilities arising from its operations and at costs that it believes to be economic. Sable will regularly review its risks of loss and the cost and availability of insurance and revise its insurance accordingly. Its insurance will not cover every potential risk associated with its operations, including the potential loss of significant revenues. Sable can provide no assurance that its coverage will adequately protect it against liability from all potential consequences, damages and losses. Prior to or upon the restart of production Sable expects to have insurance policies including the following:

Commercial General Liability;	Oil Pollution Act Liability;
Primary Umbrella / Excess Liability;	Pollution Legal Liability;
Property;	Charterer’s Legal Liability;
Workers’ Compensation;	Non-Owned Aircraft Liability;
Employer’s Liability;	Automobile Liability;
Maritime Employer’s Liability;	Directors & Officers Liability;
U.S. Longshore and Harbor Workers’;	Employment Practices Liability;
Energy Package/Control of Well;	Crime;
Loss of Production Income;	Fiduciary Liability; and Cybersecurity.

Sable monitors regulatory changes and comments and considers their impact on the insurance market, along with SYU’s overall risk profile. As necessary, Sable expects to adjust its risk and insurance program to provide protection at a level it considers appropriate while weighing the cost of insurance against the potential and magnitude of disruption to its operations and cash flows. Changes in laws and regulations could lead to changes in underwriting standards, limitations on scope and amount of coverage, and higher premiums, including possible increases in liability caps for claims of damages from oil spills.

Potential Opportunities for Carbon Sequestration

Sable may pursue new opportunities on the Outer Continental Shelf (“OCS”) for long-term sequestration of carbon dioxide that may otherwise go into the atmosphere. The 2021 Infrastructure Investment and Jobs Act gives the Secretary of the Interior new authority to allow the long-term sequestration of carbon dioxide on the OCS and directs the Secretary to promulgate regulations to implement the authority. As the regulatory program is developed over time, Sable intends to evaluate the potential to leverage its infrastructure for carbon sequestration in light of the new program and applicable local, state, and federal permitting requirements.

Environmental, Occupational Safety and Health Matters and Regulations

General

Our oil and natural gas development and production operations are subject to stringent and complex federal, state and local laws and regulations governing the release or discharge of materials into the environment, health and safety aspects of its operations, or otherwise relating to protection of the environment and natural resources. These laws and regulations impose numerous obligations applicable to the Company's operations, as well as future plug and abandonment and decommissioning activities, including the issuance of certain permits before conducting regulated drilling activities; the restriction of types, quantities and concentration of materials that can be released or discharged into or through the environment; the limitation or prohibition of drilling activities on certain lands lying within protected or preserved areas; the application of specific health and safety criteria addressing worker protection; and the imposition of substantial liabilities for pollution and natural resources damages potentially resulting from its operations.

Numerous governmental authorities, such as the EPA, BSEE, PHMSA, OSFM, California Department of Conservation’s Geologic Energy Management Division (“CalGEM”), Coastal Commission, CDFW, Regional Board, and the SLC, and other governmental agencies have the power to enforce compliance with these laws and regulations and the permits issued

under them, often requiring difficult and costly compliance or corrective actions. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties, the imposition of investigatory or remedial obligations, injunctive relief, the suspension or revocation of necessary permits, licenses and authorizations, the requirement that additional pollution controls be installed and in some instances, the issuance of orders limiting or prohibiting some or all of its operations. We may also experience delays in obtaining or be unable to obtain required permits, including authorizations necessary to restart the Pipelines or maintain operations, which may delay or interrupt our operations and limit its growth and revenue. In addition, the long-term trend in environmental regulation has been to place more restrictions and limitations on activities that may affect the environment. SYU's costs of compliance may increase if existing laws and regulations are revised or reinterpreted, or if new laws and regulations become applicable to its operations. Changing perspectives within the Executive Branch of the U.S. federal government and environmental litigation involving the validity of certain regulatory requirements associated with exploration, development and decommissioning may materially impact our compliance costs. Consequently, SYU's costs of compliance may increase if existing laws and regulations are revised or reinterpreted, or if new laws and regulations become applicable to its operations.

Under certain environmental laws that impose strict as well as joint and several liability, SYU may be required to remediate contaminated properties currently or formerly owned or operated by it or facilities of third parties that received waste generated by its operations, regardless of whether such contamination resulted from its conduct or the conduct of others that was in compliance with all applicable laws at the time of such conduct. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of its operations. Moreover, public interest in the protection of the environment has increased in recent years. New laws and regulations continue to be enacted, particularly at the state level, and the long-term trend of more expansive and stringent environmental legislation and regulations applied to the crude oil and natural gas industry could continue, resulting in increased costs of doing business and consequently affecting profitability. To the extent new or more stringent laws are enacted or other governmental action is taken that restricts drilling or imposes more stringent and costly operating, waste handling, disposal and cleanup requirements, our business, prospects, financial condition or results of operations could be materially adversely affected.

The following is a summary of the more significant existing environmental, occupational safety and health laws and regulations to which our business operations are subject and for which compliance may have a material adverse impact on its capital expenditures, results of operations or financial position.

Offshore Operations

Our oil and gas operations are conducted on offshore leases in federal waters and those operations are regulated by agencies such as the Bureau of Ocean Energy Management ("BOEM") and BSEE, which have broad authority to regulate our oil and gas operations.

BOEM is responsible for managing environmentally and economically responsible development of the nation's offshore resources. Its functions include offshore leasing, resource evaluation, review and administration of oil and gas exploration and development plans, renewable energy development, and National Environmental Policy Act ("NEPA") analysis and environmental review. Lessees must obtain BOEM approval for exploration and development and production plans prior to the commencement of offshore operations. BOEM generally requires that lessees have substantial net worth, post supplemental bonds or provide other acceptable assurances that the lease obligations will be met. In April 2024, BOEM published a final rule that substantially revises the financial assurance requirements applicable to offshore oil and gas operations by requiring certain oil, gas, and sulfur lessees; right-of-use and easement grant holders; and pipeline right-of-way grant holders to obtain supplemental financial assurance for decommissioning activities on OCS leases, rights-of-way and rights-of-use and easements. This rule is included in Secretary's Order 3418 implementing President Trump's Unleashing American Energy executive order for suspension, revision or rescission.

BSEE is responsible for safety and environmental oversight of offshore oil and gas operations. Its functions include the development and enforcement of safety and environmental regulations, permitting offshore exploration, development and production, inspections, offshore regulatory programs, oil spill response and training and environmental compliance programs. BSEE regulations require offshore production facilities and pipelines located on the OCS to meet stringent engineering and construction specifications, and BSEE has proposed and/or promulgated additional safety-related regulations concerning the design and operating procedures of these facilities and pipelines, including regulations to safeguard against or respond to well blowouts and other catastrophes. BSEE regulations also restrict the flaring or venting of natural gas, prohibit the flaring of liquid hydrocarbons and govern the plugging and abandonment of wells located

offshore and the installation and removal of all fixed drilling and production facilities. In April 2023, BSEE issued a final rule clarifying and providing transparency to the process by which BSEE will enforce decommissioning obligations on existing lessees and rights-of-use and easement grant holders. BSEE's final rule adopted new timeframes for predecessors to respond to a decommissioning order to perform accrued decommissioning obligations, and clarified that right-of-use and easement grant holders also accrue decommissioning obligations.

BOEM and BSEE have adopted regulations providing for enforcement actions, including civil penalties and lease forfeiture or cancellation for failure to comply with regulatory requirements for offshore operations. If we fail to pay royalties or comply with safety and environmental regulations, BOEM and BSEE may take action that seeks the curtailment, suspension, or termination of our operations and we may be subject to civil or criminal liability.

Additionally, delays in the approval or refusal of plans and issuance of permits by BOEM or BSEE because of staffing, economic, environmental, legal or other reasons (or other actions taken by BOEM or BSEE) could adversely affect SYU's offshore operations. The requirements imposed by BOEM and BSEE regulations are frequently changed and subject to new interpretations. Also, in addition to permits and approvals required by BOEM and BSEE, approvals and permits may be required from other agencies for the oil and gas operations associated with SYU's properties, such as the U.S. Coast Guard, the EPA, U.S. Department of Transportation, U.S. Army Corps of Engineers and state and local authorities, such as the Coastal Commission, California State Parks and the SLC.

Hazardous Substances and Waste Handling

Our operations are subject to environmental laws and regulations relating to the management and release of hazardous substances, solid and hazardous wastes and petroleum hydrocarbons. These laws generally regulate the generation, storage, treatment, transportation and disposal of solid and hazardous waste and may impose strict and, in some cases, joint and several liability for the investigation and remediation of affected areas where hazardous substances may have been released or disposed. The Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA"), also referred to as the Superfund law and comparable state laws, impose liability, without regard to fault or the legality of the original conduct, on certain potentially responsible parties. These persons include current owners or operators of the site where a release of hazardous substances occurred, prior owners or operators that owned or operated the site at the time of the release or disposal of hazardous substances and companies that disposed or arranged for the disposal of the hazardous substances found at the site. Under CERCLA, these persons may be subject to strict and joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover the costs they incur from the responsible classes of persons. Despite the "petroleum exclusion" of Section 101(14) of CERCLA, which currently encompasses natural gas, we may nonetheless handle hazardous substances within the meaning of CERCLA, or similar state statutes, in the course of its ordinary operations and as a result, may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites at which these hazardous substances have been released into the environment. Also, comparable state statutes may not contain a similar exemption for petroleum, and it is also not uncommon for neighboring landowners and other third parties to file common law-based claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment. In addition, we may have liability for releases of hazardous substances at its properties by prior owners or operators or other third parties.

The Oil Pollution Act is the primary federal law imposing oil spill liability. The Oil Pollution Act contains numerous requirements relating to the prevention of, and response to petroleum releases into waters of the United States, including the requirement that operators of offshore facilities and certain onshore facilities near or crossing waterways must maintain certain significant levels of financial assurance to cover potential environmental cleanup and restoration costs. Under the Oil Pollution Act, strict, joint and several liability may be imposed on "responsible parties" for all containment and cleanup costs and certain other damages arising from a release, including, but not limited to, the costs of responding to a release of oil to surface waters and natural resource damages resulting from oil spills into or upon navigable waters, adjoining shorelines or in the exclusive economic zone of the United States. A "responsible party" includes the owner or operator of an onshore facility. The Oil Pollution Act establishes a liability limit for onshore facilities, but these liability limits may not apply if: a spill is caused by a party's gross negligence or willful misconduct; the spill resulted from violation of a federal safety, construction or operating regulation; or a party fails to report a spill or to cooperate fully in a cleanup. We are also subject to analogous state statutes that impose liabilities with respect to oil spills. For example, the CDFW's Office of Oil Spill Prevention and Response has adopted oil-spill prevention regulations that overlap with federal regulations.

We also generate solid wastes, including hazardous wastes, which are subject to the requirements of the Resource Conservation and Recovery Act, as amended ("RCRA"), and comparable state statutes. Although RCRA regulates both solid and hazardous wastes, it imposes stringent requirements on the generation, storage, treatment, transportation and disposal of hazardous wastes. Certain petroleum production wastes are excluded from RCRA's hazardous waste regulations. These wastes, instead, are regulated under RCRA's less stringent solid waste provisions, state laws or other federal laws. It is possible that these wastes, which could include wastes expected to be generated during our operations, could be designated as "hazardous wastes" in the future and, therefore, be subject to more rigorous and costly disposal requirements. Indeed, legislation has been proposed from time to time in Congress to re-categorize certain oil and gas exploration and production wastes as "hazardous wastes." Also, in December 2016, the EPA entered into a consent decree requiring it to review its regulation of oil and gas waste. In April 2019, the EPA determined that revisions to the RCRA regulations were not required, concluding that any adverse effects related to oil and gas waste are more appropriately and readily addressed within the framework of existing state regulatory programs. However, any such changes to state programs could result in an increase in our costs to manage and dispose of oil and gas waste, which could have a material adverse effect on its maintenance capital expenditures and operating expenses.

It is possible that our oil and natural gas operations may require us to manage naturally occurring radioactive materials ("NORM"). NORM is present in varying concentrations in sub-surface formations, including hydrocarbon reservoirs, and may become concentrated in scale, film and sludge in equipment that comes into contact with crude oil and natural gas production and processing streams. Some states have enacted regulations governing the handling, treatment, storage and disposal of NORM.

Administrative, civil and criminal penalties can be imposed for failure to comply with hazardous substance and waste handling requirements. For ownership and operation of the idled SYU Assets, we believe that we are in substantial compliance with the requirements of CERCLA, Oil Pollution Act, RCRA and other applicable federal and related state and local laws and regulations, and that we hold all necessary and up-to-date permits, registrations and other authorizations required under such laws and regulations. Although we believe that the costs of managing the Company's hazardous substances and wastes as they are presently classified are reflected in the Company's budget, any legislative or regulatory reclassification of oil and natural gas exploration and production wastes could increase its costs to manage and dispose of such wastes.

Water Discharges

The Federal Water Pollution Control Act (the "*Clean Water Act*"), the Safe Drinking Water Act ("SDWA"), the Oil Pollution Act and analogous state laws, impose restrictions and strict controls with respect to the discharge of pollutants, including oil and hazardous substances, into navigable waters of the United States, as well as state waters. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. These laws and regulations also prohibit certain activity in wetlands unless authorized by a permit issued by the U.S. Army Corps of Engineers. In May 2023, the Supreme Court issued an opinion in *Sackett v. EPA* that limited the jurisdiction of the U.S. Army Corps of Engineers to wetlands with a continuous surface connection to a permanent body of water connected to traditional navigable waters, such as streams, oceans, rivers, and lakes. To the extent a new rule or further litigation expands the scope of the Clean Water Act's jurisdiction or impacts available agency resources, we could face increased costs and/or delays with respect to obtaining permits for dredge and fill activities in wetland areas.

The EPA has also adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain individual permits or coverage under general permits for storm water discharges. Costs may be associated with the treatment of storm water or developing and implementing storm water pollution prevention plans, as well as for monitoring and sampling the storm water runoff from certain of our facilities. Some states also maintain groundwater protection programs that require permits or specify other requirements for discharges or operations that may impact groundwater conditions. These same regulatory programs may also limit the total volume of water that can be discharged, hence limiting the rate of development and requiring us to incur compliance costs. Additionally, we are required to develop and implement spill prevention, control and countermeasure plans, in connection with on-site storage of significant quantities of oil.

These laws and any implementing regulations provide for administrative, civil and criminal penalties for any unauthorized discharges of oil and other substances in reportable quantities and may impose substantial potential liability for the costs of removal, remediation and damages. Additionally, obtaining permits has the potential to delay the development of natural

gas and oil projects. For ownership and operation of the idled SYU Assets, we believe that we maintain all required discharge permits necessary to conduct our operations and that we are in substantial compliance with their terms.

In addition, in some instances the operation of underground injection wells for the disposal of wastewater has been alleged to cause earthquakes. For example, the EPA released a report with findings and recommendations related to public concern about induced seismic activity from disposal wells. The report recommended strategies for managing and minimizing the potential for significant injection-induced seismic events. Any future orders or regulations addressing concerns about seismic activity from well injection could affect or curtail our operations.

In addition, in some instances the operation of underground injection wells for the disposal of wastewater has been alleged to cause earthquakes. For example, the EPA released a report with findings and recommendations related to public concern about induced seismic activity from disposal wells. The report recommended strategies for managing and minimizing the potential for significant injection-induced seismic events. Any future orders or regulations addressing concerns about seismic activity from well injection could affect or curtail our operations.

Air Emissions

The federal Clean Air Act, as amended ("CAA"), and comparable state laws restrict the emission of air pollutants from many sources, including compressor stations, through the issuance of permits and the imposition of other requirements. Our properties and associated facilities are also subject to regulation by state and local authorities. Federal and state laws and regulations may require us to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and strictly comply with stringent air permit requirements or utilize specific equipment or technologies to control emissions of certain pollutants. The EPA has developed, and continues to develop, stringent regulations governing emissions of air pollutants at specified sources. New facilities may be required to obtain permits before work can begin, and modified and existing facilities may be required to obtain additional permits. In June 2016, the EPA finalized regulations establishing New Source Performance Standards, known as Subpart OOOOa, for methane and volatile organic compounds from new and modified oil and natural gas production and natural gas processing and transmission facilities. In September 2020, the EPA finalized two sets of amendments to the 2016 Subpart OOOOa standards. The first, known as the 2020 Technical Rule, reduced the 2016 rule's fugitive emissions monitoring requirements and expanded exceptions to pneumatic pump requirements, among other changes. The second, known as the 2020 Policy Rule, rescinded the methane-specific requirements for certain oil and natural gas sources in the production and processing segments. On January 20, 2021, President Biden issued an Executive Order directing the EPA to rescind the 2020 Technical Rule by September 2021 and consider revising the 2020 Policy Rule. On June 30, 2021, President Biden signed a Congressional Review Act ("CRA") resolution passed by Congress that revoked the 2020 Policy Rule. The CRA did not address the 2020 Technical Rule.

Further, on March 8, 2024, the EPA issued a final rule intended to reduce methane emissions from oil and gas sources. The rule makes the existing regulations in Subpart OOOOa more stringent and creates a Subpart OOOOb to expand reduction requirements for new, modified, and reconstructed oil and gas sources, including standards focusing on certain source types that have never been regulated under the CAA (including intermittent vent pneumatic controllers, associated gas, and liquids unloading facilities). In addition, the rule establishes "Emissions Guidelines," creating a Subpart OOOOc that requires states to develop plans to reduce methane emissions from existing sources that must be at least as effective as presumptive standards set by the EPA. The rule also aims to reduce methane emissions from oil and natural gas operations by adding requirements for additional sources.

In March 2024, BLM finalized a new rule that modernizes regulations to curb the waste of natural gas during oil and gas production on federal and Tribal lands. This rule requires oil and gas companies to implement measures to avoid wasteful practices, find and fix leaks, and ensure fair compensation through royalty payments. Any future changes to the regulations governing methane emissions, and other air quality programs, may require us to obtain pre-approval for the expansion or modification of existing facilities or the construction of new facilities expected to produce air emissions, impose stringent air permit requirements, or utilize specific equipment or technologies to control emissions. Compliance with such rules could result in significant costs, including increased capital expenditures and operating costs, and could adversely impact our business.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the "Inflation Reduction Act" or "IRA"). The Inflation Reduction Act amends the Clean Air Act to impose a fee on the emission of methane from sources required to report their GHG emissions to the EPA, including those sources in the petroleum and natural gas production category. The methane emissions charge started in calendar year 2024 at $900 per ton of methane, increases to $1,200 in

2025, and will be set at $1,500 for 2026 and each year thereafter. Calculation of the fee is based on certain thresholds established in the Inflation Reduction Act. On November 18, 2024, the EPA published a final rule to implement this waste emissions charge as required by the IRA. However, Congress approved and President Trump signed a resolution that repealed the rule, making the future implementation of the emissions charge uncertain. The methane emissions charge may have the effect of increasing our capital expenditures to limit methane releases and increasing our costs to the extent we exceed the limits.

We may be required to incur certain capital expenditures in the next few years for air pollution control equipment in connection with maintaining or obtaining operating permits addressing air emission related issues, which may have a material adverse effect on the Company's operations. Obtaining permits also has the potential to delay the development of oil and natural gas projects and increase the Company's costs of development, which costs could be significant. We believe that we are currently in substantial compliance with all air emissions regulations and that the Company holds all necessary and valid construction and operating permits for the Company's current operations.

Regulation of Greenhouse Gas Emissions

In December 2015, the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change resulted in nearly 200 countries, including the United States, coming together to develop the Paris Agreement, which calls for the parties to undertake "ambitious efforts" to limit the average global temperature. Although the agreement does not create any binding obligations for nations to limit their greenhouse gas emissions, it does include pledges to voluntarily limit or reduce future emissions. On June 1, 2017, President Trump announced that the U.S. would withdraw from the Paris Agreement and completed the process of withdrawing on November 4, 2020. However, on January 20, 2021, President Biden issued written notification to the United Nations of the United States' intention to rejoin the Paris Agreement, which became effective on February 19, 2021. In addition, in September 2021, President Biden publicly announced the Global Methane Pledge, a pact that aims to reduce global methane emissions at least 30% below 2020 levels by 2030. Since its formal launch at the United Nations Climate Change Conference ("COP26"), over 100 countries have joined the pledge. On January 20, 2025, President Trump signed an executive order initiating the re-withdrawal of the United States from the agreement. In addition, various states and local governments have vowed to continue to enact regulations to achieve the goals of the Paris Agreement.

While Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant, economy-wide activity in the form of adopted legislation to reduce GHG emissions at the federal level in recent years. However, on August 16, 2022, President Biden signed the Inflation Reduction Act into law, which imposes fees on methane emissions, beginning in calendar year 2024. In the absence of significant federal climate legislation, a number of states have taken legal measures to reduce emissions of GHGs, including through the planned development of GHGs emission inventories and/or regional GHGs cap and trade programs.

The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of GHGs from, our equipment and operations could require us to incur costs to reduce emissions of GHGs or could adversely affect demand for the oil and natural gas it produces. For example, any GHG regulation could increase its costs of compliance by potentially delaying the receipt of permits and other regulatory approvals; requiring it to monitor emissions, install additional equipment or modify facilities to reduce GHG and other emissions; purchase emission credits; or utilize electric driven compression at facilities to obtain regulatory permits and approvals in a timely manner. Such climate change regulatory and legislative initiatives could have a material adverse effect on our business, financial condition and results of operations.

While we are subject to certain federal GHG monitoring and reporting requirements, our operations are not adversely impacted by existing federal, state and local climate change initiatives and, at this time, it is not possible to accurately estimate how potential future laws or regulations addressing GHG emissions would impact its business.

In addition, claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance or have caused other redressable injuries under federal and/or state common law. While our business is not a party to any such litigation, we could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely impact our business, financial condition and results of operations.

Moreover, any legislation or regulatory programs to reduce GHG emissions could increase the cost of consumption, and thereby reduce demand for, the oil and natural gas we produce. Consequently, legislation and regulatory programs to reduce emissions of GHGs could have an adverse effect on our business, financial condition and results of operations.

Incentives to conserve energy or use alternative energy sources as a means of addressing climate change could also reduce demand for the oil and natural gas we produce. In addition, parties concerned about the potential effects of climate change have directed their attention at sources of funding for energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. Finally, it should be noted that most scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. If any such effects were to occur in sufficient proximity to our facilities, they could have an adverse effect on our development and production operations, as well as potentially increased costs for insurance coverages in the aftermath of such effects.

National Environmental Policy Act

Oil and natural gas exploration and production activities on federal lands may be subject to NEPA. NEPA requires federal agencies, including the U.S. Departments of the Interior and Transportation, to evaluate major federal actions having the potential to significantly impact the human environment. In July 2020, the White House's Council on Environmental Quality ("CEQ") published a final rule to amend the NEPA implementing regulations intended to streamline the environmental review process, including shortening the time for review as well as eliminating the requirement to evaluate cumulative impacts. On April 20, 2022, CEQ published its Phase 1 final rule, the first of two planned rules to revise the 2020 rule. On May 1, 2024, CEQ finalized its Phase 2 rule. The Phase 1 and 2 rules substantially altered how federal agencies carried out their responsibilities under NEPA by requiring agencies to consider climate change impacts and disproportionate impacts to communities with environmental justice concerns, among other things. On February 3, 2025, the U.S. District Court for the District of North Dakota held invalid and vacated CEQ's Phase 2 rule. Following an Executive Order from President Trump, on February 25, 2025, CEQ published an interim final rule removing CEQ's NEPA implementing regulations and requesting public comment; the interim final rule is effective April 11, 2025. CEQ has directed federal agencies to revise or establish their NEPA implementing procedures to expedite permitting approvals and for consistency with NEPA as amended by the Fiscal Responsibility Act of 2023. Future development and production activities and plans on federal lands, including those in the Pacific Ocean, may require governmental approvals that could be subject to the requirements of NEPA in the future. This environmental review process has the potential to delay the development of oil and natural gas projects. Actions under NEPA also may be subject to comment, appeal or litigation, which can delay or halt projects. There has been and may continue to be litigation regarding the environmental review requirements of NEPA, and, accordingly, there may be uncertainty as to the NEPA requirements applicable to future development and production activities that require NEPA review.

Endangered Species Act and Migratory Bird Treaty Act

The federal ESA and analogous state statutes restrict activities that may adversely affect endangered and threatened species or their habitat. In August 2019, the U.S. Fish and Wildlife Service (the "*FWS*") and National Marine Fisheries Service ("NMFS") issued three rules amending the implementation of the ESA regulations revising, among other things, the process for listing species and designating critical habitats. In addition, on December 18, 2020, the FWS amended its regulations governing critical habitat designations. In June 2021, FWS and NMFS announced plans to begin rulemaking processes to rescind these rules. By March 2024, the Biden administration had restored several protections that were amended under the Trump administration, including reinstating the blanket prohibitions against take for newly classified threatened species and ensuring that economic impacts are not considered when deciding if animals and plants need protection.

Similar protections are offered to migratory birds under the Migratory Bird Treaty Act ("MBTA"), which makes it illegal to, among other things, hunt, capture, kill, possess, sell, or purchase migratory birds, nests, or eggs without a permit. This prohibition covers most bird species in the U.S. On January 7, 2021, the Department of the Interior finalized a rule limiting the application of the MBTA. However, the Department of the Interior revoked the rule in October 2021 and simultaneously issued an advanced notice of proposed rulemaking seeking comment on the Department of the Interior's plan to develop regulations to authorize incidental take under certain prescribed conditions. However, new regulations have not been finalized.

Future implementation of the rules implementing the ESA and the MBTA are uncertain. The designation of previously unidentified endangered or threatened species in areas where we operate could cause us to incur additional costs or become subject to operating delays, restrictions or bans. Numerous species have been listed or proposed for protected status in areas in which we currently, or could in the future, undertake operations. The presence of protected species in areas where we operate could impair our ability to timely complete or carry out those operations, lose leaseholds if it is not permitted to

timely commence drilling operations, cause us to incur increased costs arising from species protection measures, and consequently, adversely affect its results of operations and financial position.

Occupational Safety and Health

We are also subject to the requirements of the federal Occupational Safety and Health Act ("OSHA") and comparable state laws that regulate the protection of the health and safety of employees. In addition, OSHA's hazard communication standard requires that information be maintained about hazardous materials used or produced in SYU's operations and that this information be provided to employees, state and local government authorities and citizens. Other OSHA standards regulate specific worker safety aspects of our operations. For example, under a new OSHA standard limiting respirable silica exposure, the oil and gas industry was required to implement engineering controls and work practices to limit exposures below the new limits by June 2021. Failure to comply with OSHA requirements can lead to the imposition of penalties. We believe that our operations are in substantial compliance with the OSHA requirements.

Other Regulation of the Oil and Natural Gas Industry

The oil and natural gas industry is extensively regulated by numerous federal, state and local authorities. Legislation affecting the oil and natural gas industry is under constant review for amendment or expansion, frequently increasing the regulatory burden on our assets. For instance, *PHMSA*, which regulates our hazardous liquid and natural gas pipelines and pipeline facilities, is reauthorized by Congress every four years by statute. When reauthorizing PHMSA's authority to regulate natural gas and hazardous liquid pipelines and facilities, Congress often imposes mandates that require PHMSA to implement new regulatory requirements. Congress is currently considering legislation for PHMSA's reauthorization, but its timeline for passage is uncertain.

Numerous departments and agencies, both federal and state, are authorized by statute to issue rules and regulations that are binding on the oil and natural gas industry and its individual members, some of which carry substantial penalties for failure to comply. Although the regulatory burden on the oil and natural gas industry increases our cost of doing business and, consequently, affects our profitability, these burdens generally do not affect us any differently or to any greater or lesser extent than they affect other companies in the oil and natural gas industry with similar types, quantities and locations of production.

Legislation continues to be introduced in Congress, and the development of regulations continues by the U.S. Department of Homeland Security and other agencies concerning the security of industrial facilities, including oil and natural gas facilities. Our operations may be subject to such laws and regulations. Presently, it is not possible to accurately estimate the costs we could incur to comply with any such facility security laws or regulations, but such expenditures could be substantial.

Drilling and Production

Our operations are subject to various types of regulation at federal, state and local levels. These types of regulation include requiring permits for the drilling of wells, drilling bonds and reports concerning operations, including regulating one or more of the following:

- the location of wells;
- the method of drilling and casing wells;
- the surface use and restoration of properties upon which wells are drilled;
- the plugging and abandoning of wells;
- transportation of materials and equipment to and from the well sites and facilities;
- transportation and disposal of produced fluids and natural gas; and
- notice to surface owners and other third parties.

Sale and Transportation of Gas and Oil

At the federal level, PHMSA regulates hazardous liquid and natural gas pipelines and pipeline facilities, including associated storage, pursuant to the Hazardous Liquids Pipeline Safety Act of 1979, as amended (the "*HLPSA*"), and the Natural Gas Pipeline Safety Act of 1968, as amended (the "*NGPSA*"). Federal regulations implementing the HLPSA and

NGPSA establish minimum safety standards for pipeline transportation applicable to owners or operators of pipeline facilities regarding the design, installation, inspection, emergency plans and procedures, testing, construction, extension, operation, replacement, and maintenance of pipeline facilities. Among other things, these regulations require pipeline operators to conduct extensive emergency incident response training for pipeline personnel, including spill response drills for hazardous liquids pipelines. These regulations also require pipeline operators to develop and maintain a written qualification program for individuals performing covered tasks on pipeline facilities.

As part of its authority, PHMSA regulates the safety of pipeline transportation in or affecting interstate or foreign commerce, including pipeline facilities on the OCS. Pipelines 324 and 325 are subject to regulation by PHMSA.

At the state level, our intrastate hazardous liquid and natural gas pipeline facilities are regulated by the California Public Utility Commission ("CPUC") and OSFM. The CPUC has jurisdiction over the construction and operations of certain intrastate natural gas pipeline facilities in California and the rates, terms and conditions of service under which companies provide intrastate transportation of gas, oil and other liquids by pipeline. If the Pipelines engage in intrastate common carrier operations, the Pipelines will be subject to regulation by the CPUC and intrastate tariffs filed by us with the CPUC will be regulated under a cost-of-service methodology and established on the basis of revenues, expenses and any investments. A variety of factors can affect the rates of return permitted by the CPUC. Tariff rates with respect to intrastate pipeline service in California are subject to challenge by complaint by interested parties or by independent action of the CPUC. The CPUC could limit our ability to increase our rates or could order us to reduce our rates and require the payment of refunds to shippers. The OSFM regulates the safety of intrastate hazardous liquid pipeline facilities in California. Both the CPUC and the OSFM are certified by PHMSA to regulate intrastate pipeline safety as certified state partners under the natural gas program and hazardous liquid program, respectively. Through this certification with PHMSA, they are required to adopt the minimum federal pipeline safety regulations and they may establish more stringent regulatory requirements as long as they are compatible with federal regulations.

Opposition from community members or state and local government officials to pipeline infrastructure could delay or prevent us from obtaining permits required for the operation of or updates made to our Pipelines.

PHMSA has broad authority to investigate potential compliance issues, issue requests for information, inspect pipelines facilities, and issue enforcement. PHMSA's enforcement authority includes the ability to issue corrective actions, which may include the shut down or restriction of the operation pressure of a pipeline pending completion of the corrective measures. Federal pipeline safety regulations include reporting, design, construction, testing, operations and maintenance, qualification, corrosion control, and other minimum requirements.

Operators are required to prepare procedural manuals to implement these minimum requirements and those procedures are enforceable by PHMSA. Effective April 2017, PHMSA adopted new rules significantly increasing the maximum administrative civil penalties for violation of the pipeline safety laws and regulations.

PHMSA updates the maximum administrative civil penalties each year to account for inflation, and as of January 2025, the penalty limits are up to $272,926 per violation per day and up to $2,729,926 for a related series of violations.

PHMSA is active in proposing and finalizing additional regulations for natural gas and hazardous liquids pipelines. For example, in October 2019 PHMSA finalized new regulations for hazardous liquid pipelines that significantly extend and expand the reach of certain PHMSA integrity management requirements (i.e., periodic assessments, repairs and leak detection), regardless of the pipeline's proximity to a high consequence area ("HCA"). The final rule also requires all pipelines in or affecting an HCA to be capable of accommodating in-line inspection tools within the next 20 years. In addition, the final rule extends annual and accident reporting requirements to gravity lines and all liquids gathering lines and also imposes inspection requirements on pipelines in areas affected by extreme weather events and natural disasters, such as hurricanes, landslides, floods, earthquakes, or other similar events that are likely to damage infrastructure.

In addition, in April 2016, PHMSA proposed a rule regarding the safety of natural gas transmission pipelines and gas gathering pipelines. This proposed rule resulted in three separate final rules applicable to natural gas pipelines: (1) an October 2019 final rule on the natural gas transmission lines focused on material verification and maximum allowable operating pressure reconfirmation; (2) a November 2021 final rule applicable to onshore gas gathering lines; and (3) an August 24, 2022 final rule applicable to gas transmission lines with a focus on repair criteria and corrosion. Under the final November 2021 rules applicable to gas gathering lines, operators of certain onshore natural gas gathering pipelines that were previously excluded from certain PHMSA regulations face additional testing, safety and reporting requirements or may be forced to reduce their allowable operating pressures, which would reduce the amount of capacity available to us.

Certain reporting requirements arising from the new PHMSA gas gathering rule took effect in May 2022, with additional requirements taking effect later in 2022 and 2023. Other recent rules include an April 8, 2022 final rule requiring installation of remote control or automatic shutoff valves (or equivalent technology) on certain newly constructed or entirely replaced onshore transmissions pipelines, gathering pipelines (liquid and gas), and hazardous liquids pipelines.

In May 2023, PHMSA also issued a notice of proposed rulemaking that proposes to implement new and additional leak detection and repair requirements for natural gas pipelines. This proposed rule seeks to reduce methane emissions associated with the operation of natural gas pipelines by strengthening leakage survey and patrolling requirements, imposing an advanced leak detection program performance standard, implementing grading and repair schedules for identified leaks, requiring operators to reduce intentional sources of methane emissions, and expanding reporting requirements for methane emissions. PHMSA issued a final rule on January 17, 2025, but it has yet to be published in the Federal Register. Thus, its implementation is uncertain at this time.

Federal and state legislative and regulatory initiatives relating to pipeline safety that require the use of new or more stringent safety controls or result in more stringent enforcement of applicable legal requirements could subject us to increased capital costs, operational delays and costs of operation.

Anti-Market Manipulation Laws and Regulations

Our sales of oil and natural gas are also subject to anti-manipulation and anti-disruptive practices authority under (i) the Commodity Exchange Act ("CEA") and regulations promulgated thereunder by the CFTC, and (ii) the Energy Independence and Security Act of 2007 ("EISA") and regulations promulgated thereunder by the FTC. The CEA prohibits any person from using or employing any manipulative or deceptive device in connection with any swap, or a contract for sale of any commodity, or for future delivery on such commodity, in contravention of the CFTC's rules and regulations. It also prohibits knowingly delivering or causing to be delivered false, misleading or inaccurate reports concerning market information or conditions that affect or tend to affect the price of any commodity. The FTC's Petroleum Market Manipulation Rule, issued pursuant to EISA, prohibits fraudulent or deceptive conduct (including false or misleading statements of material fact) in connection with wholesale purchases or sales of crude oil or refined petroleum products. Under both the CEA and the EISA, fines for violations can be up to $1,000,000 per day per violation (subject to adjustment for inflation) and certain knowing or willful violations may also lead to a felony conviction.

Derivatives Regulation

The Dodd-Frank Act directed the Commodities Futures Trading Commission ("CFTC") to regulate certain markets for derivative products, including over-the-counter derivatives. Among other mandates, the CFTC has issued several new relevant regulations and rulemakings that require significant portions of the derivatives markets to clear through clearinghouses. While some of these rules have been finalized, some have not and the final form and timing of those rules remain uncertain.

In January 2020, the CFTC withdrew prior proposals and issued a new proposed rule, which includes limits on positions in (1) certain "Core Referenced Futures Contracts," including contracts for several energy commodities; (2) futures and options on futures that are directly or indirectly linked to the price of a Core Referenced Futures Contract, or to the same commodity for delivery at the same location as specified in that Core Referenced Futures Contract; and (3) economically equivalent swaps. The proposal also includes exemptions from position limits for bona fide hedging activities. The proposal is not yet final and it remains subject to public comment and revision by the CFTC. Consequently, the potential impact of the proposed rule on us and our counterparties is uncertain at this time.

The Dodd-Frank Act and new related regulations may prompt potential derivative counterparties to spin off some of their derivatives activities to separate and less creditworthy entities. Any new regulations could significantly increase the cost of derivative contracts, materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure existing derivative contracts, and increase its exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the regulations, its results of operations may become more volatile and its cash flows may become less predictable, which could adversely affect its ability to plan for and fund capital expenditures and to generate sufficient cash flow to pay dividends. Its revenues could be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could have a material, adverse effect on our financial condition and results of operations. Our use of derivative financial instruments does not eliminate its exposure to fluctuations in commodity prices and interest rates and could in the future result in financial losses or reduce its income.

Additional proposals and proceedings that may affect the crude oil and natural gas industry are pending before the U.S. Congress, federal agencies and the courts. We cannot predict the ultimate impact these proposals may have on its crude oil and natural gas operations, but it does not expect to be affected differently than its competitors.

State Regulation of Oil and Gas Operations

The State of California also regulates the drilling for, and the production, gathering and sale of, oil and natural gas, and imposes taxes and drilling permit requirements. Among other things, the State of California also regulates the method of developing new fields, the spacing and operation of wells and the prevention of waste of natural gas resources. It does not regulate wellhead prices or engage in other similar direct economic regulation, but there can be no assurance that it will not do so in the future. The effect of these regulations may be to limit the amount of oil and natural gas that may be produced from our wells and to limit the number of wells or locations it can drill. The State of California has significantly increased the jurisdiction, duties and enforcement authority of CalGEM, the California State Lands Commission and other state agencies with respect to oil and natural gas activities in recent years, and CalGEM and other state agencies have also significantly revised their regulations, regulatory interpretations and data collection and reporting requirements. In addition, from time to time legislation has been introduced in the California Legislature seeking to further restrict or prohibit certain oil and gas operations. For additional information see "*Risk Factors—Attempts by the California state government to restrict the production of oil and gas could negatively impact our operations and result in decreased demand for fossil fuels in California*."

Additionally, the rates charged by the Pipelines if engaged in intrastate common carrier operations will be subject to regulation by the CPUC under a cost-of-service methodology as described above under " *-Sale and Transportation of Gas and Oil*." For additional information, see "*Risk Factors—If engaged in intrastate common carrier operations, our financial results with respect to the Pipelines will primarily depend on the outcomes of ratemaking proceedings with the California Public Utilities Commission and we may not be able to earn an adequate rate of return in a timely manner or at all*."

The petroleum industry is also subject to compliance with various other federal, state and local regulations and laws. Some of those laws relate to resource conservation and equal employment opportunity. We do not believe that compliance with these laws will have a material adverse effect on us.

Human Capital

Overview

We have approximately 161 employees, none of whom are represented by labor unions or covered by collective bargaining agreements. Under EM management, approximately 32 employees were previously represented by labor unions or covered by collective bargaining agreements prior to February 15, 2024. We strive to create a high-performing culture and positive work environment that allows us to attract and retain a diverse group of talented individuals who contribute to our success. To attract and retain top talent, our human resources programs are designed to reward and incentivize our employees through competitive compensation practices, our commitment to employee health and safety, training and talent development.

Safety

Safety is our highest priority and we are dedicated to the well-being of our employees, contractors, business partners, stakeholders and the environment. We promote safety with a robust health and safety program, which includes employee orientation and training, contractor management, risk assessments, hazard identification and mitigation, audits, incident reporting and investigation, and corrective and preventative action development.

In addition, we employ environmental, health and safety personnel at each of our asset locations, who provide in-person safety training and regular safety meetings. We also utilize learning management software to provide safety training on a variety of topics, and we contract with third-party technical experts as needed to facilitate training on specialized topics that are unique to each of our areas of operation.

Compensation

We operate in a highly competitive environment and designed its compensation program to attract, retain and motivate talented and experienced individuals. Its compensation philosophy is designed to align its workforce's interests with those of its stakeholders and to reward them for achieving its business and strategic objectives and driving stockholder value. We consider competitive market compensation paid by our peers and other companies comparable to us in size, geographic location and operations in order to ensure compensation remains competitive and fulfills the goal of recruiting and retaining talented employees.

Training and Development

We are committed to the training and development of our employees. Employees are regularly provided training opportunities to develop skills in leadership, safety, and technical acumen, which bolster our efforts in conducting business in a safe manner and with high ethical standards. Further, supporting our employees in achieving their career and development goals is a key element of our approach to attracting and retaining top talent. We encourage our employees to advance their knowledge and skills and to network with other professionals in order to pursue career advancement and potential future opportunities with us. Our employees are able to attend training seminars and off-site workshops and to join professional associations that will enable them to remain up-to-date on the latest changes and best practices in their respective fields.

Health and Wellness

We support our employees and their families by offering a robust package of health and welfare benefits, medical, dental, and vision insurance plans for employees and their families, life insurance and long-term disability plans, paid time off for holidays, vacation, sick leave, and other personal leave, and health and dependent care savings accounts. We also provide our employees with a 401(k) plan that includes a competitive company match, and employees have access to a variety of resources and services to help them plan for retirement.

In addition to these programs, we have several other programs designed to further promote the health and wellness of its employees, as well as an employee assistance program that offers counseling and referral services for a broad range of personal and family situations.

Available Information

Through our corporate website at http://www.sableoffshore.com, you can access electronic copies of our governing documents free of charge, including our Corporate Governance Guidelines and the charters of the committees of our board of directors. In addition, through our website, you can access the documents we file with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and all amendments thereto, as soon as reasonably practicable after we file or furnish them. Investors and others should note that we routinely announce information material to investors and the marketplace using SEC filings, press releases and our website. While not all of the information that we post to our website is of a material nature, some information could be deemed to be material. Accordingly, we encourage investors, the media and others interested in Sable to review the information that we share on our website. Information contained on our website is not incorporated herein by reference and should not be considered part of this report.

In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

You should carefully consider the following risks as well as the other information included in this annual report, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes thereto. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. However, the selected risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Risk Factors Summary

The following is a summary of the principal risks and uncertainties described in more detail in this annual report:

- We need to satisfy a number of permitting obligations and other requirements before we can restart production of the SYU Assets. There is no assurance that we will be successful in satisfying such obligations and requirements and restarting production of the SYU Assets in a timely manner.
- Our assumptions and estimates regarding the total costs associated with restarting production may be inaccurate.
- There is no guarantee that we will have sufficient cash to restart production of the SYU Assets.
- Oil, natural gas and natural gas liquids, or "NGL(s)", prices are volatile, due to factors beyond our control, and greatly affect our business, results of operations and financial condition. Any decline in, or sustained low levels of, oil, natural gas and NGL prices will cause a decline in our cash flow from operations, which could materially and adversely affect our business, results of operations and financial condition.
- If commodity prices decline and remain depressed for a prolonged period, our business may become uneconomical and result in additional write downs of the value of our properties, which may adversely affect our financial condition and our ability to fund operations.
- An increase in the differential between the NYMEX or other benchmark prices of oil and natural gas and the wellhead price we expect to receive for our future production could significantly reduce our cash flow and adversely affect our financial condition.
- The estimated quantities of petroleum contained in the SYU Assets are classified as "contingent resources" rather than "reserves" because they are subject to numerous contingencies. There is no assurance that any of the petroleum contained in the SYU Assets will ever be recovered or reclassified as "reserves."
- Even if all contingencies are resolved and all facilities are restarted, the amounts recovered may be substantially less than estimated.
- Developing and producing oil, natural gas and NGLs are costly and high-risk activities with many uncertainties that may result in a total loss of investment or otherwise adversely affect our business, financial condition, results of operations and cash flows. Many of these risks are heightened for us due to the fact that most of our equipment has been shut-in for more than nine years.
- The enactment of derivatives legislation could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.
- Development and production of oil, natural gas and NGLs in offshore waters have inherent and historically higher risk than similar activities onshore.
- Oil and natural gas producers' operations are substantially dependent on the availability of water and the disposal of waste, including produced water and drilling fluids. Restrictions on the ability to obtain water or dispose of waste may impact our operations.
- The unavailability or high cost of rigs, equipment, supplies and crews could delay our operations, increase our costs and delay forecasted revenue.
- The third parties on whom we rely for transportation services are subject to complex federal, state and other laws that could adversely affect the cost, manner or feasibility of conducting our business.
- Our business depends in part on pipelines, gathering systems and processing facilities owned by us or others. Any limitation in the availability of those facilities could interfere with our ability to market our oil, natural gas and NGL production.
- Loss of our key executive officers or other key personnel, or an inability to attract and retain such officers and personnel, could negatively affect our business and, in one instance, could cause a default under the primary agreement governing our existing indebtedness.
- We may incur losses as a result of title defects or deficiencies in our properties.
- We do not own all of the land on which our assets are located or all of the land that we must traverse in order to conduct our operations. There are disputes with respect to certain of the rights-of-way or other interests and any unfavorable outcomes of such disputes could require us to incur additional costs.

- We may be unable to Restart Production by March 2026, which would permit EM to exercise a reassignment option and take ownership of the SYU Assets without any compensation or reimbursement other than the deemed repayment in full of the principal and accrued interest outstanding under the Senior Secured Term Loan Agreement.
- Restrictive covenants in the Senior Secured Term Loan Agreement or any future agreements governing our indebtedness could limit our growth and our ability to finance our operations, fund our capital needs, respond to changing conditions and engage in other business activities that may be in our best interests.
- Under the terms of the Senior Secured Term Loan Agreement, restarting production will trigger a springing maturity date following a specified grace period, and the terms on which we will be able to refinance the Senior Secured Term Loan Agreement, if necessary, will depend on then-prevalent market conditions.
- Our business plans require a significant amount of capital. In addition, our future capital needs may require us to issue additional equity or debt securities that may dilute our stockholders or introduce covenants that may restrict our operations or ability to pay dividends.
- We are subject to complex federal, state, local and other laws, regulations and permits that could adversely affect the cost, manner, ability or feasibility of conducting our operations.
- Climate change legislation or regulations restricting emissions of “greenhouse gases,” or GHGs, could result in increased operating costs and reduced demand for the oil, natural gas and NGLs we expect to produce.
- If engaged in intrastate common carrier operations, our financial results with respect to the Pipelines will primarily depend on the outcomes of ratemaking proceedings with the CPUC and we may not be able to earn an adequate rate of return in a timely manner or at all.
- Attempts by the California state government to restrict the production of oil and gas could negatively impact our operations and result in decreased demand for fossil fuels in California.
- Our assets are located exclusively onshore and offshore in California, making us vulnerable to risks associated with having operations concentrated in this geographic area.
- All of our operations are conducted in areas that may be at risk of damage from fire, mudslides, earthquakes or other natural disasters.
- We may be required to post cash collateral pursuant to our agreements with sureties, letter of credit providers or regulators under our existing or future bonding or other arrangements, which may have a material adverse effect on our liquidity and our ability to execute our capital expenditure plan and our asset retirement obligation plan and comply with the agreements governing our existing or future indebtedness.
- Our business could be negatively affected by security threats, including cybersecurity threats, destructive forms of protest and opposition by activists and other disruptions.
- The market prices of our securities could be highly volatile or may decline regardless of our operating performance. You may lose some or all of your investment.
- The NYSE may not continue to list our securities, which could limit investors’ ability to make transactions in our securities and subject us to additional trading restrictions.
- We have identified material weaknesses in our internal control over financial reporting. These material weaknesses could continue to adversely affect investor confidence in us and materially adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner.
- If we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired, which may adversely affect investor confidence in us and, as a result, the market price of our Common Stock.

Risks Related to Restart of Production

We need to satisfy a number of permitting obligations and other requirements before we can restart production of the SYU Assets. The requirements to restart Lines 324 and 325 include those set forth in a Consent Decree with federal and state agencies. While the operator of the lines has satisfied most of the conditions to restart including under the Consent Decree, there is no assurance that we will be successful in satisfying the remainder of the requirements and restarting production of the SYU Assets in a timely manner.

Production was suspended as a result of the Line 901 incident and consequent suspension of service, and our business depends on its production restarting. We need to satisfy a number of requirements related to the SYU Assets and Lines 901 and 903 before we can restart production. Such requirements include conditions set forth in a U.S. federal district court Consent Decree executed by Plains and relevant U.S. and State of California government agencies. For further information, see "*Business—Pipeline 901 Incident*." While the previous operator of Lines 901 and 903 satisfied most of the conditions to restart including under the Consent Decree, there is no assurance that we will be successful in satisfying the remaining requirements and restarting production in a timely manner. If we fail to restart production by March 1, 2026, the prior owner of the SYU Assets may exercise its right to cause us to reassign the SYU Assets. See "*Risk Factors—Risks Related to the Business of the Company-We may be unable to Restart Production of SYU Assets by March 1, 2026, which would permit EM to exercise a reassignment option and take ownership of the SYU Assets without any compensation or reimbursement other than the deemed repayment in full of the principal and accrued interest outstanding under the Senior Secured Term Loan Agreement*."

Our assumptions and estimates regarding the total costs associated with restarting production may be inaccurate.

We currently estimate the total remaining start-up expenses of approximately $152.0 million to restart production. The expenditures will primarily be directed toward obtaining the necessary regulatory approvals and completing the pipeline repairs and bringing the shut-in assets back online during the second quarter of 2025. This estimate of costs to restart production considers currently available facts and presently enacted laws and regulations, but it is subject to uncertainties associated with the assumptions that we have made. For example, the costs of equipment, repairs and maintenance, the costs of operating personnel, the costs to obtain governmental approvals, and legal, consulting and other professional expenses could turn out to be higher than we have estimated. Accordingly, our assumptions and estimates may change in future periods based on future events and total costs may materially increase; therefore, we can provide no assurance that we will not have to incur additional costs in future periods significantly higher than our estimated costs for the restart of production.

There is no guarantee that we will have sufficient cash to restart production of the SYU Assets.

Until we restart production of the SYU Assets, we will not generate any revenue or cash flows from operations. We will rely on cash on hand to fund the operations necessary to restart production of the SYU Assets. If we do not have sufficient cash on hand to restart production, we may need to raise additional capital to continue our operations, and this capital may not be available on acceptable terms or at all. If we do not have sufficient cash on hand or are unable to obtain additional funding on a timely basis, we may be unable to restart production, which could materially affect our business, financial condition and results of operations. See "*Risk Factors—Risks Related to the Business of the Company-We may be unable to Restart Production of the SYU Assets by March 1, 2026, which would permit EM to exercise a reassignment option and take ownership of the SYU Assets without any compensation or reimbursement other than the deemed repayment in full of the principal and accrued interest outstanding under the Senior Secured Term Loan Agreement*."

Risks Related to the Business of the Company

Oil, natural gas and natural gas liquids, or "NGL(s)", prices are volatile, due to factors beyond our control, and greatly affect our business, results of operations and financial condition. Any decline in, or sustained low levels of, oil, natural gas and NGL prices will cause a decline in our cash flow from operations, which could materially and adversely affect our business, results of operations and financial condition.

Our revenues, operating results, profitability, liquidity, future growth and the value of our assets depend primarily on prevailing commodity prices. Historically, oil and natural gas prices have been volatile and fluctuate in response to changes in supply and demand, market uncertainty, and other factors that are beyond our control, including:

- the regional, domestic and foreign supply of oil, natural gas and NGLs;
- the level of commodity prices and expectations about future commodity prices;

- the level of global oil and natural gas exploration and production;
- localized supply and demand fundamentals, including the proximity and capacity of pipelines and other transportation facilities, and other factors that result in differentials to benchmark prices from time to time;
- the cost of exploring for, developing, producing and transporting oil, natural gas and NGLs;
- the price and quantity of foreign imports;
- political and economic conditions in oil producing countries, including conflicts in or among the Middle East, Africa, South America and Russia;
- the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- speculative trading in crude oil and natural gas derivative contracts;
- the level of consumer product demand;
- weather conditions and other natural disasters;
- risks associated with operating drilling rigs;
- technological advances affecting exploration and production operations and overall energy consumption;
- domestic and foreign governmental regulations and taxes;
- the impact of energy conservation efforts;
- the continued threat of terrorism and the impact of military and other action, including the Russia-Ukraine war and its destabilizing effect on the European continent and the global oil and natural gas markets;
- the price and availability of competitors' supplies of oil and natural gas and alternative fuels; and
- overall domestic and global economic conditions.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil, natural gas and NGL price movements with any certainty. For example, for the five years ended December 31, 2024, the NYMEX-WTI oil futures price ranged from a high of $123.70 per Bbl to a low of $(37.63) per Bbl, while the NYMEX-Henry Hub natural gas futures price ranged from a high of $9.68 per MMBtu to a low of $1.48 per MMBtu. For the year ended December 31, 2024, the NYMEX-WTI oil futures price ranged from a high of $86.91 per Bbl on April 5, 2024 to a low of $65.75 per Bbl on September 10, 2024 and the NYMEX-Henry Hub natural gas futures price ranged from a high of $3.95 per MMBtu on December 24, 2024 to a low of $1.58 per MMBtu on March 26, 2024. Likewise, NGLs, which are made up of ethane, propane, isobutane, normal butane and natural gasoline, each of which has different uses and different pricing characteristics, have sustained depressed realized prices during this period and are generally correlated with the price of oil. While recent events have led to elevated oil, natural gas and NGL prices, an extended decline in commodity prices could materially and adversely affect our business, results of operations and financial condition.

If commodity prices decline and remain depressed for a prolonged period, our business may become uneconomical and result in additional write downs of the value of our properties, which may adversely affect our financial condition and our ability to fund operations.

Oil, natural gas and NGL prices have experienced significant volatility over the past few years. An extended decline in commodity prices could render our business uneconomical and result in a downward adjustment of our assets, which would reduce our ability to fund our operations. An extended decline, or sustained marked uncertainty, in commodity prices may cause us to write down, as a non-cash charge to earnings, the carrying value of our oil and natural gas properties for impairments. We may in the future incur impairment charges that could have a material adverse effect on our results of operations in the period taken. Sustained declines or uncertainty in commodities prices may adversely affect our financial condition, results of operations, ability to reduce debt, ability to pay dividends and the timing of our capital projects.

An increase in the differential between the NYMEX or other benchmark prices of oil and natural gas and the wellhead price we expect to receive for our future production could significantly reduce our cash flow and adversely affect our financial condition.

The prices that we expect to receive for our future oil and natural gas production will often reflect a regional discount, based on the location of production, to the relevant benchmark prices, such as NYMEX or ICE, that are used for

calculating hedge positions. The prices we expect to receive for our future production are also affected by the specific characteristics of the production relative to production sold at benchmark prices. For example, California oil typically has a lower gravity, and a portion typically has higher sulfur content, than oil sold at certain benchmark prices. Therefore, because our oil will likely require more complex refining equipment to convert it into high value products, it may sell at a discount to those prices. These discounts, if significant, could reduce our cash flows and adversely affect our results of operations and financial condition.

The estimated quantities of petroleum contained in the SYU Assets are classified as "contingent resources" rather than "reserves" because they are subject to numerous contingencies. There is no assurance that any of the petroleum contained in the SYU Assets will ever be recovered or reclassified as "reserves."

The resources are contingent upon (1) approval and/or inspection by from federal, state and local regulators to restart production, (2) reestablishment of oil transportation systems to deliver production to market and (3) commitment to restart the wells and facilities. Some or all of the contingent resources may be reclassified as "reserves" if all of the contingencies are successfully resolved but there is no assurance that the contingencies will be resolved or resolved in a timely manner or that any of the petroleum in the SYU Assets will be recovered.

Our hedging strategy in the future may not effectively mitigate the impact of commodity price volatility from our cash flows, and our hedging activities could result in cash losses and may limit potential gains.

We expect that we will develop and maintain a portfolio of commodity derivative contracts covering a specified percentage or range of our estimated production from proved developed producing reserves over a one-to-three-year period at any given point in time. These commodity derivative contracts may include natural gas, oil and NGL financial swaps. The prices and quantities at which we enter into commodity derivative contracts covering our production in the future will be dependent upon oil and natural gas prices and price expectations at the time we enter into these transactions, which may be substantially higher or lower than current or future oil and natural gas prices. Accordingly, our price hedging strategy may not protect us from significant declines in oil, natural gas and NGL prices received for our future production. Many of the derivative contracts to which we will be a party will require us to make cash payments to the extent the applicable index exceeds a predetermined price, thereby limiting our ability to realize the benefit of increases in oil, natural gas and NGL prices. If our actual production and sales for any period are less than our hedged production and sales for that period (including reductions in production due to operational delays) or if we are unable to perform our drilling activities as planned, we might be forced to satisfy all or a portion of our hedging obligations without the benefit of the cash flow from our sale of the underlying physical commodity, which may materially impact our liquidity.

Developing and producing oil, natural gas and NGLs are costly and high-risk activities with many uncertainties that may result in a total loss of investment or otherwise adversely affect our business, financial condition, results of operations and cash flows. Many of these risks are heightened for us due to the fact that most of our equipment has been shut-in for more than nine years.

Our development and production operations may be curtailed, delayed, canceled or otherwise negatively impacted as a result of many factors, including:

- high costs, shortages or delivery delays of rigs, equipment, labor, electrical power or other services;
- unusual or unexpected geological formations;
- composition of sour natural gas, including sulfur, carbon dioxide and other diluent content;
- unexpected operational events and conditions;
- failure of down hole equipment and tubulars;
- loss of wellbore mechanical integrity;
- failure, unavailability or shortage of capacity of gathering and transportation pipelines, or other transportation facilities;
- human errors, facility or equipment malfunctions and equipment failures or accidents, including acceleration of deterioration of our facilities and equipment due to the highly corrosive nature of sour natural gas;
- excessive wall loss or other loss of pipeline integrity;
- title problems;

- litigation, including landowner lawsuits;
- loss of drilling fluid circulation;
- hydrocarbon or oilfield chemical spills;
- fires, blowouts, surface craterings and explosions;
- surface spills or underground migration due to uncontrollable flows of oil, natural gas, formation water or well fluids;
- delays imposed by or resulting from compliance with environmental and other governmental or regulatory requirements;
- delays due to operations in environmentally sensitive areas; and
- adverse weather conditions and natural disasters.

Many of these risks are heightened for us due to the fact that most of our equipment has been shut-in for more than eight years. Any of these risks can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination or loss of wells and other regulatory penalties. In the event that planned operations are delayed or canceled, or existing wells or development wells have lower than anticipated production due to one or more of the factors above or for any other reason, our financial condition and results of operations may be adversely affected. If any of these factors were to occur with respect to a particular field, we could lose all or a part of our investment in the field or we could fail to realize the expected benefits from the field, either of which could materially and adversely affect our business, financial condition, results of operations and cash flows.

The enactment of derivatives legislation could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), enacted in 2010, establishes federal oversight and regulation of, among other things, the over-the-counter derivatives market and certain participants in that market, including us. Rules and regulations applicable to over-the-counter derivatives transactions may affect both the size of positions that we may hold and the ability or willingness of counterparties to trade opposite us, potentially increasing costs for transactions. Moreover, such changes could materially reduce our hedging opportunities which could adversely affect our revenues and cash flow during periods of low commodity prices. While many Dodd-Frank Act regulations are already in effect, the rulemaking and implementation process is ongoing, and the ultimate effect of the adopted rules and regulations and any future rules and regulations on our business remains uncertain. See "*Business—Other Regulation of the Oil and Natural Gas Industry-Derivatives Regulation*" for additional information.

Development and production of oil, natural gas and NGLs in offshore waters have inherent and historically higher risk than similar activities onshore.

Our offshore operations are subject to a variety of operating risks specific to the marine environment, such as a dependence on a limited number of electrical transmission lines, as well as capsizing, collisions and damage or loss from adverse weather conditions. Offshore activities are subject to more extensive governmental regulation than onshore oil and natural gas activities. We are vulnerable to the risks associated with operating offshore California, including risks relating to:

- impacts of climate change and natural disasters such as earthquakes, tidal waves, mudslides, fires and floods;
- oil field service costs and availability;
- compliance with environmental and other laws and regulations;
- third-party marine vessels;
- response capabilities for personnel, equipment and environmental incidents;
- remediation and other costs resulting from oil spills, releases of hazardous materials and other environmental and natural resource damages; and
- failure of equipment or facilities.

In addition to lost production and increased costs, these hazards could cause serious injuries, fatalities, contamination or property damage for which we could be held responsible. The potential consequences of these hazards are particularly

severe for us because significant portions of our offshore operations are conducted in environmentally sensitive areas, including areas with significant residential populations and public and commercial infrastructure. An accidental oil spill or release on or related to offshore properties and operations could expose us to joint and several strict liability, without regard to fault, under applicable law for all containment and oil removal costs and a variety of public and private damages including, but not limited to, the costs of remediating a release of oil, natural resource damages, and economic damages suffered by persons adversely affected by an oil spill. If an oil discharge or substantial threat of discharge were to occur, we may be subject to regulatory scrutiny and liable for costs and damages, which costs and damages could be material to our business, financial condition or results of operations and could subject us to criminal and civil penalties. Finally, maintenance activities undertaken to reduce operational risks can be costly and can require exploration, exploitation and development operations to be curtailed while those activities are being completed.

Oil and natural gas producers' operations are substantially dependent on the availability of water and the disposal of waste, including produced water and drilling fluids. Restrictions on the ability to obtain water or dispose of waste may impact our operations.

Water is an essential component of oil and natural gas production during the drilling and production process. Our inability to locate sufficient amounts of water, or dispose of or recycle water used in our development and production operations, could adversely impact our operations. Moreover, the imposition of new environmental initiatives and regulations could include restrictions on our ability to conduct certain operations such as disposal of waste, including, but not limited to, produced water, drilling fluids and other wastes associated with the exploration, development or production of oil and natural gas. The Clean Water Act imposes restrictions and strict controls regarding the discharge of produced waters and other natural gas and oil waste into "waters of the United States." Permits must be obtained to discharge pollutants to such waters and to conduct construction activities in such waters, which include certain wetlands. The Clean Water Act and similar state laws provide for civil, criminal and administrative penalties for any unauthorized discharges of pollutants and unauthorized discharges of reportable quantities of oil and other hazardous substances. State and federal discharge regulations prohibit the discharge of produced water and sand, drilling fluids, drill cuttings and certain other substances related to the natural gas and oil industry into coastal waters. Compliance with current and future environmental regulations and permit requirements governing the withdrawal, storage and use of surface water or groundwater necessary for the disposal and recycling of produced water, drilling fluids and other wastes may increase our operating costs and cause delays, interruptions or termination of our operations, the extent of which cannot be predicted. In addition, in some instances, the operation of underground injection wells for the disposal of waste has been alleged to cause earthquakes. In some jurisdictions, such issues have led to orders prohibiting continued injection or the suspension of drilling in certain wells identified as possible sources of seismic activity or resulted in stricter regulatory requirements relating to the location and operation of underground injection wells. Any orders or regulations addressing concerns about seismic activity from well injection in jurisdictions where we operate could affect our operations. See "*Business—Environmental, Occupational Safety and Health Matters and Regulations-Water Discharges*" for an additional description of the laws and regulations relating to the discharge of water and other wastes that affect us.

The unavailability or high cost of rigs, equipment, supplies and crews could delay our operations, increase our costs and delay forecasted revenue.

Our industry is cyclical, and historically there have been periodic shortages of rigs, equipment, supplies and crew. Sustained declines in oil and natural gas prices may reduce the number of service providers for such rigs, equipment, supplies and crews, contributing to or resulting in shortages. Alternatively, during periods of higher oil and natural gas prices, the demand for rigs, equipment, supplies and crews is increased and can lead to shortages of, and increasing costs for, development equipment, supplies, services and personnel. While we have mitigated some of these issues with our dedicated rig, shortages of, or increasing costs for, experienced development crews and oil field equipment and services could restrict our ability to drill the wells and conduct the operations that we currently have planned relating to the fields where our properties are located. In addition, some of our operations require supply materials for production, such as CO_2, which could become subject to shortages and increased costs. Any delay in the development of new wells or a significant increase in development costs could reduce our revenues and impact our development plan, which would thus affect our financial conduction, results of operations and our cash flows.

The third parties on whom we rely for transportation services are subject to complex federal, state and other laws that could adversely affect the cost, manner or feasibility of conducting our business.

The operations of the third parties on whom we rely for transportation services are subject to complex and stringent laws and regulations that require obtaining and maintaining numerous permits, approvals and certifications from various federal,

state and local government authorities. These third parties may incur substantial costs in order to comply with existing laws and regulations. If existing laws and regulations governing such third-party services are revised or reinterpreted, or if new laws and regulations become applicable to their operations, these changes may affect the costs that we pay for such services. Similarly, a failure to comply with such laws and regulations by the third parties on whom we rely for transportation services could impact the availability of those services. Any potential impact to the availability of transportation services could impact our ability to market and sell our production, which could have a material adverse effect on our business, financial condition and results of operations. See "*Business—Environmental, Occupational Safety and Health Matters and Regulations*" and "*Business-Other Regulation of the Oil and Natural Gas Industry*" for a description of the laws and regulations that affect the third parties on whom we rely for transportation services.

Our business depends in part on pipelines, gathering systems and processing facilities owned by us or others. Any limitation in the availability of those facilities could interfere with our ability to market our oil, natural gas and NGL production.

The marketability of our oil, natural gas and NGL production depends in part on the availability, proximity and capacity of pipelines and other transportation methods, gathering systems and processing facilities owned by us or third parties. The amount of oil, natural gas and NGLs that can be produced and sold is subject to curtailment in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage or lack of contracted capacity on such systems. For example, our ability to produce and sell oil from SYU will depend on the continued availability of the pipeline infrastructure between platforms, for delivery of that oil to shore, and for further delivery to market, and any unavailability of that pipeline infrastructure could cause us to shut in all or a portion of the production from the SYU Assets for the length of such unavailability. Our access to transportation options can also be affected by U.S. federal and state regulation of oil and natural gas production and transportation, general economic conditions and changes in supply and demand. The curtailments arising from these and similar circumstances may last from a few days to several months or more. In many cases, we are provided with only limited, if any, notice as to when these circumstances will arise and their duration. Any significant curtailment in gathering system or transportation or processing facility capacity could reduce our ability to market our oil and natural gas production and harm our business, financial condition, results of operations and cash flows. Additionally, recent petroleum refinery conversions and announcements of potential refinery closures in California could further impact our ability to market and transport our products efficiently.

Loss of our key executive officers or other key personnel, or an inability to attract and retain such officers and personnel, could negatively affect our business and, in one instance, could cause a default under the primary agreement governing our existing indebtedness.

Our future success depends on the skills, experience and efforts of our executive officers. The sudden loss of any of these executives' services or our failure to appropriately plan for any expected executive succession could materially and adversely affect our business and prospects, as we may not be able to find suitable individuals to replace them on a timely basis, if at all. Additionally, we also depend on our ability to attract and retain qualified personnel to operate and expand our business. If we fail to attract or retain talented new employees, our business and results of operations could be negatively affected. Workers may choose to pursue employment with our competitors or in other fields. Additionally, the Senior Secured Term Loan Agreement (the "Senior Secured Term Loan Agreement"), dated as of the Closing Date by and among Sable, EMC, as lender, and Alter Domus Products Corp., as the administrative agent for the benefit of the lender, requires that James C. Flores, our Chairman and Chief Executive Officer, remains directly and actively involved in the day-to-day management of our business, subject to the right of the holder of such indebtedness to approve his replacement, such approval not to be unreasonably withheld.

We may incur losses as a result of title defects or deficiencies in our properties.

The existence of a material title deficiency can render a lease worthless and can adversely affect our results of operations and financial condition. While we have done extensive title diligence in advance of the Business Combination and typically obtain title opinions prior to commencing drilling operations on a lease or in a unit, the failure of title or other defects or deficiencies may not be discovered until after a well is drilled, in which case we may lose the lease and the right to produce all or a portion of the minerals under the property.

We do not own all of the land on which our assets are located or all of the land that we must traverse in order to conduct our operations. There are disputes with respect to certain of the rights-of-way or other interests and any unfavorable outcomes of such disputes could require us to incur additional costs.

We do not own in fee all of the land on which our assets are located or all of the land that we must traverse in order to conduct our operations. Rather, many of the properties or rights are derived from surface use agreements, rights-of-way or other easement rights and, therefore, we will be subject to the possibility of more onerous terms or increased costs to retain necessary land access if we do not have valid rights-of-way or if such rights-of-way lapse or terminate. Some of the rights to land owned by third parties and governmental agencies are obtained for a specific period of time and under certain conditions. We believe that we will have obtained sufficient right-of-way grants from public authorities (subject to receipt of certain governmental permits and consents) and private parties for us to operate our business, and obtained court approval of a settlement expressly confirming those rights with the overwhelming majority of the private landowners in September 2024 (*see Grey Fox Matter,* infra*)*. However, at least one private landowner along sections of Pipeline Segment 324 has continued to make claims that the easement agreements with it are no longer effective. Our loss of any of these surface use agreements, rights-of-way or other easement rights through lapse or failure to satisfy or maintain certain conditions could require us to cease operations on the affected land or find alternative locations for our operations at increased costs, any of which could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to Restart Production by March 1, 2026, which would permit EM to exercise a reassignment option and take ownership of the SYU Assets without any compensation or reimbursement other than the deemed repayment in full of the principal and accrued interest outstanding under the Senior Secured Term Loan Agreement.

If we fail to Restart Production (as defined in the Sable-EM Purchase Agreement) of the SYU Assets by March 1, 2026 (the "*Restart Failure Date*"), then pursuant to the Sable-EM Purchase Agreement, for 180 days thereafter, EM will have the exclusive right, but not the obligation, to require us to reassign the SYU Assets and rights to EM or its designated representative, without reimbursing us for any of our costs or expenditures (the "*Reassignment Option*"). If we have acquired any additional rights or assets or have developed additional improvements related to the SYU Assets, records or benefits, on EM's request we also would be required to assign and deliver those additional rights, assets, improvements, records or benefits to EM without being reimbursed for any of our additional costs or expenses. If we are unable to Restart Production of the SYU Assets by the Restart Failure Date and EM exercises its Reassignment Option, EM will become the owner of substantially all of our business and we may be forced to wind-down our operations. Our ability to Restart Production of the SYU Assets is subject to several risks, and there is no assurance that we will be able to Restart Production of the SYU Assets by the Restart Failure Date. See "*Risk Factors—Risks Related to the Restart of Production*."

Restrictive covenants in the Senior Secured Term Loan Agreement or any future agreements governing our indebtedness could limit our growth and our ability to finance our operations, fund our capital needs, respond to changing conditions and engage in other business activities that may be in our best interests.

Restrictive covenants in the Senior Secured Term Loan Agreement impose significant operating and financial restrictions on us and our subsidiaries and we may be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us by the Senior Secured Term Loan Agreement unless we gain EM's consent. These restrictions limit our ability to, among other things:

- engage in mergers, consolidations, liquidations, or dissolutions;
- create or incur debt or liens;
- make certain debt prepayments;
- pay dividends, distributions, management fees or certain other restricted payments;
- make investments, acquisitions, loans, or purchase oil and gas properties;
- sell, assign, farm-out or dispose of any property;
- enter into transactions with affiliates;
- enter into, subject to certain exceptions, any agreement that prohibits or restricts liens securing the Senior Secured Term Loan Agreement, payments of dividends to us, or payment of debt owed to us and our subsidiaries; and
- change the nature of our business.

The Senior Secured Term Loan Agreement also contains representations and warranties, affirmative covenants, additional negative covenants and events of default (including a change of control). During the pendency of the Senior Secured Term Loan Agreement and in case of an event of default thereunder, EM may exercise all remedies at law or equity, and may foreclose upon substantially all of our assets and the assets of our subsidiaries, including, in the event of a deficiency, cash and any other assets not acquired from EM in the Business Combination to the extent constituting collateral under the applicable financing documents. We may not be able to obtain amendments, waivers or consents for potential or actual breaches of such representations and warranties or covenants, or we may be unable to obtain such amendments waivers or consents on acceptable terms, all of which could limit management's flexibility to operate the business.

Under the terms of the Senior Secured Term Loan Agreement, restarting production will trigger a springing maturity date following a specified grace period, and the terms on which we will be able to refinance the Senior Secured Term Loan Agreement, if necessary, will depend on then-prevalent market conditions.

The Senior Secured Term Loan Agreement includes a springing maturity date of ninety (90) days after Restart Production (as defined in the Sable-EM Purchase Agreement) (i.e., two hundred forty (240) days after resumption of actual production from the wells), which could require a future refinancing of the indebtedness under the Senior Secured Term Loan Agreement or the incurrence of new indebtedness. The terms on which we would be able to obtain any refinancing of the Senior Secured Term Loan Agreement will depend on market conditions at the time of any such refinancing.

We may in the future refinance our existing indebtedness or incur new indebtedness at variable rates and without the option to pay interest in-kind, which would subject us to interest rate risk and could cause our debt service obligations to increase significantly.

The outstanding principal amount under our Senior Secured Term Loan Agreement bears interest at a fixed rate and we have the option of capitalizing the interest onto the principal rather than paying cash interest, but we may in the future refinance our existing indebtedness or incur new indebtedness with variable rates and mandatory cash interest payments, which would expose us to interest rate risk and additional liquidity burdens. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even if the principal amount remained the same, and our net income and cash available for servicing our indebtedness would decrease.

Our business plans require a significant amount of capital. In addition, our future capital needs may require us to issue additional equity or debt securities that may dilute our stockholders or introduce covenants that may restrict our operations or ability to pay dividends.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity or debt securities, or a combination thereof. Additional financing may not be available on favorable terms or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt, the debt holders would have rights senior to holders of our Common Stock to make claims on our assets and the terms of any debt could restrict our operations, including our ability to pay dividends on our Common Stock. If we issue additional equity securities or securities convertible into equity securities, existing stockholders will experience dilution and the new equity securities could have rights senior to those of our Common Stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and their impact on the market price of our Common Stock.

We are exposed to trade credit risk in the ordinary course of our business activities.

We are exposed to risks of loss in the event of nonperformance by our vendors and other counterparties. Some of our vendors and other counterparties may be highly leveraged and subject to their own operating and regulatory risks. Many of our vendors and other counterparties finance their activities through cash flow from operations, the incurrence of debt or the issuance of equity. The combination of reduction of cash flow resulting from declines in commodity prices and the lack of availability of debt or equity financing may result in a significant reduction in our vendors' and other counterparties' liquidity and ability to make payments or perform on their obligations to us. Even if our credit review and analysis mechanisms work properly, we may experience financial losses in our dealings with other parties. Any increase in the nonpayment or nonperformance by our vendors or other counterparties could adversely affect our business, financial condition, results of operations and cash flows.

We may incur substantial losses and be subject to substantial liability claims as a result of catastrophic events. We may not be insured for, or our insurance may be inadequate to protect us against, these risks. Expenses not covered by our insurance could have a material adverse effect on our financial position and results of operations.

Our operations are subject to all of the hazards and operating risks associated with drilling for and production of oil and natural gas, including natural disasters, the risk of fire, explosions, blowouts, surface cratering, uncontrollable flows of natural gas, oil and formation water, pipe or pipeline failures, abnormally pressured formations, casing collapses and environmental hazards such as oil spills, natural gas leaks, ruptures or discharges of toxic gases, all of which could cause substantial financial losses. The location of any properties and other assets near environmentally sensitive areas or near populated areas, including residential areas, commercial business centers and industrial sites, could significantly increase the level of potential damages resulting from these risks. Other catastrophic events such as earthquakes, floods, mudslides, fires, droughts, contagious diseases, terrorist attacks and other events that cause operations to cease or be curtailed may adversely affect our business and the communities in which we operate. For example, utilities have begun to suspend electric services to avoid wildfires during windy periods in California, a business disruption risk that is not insured. We may be unable to obtain, or may elect not to obtain, insurance for certain risks if we believe that the cost of available insurance is excessive relative to the risks presented. The occurrence of any of these or other similar events could result in substantial losses to us due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties, suspension or disruption of operations, substantial revenue losses and repairs to resume operations.

We maintain insurance coverage against potential losses that we believe is customary in the industry. However, insurance against all operational risk is not available to us. These insurance policies may not cover all liabilities, claims, fines, penalties or costs and expenses that we may incur in connection with our business and operations, including those related to environmental claims. Pollution and environmental risks generally are not fully insurable. In addition, we cannot assure you that we will be able to maintain adequate insurance at rates we consider reasonable. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. A liability, claim or other loss not fully covered by insurance could have a material adverse effect on our business, financial position, results of operations and cash flows.

We may be unable to compete effectively with larger companies.

The oil and natural gas industry is intensely competitive with respect to marketing oil and natural gas and securing equipment and trained personnel. Many of our larger competitors not only drill for and produce oil and natural gas but also carry on refining operations and market petroleum and other products on a regional, national or worldwide basis, which offers them greater access and economies of scale. In addition, there is substantial competition for investment capital in the oil and natural gas industry and many of our competitors have access to capital at a lower cost than that available to us. These larger companies may have a greater ability to continue development activities during periods of low oil and natural gas prices and to absorb the burden of present and future federal, state, local and other laws and regulations. Furthermore, we may not be able to aggregate sufficient quantities of production to compete with larger companies that are able to sell greater volumes of production to intermediaries, thereby reducing the realized prices attributable to our production. Any inability to compete effectively with larger companies could have a material adverse impact on our business activities, financial condition, results of operations and cash flows.

We are subject to complex federal, state, local and other laws, regulations and permits that could adversely affect the cost, manner, ability or feasibility of conducting our operations.

Our oil and natural gas development and production operations are subject to complex and stringent laws and regulations administered by governmental authorities vested with broad authority relating to the exploration for and the development, production and transportation of oil, natural gas, and NGLs. To conduct our operations in compliance with these laws and regulations, we must obtain and maintain numerous permits, approvals and certificates from various federal, state and local governmental authorities. We may incur substantial costs in order to maintain compliance with these existing laws and regulations. Failure to comply with laws and regulations applicable to our operations, including any evolving interpretation and enforcement by governmental authorities, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our oil, natural gas, and NGLs development and production operations are also subject to stringent and complex federal, state and local laws and regulations governing the release or discharge of materials into or through the environment, worker health and safety aspects of our operations, or otherwise relating to environmental protection, resource protection, and damage to natural resources. These laws and regulations may impose numerous obligations applicable to our operations,

including the ability to obtain a permit before conducting our operations, including regulated drilling activities; the restriction of types, quantities and concentrations of materials that can be released or discharged into or through the environment; the limitation or prohibition of drilling, production and transportation activities on certain lands lying within wilderness, wetlands, seismically active areas and other protected or preserved areas; the application of specific health and safety criteria addressing worker protection; and the imposition of substantial liabilities for pollution and natural resources damages potentially resulting from our operations. The EPA, BOEM, BSEE, PHMSA, OSFM, CalGEM, Coastal Commission, CDFW, Regional Board, SLC and numerous other governmental authorities have the authority to enforce compliance with these laws and regulations and the permits issued by them, often requiring difficult and costly compliance measures or corrective actions. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties, the imposition of investigatory or remedial obligations, injunctive and mitigation relief, the suspension or revocation of necessary permits, licenses and authorizations, the requirement that additional pollution controls be installed and, in some instances, the issuance of orders limiting or prohibiting some or all of our operations. We may also experience delays in obtaining or be unable to obtain required permits, including authorizations necessary to restart or replace the Pipelines, which may delay or interrupt our operations and limit our growth and revenue, or may result in a failure to Restart Production by the Restart Failure Date.

Under certain environmental laws that impose strict as well as joint and several liability, we may be required to remediate or conduct other response actions at or in relation to contaminated properties currently owned or operated by us or facilities of third parties that received waste generated by our operations regardless of whether such contamination resulted from the conduct of others or from the consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of our operations. Moreover, public interest in the protection of the environment has increased in recent years. New laws and regulations continue to be enacted, particularly at the state level, and, under the Biden Administration, the long-term trend of more expansive and stringent environmental legislation and regulations applied to the crude oil and natural gas industry could continue, resulting in increased costs of doing business and consequently affecting profitability. To the extent laws are enacted, or other governmental action is taken that restricts drilling, production and transportation activities, or imposes more stringent and costly operating, waste handling, disposal and cleanup requirements, our business, prospects, financial condition or results of operations could be materially adversely affected.

See "*Business—Environmental, Occupational Safety and Health Matters and* Regulations" and "*Business-Other Regulation of the Oil and Natural Gas Industry*" for a description of the more significant laws and regulations that affect us.

The listing of a species as either "threatened" or "endangered" under the U.S. Endangered Species Act and/or the California Endangered Species Act could result in increased costs, new operating restrictions, or delays in our operations, which could adversely affect our results of operations and financial condition.

The U.S. Endangered Species Act (the "*ESA*") and analogous state laws regulate activities that could have an adverse effect on threatened and endangered species. Operations in areas where threatened or endangered species or their habitat are known to exist may require us to incur increased costs to implement mitigation or protective measures and also may restrict or preclude our activities in those areas or during certain seasons, such as breeding and nesting seasons. The listing of species in areas where we operate or, alternatively, entry into certain range-wide conservation planning agreements could result in increased costs to us from species protection measures, time delays or limitations on our activities, which costs, delays or limitations may be significant and could adversely affect our results of operations and financial position.

Conservation measures, technological advances and increasing public attention and activism with respect to climate change and environmental matters could reduce demand for oil, natural gas and NGLs and have an adverse effect on our business, financial condition and reputation.

Fuel conservation measures, alternative fuel requirements, incentives to conserve energy or use alternative energy sources, increasing consumer demand for alternatives to oil, natural gas and NGLs, and technological advances in fuel economy and energy generation devices could reduce demand for oil, natural gas and NGLs. Such initiatives or related activism aimed at limiting climate change and reducing air pollution, as well as negative investor sentiment toward our industry and the impact of the changing demand for oil and natural gas services and products may have a material adverse effect on our business, financial condition, results of operations, cash flows, and ability to access capital. Negative public perception regarding us and/or our industry resulting from, among other things, concerns raised by advocacy groups about climate change, may also lead to increased litigation risk, and regulatory, legislative and judicial scrutiny, which may, in turn, lead

to new state and federal safety and environmental laws, regulations, guidelines and enforcement interpretations. Governmental authorities exercise considerable discretion in the timing and scope of permit issuance and the public may engage in the permitting process, including through intervention in the courts. Negative public perception could cause the permits we need to conduct our operations to be withheld, delayed, or burdened by requirements that restrict our ability to profitably conduct our business. In addition, claims have been made against certain energy companies alleging that GHG emissions from oil and natural gas operations constitute a public nuisance or have caused other redressable injuries under federal and/or state common law. While our business is not a party to any such litigation, we could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely impact our business, financial condition and results of operations. Moreover, parties concerned about the potential effects of climate change have directed their attention at sources of funding for energy companies, which has resulted in certain financial institutions, funds and other sources of capital, restricting or eliminating their investment in oil and natural gas activities.

Climate change legislation or regulations restricting emissions of "greenhouse gases," or GHGs, could result in increased operating costs and reduced demand for the oil, natural gas and NGLs we expect to produce.

In December 2009, the EPA published its findings that emissions of GHGs present a danger to public health and the environment because emissions of such gases are contributing to the warming of the Earth's atmosphere and other climatic changes. Based on these findings, the EPA has adopted and implemented regulations to restrict emissions of GHGs under existing provisions of the Clean Air Act. In addition, the EPA has also adopted rules requiring the monitoring and reporting of GHG emissions from specified sources on an annual basis in the United States, including, among others, certain oil and natural gas production facilities, which includes certain of our operations. The adoption or revision and implementation of any regulations imposing reporting obligations on, or limiting emissions of GHGs from, our equipment and operations could require us to incur costs to reduce emissions of GHGs associated with our operations or could adversely affect demand for the oil, natural gas and NGLs we produce. Such climate change regulatory and legislative initiatives could have a material adverse effect on our business, financial condition and results of operations.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act (the "IRA"), which targets methane from oil and gas sources by imposing an applicable "waste emissions charge" on petroleum and natural gas production facilities that exceed a specified waste emissions threshold and requiring the reporting of emissions that exceed 25,000 metric tons of carbon dioxide equivalent per year. On November 18, 2024, the EPA published a final rule to implement this waste emissions charge as required by the IRA. However, Congress has approved a resolution that would repeal the rule, making the future implementation of the emissions charge uncertain. In addition to the IRA, almost one-half of the states have taken legal measures to reduce emissions of GHGs, including through the planned development of GHG emission inventories and/or regional GHGs cap and trade programs. On an international level, the United States was one of nearly 200 countries to sign an international climate change agreement in Paris, France that requires member countries to set their own GHG emissions reduction goals beginning in 2020. However, the United States formally announced its intent to withdraw from the Paris Agreement in November 2019, which became effective in November 2020. On January 20, 2021, President Biden issued written notification to the United Nations of the United States' intention to rejoin the Paris Agreement, which became effective on February 19, 2021. On January 20, 2025, President Trump signed an executive order initiating the re-withdraw of the United States from the agreement. In addition, various states and local governments have vowed to continue to enact regulations to achieve the goals of the Paris Agreement.

Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact our business, any such future laws and regulations that require additional reporting of GHGs or otherwise limit emissions of GHGs from our equipment and operations could require us to incur costs to monitor and report on GHG emissions or reduce emissions of GHGs associated with our operations, and such requirements also could adversely affect demand for the oil, natural gas and NGL that we produce. Finally, it should be noted that numerous scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. If any such effects were to occur in sufficient proximity to our facilities, they could have an adverse effect on our financial condition and results of operations. For example, such effects could adversely affect or delay demand for the oil or natural gas produced or cause us to incur significant costs in preparing for or responding to the effects of climatic events themselves. Potential adverse effects could include disruption of our production activities, increases in our costs of operation or reductions in the efficiency of our operations, impacts on our personnel, supply chain, or distribution chain, as well as potentially increased costs for insurance coverages in the aftermath of such effects. Our ability to mitigate the adverse physical impacts of climate change depends in part upon our disaster preparedness and response and business continuity planning. See "*Business—Environmental, Occupational Safety and Health Matters and Regulations-Regulation of 'Greenhouse Gas' Emissions*" for a description of the climate change laws and regulations that affect us. Also see "*Risk Factors—Risks Related to the Business of the Company-Attempts by the California state government to restrict the*

production of oil and gas could negatively impact our operations and result in decreased demand for fossil fuels in California."

If engaged in intrastate common carrier operations, our financial results with respect to the Pipelines will primarily depend on the outcomes of ratemaking proceedings with the California Public Utilities Commission and we may not be able to earn an adequate rate of return in a timely manner or at all.

If determined to be a regulated intrastate common carrier in California, the Pipelines' tariffs will be set by the CPUC on a prospective basis and will generally be designed to allow us to collect sufficient revenues to recover reasonable costs of providing service on the basis of revenues, expenses and a return on our capital investments. Our financial results with respect to the Pipelines could be materially affected if the CPUC does not authorize sufficient revenues for us to safely and reliably serve our pipeline customers and earn an adequate return of equity. The outcome of the ratemaking proceedings can be affected by many factors, including the level of opposition by intervening parties; potential rate impacts; increasing levels of regulatory review; changes in the political, regulatory, or legislative environments; and the opinions of our regulators, consumer and other stakeholder organizations, and customers, about our ability to provide safe and reliable oil transportation pipeline transportation.

In addition to the amount of authorized revenues, our financial results with respect to the Pipelines could be materially affected if our actual costs to safely and reliably serve our pipeline customers differ from authorized or forecast costs. We may incur additional costs for many reasons including changing market circumstances, unanticipated events (such as wildfires, storms, earthquakes, accidents, or catastrophic or other events affecting our pipeline operations), or compliance with new state laws or policies. Although we may be allowed to recover some or all of the additional costs, there may be a substantial delay between when we incur the costs and when we are authorized to collect revenues to recover such costs. Alternatively, the CPUC may disallow certain costs that they determine were not reasonably or prudently incurred.

Attempts by the California state government to restrict the production of oil and gas could negatively impact our operations and result in decreased demand for fossil fuels in California.

California, where our operations and assets are located, is heavily regulated with respect to oil and gas operations. Federal, state and local laws and regulations govern most aspects of exploration and production in California. Collectively, the effect of the existing laws and regulations is to potentially limit the number and location of our wells through restrictions on the use of our properties, limit our ability to develop certain assets and conduct certain operations, and reduce the amount of oil and natural gas that we can produce from our wells below levels that would otherwise be possible. The regulatory burden on the industry increases our costs and consequently may have an adverse effect upon capital expenditures, earnings or competitive position. Violations and liabilities with respect to these laws and regulations could result in significant administrative, civil, or criminal penalties, remedial clean-ups, natural resource damages, permit modifications or revocations, operational interruptions or shutdowns and other liabilities. The costs of remedying such conditions may be significant, and remediation obligations could adversely affect our financial condition, results of operations and prospects.

Additionally, the California state government recently has taken several actions that could adversely impact future oil and gas production and other activities in the state. For example:

- In September 2020, the California Governor issued an executive order that seeks to reduce both the supply of and demand for fossil fuels in the state. The executive order established several goals and directed several state agencies to take certain actions with respect to reducing emissions of greenhouse gases, including, but not limited to: (1) phasing out the sale of emissions-producing vehicles; (2) developing strategies for the closure and repurposing of oil and gas facilities in California; and (3) calling on the California State Legislature to enact new laws prohibiting hydraulic fracturing in the state by 2024. The executive order also directed CalGEM to finish its review of public health and safety concerns from the impacts of oil extraction activities and propose significantly strengthened regulations.
- In October 2020, the California Governor issued an executive order that established a state goal to conserve at least 30% of California's land and coastal waters by 2030 and directed state agencies to implement other measures to mitigate climate change and strengthen biodiversity.

At this time, we cannot predict the potential future actions that may result from these orders or how such actions might potentially impact our operations.

In February 2021, California State Senators Scott Wiener and Monique Limón introduced Senate Bill 467, which proposes to halt the issuance or renewal of permits for hydraulic fracturing, acid well stimulation treatments, cyclic steaming, and water and steam flooding starting January 1, 2022, and then prohibit these extraction methods entirely starting January 1, 2027. SB 467 also would have prohibited all new or renewed permits for oil and gas extraction within 2,500 feet of any homes, schools, healthcare facilities or long-term care institutions such as dormitories or prisons, by January 1, 2022. However, SB 467 never made it out of committee and other bills to limit well stimulation treatments have also previously been introduced and failed to pass through the California legislature. Although these legislative efforts have failed, it is possible that SB 467 or similar legislation could be reintroduced in the future and we cannot predict the results of such future efforts.

On February 21, 2025, California State Assembly Member Hart introduced AB 1448 to the California State Legislature. Among other changes, AB 1448 would amend certain provisions of California's Public Resources Code to add additional procedural requirements for oil- and gas-related leases in state waters and would require that the repair, reactivation, and maintenance of an oil and gas facility that has been idled, inactive, or out of service for three years or more obtain a new coastal development permit. We cannot predict whether AB 1448 will make it out of committee in its current form.

On June 3, 2022, the U.S. Court of Appeals for the Ninth Circuit prohibited the federal government from issuing new permits for hydraulic fracturing and acidizing of oil wells in federal waters off the coast of California until a full environmental review is completed by federal agencies. The injunction was the result of lawsuits filed by the State of California, the California Coastal Commission and environmental groups alleging that federal agencies violated environmental laws when they authorized unconventional drilling methods on offshore California platforms before the unconventional drilling methods had been fully reviewed. The court also found that the California Coastal Commission must determine if hydraulic fracturing and acidizing are consistent with California's coastal management program.

While currently none of our California operations rely on hydraulic fracturing stimulation or acidizing of wells as discussed in the Ninth Circuit decision, any restrictions on the future use of those well stimulation treatments or other forms of injection may adversely impact our operations, including causing operational delays, increased costs, and reduced production, which could adversely affect our revenues, results of operations and net cash provided by operating activities.

In December 2023, the State Lands Commission granted authority to the Executive Officer to solicit and execute agreements for consultant services to prepare an "Analysis of Public Trust Resources and Values" ("APTR"), which will assess the risks and impacts to Public Trust resources of all 12 leases for offshore oil and gas pipelines under the Commission's jurisdiction. The APTR will include technical evaluations, environmental assessments, climate change considerations, public needs analysis, and alternatives to pipelines. The Commission expects to finalize the APTR by December 31, 2026. The Commission has also authorized a temporary moratorium on new lease applications and issuances for offshore oil and gas pipelines until the APTR is completed and its findings are reviewed. The outcome of the APTR could adversely affect our ability to renew or extend our State Lands Commission leases beyond the current expirations in 2028 and 2029.

Our assets are located exclusively onshore and offshore in California, making us vulnerable to risks associated with having operations concentrated in this geographic area.

We operate exclusively in California and in the waters off the coast of California. This geographic concentration disproportionately affects the success and profitability of our operations, exposing us to local price fluctuations, changes in state or regional laws and regulations, political risks, limited acquisition opportunities where we have the most operating experience and infrastructure, limited storage options, drought conditions, and other regional supply and demand factors, including gathering, pipeline and transportation capacity constraints, limited potential customers, infrastructure capacity and availability of rigs, equipment, oil field services, supplies and labor. We discuss such specific risks to our operations in more detail elsewhere in this section. In addition, we may not have the resources to effectively diversify our operations or benefit from the possible spreading of risks or offsetting of losses.

All of our operations are conducted in areas that may be at risk of damage from fire, mudslides, earthquakes or other natural disasters.

We currently conduct operations in California and adjacent offshore areas near known wildfire and mudslide areas and earthquake fault zones. A future natural disaster, such as a fire, mudslide or an earthquake, could cause substantial interruption and delays in our operations, damage or destroy equipment, prevent or delay transport of our products and cause us to incur additional expenses, which would adversely affect our business, financial condition and results of

operations. In addition, our facilities would be difficult to replace and would require substantial lead time to repair or replace. These events could occur with greater frequency as a result of the potential impacts from climate change. The insurance we maintain against earthquakes, mudslides, fires and other natural disasters would not be adequate to cover a total loss of our facilities, may not be adequate to cover our losses in any particular case and may not continue to be available to us on acceptable terms, or at all.

Increasing attention to environmental, social and governance ("ESG") matters may impact our business.

Increasing attention to, and social expectations on companies to address, climate change and other environmental and social impacts, investor and societal explanations regarding voluntary ESG disclosures, and increased consumer demand for alternative forms of energy may result in increased costs, reduced demand for our products, reduced profits, increased investigations and litigation, and negative impacts on our stock price and access to capital markets. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for oil and natural gas products and additional governmental investigations and private litigation against us. To the extent that societal pressures or political or other factors are involved, it is possible that such liability could be imposed without regard to our causation of or contribution to the asserted damage, or to other mitigating factors. While we may participate in various voluntary frameworks and certification programs to improve the ESG profile of our operations and products, we cannot guarantee that such participation or certification will have the intended results on our or our products' ESG profile.

Moreover, while we may create and publish voluntary disclosures regarding ESG matters from time to time, many of the statements in those voluntary disclosures will be based on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring, and reporting on many ESG matters. Additionally, while we may also announce various voluntary ESG targets in the future, such targets are aspirational. We may not be able to meet such targets in the manner or on such a timeline as initially contemplated, including, but not limited to as a result of unforeseen costs or technical difficulties associated with achieving such results. To the extent we do meet such targets through operational changes, they may be achieved through various contractual arrangements, including the purchase of various credits or offsets that may be deemed to mitigate our ESG impact. Also, despite these aspirational goals, we may receive pressure from investors, lenders, or other groups to adopt more aggressive climate or other ESG-related goals, but we cannot guarantee that we will be able to implement such goals because of potential costs or technical or operational obstacles.

In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative investor sentiment toward us or our customers and to the diversion of investment to other industries which could have a negative impact on our stock price and/or our access to and costs of capital. Moreover, to the extent ESG matters negatively impact our reputation, we may not be able to compete as effectively or recruit or retain employees, which may adversely affect our operations.

Such ESG matters may also impact our customers or suppliers, which may adversely impact our business, financial condition, or results of operations.

Environmental groups may initiate litigation and take other actions to delay or prevent us from obtaining required approvals to restart and continue production.

Environmental groups have had increasing success in limiting oil and gas production by appealing to regulatory agencies, filing lawsuits and applying political pressure. In order to restart production we are required to obtain a series of permits or regulatory approvals from, among other agencies, OSFM. The laws and procedures governing these and other permits and regulatory approvals often allow third parties, including environmental groups, to challenge the draft permits and/or permit approvals through the relevant agencies and other administrative appeal processes. These groups may also file lawsuits that delay or prevent the issuance of the approvals through an injunction and/or prevailing on the legal merits. In addition, these groups may leverage the increased public attention and concern with respect to climate change and other environmental and social impacts in order to encourage government officials to withhold or delay the necessary approvals. There is no assurance that these groups will not be successful in delaying or preventing us from obtaining the required approvals through litigation or other actions.

For example, on June 27, 2024, the Center for Biological Diversity and the Wishtoyo Foundation filed a complaint against Debra Haaland, Secretary of the U.S. Department of the Interior; BSEE; and Bruce Hesson, BSEE Pacific Regional Director in the U.S. District Court for the Central District of California (Case No. 2:24-cv-05459). Sable was not named as a party to the case, but on December 3, 2024, the Court granted Sable's motion to intervene as a defendant to become a party to the lawsuit, and Sable vigorously contests the plaintiffs' allegations. On January 29, 2025, the Court granted plaintiffs' request to supplement and amend their complaint. In the amended complaint, plaintiffs allege that BSEE: violated NEPA, the Outer Continental Shelf Lands Act ("OCSLA"), and the Administrative Procedure Act ("APA") in November 2023 by approving an extension to resume operations associated with the 16 oil and gas leases Sable holds in the SYU in federal waters offshore of California in the Santa Barbara Channel; and violated NEPA and the APA in September 2024 by approving applications for permits to modify for well reworking operations and by failing to conduct supplemental environmental analysis for oil and gas development and production in the SYU. The complaint asks for the Court: to issue an order finding that BSEE violated NEPA, OCSLA and the APA; to vacate and remand the extension and the applications for permits to modify; order BSEE to complete NEPA analysis by a date certain; to prohibit BSEE from authorizing further extensions, applications for permits to modify, or any other authorizations for restarting production until it complies with NEPA, OCSLA and the APA; and for an award of costs and attorneys' fees.

On December 20, 2024, the U.S. Department of Justice (in its capacity as counsel for the BSEE) filed a motion for voluntary remand without vacatur of BSEE's November 2023 extension. Sable believes that the government's prior extensions to resume operations were both appropriate and authorized. Moreover, under the government's proposed remand, Sable's operations on the SYU remain unaffected.

The Inflation Reduction Act of 2022 could accelerate the transition to a low carbon economy and will impose new costs on our operations.

On August 16, 2022, President Biden signed into law the IRA. The IRA contains hundreds of billions of dollars in incentives for the development of renewable energy, clean hydrogen, clean fuels, electric vehicles and supporting infrastructure and carbon capture and sequestration, amongst other provisions. These incentives could further accelerate the transition of the U.S. economy away from the use of fossil fuels towards lower-or zero-carbon emissions alternatives, which could decrease demand for the oil and gas we produce and consequently materially and adversely affect our business and results of operations. In addition, the IRA imposes the first ever federal fee on the emission of GHGs through a methane emissions charge. The IRA amends the Clean Air Act to impose a fee on the emission of methane from sources required to report their GHG emissions to the EPA, including those sources in the petroleum and natural gas production category. The methane emissions charge started in calendar year 2024 at $900 per ton of methane, has increased to $1,200 in 2025, and will be set at $1,500 for 2026 and each year thereafter. Calculation of the fee is based on certain thresholds established in the IRA. On November 18, 2024, the EPA published a final rule to implement this waste emissions charge as required by the IRA. However, Congress approved and President Trump signed a resolution that repealed the rule, making the future implementation of the emissions charge uncertain. The methane emissions charge could increase our capital expenditures to limit methane releases and further increase our costs to the extent we exceed the limits, which may adversely affect our business and results of operations.

The cost of decommissioning and the cost of financial assurance to satisfy decommissioning obligations are uncertain.

We are required to maintain reserve funds to provide for the payment of decommissioning costs associated with our properties. The estimates of decommissioning costs are inherently imprecise and subject to change due to changing cost estimates, oil and natural gas prices and other factors. If actual decommissioning costs exceed such estimates, or we are required to provide a significant amount of collateral in cash or other security as a result of a revision to such estimates, our financial condition, results of operations and cash flows may be materially adversely affected.

We may be required to post cash collateral pursuant to our agreements with sureties, letter of credit providers or regulators under our existing or future bonding or other arrangements, which may have a material adverse effect on our liquidity and our ability to execute our capital expenditure plan and our asset retirement obligation plan and comply with the agreements governing our existing or future indebtedness.

Pursuant to the terms of our existing bonding arrangements with various sureties in connection with the decommissioning obligations and government-mandated financial assurance obligations related to our properties, or under any future bonding arrangements we may enter into, we may be required to post collateral at any time, on demand, at the sureties' sole discretion. If additional collateral is required to support surety bond obligations, this collateral would probably be in the form of cash or letters of credit, certificates of deposit or other similar forms of liquid collateral. Letter of credit providers would also in turn likely expect collateral to support such obligations, primarily in the form of cash or other liquid collateral.

If sureties become unwilling to enter into or continue bonding arrangements with us, regulators would likely require us to post additional collateral or fully fund our obligations with cash or other forms of liquid collateral. We cannot provide any assurance that we will be able to satisfy collateral demands for current or future bonds or letters of credit, or that we will be able to satisfy funding requirements for other arrangements with regulators. If we are required to provide additional collateral or fully fund these obligations and we cannot obtain alternative financing, our liquidity position may be negatively impacted and we may be forced to reduce our capital expenditures in the current year or future years, may be unable to execute our asset retirement obligation plan or may be unable to comply with the agreements governing our existing or future indebtedness.

Our business could be negatively affected by security threats, including cybersecurity threats, destructive forms of protest and opposition by activists and other disruptions.

As an oil and natural gas producer, we face various security threats, including cybersecurity threats to gain unauthorized access to sensitive information, to misappropriate financial assets or to render data or systems unusable; threats to the security of our facilities and infrastructure or third-party facilities and infrastructure, such as processing plants and pipelines; and threats from terrorist acts. The potential for such security threats has subjected our operations to increased risks that could have a material adverse effect on our business. In particular, our implementation of various procedures and controls to monitor and mitigate security threats and to increase security for our information, facilities and infrastructure may result in increased capital and operating costs. There can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If any of these security breaches were to occur, they could lead to losses of financial assets, sensitive information, critical infrastructure or capabilities essential to our operations and could have a material adverse effect on our reputation, financial position, results of operations or cash flows.

Cybersecurity attacks in particular are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. These events could lead to financial losses from remedial actions, loss of business or potential liability. In addition, destructive forms of protest and opposition by activists and other disruptions, including acts of sabotage or eco-terrorism, against oil and gas production and activities could potentially result in damage or injury to people, property or the environment or lead to extended interruptions of our operations, adversely affecting our financial condition and results of operations.

Risks Related to Being a Public Company

The market prices of our securities could be highly volatile or may decline regardless of our operating performance. You may lose some or all of your investment.

The trading price of our Common Stock is likely to be volatile and subject to significant fluctuations. The trading price of our Common Stock will depend on many factors, including those described in this "*Risk Factors*" section, many of which are beyond our control and may not be related to our operating performance. You may not be able to resell your shares at an attractive price due to a number of factors, such as the following:

- actual or anticipated fluctuations in our annual financial results or the annual financial results of companies perceived to be similar to ours;

- changes in the market's expectations about our operating results;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- speculation in the press or investment community;
- actual or anticipated developments in our business, competitors' businesses or the competitive landscape generally;
- our success in satisfying permitting and other regulatory requirements to restart production;
- our success in satisfying permitting and other regulatory requirements to restart the Pipelines or obtain alternate transportation;
- our ability to obtain water, drilling fluids and other critical resources;
- the accuracy of our assumptions and estimates regarding the total costs associated with restarting and maintaining production and the Pipelines;
- the market prices of oil, natural gas and NGL;
- the success of our hedging strategy;
- our ability to manage the safety risks associated with offshore development and production;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- the outcome of ratemaking proceedings with the California Public Utilities Commission;
- future laws and regulations related to climate change, GHGs and ESG and administrative interpretations thereof;
- changes in the future operating results of the Company;
- operating and stock price performance of other companies that investors deem comparable to ours;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving the Company;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of our Common Stock available for public sale;
- any major change in our Board or management;
- sales of substantial amounts of our Common Stock by our directors, officers or significant stockholders or the perception that such sales could occur; and
- other risk factors and other matters described or referenced under the sections "*Risk Factors*" and "*Cautionary Note Regarding Forward-Looking Statements*."

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general and the NYSE have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for the stocks of other companies which investors perceive to be similar to ours could depress our Common Stock price regardless of our business, prospects, financial conditions or results of operations.

In addition, in the past, following periods of volatility in the overall market and the market prices of particular companies' securities, securities class action litigations have often been instituted against these companies. Litigation of this type, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources. Any adverse determination in any such litigation or any amounts paid to settle any such actual or threatened litigation could require that we make significant payments.

Our stock price may be exposed to additional risks because we became a public company through a "de-SPAC" transaction. There has been increased focus by government agencies on such transactions, and we expect that increased focus to continue, and we may be subject to increased scrutiny by the SEC and other government agencies on holders of our securities as a result, which could adversely affect the price of our Common Stock.

The NYSE may not continue to list our securities, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

We cannot assure you that our securities will continue to be listed on the NYSE in the future. In order for our securities to remain listed on the NYSE, we must maintain certain financial, distribution and stock price levels.

If the NYSE delists our securities from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our Common Stock is a "penny stock," which would require brokers trading in such securities to adhere to more stringent rules, could adversely impact the value of our securities and/or possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

If we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired, which may adversely affect investor confidence in us and, as a result, the market price of our Common Stock.

As a U.S. public company, we are required to comply with the requirements of the Sarbanes-Oxley Act of 2002 (the "*Sarbanes-Oxley Act*"), including, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and financial officers.

We are required to make a formal assessment of the effectiveness of our internal control over financial reporting and, after we cease to be an emerging growth company, we will be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with these requirements within the prescribed time period, we have begun a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. We will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of our internal control over financial reporting, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. There is a risk that we will not be able to conclude, within the prescribed time period or at all, that our internal control over financial reporting is effective as required by Section 404 of the Sarbanes-Oxley Act. Moreover, our testing, or the subsequent testing by our independent registered public accounting firm, may reveal additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses.

Any failure to implement and maintain effective disclosure controls and procedures and internal control over financial reporting, including the identification of one or more material weaknesses, could cause investors to lose confidence in the accuracy and completeness of our financial statements and reports, which would likely adversely affect the market price of our Common Stock. In addition, we could be subject to sanctions or investigations by the stock exchange on which our Common Stock is listed, the SEC and other regulatory authorities.

Future sales, or the perception of future sales, of our Common Stock by us or our existing stockholders in the public market could cause the market price for our Common Stock to decline.

The sale of substantial amounts of shares of our Common Stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our Common Stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Shares held by certain of our stockholders will be eligible for resale, subject to, in the case of certain stockholders, volume, manner of sale and other limitations under Rule 144. In addition, pursuant to the Registration Rights Agreement entered into by and among Sable and certain stockholders party thereto, such stockholders will be entitled to customary registration rights for 3,000,000 shares of our Common Stock following their respective lock-up periods. The sale or possibility of sale of these securities could have the effect of increasing the volatility in our share price or putting significant downward pressure on the price of our Common Stock.

Our issuance of additional shares of Common Stock or convertible securities may dilute your ownership of us and could adversely affect our stock price.

We filed a registration statement on Form S-8 on April 19, 2024 providing for the registration of shares of our Common Stock issued or reserved for issuance under the Sable Offshore Corp. 2023 Incentive Award Plan (the "*Incentive Plan*"). The Incentive Plan provides for automatic increases in the shares reserved for grant or issuance under the plan which could result in additional dilution to our stockholders. Subject to the satisfaction of vesting conditions and the expiration of any applicable lockup restrictions, shares registered under the registration statement on Form S-8 will generally be available for resale immediately in the public market without restriction. From time to time in the future, we may also issue additional shares of our Common Stock or securities convertible into our Common Stock pursuant to a variety of transactions, including acquisitions. The issuance by us of additional shares of our Common Stock or securities convertible into our Common Stock would dilute your ownership of us and the sale of a significant amount of such shares in the public market could adversely affect prevailing market prices of our Common Stock.

In the future, we may seek to obtain financing or to further increase our capital resources by issuing additional shares of our capital stock or offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity, or shares of preferred stock. Issuing additional shares of our capital stock, other equity securities, or securities convertible into equity may dilute the economic and voting rights of our existing stockholders, reduce the market price of our Common Stock, or both. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred stock, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our Common Stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing or nature of our future offerings. As a result, holders of our Common Stock bear the risk that our future offerings may reduce the market price of our Common Stock and dilute their percentage ownership.

Our warrant agreement designates the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of our warrants, which could limit the ability of Warrant Holders to obtain a favorable judicial forum for disputes with our company.

Our warrant agreement provides that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the warrant agreement, including under the Securities Act, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and (ii) that we irrevocably submit to such jurisdiction, which jurisdiction will be the exclusive forum for any such action, proceeding or claim. Under our warrant agreement, we also agree that we will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

Notwithstanding the foregoing, these provisions of the warrant agreement do not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States of America are the sole and exclusive forum. Any person or entity purchasing or otherwise acquiring any interest in any of our warrants will be deemed to have notice of and to have consented to the forum provisions in our warrant agreement.

If any action, the subject matter of which is within the scope of the forum provisions of the warrant agreement, is filed in a court other than a court of the State of New York or the United States District Court for the Southern District of New York (a " *foreign action*") in the name of any holder of our warrants, such holder will be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (an "*enforcement action*"), and (y) having service of process made upon such Warrant Holder in any such enforcement action by service upon such Warrant Holder's counsel in the foreign action as agent for such Warrant Holder.

This choice-of-forum provision may limit a Warrant Holder's ability to bring a claim in a judicial forum that it finds favorable for disputes with our company, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our warrant agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

Members of our management team and our Board and their respective affiliated companies have been, and may from time to time be, involved in legal proceedings or governmental investigations unrelated to our business.

Members of our management team and our Board have been involved in a wide variety of businesses. Such involvement has, and may lead to, media coverage and public awareness. As a result of such involvement, members of our management team and our Board and their respective affiliated companies have been, and may from time to time be, involved in legal proceedings or governmental investigations unrelated to our business. Any such proceedings or investigations may be detrimental to our reputation and could negatively affect our ability to identify and complete an initial business combination and may have an adverse effect on the price of our securities.

If securities or industry analysts do not publish research or reports about us, or publish negative reports, our stock price and trading volume could decline.

The trading market for our Common Stock will depend, in part, on the research and reports that securities or industry analysts publish about us. We will not have any control over these analysts. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our Common Stock or change their opinion, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or any guidance it may provide.

Our quarterly and annual operating results may fluctuate significantly, which makes it difficult for us to predict our future operating results. These fluctuations may occur due to a variety of factors, many of which are outside of our control, including, but not limited to:

- the costs associated with restarting and maintaining production and the Pipelines;
- the market prices of oil, natural gas and NGL;
- the success of our hedging strategy;
- future accounting pronouncements or changes in our accounting policies;
- macroeconomic conditions, both nationally and locally; and
- any other change in the competitive landscape of our industry, including consolidation among our competitors or partners.

The cumulative effects of these factors could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Investors should not rely on past results as an indication of future performance. This variability and unpredictability could also result in us failing to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our Common Stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated revenue or earnings guidance we may provide.

Changes in laws, regulations or rules, or a failure to comply with any laws, regulations or rules, may adversely affect our business, investments and results of operations.

We are subject to laws, regulations and rules enacted by national, regional and local governments and the NYSE. In particular, We are required to comply with certain SEC, NYSE and other legal or regulatory requirements. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Such laws,

regulations or rules and their interpretation and application may also change from time to time and such changes could have a material adverse effect on our business, investments and results of operations. In addition, any failure by us to comply with applicable laws, regulations or rules, as interpreted and applied, could have a material adverse effect on our business and results of operations.

We are an "emerging growth company" and the reduced reporting and disclosure requirements applicable to emerging growth companies could make our Common Stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we remain an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including:

- not being required to have an independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and annual reports on Form 10-K; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.

As a result, our stockholders may not have access to certain information that they may deem important. Our status as an emerging growth company will end as soon as any of the following takes place:

- the last day of the fiscal year in which we have at least $1.235 billion in annual revenue;
- the date we qualify as a "large accelerated filer," with at least $700.0 million of common equity securities held by non-affiliates;
- the date on which we have issued, in any three-year period, more than $1.0 billion in non-convertible debt securities; or
- the last day of the fiscal year ending after the fifth anniversary of the Flame IPO.

Under the JOBS Act, emerging growth companies can also delay the adoption of new or revised accounting standards until such time as those standards apply to private companies. We may elect to take advantage of this extended transition period and as a result, our financial statements may not be comparable with similarly situated public companies.

We cannot predict if investors will find our Common Stock less attractive if we choose to rely on any of the exemptions afforded emerging growth companies. If some investors find our Common Stock less attractive because we rely on any of these exemptions, there may be a less active trading market for our Common Stock and the market price of our Common Stock may be more volatile and may decline.

Because there are no current plans to pay cash dividends on our Common Stock for the foreseeable future, you may not receive any return on investment unless you sell your shares of our Common Stock at a price greater than what you paid for it.

We intend to retain future earnings, if any, for future operations, expansion and debt repayment and there are no current plans (at least until the restart of production of the SYU Assets and the repayment or refinancing of the Senior Secured Term Loan Agreement) to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on shares of our Common Stock will be at the sole discretion of our Board and subject to restrictions and limitations in the Senior Secured Term Loan Agreement or any other then-existing indebtedness of the Company. Our Board may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, implications of the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as our Board may deem relevant. As a result, you may not receive any return on an investment in our Common Stock unless you sell your shares of our Common Stock for a price greater than that which you paid for it.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

Processes for Assessing, Identifying, and Managing Cybersecurity Risks

Since the completion of the Business Combination on February 14, 2024, management has been working to create a defined cybersecurity risk management program, through the addition of enhanced applications to identify and mitigate risks. During 2024 the Company engaged and managed an experienced third party vendor, specializing in cybersecurity, to conduct a Company wide cybersecurity risk assessment. The assessment included a multi-phase approach consisting of open-source intelligence gathering, network system penetration testing of the Company's internal, external, and wireless networks, and targeted social engineering through strategic phishing, vishing, and smishing campaigns. Action items and preventative recommendations were identified by management and are being incorporated into the Company's information security incident response plan, which is designed to follow the National Institute of Standards and Technology Cybersecurity Framework 2.0 standards and practices for identifying and mitigating cybersecurity incidents. Management will complete implementation of the action items during 2025, which we intend to test periodically for effectiveness.

No Previous Material Cybersecurity Threats

As of the date of this report, we are not aware of any previous cybersecurity threats that have materially affected or are reasonably likely to materially affect the Company. However, we acknowledge that cybersecurity threats are continually evolving, and the possibility of future cybersecurity incidents remains. Despite the security and risk management measures that we have implemented and any additional measures we may implement or adopt in the future, our facilities and systems, and those of our third-party service providers, have been and are vulnerable to security breaches, computer viruses, lost or misplaced data, programming errors, scams, burglary, human errors, acts of vandalism, misdirected wire transfers, or other malicious or criminal activities. A successful attack on our information or operational technology systems could have material consequences for the Company. While we intend to devote resources to our security measures to protect our systems and information during 2025, these measures cannot provide absolute security. See "Item 1A. Risk Factors" for additional information about the risks to our business associated with a breach or compromise to our information technology systems.

Board of Directors' Oversight of Cybersecurity Risks

The audit committee of our Board is responsible for the oversight of risks from cybersecurity threats. As part of its oversight, our audit committee and certain members of the Company's management will meet quarterly to discuss ongoing initiatives and to facilitate coordination between Company stakeholders. Annually, our Vice President of Information Technology will review the Company's cybersecurity risk management program with our audit committee and Board.

Management's Role in Assessing and Managing Cybersecurity Risks

Our Vice President of Information Technology is primarily responsible for assessing and managing the Company's material cybersecurity risks, monitoring the effectiveness of our cybersecurity detection and response processes and providing updates on cybersecurity to our executive team. Our Vice President of Information Technology has more than 25 years of experience working in the field of information technology, including significant experience directing enterprise-level cybersecurity programs.

Item 2. Properties

Our assets consist of three offshore platforms, Hondo, Heritage and Harmony, an onshore oil and natural gas processing facility in Goleta, California and pipeline assets. The platforms are located from five to nine miles offshore Santa Barbara County, California in federal waters. We own and operate 16 federal leases and subsea pipelines, which transport crude oil, natural gas and produced water from the platforms to the onshore processing facilities along with the pipeline assets Line 324 and Line 325. Line 324 is a 24-inch, approximately 10.8 mile long crude oil pipeline that extends from the Los Flores Station on the California Coast to the Gaviota Pump Station in Santa Barbara County, California. Line 325 is a 30-inch, approximately 113 mile long crude oil pipeline that extends from the Gaviota Pump Station in Santa Barbara County, California to the 30-inch pig receiver located in Pentland Station in Kern County, California with an intermediate station at Sisquoc mile post 38.5 in San Louis Obispo, California. For further information, see "*Business—Operations*."

Our principal executive office is located at 845 Texas Avenue, Suite 2920, Houston, Texas 77002. We consider our current office space adequate for our current operations.

Item 3. Legal Proceedings

See Part II, Item 8 “Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements,” *Note 8 — Commitments and Contingencies* for additional information regarding our legal proceedings.

Other Legal Proceedings

As part of Sable’s normal business activities, it may be named as a defendant in litigation and other legal proceedings, including those arising from regulatory and environmental matters. If Sable determines that a negative outcome is probable and the amount of loss is reasonably estimable, we will accrue the estimated amount.

BSEE Matter

On June 27, 2024, the Center for Biological Diversity and the Wishtoyo Foundation filed a complaint against Debra Haaland, Secretary of the U.S. Department of the Interior; BSEE; and Bruce Hesson, BSEE Pacific Regional Director in the U.S. District Court for the Central District of California (“the Court”) (Case No. 2:24-cv-05459). Sable was not named as a party to the case, but on December 3, 2024, the Court granted Sable’s motion to intervene as a defendant to become a party to the lawsuit, and Sable vigorously contests the plaintiffs’ allegations. On January 29, 2025, the Court granted plaintiffs’ request to supplement and amend their complaint. In the amended complaint, plaintiffs allege that BSEE: violated NEPA, OCSLA, and the APA in November 2023 by approving an extension to resume operations associated with the 16 oil and gas leases Sable holds in the SYU in federal waters offshore of California in the Santa Barbara Channel; and violated NEPA and the APA in September 2024 by approving applications for permits to modify for well reworking operations and by failing to conduct supplemental environmental analysis for oil and gas development and production in the SYU. The complaint asks for the Court: to issue an order finding that BSEE violated NEPA, OCSLA and the APA; to vacate and remand the extension and the applications for permits to modify; order BSEE to complete NEPA analysis by a date certain; to prohibit BSEE from authorizing further extensions, applications for permits to modify, or any other authorizations for restarting production until it complies with NEPA, OCSLA and the APA; and for an award of costs and attorneys’ fees.

On December 20, 2024, the U.S. Department of Justice (in its capacity as counsel for the BSEE) filed a motion for voluntary remand without vacatur of BSEE’s November 2023 extension. Sable believes that the government’s prior extensions to resume operations were both appropriate and authorized. Moreover, under the government’s proposed remand, Sable’s operations on the SYU remain unaffected.

California Coastal Commission

On September 27, 2024, the Coastal Commission issued Notice of Violation No. V-9-24-0152 to Sable, which asserted that the safety valve installation work and certain maintenance and repair activities undertaken by Sable on the Pipelines in the Coastal Zone to address anomalies and install safety valves constituted unpermitted development activities under the Coastal Act and the County’s LCP. Sable undertook the subject repair and maintenance work , including the safety valve installation work, based on its understanding that no new coastal development permit or other Coastal Act authorization was required, consistent with the County’s practice of authorizing certain repair work on the pipelines since they were first permitted and built over 30 years ago, as well as the County’s acknowledgement that it does not have permit authority or jurisdiction over the Company’s installation of the sixteen new safety valves in the County along the Pipelines in accordance with the 2021 CBAT Plan. Following good faith negotiations with Coastal Commission staff, on November 12, 2024, the Coastal Commission issued Executive Director Cease and Desist Order No. ED-24-CD-02 to Sable requiring Sable to, among other requirements, prepare and submit an Interim Restoration Plan and submit an application either to the Coastal Commission or the County to obtain a coastal development permit for the valve installation and other maintenance and repair work. In compliance with the Order, Sable prepared, submitted, and implemented the Interim Restoration Plan as approved by Coastal Commission staff. Sable separately submitted certain applications to the County related to some of the maintenance and repair work that was subject to Notice of Violation No. V-9-24-0152. The Order expired on February 10, 2025. Sable subsequently recommenced the repair and maintenance activities which were subject to Notice of Violation V-9-24-0152.

On February 12, 2025, the County delivered a letter to Sable confirming that certain Pipeline anomaly maintenance and repair work referenced in the Coastal Commission’s Notice of Violation V-9-24-0152 was “authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement (EIR/EIS).” The letter states in part that “[t]he County previously exercised its authority under its Local Coastal Program and delegated Coastal Act authority in approving the permits and the requested anomaly repair work is within the scope of those approved permits.”

In addition, also on February 12, 2025, the County delivered a letter to the Coastal Commission. In this letter, the County responded to a request by the Coastal Commission to consent to consolidated coastal development permit process for certain activities undertaken and planned by Sable on the Pipelines. The County's letter also stated that certain maintenance and repair work on the Pipelines that was referenced in the Coastal Commission's Notice of Violation V-9-24-0152 is "authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement. Thus, no further application to or action by the County is required."

On February 14, 2025, Sable submitted a written response to the Coastal Commission's Notice of Violation V-9-24-0152 detailing that, consistent with the County's letters, certain of the alleged unpermitted development subject to the Notice of Violation was previously approved and that no further coastal development permit is required.

On February 16, 2025, the Coastal Commission sent Sable a "Notice Prior to Issuance of Executive Director Cease and Desist Order" related to certain of Sable's Pipeline repair and maintenance activities and safety valve installation work. On February 17, 2025, Sable replied to the Coastal Commission with a letter stating that the "Coastal Act does not authorize the issuance of an [Executive Director Cease and Desist Order] under the present circumstances" and that "Sable intends to proceed with the anomaly repair work authorized by the County in its February 12, 2025 letter."

On February 18, 2025, Sable Offshore Corp. filed a complaint against the Coastal Commission in the Superior Court of the State of California for the County of Santa Barbara (Case No. 25CV00974). In the complaint, Sable challenges the Coastal Commission's Notice of Violation V-9-24-0152 and Executive Director Cease and Desist Order ED-24-CD-02, in addition to other claims. Sable seeks a declaration that the Coastal Commission's actions are unlawful, an injunction prohibiting further enforcement actions by the Coastal Commission, damages for the alleged taking of property rights, and attorneys' fees and costs.

Also on February 18, 2025, the Coastal Commission issued (i) Executive Director Cease and Desist Order No. ED-25-CD-01 with respect to alleged unpermitted development activities located onshore along the Pipelines and (ii) a Notice of Intent to Commence Proceedings for a Commission Cease and Desist Order, Restoration Order, and Administrative Penalty Order with respect to alleged unpermitted development activities located onshore along the Pipelines and offshore at certain SYU facilities (the "EDCDO/NOI").

On March 6, 2025, Sable submitted additional materials to the County regarding certain anomaly repair and maintenance work completed by the Company prior to its receipt of Notice of Violation V-9-24-0152. It is Sable's understanding that such work was authorized by the Pipelines' original environmental review, coastal development permits, and related approvals. Sable has requested that the County confirm in writing that the previously completed work was previously approved and that no further coastal development permit is required.

On March 10, 2025, Sable submitted a Statement of Defense and written response to the EDCDO/NOI to the Coastal Commission, which detailed that all alleged unpermitted development activities located onshore along the Pipelines and offshore at certain SYU facilities as described in the EDCDO/NOI did not constitute unpermitted development or violations of the Coastal Act because such activities were previously analyzed, approved, and authorized under existing coastal development permits for the Pipelines and the SYU facilities. As such, Sable denied that the Coastal Commission possessed the authority to issue the EDCDO/NOI or any cease and desist order, restoration order, or administrative penalty order with respect to such work.

California Regional Water Quality Control Board

On December 13, 2024, the Regional Board issued three letters to Sable related to the Pipelines: (i) a Notice of Violation for an alleged unauthorized discharge of waste to waters of the state at an ephemeral stream in the County; (ii) a Directive to obtain regulatory coverage for an alleged unauthorized discharge of waste to waters of the state at the same ephemeral stream identified in item (i); and (iii) a First Notice of Non-Compliance for an alleged failure to obtain coverage under the Regional Board's General Permit for Stormwater Discharges Associated with Industrial Activities in the County and San Luis Obispo and Kern Counties in California. Sable believes that coverage under the Regional Board's General Permit is not required. On January 10, 2025, Sable submitted a written response to each of the three letters to the Regional Board. On January 22, 2025, the Regional Board issued two additional letters to the Company related to the Pipelines: (i) a Second and Final Notice of Non-Compliance for an alleged failure to obtain coverage under the Regional Board's General Permit for Stormwater Discharges Associated with Industrial Activities in the County and San Luis Obispo and Kern Counties; and (ii) an order requiring Sable to submit a technical report responding to information requests associated with the discharge of earthen material to waters of the state. On January 31, 2025, Sable submitted an application to the Regional Board for regulatory coverage under the Regional Board's General Permit WQO 2004-004 for the alleged discharge waste to waters of the state, and on February 18, 2025, Sable submitted an application for CDFW for an after-the-fact Lake and Streambed Alteration Agreement (LSAA) to address the same site. On February 21, 2025, Sable submitted to the Regional

Board, under protest, an application for coverage under the Regional Board's General Permit for Stormwater Discharges. On March 8, 2025, Sable submitted its responses to the Regional Board's order requiring the Company to submit a technical report.

California Department of Fish and Wildlife

On December 17, 2024, CDFW issued a Notice of Potential Violation to Sable for alleged violations of the California Fish and Game Code at four separate sites within the County and San Luis Obispo County in California for alleged placement or fill of waste to waters. On January 13, 2025, Sable submitted a written response to CDFW. Permit applications for after-the-fact permits for these four sites were submitted to the Regional Board and CDFW during the week of March 10, 2025.

Zaca Preserve Matter

On October 3, 2024, plaintiff Zaca Preserve LLC filed a California state court complaint against Sable, its subsidiary PPC, Plains All American Pipeline LP, and Plains Pipeline LP. The case is captioned 24CV05483 and is pending in Santa Barbara Superior Court, Anacapa Division. The plaintiff filed a First Amended Complaint on December 12, 2024, and served the complaint on Sable and PPC on December 18, 2024.

The plaintiff was a class member of the Grey Fox litigation that was settled effective September 17, 2024, and chose to opt out of the final settlement class. The plaintiff raises claims similar to the Grey Fox plaintiffs, namely that the pipeline easement on its property is no longer valid in light of the 2015 Refugio oil spill and the conduct of defendants. The plaintiff brings contract and tort claims and seeks declaratory and injunctive relief determining his easement terminated and prohibiting defendants from accessing or using his easement to restart pipeline operations. The plaintiff seeks compensatory, exemplary, and statutory damages, costs, attorneys' fees, and interest, as well as declaratory and injunctive relief. By stipulation, Sable and PPC's deadline to respond to the First Amended Complaint was March 4, 2025. Sable and PPC timely filed and served their Demurrer to the Plaintiff's First Amended Complaint and Sable filed and served a Motion to Strike the First Amended Complaint. Sable and PPC intend to defend the case vigorously. See Part II, Item 8 "Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements," Note 8 — Commitments and Contingencies for additional information regarding this matter.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Our Common Stock trades on the NYSE under the symbol "SOC".

Recent Sales of Unregistered Securities

On October 3, 2024, Sable Aviation, LLC ("Sable Aviation"), an entity controlled by our Chairman and Chief Executive Officer, and Sable entered into an Agreement of Purchase and Sale, pursuant to which Sable Aviation sold transportation assets and related equipment to Sable in exchange for 600,000 shares of Common Stock, valued at $15.2 million.

Holders

On March 14, 2025, there were 54 holders of record of our Common Stock, and eight holders of record of our private placement warrants.

Securities Authorized for Issuance Under Equity Compensation Plans.

The following table sets forth, for the periods indicated, Sable's equity incentive plans authorized activity:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders	—	—	10,747,299
Total	—	—	10,747,299

In connection with the Business Combination, the Company adopted the Incentive Plan in order to facilitate the grant of cash and equity incentives to directors, employees, including named executive officers, and consultants to help attract and retain the services of these individuals. As of December 31, 2024, the aggregate number of shares of Common Stock that are available for issuance under the Incentive Plan is 10,747,299, provided that the number of shares of Common Stock authorized for issuance under the Incentive Plan is subject to an annual increase for ten years on the first day of each calendar year beginning January 1, 2024, in an amount equal to the lesser of (A) 5% of the aggregate number of shares of Common Stock outstanding on the final day of the immediately preceding calendar year and (B) such smaller number of shares as is determined by the Board.

Item 6. Reserved

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated, references to "we", "us", "our", "Sable" or the "Company" in this Item 7 are to Sable Offshore Corp. (f/k/a Flame Acquisition Corp.) and its consolidated subsidiaries, following the Business Combination. References to "Flame" are to Flame Acquisition Corp. before the consummation of the Business Combination. References to the "Pipelines" are to Pipeline Segments 324/325 (formerly known as Pipeline Segments 901/903) and the other "324/325 Assets" (formally known as "901/903 Assets" and as defined in the Sable-EM Purchase Agreement). As a result of the closing of the Business Combination, which was accounted for as a forward merger in accordance with GAAP, the financial statements of Successor (as defined below) are now the financial statements of the Company. The following discussion and analysis of our financial condition and results of operations is provided as a supplement to, and should be read in conjunction with our financial statements and related notes thereto included elsewhere in this Annual Report. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those discussed in "Cautionary Notice Regarding Forward-Looking Statements" and Part I, Item 1A, "Risk Factors."

Overview

Sable Offshore Corp. is an independent oil and gas company headquartered in Houston, Texas. We were incorporated in Delaware on October 16, 2020 and, until February 14, 2024, were a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. We are an emerging growth company and, as such, we are subject to all of the risks associated with emerging growth companies.

Business Combination

On November 1, 2022 (as amended on June 13, 2023 and December 15, 2023), Sable Offshore Corp., a Texas corporation ("SOC"), entered into a purchase and sale agreement (as amended, the "Sable-EM Purchase Agreement") with Exxon Mobil Corporation ("Exxon") and Mobil Pacific Pipeline Company ("MPPC," and together with Exxon, "EM") pursuant to which SOC agreed to acquire from EM certain assets constituting the Santa Ynez field in Federal waters offshore California ("SYU") and associated onshore processing and pipeline assets (such "Assets," as defined in the Sable-EM Purchase Agreement, collectively the "SYU Assets").

On November 2, 2022, Flame entered into an agreement and plan of merger, dated as of November 2, 2022 (as amended, the "Merger Agreement"), with SOC and Sable Offshore Holdings, LLC, a Delaware limited liability company and the parent company of SOC ("Holdco" and, together with SOC, "Legacy Sable"), which provided for the following transactions at the closing: (i) Holdco would merge with and into Flame, with Flame surviving such merger (the "Holdco Merger") and (ii) SOC would merge with and into Flame, with Flame surviving such merger (the "SOC Merger" and, together with the Holdco Merger, the "Mergers" and, along with the other transactions contemplated by the Merger Agreement, the "Business Combination").

On February 12, 2024, Flame held a special meeting of stockholders (the "Special Meeting"), at which the Flame stockholders considered and adopted, among other matters, a proposal to approve the Business Combination, including (a) adopting the Merger Agreement and (b) approving the other transactions contemplated by the Merger Agreement.

Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, following the Special Meeting, on February 14, 2024 (the "Closing Date"), the Business Combination was consummated (the "Closing"). In connection with the Business Combination, Flame changed its name to "Sable Offshore Corp."

First PIPE Investment

On February 14, 2024, in connection with the Business Combination, the Company issued 44,024,910 shares of Common Stock, at a price of $10.00 per share for aggregate gross proceeds of $440.2 million (the "First PIPE Investment"). The shares of Common Stock issued in the First PIPE Investment were offered in a private placement under the Securities Act of 1933, as amended (the "Securities Act"). Upon the closing of the Business Combination, an associated marketing fee

and legal fees of approximately $22.9 million was paid in full, and is recognized as an offset to the proceeds from the First PIPE Investment.

Second PIPE Investment

On September 26, 2024, the Company issued 7,500,000 shares of Common Stock of the Company, at a price of $20.00 per share for aggregate gross proceeds of approximately $150.0 million (the "Second PIPE Investment"). The shares of Common Stock issued in the Second PIPE Investment were offered in a private placement under the Securities Act. An associated marketing fee and legal fees of approximately $7.8 million was recognized as an offset to the proceeds from the Second PIPE Investment.

Public Warrant Exercises

On October 3, 2024, Sable issued a press release announcing the redemption of all of its outstanding Public Warrants to purchase shares of Common Stock that were issued under the Warrant Agreement, as part of the units sold in the Company IPO.

On October 31, 2024, the Public Warrants ceased trading on the New York Stock Exchange. As of November 4, 2024 (the “Redemption Date”), approximately 99.8% of the Company’s outstanding Public Warrants were exercised by the holders thereof to purchase fully paid and non-assessable shares of Common Stock at an exercise price of $11.50 per share. As a result, holders of the Public Warrants received an aggregate of 15,957,820 shares of the Company’s Common Stock in exchange for $183.5 million in cash proceeds to the Company. All unexercised and outstanding Public Warrants as of 5:00 p.m. New York City time on the Redemption Date were redeemed at a price of $0.01 per Public Warrant and, as a result, no Public Warrants currently remain outstanding and the Public Warrants have ceased trading on the New York Stock Exchange. The private placement warrants and working capital warrants to purchase Common Stock that were issued under the Warrant Agreement and that are still held by the initial holders thereof or their permitted transferees were not subject to this redemption and remain outstanding. Refer to *Note 7 — Warrants* for additional details regarding the warrant exercises.

SYU Assets

Beginning in 1968 and over the course of 14 years, EM consolidated more than a dozen offshore federal oil leases and organized them into a streamlined production unit known as SYU. SYU consists of three offshore platforms and a wholly owned onshore processing facility located along the Gaviota Coast at Las Flores Canyon in Santa Barbara County, California. SYU’s onshore facilities and the three offshore platforms remained in continuous operation until 2015. In May 2015, a pipeline operated by Plains All American Pipeline, L.P. (“Plains”) that transported produced oil from SYU experienced a leak, as further described under *“Business—Pipeline 901 Incident.”* The SYU platforms and facilities suspended production after the incident, the SYU Assets were shut in and the facilities were placed in a safe state. The facilities are not currently producing oil and gas; however, all equipment remains in place in an operation-ready state, requiring ongoing inspections, maintenance and surveillance. As part of these suspension efforts, all equipment was drained, flushed and purged in 2016. All hydrocarbon pipelines within SYU have been placed in a safe state and remain under regular monitoring. In 2020, Plains entered into a Consent Decree, described further under *“Business—Pipeline 901 Incident,”* that provides a path for a potential restart of the Pipelines.

The discussion of the results of operations for the Predecessor periods below do not include the results from the Pipelines and the Pipelines are not included in the combined financial statements of the Predecessor included in the financial statements and related notes thereto included elsewhere in this Annual Report. Financial statements of the Pipelines have not been included because SEC guidance provides that the financial statements of recently acquired businesses such as the Pipelines need not be filed unless their omission would render Predecessors combined financial statements misleading or substantially incomplete. Based upon our quantitative and qualitative analysis, we do not believe omitting the financial statements of the Pipelines renders the Predecessor combined financial statements misleading or substantially incomplete. The Successor financial statements include the results from the Pipelines and the Pipelines are included in the consolidated financial statements.

For the purposes of the consolidated financial statements, periods on or before February 13, 2024 reflect the financial position, results of operations and cash flows of SYU prior to the Business Combination, referred to herein as the “Predecessor,” and periods beginning on or after February 14, 2024 reflect the financial position, results of operations and cash flows of the Company as a result of the Business Combination, referred to herein as the “Successor.”

Components of Results of Operations

Revenue

The Company has not had any substantial revenues since the shut-in. The Company's various operating expenses are the principal metrics used to assess its performance.

Operating Expenses

- *Operations and maintenance*. The Company's most significant costs to operate and maintain its assets are direct labor and supervision, power, repair and maintenance expenses, and equipment rentals. Fluctuations in commodity prices impact operating cost elements both directly and indirectly. For example, commodity prices directly impact costs such as power and fuel, which are expenses that increase (or decrease) in line with changes in commodity prices. Commodity prices also affect industry activity and demand, thus indirectly impacting the cost of items such as labor and equipment rentals.

- *Depreciation, depletion, amortization, and accretion*. Depreciation, depletion and amortization are primarily determined under either the unit-of-production method, which is based on estimated asset service life taking obsolescence into consideration. Since being shut in, no depletion or amortization has been recorded for the Successor periods presented. An immaterial amount of depreciation was reflected for idle plants in the historical Predecessor financial statements. Also included in the Successor and Predecessor financial statements is the accretion associated with the Company's estimated asset retirement obligations ("ARO"). The ARO liabilities are initially recorded at their fair value and then are accreted using the Company's applicable discount rate over the period for the change in their present value until the estimated retirement of the asset.

- *General and administrative*. General and administrative ("G&A") costs are comprised of overhead expenditures directly and indirectly associated with operating the assets. These support services include information technology, risk management, corporate planning, accounting, cash management, human resources, and other general corporate services. For the Predecessor period, any general and administrative expenses that were not specifically identifiable to SYU were allocated to SYU for the year ended December 31, 2023, and for the period from January 1, 2024 to February 13, 2024. To calculate a reasonable allocation, aggregated historical benchmarking data from comparable companies with similar operated upstream assets was used to identify general and administrative expenses as a proportion of operating expenses. Increased general and administrative services may be required in the future, commensurate with planned operations activity levels.

- *Taxes other than income*. Management anticipates future increases in ad valorem taxes, in line with the projected restart of production.

Results of Operations

The comparability of our operating results for the period February 14, 2024 through December 31, 2024 (Successor), the period January 1, 2024 through February 13, 2024 (Predecessor), and the year ended December 31, 2023 (Predecessor) was impacted by the Business Combination. In the discussion of our results of operations for these periods, we may quantitatively disclose the impacts of the Business Combination to the extent they remain ascertainable. Following the Closing Date, all of our operations have focused on restarting production of the SYU Assets. We lack the ability to generate any operating revenues until we receive the necessary regulatory approvals and complete the repairs necessary to restart production. Our only source of non-operating income is generated in the form of interest income on cash and cash equivalents. Post the Business Combination, we expect to incur additional expenses as a result of being an operating public company, for legal, accounting and compliance expenses.

The following table presents selected consolidated financial results of operations for the Successor and Predecessor periods presented.

(in thousands)	Successor	Predecessor		Increase (Decrease)	
	February 14, 2024— December 31, 2024	January 1, 2024— February 13, 2024	Year Ended December 31, 2023	$	%
Revenue	$ —	$ —	$ —	$ —	— %
Oil and gas sales	—	—	—	—	
Operating Expenses					
Operations and maintenance expenses	87,877	7,320	60,693	34,504	56.9 %
Depletion, depreciation, amortization and accretion	9,734	2,627	21,018	(8,657)	(41.2)%
General and administrative expenses	229,140	1,714	12,763	218,091	nm
Total operating expenses	326,751	11,661	94,474	243,938	
Loss from operations	**(326,751)**	**(11,661)**	**(94,474)**	**(243,938)**	**258.2 %**
Other expenses (income):					
Change in fair value of warrant liabilities	227,454	—	—	227,454	nm
Other (income) expense	(4,193)	128	(801)	(3,264)	nm
Interest expense	67,314	—	—	67,314	nm
Total other expense (income), net	**290,575**	**128**	**(801)**	**291,504**	
Loss before income taxes	**(617,326)**	**(11,789)**	**(93,673)**	**(534,851)**	**571.0 %**
Income tax benefit	48	—	—	48	nm
Net loss	**$ (617,278)**	**$ (11,789)**	**$ (93,673)**	**$ (534,803)**	**570.9 %**

nm: *not meaningful*

Operating and maintenance expenses. Operating and maintenance expenses were $7.3 million and $87.9 million for the periods from January 1, 2024 through February 13, 2024 (Predecessor) and February 14, 2024 through December 31, 2024 (Successor), respectively, or a combined $95.2 million, representing an increase of $34.5 million, or 56.9%, compared to $60.7 million for the year ended December 31, 2023 (Predecessor). The increase in operating and maintenance expenses was primarily attributable to activities associated with restart, which includes an 88% increase in operations employee headcount since the Closing Date. Operations and maintenance expenses are expected to increase over the next several years as production is restarted and additional employees are hired to support safe production operations.

Depletion, depreciation, amortization and accretion. Depletion, depreciation, amortization and accretion was $2.6 million and $9.7 million for the periods from January 1, 2024 through February 13, 2024 (Predecessor) and February 14, 2024 through December 31, 2024 (Successor), respectively, or a combined $12.4 million, representing a decrease of $8.7 million, or 41.2%, compared to $21.0 million for the year ended December 31, 2023 (Predecessor). The decrease in depletion, depreciation, amortization and accretion was primarily attributable to the Company not recognizing depletion expense following the Business Combination, as the assets were not in service since repairs are necessary prior to achieving production restart. Depletion will resume once production commences and the assets are placed in service. The decrease can also be attributed to a decrease in accretion expense associated with the lower ARO recognized in the Business Combination in accordance with the accounting for the transaction. The $9.7 million depletion, depreciation, amortization and accretion expense recognized for the period February 14, 2024 through December 31, 2024 (Successor) primarily represents the recognition of ARO accretion for the period. Depletion, depreciation, amortization and accretion expense is expected to increase over the next several years as production is restarted.

General and administrative expenses. General and administrative expenses were $1.7 million and $229.1 million for the periods from January 1, 2024 through February 13, 2024 (Predecessor) and February 14, 2024 through December 31, 2024 (Successor), respectively, or a combined $230.9 million, representing an increase of $218.1 million compared to $12.8 million for the year ended December 31, 2023 (Predecessor). The increase in general and administrative expenses was primarily attributable to general and administrative related stock-based compensation of $86.6 million following the Business Combination, the $70.0 million settlement of the Grey Fox Matter (Refer to *Note 8 — Commitments and Contingencies*), $17.5 million in legal expenses and professional fees related to the Business Combination, restart efforts,

and other legal matters, and the recognition of salaries and wages following the Company's commencement of operations following the Business Combination. Predecessor G&A expenses were allocated to SYU as a portion of certain other operating costs based on aggregated historical benchmarking data as previously noted.

Total other expense (income), net. Total other expense, net was $0.1 million and $290.6 million for the periods from January 1, 2024 through February 13, 2024 (Predecessor) and February 14, 2024 through December 31, 2024 (Successor), respectively, or a combined $290.7 million, representing an increase of $291.5 million compared to $0.8 million in other income for the year ended December 31, 2023 (Predecessor). The increase in total other expense, net was primarily attributable to an increase of $227.5 million in fair value of the warrants and $67.3 million in interest expense, partially offset by interest income of $4.2 million. The increase during the Successor period is also due to the fact that the Predecessor did not have any debt or associated interest expense, warrants, or interest income.

Income tax benefit. Income tax benefit was zero and less than $0.1 million for the periods from January 1, 2024 through February 13, 2024 (Predecessor) and February 14, 2024 through December 31, 2024 (Successor), respectively, representing an increase of less than $0.1 million compared to zero for the year ended December 31, 2023 (Predecessor). Based on our ongoing assessment of our ability to recover our deferred tax assets, we concluded that it was more likely than not that our deferred tax assets in excess of deferred tax liabilities would not be realized. For the Successor period, we concluded that certain deferred tax liabilities in future periods do not have deferred tax assets available to offset, which is primarily due to our net operating losses being limited to 80% of future estimated taxable income. Our judgment regarding the likelihood of realization of these deferred tax assets could change in future periods, which could result in a material impact to our income tax provision in the period of change.

Liquidity and Capital Resources

Overview. Our plans for restarting production, including restarting the existing wells and facilities and recommencing transportation through the Pipelines, will require significant capital expenditures in excess of current operational cash flow. Historically, SYU's primary source of liquidity has been its operational cash flow and, since the shut-in, capital contributions from its parent. While production is in the process of being restarted and prior to generating positive cash flow from production, capital expenditure needs will be substantial and are expected to come from cash on hand. Prior to the Business Combination, Flame had approximately $62.2 million in its trust account, which consisted of proceeds from the public stockholders and the private placement investors in connection with the Company's initial public offering, less redemptions. Sable raised $440.2 million in gross proceeds from the First PIPE Investment in connection with the Business Combination, $150.0 million in gross proceeds from the Second PIPE Investment, and approximately $183.5 million from the exercise of 15,957,820 warrants for 15,957,820 shares of Common Stock. Additionally, more than $600 million of the Purchase Price was seller-financed through a Senior Secured Term Loan with EM. Based on its current financial plan, Sable management expects production to restart in the second quarter 2025, after which its operating cash flows are expected to be sufficient to service Sable's operating expenses and indebtedness.

Capital Requirements. Sable currently estimates remaining start-up expenses of approximately $152.0 million in order to restart production in the second quarter 2025. Management evaluates its cost estimates on an ongoing basis. The expenditures will primarily be directed toward obtaining the necessary regulatory approvals and completing the pipeline repairs and bringing the shut-in assets back online in the second quarter 2025. After production restarts, Sable management expects a rapid increase in operating cash flows that should allow Sable to fund further capital expenditures. If Sable is unable to obtain funds or provide funds as needed for the planned capital expenditure program, Sable may not be able to finance the capital expenditures necessary to restart production or sustain production thereafter.

Going Concern

Prior to the Business Combination, EM funded the Predecessor SYU operational expenses. Since the consummation of the Business Combination, Sable has addressed near-term capital funding needs with the First PIPE Investment, the Second PIPE Investment and proceeds from the exercise of Warrants (refer to *Note 7 — Warrants* for additional details regarding the warrant exercises) and believes the Company has sufficient capital to maintain operations and complete the repairs necessary to restart production. However, the Company's plans for production restart are contingent upon approvals from federal, state and local regulators. Additionally, if the Company's estimates of the costs of restarting production are less than the actual amounts necessary to do so, the Company may have insufficient funds available to operate its business prior to first production and will need to raise additional capital. If the Company is unable to raise additional capital, it may be required to take additional measures to conserve liquidity, which could include, among other things, reducing overhead

expenses. The Company cannot provide any assurance that new financing will be available to it on commercially acceptable terms, if at all.

Due to the remaining regulatory approvals necessary to restart production, along with the timing of ongoing construction repair efforts, substantial doubt exists about the Company's ability to continue as a going concern. The financial statements included in this Annual Report do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that could be necessary if the Company is unable to continue as a going concern.

Cash Flows

The following table summarizes cash flows from Operating, Investing and Financing activities:

	Successor	Predecessor		(Decrease) Increase	
(dollars in thousands)	February 14, 2024—December 31, 2024	January 1, 2024—February 13, 2024	Year Ended December 31, 2023	$	%
Cash flows (used in) provided by:					
Operating activities	$ (162,968)	$ (22,474)	$ (70,098)	$ (115,344)	164.5 %
Investing activities	(276,247)	—	—	(276,247)	— %
Financing activities	721,653	22,474	70,098	674,029	961.6 %
Net change in cash and cash equivalents	$ 282,438	$ —	$ —	$ 282,438	

Cash Flows from Operating Activities. The SYU Assets have been shut in since 2015 and therefore there has been no production and associated revenues for the comparative periods. The net cash used in operating activities for the Company was $22.5 million and $163.0 million for the periods from January 1, 2024 through February 13, 2024 (Predecessor) and February 14, 2024 through December 31, 2024 (Successor), respectively, or a combined $185.4 million, representing an increase of $115.3 million, or 164.5% compared to the year ended December 31, 2023 (Predecessor). The primary use of cash can be attributed to maintenance and operational readiness activities in the Predecessor and Successor periods, with additional general and administrative costs incurred post the Business Combination in the Successor period. For the period from February 14, 2024 through December 31, 2024 (Successor), we had a net loss of $617.3 million, which consists of a non-cash increase of $227.5 million in fair value of the warrants, non-cash stock-based compensation of $91.6 million, non-cash paid-in-kind interest of $66.3 million, changes in accounts payable of $54.0 million, non-cash depreciation, depletion, amortization and accretion of $9.7 million and a non-cash effect from the First Amendment to the Senior Secured Term Loan of $5.0 million. Changes in accounts payable for that period is primarily attributable to the Grey Fox Matter settlement, with $35.0 million remaining in accounts payable and accrued expenses as of December 31, 2024 (Refer to *Note 2 — Significant Accounting Policies),* and other vendor payables associated with the restart efforts. Future cash flow from operations will depend on our ability to bring the associated oil and gas production of the assets back online, as well as the prices of oil, NGLs and natural gas.

For the year ended December 31, 2023 (Predecessor), the $70.1 million cash used in operating activities was related to maintenance and operational readiness expenses.

Cash Flows from Investing Activities. The net cash used in investing activities for the Company was zero and $276.2 million for the periods from January 1, 2024 through February 13, 2024 (Predecessor) and February 14, 2024 through December 31, 2024 (Successor), respectively. The Successor investing cash flow is primarily comprised of $203.9 million paid to EM at Closing, with the remaining $72.3 million cash paid for capital expenditures associated with restart efforts.

For the year ended December 31, 2023 (Predecessor), the net cash used in investing activities for the Predecessor period was zero since the SYU Assets have been shut in since 2015, without investing activities, but has been maintained in an operation-ready state.

Cash Flows from Financing Activities. The net cash provided by financing activities for the Company was $22.5 million and $721.7 million for the periods from January 1, 2024 through February 13, 2024 (Predecessor) and February 14, 2024 through December 31, 2024 (Successor), respectively. The Successor financing activities for the period are comprised of the aggregate $590.2 million in gross proceeds received from the First PIPE Investment and the Second PIPE Investment, less $30.6 million of capitalized transaction expenses, or approximately $559.7 million net, cash received from Warrant

exercises of $183.5 million, less the deposit paid to EM for the Senior Secured Term Loan of $18.8 million, payment of debt issuance costs of $1.6 million, and repayment of Flame's non-convertible promissory notes—related parties for $1.1 million.

For the year ended December 31, 2023 (Predecessor), the net cash used in financing activities was $70.1 million. Predecessor financing activities consists of EM capital contributions financing the maintenance and operational readiness activities.

Contractual Obligations

Pursuant to the Senior Secured Term Loan, which financed most of the Purchase Price (as defined in the Senior Secured Term Loan), Sable will pay interest at ten percent (10%) per annum compounded annually, payable in arrears on January 1st of each year. At Sable's election, accrued but unpaid interest may be deemed paid on each interest payment date by adding the amount of interest owed to the outstanding principal (paid-in-kind) amount under the Senior Secured Term Loan. On December 13, 2024, the Company entered into the Fourth Amendment to the Sable-EM Purchase Agreement, pursuant to which the following definitions were amended. "Restart Production" was redefined as 150 days after first production, extending the maturity date of the EM Term Loan by 60 days. "Restart Failure Date" was extended an additional 60 days to March 1, 2026. In the absence of further negotiations, Restart Production must take place prior to March 1, 2026, and the Senior Secured Term Loan must be refinanced within 240 days following such first production date. Refer to *Note 6 — Debt* for additional disclosures regarding the Senior Secured Term Loan.

Pursuant to the Transition Services Agreement with EM, EM provided to Sable certain operational, accounting, cash management, information technology and other general transition services with respect to the Assets (as such term is defined in the Sable-EM Purchase Agreement) for three months following the Closing Date, or until May 14, 2024.

Additional obligations include the performance of ARO as referenced under "*Critical Accounting Policies and Estimates—Asset Retirement Obligations*" below.

Off Balance Sheet Arrangements

As of December 31, 2024, the Company had no off-balance sheet arrangements.

Critical Accounting Estimates

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

Property, Plant and Equipment.

Cost Basis. Oil and gas producing activities are accounted for under the successful efforts method of accounting. Under this method, costs are accumulated on a field-by-field basis. Costs incurred to purchase, lease, or otherwise acquire a property (whether unproved or proved) are capitalized when incurred. Exploratory well costs are carried as an asset when the well has found a sufficient quantity of resources to justify its completion as a producing well and where sufficient progress assessing the resources and the economic and operating viability of the project is being made. Exploratory well costs not meeting these criteria are charged to expense. Other exploratory expenditures, including geophysical costs and annual lease rentals, are expensed as incurred. Development costs, including costs of productive wells and development dry holes, are capitalized.

Other Property and Equipment. Other property and equipment primarily consist of onshore midstream facilities and transportation assets. Due to the natural of such assets, the onshore midstream facilities are presented within oil and gas properties, while the transportation assets are presented within other assets on the consolidated balance sheets.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization are primarily determined under the unit-of-production method, which is based on estimated asset service life taking obsolescence into consideration.

Acquisition costs of proved properties are amortized using a unit-of-production method, computed on the basis of total proved oil and natural gas reserve volumes. Capitalized exploratory drilling and development costs associated with productive depletable extractive properties are amortized using the unit-of-production rates based on the amount of proved developed resources of oil and gas that are estimated to be recoverable from existing facilities using current operating methods. Under the unit-of-production method, oil and natural gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the lease or field storage tank. Maintenance and repairs, including planned major maintenance, are expensed as incurred. Major renewals and improvements are capitalized and the assets replaced are retired.

The SYU Assets have been shut in since 2015 due to a pipeline incident but had been maintained by EM to preserve it in an operation-ready state and thus no depletion has been recorded for the periods presented. The recognition of depletion expense will commence upon restart and related production.

Impairment Assessment. Assets are tested for recoverability on an ongoing basis whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Among the events or changes in circumstances which could indicate that the carrying value of an asset or asset group may not be recoverable are the following:

- a significant decrease in the market price of a long-lived asset;
- a significant adverse change in the extent or manner in which an asset is being used or in its physical condition, including a significant decrease in current and projected resource or reserve volumes;
- a significant adverse change in legal factors or in the business climate that could affect the value, including an adverse action or assessment by a regulator;
- an accumulation of project costs significantly in excess of the amount originally expected; and
- a current-period operating loss combined with a history and forecast of operating or cash flow losses.

We monitor for indicators of potential impairment throughout the year. This process is aligned with the requirements of ASC 360—Property, Plant, and Equipment and ASC 932 Extractive Activities—Oil and Gas. Asset valuation analysis, profitability reviews and other periodic control processes assist in assessing whether events or changes in circumstances indicate the carrying amounts of any of the assets may not be recoverable.

If events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, management estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. In performing this assessment, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Cash flows used in recoverability assessments are based on assumptions which are developed by management and are consistent with the criteria management uses to evaluate investment opportunities. These evaluations make use of assumptions of future capital allocations, crude oil and natural gas commodity prices including price differentials, refining and chemical margins, volumes, and development and operating costs. Volumes are based on projected field and facility production profiles, throughput, or sales. Management's estimate of upstream production volumes used for projected cash flows makes use of proved reserve quantities and may include risk-adjusted unproved reserve quantities.

An asset group is impaired if its estimated undiscounted cash flows are less than the asset group's carrying value. Impairments are measured by the amount by which the carrying value exceeds fair value. The assessment of fair value is based upon the views of a likely market participant. The principal parameters used to establish fair value include estimates of acreage values and flowing production metrics from comparable market transactions, market-based estimates of historical cash flow multiples, and discounted cash flows. Inputs and assumptions used in discounted cash flow models include estimates of future production volumes, throughput and product sales volumes, commodity prices which are consistent with the average of third-party industry experts and government agencies, refining and chemical margins, drilling and development costs, operating costs and discount rates which are reflective of the characteristics of the asset group.

Asset Retirement Obligations. The Company's asset retirement obligations primarily relate to the future plugging and abandonment of oil and gas properties and related facilities. The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time the assets are installed. In the estimation of fair value, the Company uses assumptions and judgments regarding such factors as the existence of a legal obligation for an asset retirement obligation, technical assessments of the assets, estimated amounts and timing of settlements, discount rates, and inflation rates.

Derivative Warrant Liabilities. We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. We evaluate all of our financial instruments, including issued stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480 and ASC 815-15. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

All of our outstanding warrants are recognized as derivative liabilities in accordance with ASC 815-40. Accordingly, we recognize the warrant instruments as liabilities at fair value and adjust the instruments to fair value at each reporting period. The liabilities are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our statement of operations. The private placement warrants and the working capital warrants are measured at fair value using the Modified Black-Scholes Optional Pricing Model.

Emerging Growth Company; Smaller Reporting Company

We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and it has elected to comply with certain reduced public company reporting requirements. Sable could remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of the completion of the Company IPO. However, if (a) Sable’s total annual gross revenue exceed $1.235 billion, (b) Sable is deemed to be a large accelerated filer, which means the market value of Common Stock that is held by non-affiliates exceeds $700.0 million as of the end of the prior fiscal year’s second fiscal quarter, or (c) Sable’s non-convertible debt issued within a three-year period exceeds $1.0 billion, Sable would cease to be an emerging growth company as of the following fiscal year.

Additionally, we are a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. Sable will be a smaller reporting company until the last day of any fiscal year for so long as either (1) the market value of Common Stock held by non-affiliates did not exceed $250 million as of the prior June 30, or (2) Sable’s annual revenues did not exceed $100 million during such completed fiscal year and the market value of Common Stock held by non-affiliates did not exceed $700 million as of the prior June 30.

Recent Accounting Pronouncements

Our management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Sable Offshore Corp.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Sable Offshore Corp. (the "Company") as of December 31, 2024 (Successor) and December 31, 2023 (Predecessor), the related statements of operations, changes in stockholders' equity (deficit) / parent net investment and cash flows for the period from February 14, 2024 to December 31, 2024 (Successor), the period from January 1, 2024 to February 13, 2024 (Predecessor) and the year ended December 31, 2023 (Predecessor), and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 (Successor) and December 31, 2023 (Predecessor), and the results of its operations and its cash flows for each of the period from February 14, 2024 to December 31, 2024 (Successor), the period from January 1, 2024 to February 13, 2024 (Predecessor) and the year ended December 31, 2023 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1, uncertainties related to obtaining the remaining regulatory approvals necessary to restart production, along with the timing of ongoing construction repair efforts raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ham, Langston & Brezina, L.L.P.

We have served as the Company's auditor since 2024.

Houston, TX
March 17, 2025

SABLE OFFSHORE CORP.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	Successor December 31, 2024	Predecessor December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 300,384	$ —
Restricted cash	35,388	—
Materials and supplies	15,337	16,213
Prepaid expenses and other current assets	4,166	—
Total current assets	**355,275**	**16,213**
Oil and gas properties (Successful efforts method)		
Oil and gas properties	1,194,447	4,382,289
Less: Accumulated depreciation, depletion and amortization	—	(3,693,325)
Total oil and gas properties - net	**1,194,447**	**688,964**
Other, net	33,450	6,404
Total assets	**$ 1,583,172**	**$ 711,581**
Liabilities and Stockholders' Equity/Parent Net Investment		
Accounts payable and accrued expenses	$ 119,753	$ 5,384
Due to related party, net	—	11,370
Other current liabilities	918	1,148
Total current liabilities	**120,671**	**17,902**
Warrant liabilities	126,941	—
Asset retirement obligations	99,683	349,138
Senior Secured Term Loan including paid-in-kind interest, net	833,542	—
Deferred tax liabilities	1,162	—
Other	16,988	5,520
Total liabilities	**1,198,987**	**372,560**
Commitments and Contingencies (Note 8)		
Stockholders' Equity/Parent Net Investment		
Parent net investment	—	339,021
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued and outstanding at December 31, 2024	—	—
Common Stock, $0.0001 par value; 500,000,000 shares authorized; 89,310,996 issued and outstanding at December 31, 2024	8	—
Additional paid-in capital	1,082,473	—
Accumulated deficit	(698,296)	—
Total Stockholders' Equity/Parent Net Investment	**384,185**	**339,021**
Total Liabilities and Stockholders' Equity/Parent Net Investment	**$ 1,583,172**	**$ 711,581**

The accompanying notes are an integral part of these consolidated financial statements.

SABLE OFFSHORE CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands)

	Successor	Predecessor	
	February 14, 2024— December 31, 2024	January 1, 2024— February 13, 2024	Year Ended December 31, 2023
Revenue			
Oil and gas sales	$ —	$ —	$ —
Total revenue	—	—	—
Operating Expenses			
Operations and maintenance expenses	87,877	7,320	60,693
Depletion, depreciation, amortization and accretion	9,734	2,627	21,018
General and administrative expenses	229,140	1,714	12,763
Total operating expenses	326,751	11,661	94,474
Loss from operations	**(326,751)**	**(11,661)**	**(94,474)**
Other expenses (income):			
Change in fair value of warrant liabilities	227,454	—	—
Other (income) expense	(4,193)	128	(801)
Interest expense	67,314	—	—
Total other expense (income), net	**290,575**	**128**	**(801)**
Loss before income taxes	**(617,326)**	**(11,789)**	**(93,673)**
Income tax benefit	48	—	—
Net loss	**$ (617,278)**	**$ (11,789)**	**$ (93,673)**
Basic and diluted net loss per Common Stock			
Weighted average Common Stock outstanding, basic and diluted	67,015,860	n/a	n/a
Basic and diluted net loss per Common Stock	$ (9.21)	n/a	n/a

The accompanying notes are an integral part of these consolidated financial statements.

SABLE OFFSHORE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) / PARENT NET INVESTMENT
(dollars in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Successor:					
BALANCE—February 14, 2024 (prior to Business Combination)	**7,187,500**	**$ 1**	**$ —**	**$ (81,018)**	**$ (81,017)**
Redeemable shares reclassified to Common Stock	5,953,859	1	61,948	—	61,949
Net effect of Business Combination	**13,141,359**	**2**	**61,948**	**(81,018)**	**(19,068)**
Private offering proceeds, net	51,524,910	5	559,598	—	**559,603**
Issuance of Common Stock upon exercise of warrants	16,170,457	1	354,084	—	**354,085**
Issuance of Common Stock for Transportation Assets	600,000	—	15,234	—	**15,234**
Issuance of merger consideration shares	3,000,000	—	36,300	—	**36,300**
Shared based compensation	4,874,270	—	55,309	—	**55,309**
Net loss	—	—	—	(617,278)	**(617,278)**
BALANCE—December 31, 2024	**89,310,996**	**$ 8**	**$ 1,082,473**	**$ (698,296)**	**$ 384,185**

	Parent Net Investment
Predecessor:	
BALANCE—January 1, 2023	**$ 362,596**
Contributions from parent	70,098
Net loss	(93,673)
BALANCE—December 31, 2023	**339,021**
Contributions from parent	22,474
Net loss	(11,789)
BALANCE—February 13, 2024	**$ 349,706**

The accompanying notes are an integral part of these consolidated financial statements.

SABLE OFFSHORE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Successor	Predecessor	
	February 14, 2024— December 31, 2024	January 1, 2024— February 13, 2024	Year Ended December 31, 2023
Cash flows from operating activities:			
Net loss	$ (617,278)	$ (11,789)	$ (93,673)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation, depletion, amortization and accretion	9,734	2,627	21,018
Stock-based compensation	91,609	—	—
Amortization of operating lease right-of-use asset	1,071	—	—
Amortization of debt issuance costs	1,012	—	—
Paid-in-kind interest	66,302	—	—
Effect of amendment to the Senior Secured Term Loan	4,957	—	—
Deferred tax benefit	(48)	—	—
Change in fair value of warrant liabilities	227,454	—	—
Changes in current assets and current liabilities, net of effect of acquisition:			
Materials, supplies and other assets	1,275	5,980	2,198
Prepaid expenses	(3,025)	—	—
Accounts payable and accrued expenses	53,969	(7,922)	(4,430)
Due to related party	—	(11,370)	4,789
Net cash used in operating activities	(162,968)	(22,474)	(70,098)
Cash flows from investing activities:			
Payments for capital expenditures	(72,302)	—	—
Cash paid for acquisition	(203,945)	—	—
Net cash used in investing activities	(276,247)	—	—
Cash flows from financing activities:			
Capital contribution from parent	—	22,474	70,098
Private offering proceeds	590,249	—	—
Payment of equity issuance costs	(30,596)	—	—
Cash received on warrants exercised, net	183,514	—	—
Payment on Senior Secured Term Loan	(18,750)	—	—
Payment of debt issuance costs	(1,635)	—	—
Payment of non-convertible promissory notes—related parties	(1,129)	—	—
Net cash provided by financing activities	721,653	22,474	70,098
Net change in cash	282,438	—	—
Cash and cash equivalents, beginning of the period	53,334	—	—
Cash, cash equivalents and restricted cash, end of the period	$ 335,772	$ —	$ —
Supplemental Non-Cash Disclosure			
Assets and Liabilities resulting from Business Combination:			
Senior Secured Term Loan, including paid-in-kind interest	$ 765,018	$ —	$ —
Supplies and materials	16,637	—	—
Accrued liabilities	129	—	—
Deferred tax liability	1,209	—	—
Asset retirement obligations assumed	90,073	—	—
Right of use assets obtained in exchange for operating lease liabilities	4,621	—	—
Right of use assets obtained in exchange for operating lease liabilities	$ 13,689	$ —	$ —
Acquisition of transportation assets	$ 15,234	$ —	$ —
Warrant liability removed upon exercise	$ 170,571	$ —	$ —
Change in capital expenditure accrual	$ 62,384	$ —	$ —

The accompanying notes are an integral part of these consolidated financial statements.

SABLE OFFSHORE CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 — Organization, Business Operations, and Going Concern

Organization and General

Sable Offshore Corp. ("Sable," the "Company" or "we") (formerly known as Flame Acquisition Corp. or "Flame") is an independent oil and gas company headquartered in Houston, Texas. Flame was initially formed as a special purpose acquisition company for the purpose of entering into a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

On November 2, 2022, the Company entered into an agreement and plan of merger, dated as of November 2, 2022 (as amended, supplemented, or otherwise modified from time to time, the "Merger Agreement"), with Sable Offshore Corp., a Texas corporation ("SOC"), and Sable Offshore Holdings, LLC, a Delaware limited liability company and the parent company of SOC ("Holdco" and, together with SOC, "Legacy Sable"). Pursuant to the Merger Agreement, on February 14, 2024, (i) Holdco merged with and into Flame, with Flame surviving such merger (the "Holdco Merger") and (ii) Legacy Sable merged with and into Flame, with Flame surviving such merger (the "SOC Merger" and, together with the Holdco Merger, the "Mergers" and, along with the other transactions contemplated by the Merger Agreement, the "Merger").

On November 1, 2022, SOC, entered into a purchase and sale agreement (as amended, the "Sable-EM Purchase Agreement") with Exxon Mobil Corporation ("Exxon") and Mobil Pacific Pipeline Company ("MPPC," and together with Exxon, "EM") pursuant to which SOC agreed to acquire from EM certain assets constituting the Santa Ynez field in Federal waters offshore California ("SYU") and associated onshore processing and pipeline assets (such "Assets," as defined in the Sable-EM Purchase Agreement, collectively the "SYU Assets").

On February 14, 2024 (the "Closing Date"), the Company consummated the Merger and related transactions (the "Business Combination") contemplated by the Merger Agreement, following which Flame was renamed "Sable Offshore Corp.". Pursuant to the terms and subject to the conditions set forth in the Sable-EM Purchase Agreement, the transactions contemplated by the Sable-EM Purchase Agreement were also consummated on February 14, 2024 ("Sable-EM Closing Date"), immediately after the Business Combination, as a result of which Sable purchased the SYU Assets, effective as of January 1, 2022. On February 15, 2024, Sable's shares of Common Stock, par value $0.0001 per share ("Common Stock") and warrants to purchase Common Stock at an exercise price of $11.50 per share (the "Public Warrants") began trading on NYSE under the symbols, "SOC" and "SOC.WS," respectively (refer to *Note 3 — Acquisition* for additional details).

On the Closing Date, the Company issued 44,024,910 shares of Common Stock of the Company, at a price of $10.00 per share for aggregate gross proceeds of $440.2 million (the "First PIPE Investment"). The shares of Common Stock issued in the First PIPE Investment were offered in a private placement under the Securities Act of 1933, as amended (the "Securities Act"). Upon the closing of the Business Combination, an associated marketing fee and legal fees of approximately $22.9 million was paid in full, and was recognized as an offset to the proceeds from the First PIPE Investment within Additional paid-in capital in the consolidated statement of stockholders' equity (deficit)/net parent investment as of December 31, 2024 (Successor).

On September 26, 2024, the Company issued 7,500,000 shares of Common Stock of the Company, at a price of $20.00 per share for aggregate gross proceeds of approximately $150.0 million (the "Second PIPE Investment"). The shares of Common Stock issued in the Second PIPE Investment were offered in a private placement under the Securities Act. Upon the closing of the Second PIPE Investment, an associated marketing fee and legal fees of approximately $7.8 million was paid in full, and was recognized as an offset to the proceeds from the Second PIPE Investment within Additional paid-in capital in the consolidated balance sheet and statement of stockholders' equity (deficit)/net parent investment as of December 31, 2024 (Successor).

On October 31, 2024, the Public Warrants (refer to *Note 7 — Warrants)* ceased trading on the New York Stock Exchange following the Company's announcement to redeem all remaining outstanding Public Warrants. During the period from February 14, 2024 through December 31, 2024 (Successor), approximately 99.8% of the Public Warrants were exercised by the holders thereof at an exercise price of $11.50 per share. As a result, holders of the Public Warrants received an aggregate 15,957,820 shares of the Company's Common Stock in exchange for $183.5 million in cash proceeds to the

Company. The remaining Public Warrants that were not exercised were redeemed by the Company for $ 0.01 per Public Warrant. Refer to *Note 7 — Warrants* for additional details regarding the warrant exercises.

On December 13, 2024, the Company entered into the Fourth Amendment to the Sable-EM Purchase Agreement, pursuant to which the following definitions were amended. “Restart Production” was redefined as 150 days after first production, extending the maturity date of the Senior Secured Term Loan by 60 days. “Restart Failure Date” was extended an additional 60 days to March 1, 2026. In the absence of further negotiations, Restart Production must take place prior to March 1, 2026, and the Senior Secured Term Loan must be refinanced within 240 days following such first production date.

Unless otherwise noted or the context otherwise requires, references to (i) the “Company,” “Sable,” “we,” “us,” or “our” are to Sable Offshore Corp., a Delaware corporation, and its consolidated subsidiaries, following the Business Combination, (ii) “Flame” refers to Flame Acquisition Corp. prior to the Business Combination, and (iii) the “Pipelines” are to Pipeline Segments 324/325 (formally known as Pipeline Segments 901/903) and the other “324/325 Assets” (formally known as "901/903 Assets" and as defined in the Sable-EM Purchase Agreement).

For the purposes of the consolidated financial statements, periods on or before February 13, 2024 reflect the financial position, results of operations and cash flows of the SYU Assets (excluding the Pipelines) prior to the Business Combination, referred to herein as the “Predecessor,” and periods beginning on or after February 14, 2024 reflect the financial position, results of operations and cash flows of the Company as a result of the Business Combination, referred to herein as the “Successor”.

Going Concern

The accompanying consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern. The Company has experienced losses from operations and has negative cash flows from operations since inception. As of December 31, 2024, the Successor reported unrestricted cash of $300.4 million and an accumulated deficit of $698.3 million. The Company expects to continue to incur losses until it can restart production of the SYU Assets.

Following the Closing Date and through December 31, 2024, management has addressed capital funding needs with the First PIPE Investment, the consummation of the Business Combination, the Second PIPE Investment, and proceeds from the exercise of warrants (refer to *Note 7 — Warrants* for additional details regarding the warrant exercises). Management believes the Company has sufficient capital to maintain operations and complete the repairs necessary to restart production of the SYU Assets. However, the Company’s plans for production restart are contingent upon approvals from federal, state and local regulators. Additionally, if the Company’s estimates of the costs of restarting production are less than the actual amounts necessary to do so, the Company may have insufficient funds available to operate its business prior to first production and will need to raise additional capital. If the Company is unable to raise additional capital, it may be required to take additional measures to conserve liquidity, which could include, among other things, reducing overhead expenses. The Company cannot provide any assurance that new financing will be available to it on commercially acceptable terms, if at all.

Due to the remaining regulatory approvals necessary to restart production, along with the timing of ongoing construction repair efforts, substantial doubt exists about the Company’s ability to continue as a going concern. The financial statements included in this annual report do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that could be necessary if the Company is unable to continue as a going concern.

Note 2 — Significant Accounting Policies

Basis of Presentation

Flame was initially formed as a special purpose acquisition company for the purpose of entering into a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. On February 14, 2024, Flame completed the transactions contemplated by the Merger Agreement and the Sable-EM Purchase Agreement, with Flame surviving the transactions and changing its name to Sable Offshore Corp. thereafter. The Company was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification 805, Business Combinations, with such transactions being

accounted for as a forward merger, and SYU was deemed the Predecessor entity for accounting purposes.

As a result of the Business Combination, the results of operations, financial position and cash flows of the Predecessor and Successor are not directly comparable. Since SYU was deemed to be the Predecessor entity, the historical financial statements of SYU became the historical financial statements of the combined Company, upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of SYU prior to the Business Combination and (ii) the consolidated results of the Company, including SYU, following the Closing Date. The accompanying financial statements include a Predecessor period, which includes the period through February 13, 2024 concurrent with the Business Combination, and a Successor period from February 14, 2024 through December 31, 2024. A black line between the Successor and Predecessor periods has been placed in the consolidated financial statements and in the tables to the notes to the consolidated financial statements to highlight the lack of comparability between these two periods.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for annual financial information and in accordance with the instructions to Form 10-K and Article 8 of Regulation S-X of the U.S. Securities and Exchange Commission ("SEC"). Financial presentation in prior periods has been adjusted to conform with current period presentation.

The Predecessor financial statements reflect the carve-out assets, liabilities, revenues, expenses, and cash flows of SYU. SYU has not previously been separately accounted for as a stand-alone legal entity. The accounts are presented on a combined basis because SYU was under common control of EM.

The accompanying Predecessor financial statements also include a portion of indirect costs for general and administrative expenses. In addition to the allocation of indirect costs, the Predecessor financial statements reflect certain agreements executed by EM for the benefit of SYU. The allocations methodologies for significant allocated items include:

- General and administrative expenses that were not specifically identifiable to SYU were allocated to SYU as a portion of certain other operating costs based on aggregated historical benchmarking data for the period from January 1, 2022 to February 13, 2024. The total amounts allocated to SYU for the period from January 1, 2024 to February 13, 2024 and the year ended December 31, 2023, which are recorded in general and administrative expenses, are $1.7 million and $12.8 million, respectively.
- Long-term debt was not allocated to SYU as it was a legal obligation of EM, which was not directly impacted by the sale of SYU to Sable.

Management believes the allocation methodologies used in the Predecessor financial statements are reasonable and result in an allocation of EM’s indirect costs of operating SYU as a stand-alone entity. These Predecessor financial statements may not be indicative of the future performance of SYU and do not necessarily reflect what the results of operations, financial position and cash flows would have been had SYU been operated as an independent company during the periods presented.

Emerging Growth Company Status

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act of 1933, as amended, (the “Securities Act”), as modified by the Jumpstart our Business Startups Act of 2012, (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies. The Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt

the new or revised standard. This may make comparison of the Company's financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates made by management include, among others, allocation assumptions and the carrying amount of asset retirement obligations, which are based on the timing and cost of future abandonments, inputs utilized to fair value warrant liabilities, and assumptions used to estimate deferred taxes.

While management believes these estimates are reasonable, changes in facts and assumptions or the discovery of new information may result in revised estimates. Actual results could differ from these estimates, and it is at least reasonably possible these estimates could be revised in the near term, and these revisions could be material.

Segment Reporting

Sable is managed as one reportable segment, oil and gas. To date, the Company has not generated any oil and gas revenue as it is working to restart production associated with its oil and gas properties (refer to *Note 1 — Organization, Business Operations, and Going Concern*). The oil and gas segment is defined based on the way in which internally reported financial information is regularly reviewed by the chief operating decision maker ("CODM"), our Chairman and Chief Executive Officer, to analyze financial performance and allocate resources. Due to the nature of the integrated SYU Assets, the overall financial and operational performance is analyzed as one operating segment. Financial information and annual operating budgets and forecasts are prepared and reviewed by the CODM at a consolidated level, making operating decisions to maximize consolidated financial results. The accounting policies of our oil and gas segment are the same as those described in our summary of significant accounting policies herein.

The CODM assesses performance for the oil and gas segment, and decides how to allocate resources in accordance with the Company's restart efforts, based on net income (loss) that is reported in the Company's consolidated statements of operations. Net income (loss) is used to monitor budget versus actual results of the Company. The consolidated financial results are used in assessing the performance of the segment and in establishing management's compensation. The measure of segment assets is reported on the consolidated balance sheets as Total assets. The CODM uses net income (loss) generated from our oil and gas operations in determining capital allocations decisions, such as whether to reinvest profits into the SYU Assets or to utilize them for other purposes, including acquisitions.

Fair Value Measurements

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Refer to *Note 11 — Fair Value Measurements* for fair value disclosures.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

The Company considers cash or cash equivalents that are legally restricted from use or withdrawal as restricted cash. In March of 2024, the Company entered into the Settlement Agreement (as defined below) in regards to the Grey Fox Matter (as defined below) (refer to *Note 8 — Commitments and Contingencies* for additional details regarding the Grey Fox Matter). Pursuant to the Settlement Agreement, the Company was required to deliver a letter of credit (the "Letter of Credit") in the amount of $35.0 million to the plaintiffs' counsel in the Grey Fox Matter. The Letter of Credit was issued by JPMorgan Chase Bank, N.A. (“JPMorgan”) and required the Company to enter into a cash collateral agreement (the “Collateral Agreement”) with JPMorgan on May 7, 2024. Pursuant to the Collateral Agreement, the Company deposited $35.0 million into a collateral account (the “Collateral Account”), which is pledged as collateral to JPMorgan as the issuer of the Letter of Credit. Pursuant to the terms of the Settlement Agreement, the plaintiffs' counsel in the Grey Fox Matter may draw upon the Letter of Credit at a future date upon satisfaction of certain conditions, and the funds held in the Collateral Account are legally restricted to reimburse JPMorgan for such draws, in addition to any related fees and expenses. Additionally, pursuant to the Settlement Agreement, the Company will pay interest on the $35.0 million to the Grey Fox plaintiffs at the rate earned on the Collateral Account (the "Interest Payable"); provided however that the Company is entitled to reduce the Interest Payable by the ordinary and customary expenses charged to the Company from JPMorgan as the issuer of the Letter of Credit, capped at $0.4 million (1%). On September 17, 2024, the Court approved the Settlement Agreement and the $35.0 million deposit in the Collateral Account and related Interest Payable are payable upon the final payment date, which must occur no later than June 30, 2025 (the "Final Payment Date").

Prior to the Final Payment Date, the related Interest Payable is not legally restricted and is available for the Company's use. However, the Company has adopted an accounting policy to consider interest that is both (i) earned on cash that is legally restricted in relation to a legal settlement and (ii) payable as a part of such settlement, such as the Interest Payable, restricted for presentation purposes. Accordingly, the $35.0 million deposit in the Collateral Account and the related Interest Payable are presented within the restricted cash balance presented on the Company’s consolidated balance sheet as of December 31, 2024.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and restricted cash deposits with a financial institution, which, at times, may exceed the Federal Depository Insurance Coverage of $0.3 million. At December 31, 2024, the Company did not experience losses on this account.

Related Parties

Transactions between related parties are considered to be related party transactions even though they may not be given accounting recognition. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 850, *Related Party Disclosures* (“ASC Topic 850”), requires transactions with related parties that would make a difference in decision making to be disclosed so that users of the consolidated financial statements can evaluate their significance.

During the period from January 1, 2024 through February 13, 2024 (Predecessor) and the year ended December 31, 2023 (Predecessor), there were no related party transactions, except for the management and administrative services. SYU previously received management and administrative services from EM, a portion of which was attributable to SYU. Additionally, cash that was received on behalf of SYU by EM created a receivable for SYU, while expenditures made by EM on behalf of SYU created a payable for SYU. The net receivable or payable from all cash activity attributable to SYU is reflected as Due to related party, net on the accompanying consolidated balance sheet.

Property, Plant and Equipment

Cost Basis. The Company's oil and gas producing activities are accounted for under the successful efforts method of accounting. Under this method, costs are accumulated on a field-by-field basis. Costs incurred to purchase, lease, or otherwise acquire a property (whether unproved or proved) are capitalized when incurred. Exploratory well costs are

carried as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where sufficient progress assessing the reserves and the economic and operating viability of the project is being made. Exploratory well costs not meeting these criteria are charged to expense. Other exploratory expenditures, including geophysical costs and annual lease rentals, are expensed as incurred. Development costs, including costs of productive wells and development dry holes, are capitalized.

Other Property and Equipment. Other property and equipment primarily consist of onshore midstream facilities and transportation assets. Due to the nature of such assets, the onshore midstream facilities are presented within oil and gas properties, while the transportation assets are presented within other assets on the consolidated balance sheets.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization are primarily determined under the unit-of-production method, which is based on estimated asset service life taking obsolescence into consideration.

Acquisition costs of proved properties are to be amortized using a unit-of-production method, computed on the basis of total proved oil and natural gas reserve volumes. Capitalized exploratory drilling and development costs associated with productive depletable extractive properties are amortized using the unit-of-production rates based on the amount of proved developed reserves of oil and gas that are estimated to be recoverable from existing facilities using current operating methods. Under the unit-of-production method, oil and natural gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the lease or field storage tank.

Due to the nature of our investments in midstream equipment, the cost of such assets are also to be amortized using the unit-of-production rates based on the amount of proved developed reserves of oil and gas that are estimated to be recoverable from existing facilities using current operating methods. Maintenance and repairs, including planned major maintenance, are expensed as incurred. Major renewals and improvements are capitalized and the assets replaced are retired.

SYU has been shut in since 2015 due to a pipeline incident but has been maintained to preserve it in an operation-ready state and thus no depreciation, depletion or amortization has been recorded by the Company since its acquisition of the SYU Assets. Depreciation, depletion, amortization, and accretion expense for oil and gas properties for the period February 14, 2024 through December 31, 2024 (Successor) consisted of asset retirement obligation related accretion expense in the amount of $9.6 million, and depreciation on other property and equipment of $0.1 million.

Depreciation, depletion, amortization, and accretion expense for oil and gas properties and related equipment was $2.6 million and $21.0 million for the period from January 1, 2024 through February 13, 2024 (Predecessor) and the year ended December 31, 2023 (Predecessor), respectively.

The Company had net capitalized costs related to oil and gas properties and related equipment of $1.2 billion as of December 31, 2024 (Successor) and $689.0 million as of December 31, 2023 (Predecessor), respectively.

Impairment Assessment. Oil and gas properties are tested for recoverability on an ongoing basis whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Among the events or changes in circumstances which could indicate that the carrying value of an asset or asset group may not be recoverable are the following:

a. a significant decrease in the market price of a long-lived asset;
b. a significant adverse change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected reserve volumes;
c. a significant adverse change in legal factors or in the business climate that could affect the value, including an adverse action or assessment by a regulator;
d. an accumulation of project costs significantly in excess of the amount originally expected; and
e. a current-period operating loss combined with a history and forecast of operating or cash flow losses.

Oil and gas properties undergo a process to monitor for indicators of potential impairment throughout the year. This process is aligned with the requirements of ASC 360 and ASC 932. Asset valuation analysis, profitability reviews and other periodic control processes assist in assessing whether events or changes in circumstances indicate the carrying amounts of any of the assets may not be recoverable.

Because the lifespans of the oil and gas properties are measured in decades, the future cash flows of these assets are predominantly based on long-term oil and natural gas commodity prices, industry margins, and development and production costs. Significant reductions in management's view of oil or natural gas commodity prices or margin ranges, especially the longer-term prices and margins, and changes in the development plans, including decisions to defer, reduce, or eliminate planned capital spending, can be an indicator of potential impairment. Other events or changes in circumstances, can be indicators of potential impairment as well.

In general, temporarily low prices or margins are not viewed as an indication of impairment. Management believes that prices over the long term must be sufficient to generate investments in energy supply to meet global demand. Although prices will occasionally drop significantly, industry prices over the long term will continue to be driven by market supply and demand fundamentals. On the supply side, industry production from mature fields is declining. This is being offset by investments to generate production from new discoveries, field developments and technology, and efficiency advancements. OPEC investment activities and production policies also have an impact on world oil supplies. The demand side is largely a function of general economic activities, alternative energy sources and levels of prosperity. During the lifespan of its major assets, management expects that oil and gas prices and industry margins will experience significant volatility, and consequently these assets will experience periods of higher earnings and periods of lower earnings. In assessing whether events or changes in circumstances indicate the carrying value of an asset may not be recoverable, management considers recent periods of operating losses in the context of its longer-term view of prices and margins.

Cash Flow Assessment. If events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, management estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. In performing this assessment, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Cash flows used in recoverability assessments are based on assumptions which are developed by management and are consistent with the criteria management uses to evaluate investment opportunities. These evaluations make use of assumptions of future capital allocations, crude oil and natural gas commodity prices including price differentials, refining and chemical margins, volumes, and development and operating costs. Volumes are based on projected field and facility production profiles, throughput, or sales. Management's estimate of upstream production volumes used for projected cash flows makes use of proved reserve quantities and may include risk-adjusted unproved reserve quantities.

Fair value of Impaired Assets. An asset group is impaired if its estimated undiscounted cash flows are less than the asset group's carrying value. Impairments are measured by the amount by which the carrying value exceeds fair value. The assessment of fair value is based upon the views of a likely market participant. The principal parameters used to establish fair value include estimates of acreage values and flowing production metrics from comparable market transactions, market-based estimates of historical cash flow multiples, and discounted cash flows. Inputs and assumptions used in discounted cash flow models include estimates of future production volumes, throughput and product sales volumes, commodity prices which are consistent with the average of third-party industry experts and government agencies, refining and chemical margins, drilling and development costs, operating costs and discount rates which are reflective of the characteristics of the asset group. Impairments incurred are Level 3 fair value measurements.

There were no impairments recognized during the periods February 14, 2024 through December 31, 2024 (Successor), January 1, 2024 through February 13, 2024 (Predecessor), or the year ended December 31, 2023 (Predecessor).

Materials and supplies

Materials and supplies are valued at the lower of cost or net realizable value.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities include obligations incurred in the ordinary operation of the business for services performed and products received, including capital expenditures that are capitalized as oil and gas properties. Accounts payable and accrued liabilities consisted of the following as of:

	Successor	Predecessor
(in thousands)	**December 31, 2024**	**December 31, 2023**
Accounts payable	$ 16,806	$ 3,235
Accrued operations expenditures	67,909	2,149
Legal settlement payable	35,038	—
Total accounts payable and accrued liabilities	$ 119,753	$ 5,384

Asset Retirement Obligations ("ARO")

The Company's asset retirement obligations primarily relate to the future plugging and abandonment of oil and gas properties and related facilities. The Company uses assumptions and judgments to estimate the respective future plugging and abandonment costs, technical assessments of the assets and their ultimate productive life (timing of settlements), a risk-adjusted discount rate and an inflation factor in order to determine the current present value of this obligation. To the extent future revisions to these assumptions impact the present value of the existing asset retirement obligation liability, a corresponding adjustment is made to the oil and gas property balance.

The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time the assets are installed. Asset retirement obligations incurred in the current period are Level 3 fair value measurements. The costs associated with these liabilities are capitalized as part of the related assets and depreciated as the reserves are produced. Over time, the liabilities are accreted for the change in their present value. Refer to *Note 4 — Asset Retirement Obligations* for additional disclosures.

Derivative Warrant Liabilities

The Company does not currently use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including issued stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480 and ASC Topic 815, "Derivatives and Hedging" ("ASC 815"). The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

The Company accounts for its warrants as derivative warrant liabilities in accordance with ASC 815-40. Accordingly, the Company recognizes the warrant instruments as liabilities at fair value and adjusts the instruments to fair value at each reporting period. The liabilities are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company's consolidated statements of operations (Refer to *Note 11 — Fair Value Measurements* for additional details).

Income Taxes

The Company accounts for income taxes under ASC 740, "Income Taxes" ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled

reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future federal and state pretax operating income adjusted for items that do not have tax consequences. Based on our ongoing assessment of all available evidence, both positive and negative, we concluded that it was more likely than not that our U.S. deferred tax assets in excess of deferred tax liabilities would not be realized. Also, in scheduling the reversals of our existing timing differences for the Successor period, we concluded that certain deferred tax liabilities in future periods do not have deferred tax assets available to offset, which is primarily due to our net operating losses being limited to 80% of taxable income on an annual basis. Our judgment regarding the likelihood of realization of these deferred tax assets could change in future periods, which could result in a material impact to our income tax provision in the period of change.

Parent Net Investment (Predecessor)

Parent net investment reflects the financial reporting basis of SYU's assets and liabilities and changes due to capital contributions and losses. All cash activity of SYU for the periods presented were concentrated in accounts retained by EM. Accordingly, net cash activity attributable to SYU is reflected in contributions from parent in the accompanying consolidated financial statements in the Predecessor periods.

Net Loss Per Share of Common Stock

The Company complies with accounting and disclosure requirements of FASB ASC Topic 260, "Earnings Per Share." Net loss per share of Common Stock is computed by dividing net loss by the weighted average number of shares of Common Stock outstanding for the period.

The following table reflects the calculation of basic and diluted net loss per share of Common Stock.

	Successor	Predecessor	
(dollars in thousands, except per share amounts)	February 14, 2024—December 31, 2024	January 1, 2024—February 13, 2024	Year Ended December 31, 2023
Net loss	$ (617,278)	$ (11,789)	$ (93,673)
Weighted average shares outstanding—Basic and diluted	67,015,860	n/a	n/a
Net loss per share—Basic and diluted	$ (9.21)	n/a	n/a

Restricted shares and Warrants outstanding are anti-dilutive due to the Company's net loss position and therefore have not been included in the weighted average shares calculation for the period from February 14, 2024 through December 31, 2024 (Successor).

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. The FASB issued this ASU to enhance the transparency and decision usefulness of income tax disclosures. The amendments in this ASU address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently reviewing what impact, if any, adoption will have on the Company's financial position, results of operations or cash flows.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40) - Disaggregation of Income Statement Expenses. The FASB issued this ASU to improve the disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expenses captions (such as cost of sales, SG&A, and research and development). The amendments in this ASU are effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently reviewing what impact, if any, adoption will have on the Company's disclosures.

The Company's management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Note 3 — Acquisition

On the Sable-EM Closing Date, in connection with the consummation of the transactions contemplated by the Sable-EM Purchase Agreement, the Company entered into a $625.0 million five year Senior Secured Term Loan with Exxon (the "Senior Secured Term Loan") and paid additional consideration of $203.9 million in cash to Exxon (which excludes an $18.8 million cash deposit on the Senior Secured Term Loan paid to Exxon on the Closing Date). Refer to *Note 6 — Debt* for additional details regarding the Senior Secured Term Loan.

The following table presents the preliminary adjusted purchase consideration (in thousands):

Consideration:		
Purchase consideration as per Sable-EM Purchase Agreement	$	625,000
Plus:		
Paid-in-kind interest from effective date to closing*		140,018
Materials and supplies*		16,637
Cash consideration paid		203,945
Adjusted purchase consideration	$	985,600

*Included in the initial principal associated with the Senior Secured Term Loan.

The acquisition of the SYU Asset's is accounted for under the scope of FASB's ASC Topic 805, Business Combinations ("ASC 805"). Pursuant to ASC 805, Sable was determined to be the accounting acquirer. The allocation of the purchase price included in the consolidated balance sheet as of December 31, 2024 (Successor) is based on the best estimate of management. To assist management in the allocation, the Company engaged valuation specialists.

The following table represents the allocation of the total purchase price for the acquisition of the identifiable assets acquired and the liabilities assumed at the acquisition date (in thousands):

Total consideration	$	985,600
Fair value of assets acquired:		
Oil and gas properties	$	1,060,374
Materials and supplies		16,637
Other assets		4,621
Amount attributable to assets acquired	$	1,081,632
Fair value of liabilities assumed:		
Asset retirement obligations	$	90,073
Other current liabilities		827
Deferred tax liability		1,209
Other long term liabilities		3,923
Amounts attributable to liabilities assumed		96,032
Net assets acquired and liabilities assumed	$	985,600

The Company assumed contractual agreements for warehousing space and for surface use rights. For leases with a primary term of more than 12 months, a right-of-use ("ROU") asset and the corresponding ROU lease liability is recorded. The Company recorded an initial asset and liability of $4.6 million associated with the assumed leases. The Company determines at inception if an arrangement is an operating or financing lease.

The Company also paid transaction costs in the Successor period in connection with the acquisition and the related Business Combination totaling $49.1 million, of which $24.7 million was recognized in Selling, general, and administrative expenses in the consolidated statement of operations as of the Closing Date, $22.9 million was recognized as a charge to Additional paid-in-capital, and $1.5 million was capitalized as debt issuance costs on the consolidated balance sheet as of the Closing Date.

Note 4 — Asset Retirement Obligations

The Company's asset retirement obligations relate to the future plugging and abandonment of oil and gas properties and related facilities. The following table describes the changes to the Company's asset retirement obligations liability as of:

	Successor	Predecessor
(in thousands)	**December 31, 2024**	**December 31, 2023**
Beginning balance	$ —	$ 329,375
Acquisition of SYU	90,073	—
Accretion	9,610	19,763
Ending balance	$ 99,683	$ 349,138

Note 5 — Related Party Transactions

Convertible Promissory Notes

Since Flame's inception, it entered into nine convertible promissory notes with Flame Acquisition Sponsor LLC ("Sponsor") to provide working capital loans (the "Working Capital Loans") totaling $3.3 million as of February 14, 2024. The Working Capital Loans were to be either repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, such Working Capital Loans were convertible into warrants of the post-Business Combination entity at a price of $1.00 per warrant. At the Closing Date, all of the Working Capital Loans were converted into an aggregate of 3,306,370 Private Warrants at a price of $1.00 per Warrant. The warrants are identical to the Private Placement Warrants. See warrant discussion at *Note 7 — Warrants*.

Promissory Note Loans

Since Flame's inception, it entered into four non-convertible promissory notes (the "Promissory Note Loans") with the Sponsor to provide Promissory Note Loans that were used to pay for expenditures of the acquisition target totaling $ 1.1 million as of February 14, 2024. At the Closing Date, each of the Promissory Note Loans were fully repaid in cash.

Founder Reimbursement

Under the terms of the Merger Agreement, James C. Flores, the Company's Chairman and Chief Executive Officer, was entitled to reimbursement by Flame, on the Closing Date, of all of his reasonable, documented out-of-pocket fees and expenses for any agents, advisors, consultants, experts, independent contractors and financial advisors engaged on behalf of Holdco or Sable and incurred in connection with the transactions contemplated by the Merger Agreement and the Sable-EM Purchase Agreement, in each case, that were paid as of the Closing, subject to a cap equal to $3.0 million. On the Closing Date, Mr. Flores was reimbursed $2.9 million and the associated expense is included in general and administrative expenses on the consolidated statement of operations for the period from February 14, 2024 through December 31, 2024 (Successor).

Agreement of Purchase and Sale

On October 3, 2024, the Company entered into an Agreement of Purchase and Sale ("PSA") with Sable Aviation, LLC ("Sable Aviation"), an entity controlled by the Company's Chairman and Chief Executive Officer. Pursuant to the terms of the PSA, the Company purchased transportation assets and related equipment from Sable Aviation in exchange for 600,000 shares of the Company's Common Stock, valued at $15.2 million.

Note 6 — Debt

Senior Secured Term Loan

Sable entered into the Senior Secured Term Loan with an initial principal of $625.0 million. The initial principal balance was increased by $16.6 million for material and supplies and $140.0 million for paid-in-kind interest from the effective date through the Closing Date less an $18.8 million cash deposit (which was paid on the Closing Date). The proceeds of the Senior Secured Term Loan were deemed funded on the Closing Date in connection with consummation of the Sable-EM Purchase Agreement. The Senior Secured Term Loan bears interest at ten percent (10.0%) per annum (computed on a 360-day year). Unless Sable elects in writing prior to an applicable interest payment date to pay accrued but unpaid interest in cash, all such accrued and unpaid interest shall be compounded annually on January 1st of each year by adding the relevant amount to the then outstanding principal amount of the Senior Secured Term Loan ("paid-in-kind interest"). The Senior Secured Term Loan matures on the earliest to occur of (i) the five year anniversary of the applicable effective time (such effective time, 12:00:01 a.m. (Houston Time) on January 1, 2022), (ii) 90 days after Restart Production (i.e., 240 days after first production from the wells) under and as defined in the Sable-EM Purchase Agreement or (iii) acceleration of the term loan in accordance with the terms of the Senior Secured Term Loan.

The Senior Secured Term Loan dated as of the Closing Date by and among Sable, EM, as lender, and Alter Domus Products Corp., as the administrative agent for the benefit of the lender requires that James C. Flores, our Chairman and Chief Executive Officer, remains directly and actively involved in the day-to-day management of our business, subject to the right of the holder of such indebtedness to approve his replacement, such approval not to be unreasonably withheld. Additionally, if we fail to restart production of the SYU Assets by March 1, 2026 (the “Restart Failure Date”), then pursuant to the Purchase and Sale Agreement dated November 1, 2022, by and among Legacy Sable, EM and MPPC relating to the Sable-EM Purchase Agreement, for 180 days thereafter, EM will have the exclusive right, but not the obligation, to require us to reassign the SYU Assets and rights to EM or its designated representative, without reimbursing us for any of our costs or expenditures (the “Reassignment Option”). If we have acquired any additional rights or assets or have developed additional improvements related to the SYU Assets, records or benefits, on EM’s request we also would be required to assign and deliver those additional rights, assets, improvements, records or benefits to EM without being reimbursed for any of our additional costs or expenses. If we are unable to restart production of the SYU Assets by the Restart Failure Date and EM exercises its Reassignment Option, EM will become the owner of substantially all of our business and we may be forced to wind-down our operations. Our ability to restart production of the SYU Assets is subject to several risks, and there is no assurance that we will be able to restart production of the SYU Assets by the Restart Failure Date.

Restrictive covenants in the Senior Secured Term Loan impose significant operating and financial restrictions on us and our subsidiaries and we may be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us by the Senior Secured Term Loan unless we gain EM’s consent. These restrictions limit our ability to, among other things: engage in mergers, consolidations, liquidations, or dissolutions; create or incur debt or liens; make certain debt prepayments; pay dividends, distributions, management fees or certain other restricted payments; make investments, acquisitions, loans, or purchase oil and gas properties; sell, assign, farm-out or dispose of any property; enter into transactions with affiliates; enter into, subject to certain exceptions, any agreement that prohibits or restricts liens securing the Senior Secured Term Loan, payments of dividends to us, or payment of debt owed to us and our subsidiaries; and change the nature of our business.

The Senior Secured Term Loan also contains representations and warranties, affirmative covenants, additional negative covenants and events of default (including a change of control). During the pendency of the Senior Secured Term Loan and in case of an event of default thereunder, EM may exercise all remedies at law or equity, and may foreclose upon substantially all of our assets and the assets of our subsidiaries, including, in the event of a deficiency, cash and any other assets not acquired from EM in the Business Combination to the extent constituting collateral under the applicable financing documents. We may not be able to obtain amendments, waivers or consents for potential or actual breaches of such representations and warranties or covenants, or we may be unable to obtain such amendments waivers or consents on acceptable terms, all of which could limit management’s flexibility to operate the business.

On September 6, 2024 (the "Amendment Closing Date"), the Company entered into an amendment to the Senior Secured Term Loan (the "First Amendment"), pursuant to which, approximately $4.6 million of additional principal (the "Additional Principal") was added to the outstanding principal amount of the Senior Secured Term Loan related to the termination of a vendor contract related to the SYU Assets that was not a liability assumed in the Business Combination. In accordance with the terms of the First Amendment, the Additional Principal shall be deemed to have accrued interest as

if such amount has been added to the outstanding principal amount of the Senior Secured Term Loan, on January 1, 2024 (the "Amendment Effective Date"). The Additional Principal and $0.4 million associated paid-in-kind interest accrued for the period from the Amendment Effective Date through the Amendment Closing Date (collectively, the "Effective Additional Principal") was added to the outstanding principal amount of the Senior Secured Term Loan on the Amendment Closing Date and was accounted for as an exit cost under the scope of ASC 420. As a result, the Effective Additional Principal is included within Other expense on the Company's consolidated statement of operations for the period from February 14, 2024 through December 31, 2024 (Successor).

Long-Term Debt as of December 31, 2024 (Successor) consisted of the following:

(in thousands)		
Senior Secured Term Loan, including paid-in-kind interest	$	834,165
Less: Debt issuance costs, net		(623)
Total long-term debt, net	$	833,542

For the period from February 14, 2024 through December 31, 2024 (Successor), the Company incurred interest expense of $67.3 million, which is included as interest expense on the consolidated statement of operations and the paid-in-kind interest is accrued and included in the Senior Secured Term Loan on the consolidated balance sheet as of December 31, 2024 (Successor). For the period from February 14, 2024 through December 31, 2024 (Successor), the Company's effective interest rate on the Senior Secured Term Loan was approximately 10.0%.

Note 7 — Warrants

The table below reflects outstanding warrants as of December 31, 2024 (Successor):

	Public Warrants	Private Placement Warrants	Working Capital Warrants	Total
Outstanding Warrants at February 14, 2024	14,374,971	7,750,000	—	22,124,971
Issued	—	—	3,306,370	3,306,370
Transferred	1,609,564	(1,609,564)	—	—
Exercised	(15,957,820)	(459,744)	—	(16,417,564)
Redemptions	(26,715)	—	—	(26,715)
Outstanding Warrants at December 31, 2024	—	5,680,692	3,306,370	8,987,062

Public Warrants

As described in *Note 1 — Organization, Business Operations, and Going Concern,* all of the Public Warrants were either exercised or redeemed during the period from February 14, 2024 through December 31, 2024 (Successor). The Public Warrants were only exercisable for a whole number of shares prior to their redemption and no fractional shares were issued upon exercise of the Public Warrants. The Public Warrants became exercisable 30 days after the completion of the Business Combination.

Redemption of Warrants For Cash—Prior to the Redemption Date (defined below), the Company was able to redeem the outstanding Public Warrants for cash:

- in whole and not in part;
- at a price of $0.01 per Public Warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the last sale price of our Common Stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

On October 3, 2024, the conditions under which the Public Warrants could be redeemed for cash were satisfied and the Company announced that it would redeem all of the Public Warrants that remained outstanding after 5:00 p.m. New York City time on November 4, 2024 (the "Redemption Date"), for a redemption price of $0.01 per warrant (the "Redemption").

During the period from February 14, 2024 through December 31, 2024 (Successor), warrant holders exercised 15,957,820 Public Warrants for 15,957,820 shares of Common Stock resulting in approximately $183.5 million in cash proceeds to the Company. The remaining 26,715 Public Warrants that were not exercised by the Redemption Date were redeemed by the Company for cash. Prior to their exercise/redemption, the Public Warrants were accounted for as a derivative liability and carried on the consolidated balance sheets at fair value. Upon exercise, the fair value of the derivative liability was reclassified to stockholders' equity in accordance with FASB ASC Topic 480, *Distinguishing Liabilities from Equity* (“ASC Topic 480”).

Private Placement Warrants and Working Capital Warrants

The Company will not be obligated to deliver any shares of Common Stock pursuant to the exercise of a Private Placement Warrant or Working Capital Warrant and will have no obligation to settle such exercise unless a registration statement under the Securities Act with respect to the shares of Common Stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable, and the Company will not be obligated to issue a share of Common Stock upon exercise of a warrant unless the share of Common Stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants.

On the Closing Date, the Company filed with the SEC a registration statement for the registration, under the Securities Act, of the shares of Common Stock issuable upon exercise of the warrants, which the SEC declared effective on May 10, 2024. The Company will use its commercially reasonable efforts to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the exercise or expiration of the warrants in accordance with the provisions of th e warrant agreement. In addition, if the shares of Common Stock are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of the Private Placement Warrants or Working Capital Warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company elects to do so, the Company will not be required to file or maintain in effect a registration statement, but it will use its best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

The Private Placement Warrants, the Working Capital Warrants, and the shares of Common Stock issuable upon the exercise of such warrants were not transferable, assignable or salable until 30 days after the Closing Date, subject to certain limited exceptions, and are entitled to registration rights. Additionally, the Private Placement Warrants and Working Capital Warrants are exercisable on a cashless basis and non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants or Working Capital Warrants are held by someone other than the initial purchasers or their permitted transferees, such warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. In the event that the holder of a Private Placement Warrant or a Working Capital Warrant elect to exercise on a cashless basis, each holder would pay the exercise price by surrendering the warrants for that number of shares of Common Stock equal to (A) the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying the warrants, multiplied by the excess of the “fair market value” less the exercise price of the warrants by (y) the fair market value. The “fair market value” shall mean the volume weighted average price of the shares of Common Stock for the 10 trading days ending on the trading day prior to the date on which the notice of exercise is received by the warrant agent. Additionally, in no event will the Company be required to net cash settle the Private Warrants or Working Capital Warrants upon exercise.

During the period from February 14, 2024 through December 31, 2024 (Successor), warrant holders exercised 459,744 Private Placement Warrants on a cashless basis for 212,637 shares of Common Stock. These exercises were accounted for in accordance with ASC Topic 480 in the same manner as exercises of Public Warrants described above.

The Private Placement Warrants and Working Capital Warrants that remain outstanding at December 31, 2024 (Successor) are accounted for as liabilities and marked-to-market at each reporting period, with changes in fair value included as Changes in fair value of warrant liabilities in the Successor's consolidated statement of operations (refer to *Note 11 — Fair Value Measurements*).

Note 8 — Commitments and Contingencies

Registration Rights

The holders of the Founder Shares (defined below), Private Placement Warrants and Working Capital Warrants (and any shares of Common Stock issuable upon the exercise of such instruments) are entitled to registration rights pursuant to a registration rights agreement. The holders of these securities are entitled to make up to three demands, excluding short form demands, that the Company register such securities. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the completion of a Business Combination. However, the registration rights agreement provides that the Company will not permit any registration statement filed under the Securities Act to become effective until termination of the applicable lockup period. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Grey Fox Matter

On March 26, 2024, Sable entered into a Stipulation and Agreement of Settlement (the "Settlement Agreement") among (i) Grey Fox, LLC, MAZ Properties, Inc., Bean Blossom, LLC, Winter Hawk, LLC, Mark Tautrim, Trustee of the Mark Tautrim Revocable Trust, and Denise McNutt, on behalf of themselves and the Court-certified Settlement Class (the "Plaintiffs and Settlement Class Members"), (ii) Pacific Pipeline Company ("PPC") and (iii) Sable, with respect to the settlement and release of certain claims related to the Pipelines, including claims impacting the right of way for the Pipelines (collectively, the "Released Claims").

Pursuant to the terms of the Settlement Agreement, (i) the Plaintiffs and Settlement Class Members are obligated to, among other things, (a) release Sable, PPC and the other released parties from and against the Released Claims, (b) grant certain temporary construction easements to facilitate the repair of certain portions of the Pipelines, and (c) cooperate in good faith with Sable and PPC with respect to any and all steps reasonably required to restart the Pipelines and operate them thereafter, including obtaining all necessary regulatory approvals, consistent with the requirements of the relevant government agencies and the Consent Decree issued by the United States District Court for the Central District of California in relation to Civil Action No. 2:20-cv-02415 (United States of America and the People of the State of California v. Plains All American Pipeline, L.P. and Plains Pipeline, L.P.) and (ii) Sable has agreed to among other things, (a) pay $35.0 million into an interest-bearing non-reversionary Qualified Settlement Fund, and (b) deliver to class counsel an irrevocable direct pay letter of credit issued by J.P. Morgan & Co. or another federally insured bank in the amount of $35.0 million to secure Sable's obligation to make certain payments under the Settlement Agreement. The Company expensed $70.0 million upon the effectiveness of the Settlement Agreement, which is included in General and administrative expenses on the consolidated statement of operations for the period from February 14, 2024 through December 31, 2024 (Successor). Following the effectiveness of the Settlement Agreement, the Company offset $0.4 million of Interest Payable with ordinary and customary expenses charged to the Company from JPMorgan as the issuer of the Letter of Credit, resulting in less than $0.1 million expense for the period from February 14, 2024 through December 31, 2024 (Successor) (refer to discussion of restricted cash in *Note 2 — Significant Accounting Policies* for additional details regarding the Interest Payable and the Letter of Credit).

On May 1, 2024, the United States District Court for the Central District of California entered an order granting preliminary approval of the Settlement Agreement, and thus, on May 9, 2024, the Company made the initial $35.0 million payment into the Qualified Settlement Fund and delivered the $35.0 million Letter of Credit to plaintiffs' counsel. On September 17, 2024, the Court approved the Settlement Agreement in full.

Zaca Preserve Matter

On October 3, 2024, plaintiff Zaca Preserve LLC filed a California state court complaint against Sable, its subsidiary PPC, Plains All American Pipeline LP, and Plains Pipeline LP. The case is captioned 24CV05483 and is pending in Santa Barbara Superior Court, Anacapa Division. The plaintiff filed a First Amended Complaint on December 12, 2024, and served the complaint on Sable and PPC on December 18, 2024.

The plaintiff was a class member of the Grey Fox litigation that was settled effective September 17, 2024, and chose to opt out of the final settlement class. The plaintiff raises claims similar to the Grey Fox plaintiffs, namely that the pipeline easement on its property is no longer valid in light of the 2015 Refugio oil spill and the conduct of defendants. The plaintiff brings contract and tort claims and seeks declaratory and injunctive relief determining his easement terminated and prohibiting defendants from accessing or using his easement to restart pipeline operations. The plaintiff seeks compensatory, exemplary, and statutory damages, costs, attorneys' fees, and interest, as well as declaratory and injunctive

relief. By stipulation, Sable and PPC's deadline to respond to the First Amended Complaint was March 4, 2025. Sable and PPC timely filed and served their Demurrer to the Plaintiff's First Amended Complaint and Sable filed and served a Motion to Strike the First Amended Complaint. Sable and PPC intend to defend the case vigorously.

BSEE Matter

On June 27, 2024, the Center for Biological Diversity and the Wishtoyo Foundation filed a complaint against Debra Haaland, Secretary of the U.S. Department of the Interior; BSEE; and Bruce Hesson, BSEE Pacific Regional Director in the U.S. District Court for the Central District of California ("the Court") (Case No. 2:24-cv-05459). Sable was not named as a party to the case, but on December 3, 2024, the Court granted Sable's motion to intervene as a defendant to become a party to the lawsuit, and Sable vigorously contests the plaintiffs' allegations. On January 29, 2025, the Court granted plaintiffs' request to supplement and amend their complaint. In the amended complaint, plaintiffs allege that BSEE: violated NEPA, OCSLA, and the APA in November 2023 by approving an extension to resume operations associated with the 16 oil and gas leases Sable holds in the SYU in federal waters offshore of California in the Santa Barbara Channel; and violated NEPA and the APA in September 2024 by approving applications for permits to modify for well reworking operations and by failing to conduct supplemental environmental analysis for oil and gas development and production in the SYU. The complaint asks for the Court: to issue an order finding that BSEE violated NEPA, OCSLA and the APA; to vacate and remand the extension and the applications for permits to modify; order BSEE to complete NEPA analysis by a date certain; to prohibit BSEE from authorizing further extensions, applications for permits to modify, or any other authorizations for restarting production until it complies with NEPA, OCSLA and the APA; and for an award of costs and attorneys' fees.

On December 20, 2024, the U.S. Department of Justice (in its capacity as counsel for the BSEE) filed a motion for voluntary remand without vacatur of BSEE's November 2023 extension. Sable believes that the government's prior extensions to resume operations were both appropriate and authorized. Moreover, under the government's proposed remand, Sable's operations on the SYU remain unaffected.

Note 9 — Stockholders' Equity (Successor)

Preferred Stock — The Company is authorized to issue a total of 1,000,000 shares of preferred stock at par value of $0.0001 each. At December 31, 2024 (Successor) there were no shares of preferred stock issued or outstanding.

Common Stock — The Company is authorized to issue a total of 500,000,000 shares of Common Stock at par value of $0.0001 each. At December 31, 2024 (Successor) there were 89,310,996 shares issued and outstanding.

The following summarizes the shares of Common Stock outstanding immediately following the consummation of the Business Combination:

	Shares
Public stockholders	5,953,859
Initial stockholders	7,187,500
Merger consideration shares	3,000,000
First PIPE Investment	44,024,910
Total shares outstanding at close	60,166,269

Note: Table excludes Public Warrants, Private Placement Warrants, Working Capital Warrants convertible into Common Stock, and 4,874,270 shares of restricted stock awards that were granted under the Company's Incentive Plan after the Closing but have not yet vested.

7,187,500 shares of Common Stock held by the initial stockholders ("Founders Shares") are not transferable, assignable or salable (except to our officers and directors and other persons or entities affiliated with the Sponsor, each of whom will be subject to the same transfer restrictions) until the earlier of (A) February 13, 2025 or (B) subsequent to February 14, 2024, (x) if the last sale price of our Common Stock equals or exceeds $12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after February 14, 2024, or (y) the date on which the Company completes a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all of our stockholders having the right to exchange their shares of Common Stock for cash, securities or other property (such restrictions on transfer, the "Restrictions"). The stock performance conditions described in (B) above were satisfied on August 9, 2024 and, accordingly, the Restrictions no longer apply to the Founder Shares.

As discussed in *Note 1 — Organization, Business Operations, and Going Concern*, on September 26, 2024, the Company issued 7,500,000 shares of Common Stock for $150.0 million in gross proceeds in connection with the Second PIPE Investment. Upon the closing of the Second PIPE Investment, an associated marketing and legal fees of approximately $7.8 million was paid in full, and was recognized as an offset to the proceeds from the Second PIPE Investment within Additional paid-in capital in the consolidated balance sheet and statement of stockholders' equity (deficit)/net parent investment as of December 31, 2024 (Successor).

As discussed in *Note 5 — Related Party Transactions,* on October 3, 2024, the Company purchased transportation assets and related equipment in exchange for 600,000 shares of the Company's Common Stock, valued at $15.2 million.

During the period from February 14, 2024 through December 31, 2024 (Successor), warrant holders exercised 15,957,820 Public Warrants for 15,957,820 shares of Common Stock resulting in approximately $183.5 million in cash proceeds to the Company. Additionally, 459,744 Private Placement Warrants were exercised on a cashless exercise basis for 212,637 shares of Common Stock. Refer to *Note 7 — Warrants* for further discussion of warrant related activities.

Note 10 — Stock-Based Compensation

On February 12, 2024, the Company's stockholders approved a stock-based compensation plan (the "Incentive Plan") to enhance the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing these individuals with equity ownership opportunities and/or equity-linked compensatory opportunities. The Predecessor had no equity compensation plans or outstanding equity awards specific to the SYU Assets. The total stock-based compensation expense is included on the consolidated statements of operations based upon the job function of the employees receiving the grants as follows (in thousands):

	Successor
	February 14, 2024— December 31, 2024
Operations and maintenance expenses	$ 5,045
General and administrative expenses	86,564
Total	$ 91,609

Incentive Plan

The Company's Incentive Plan includes incentive stock options and nonqualified stock options, stock appreciation rights, restricted stock, dividend equivalents, restricted stock units and other stock or cash-based awards. Certain awards under the Incentive Plan may constitute or provide for payment of "nonqualified deferred compensation" under Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards. Awards other than cash awards generally will be settled in shares of the Company's Common Stock, but the applicable award agreement may provide for cash settlement of any award.

Our employees, consultants and directors, and employees and consultants of our subsidiaries, may be eligible to receive awards under the Incentive Plan. Following the closing of the Business Combination, the Compensation Committee of the Company's Board of Directors (the "Board") was appointed by the Board to administer the Incentive Plan (the Compensation Committee, in its role as administrator of the Incentive Plan, the "Plan Administrator").

The Plan Administrator has the authority to take all actions and make all determinations under the Incentive Plan, to interpret the Incentive Plan and award agreements and to adopt, amend and repeal rules for the administration of the Incentive Plan as it deems advisable. The Plan Administrator will also have the authority to, among other things, determine which eligible service providers receive awards, grant awards, set the terms and conditions of all awards under the Incentive Plan, including any performance goals, vesting and vesting acceleration provisions, subject to the conditions and limitations in the Incentive Plan, accelerate vesting requirements, waive or amend performance goals and other restrictions, and amend award agreements.

Restricted Stock Awards

On the Closing Date, and in connection with the executive officers' employment agreements, the Company granted 650,000 shares of restricted Common Stock to each of the Company's executive officers (other than Mr. Flores), which vest on the earlier of (i) the restart of production from the SYU Assets or (ii) three years after the Closing Date. The executive officer awards are subject to a three-year lock-up provision.

During March 2024, the Plan Administrator authorized the grant of 158,334 shares of restricted Common Stock in the aggregate to the independent members of the Board for their contributions towards closing the Business Combination and for their service on the Board. These restricted shares vest 12 months from the grant date.

Additionally, 2,115,936 shares of restricted Common Stock, net of forfeitures, were granted to employees of the Company following the closing of the Business Combination through December 31, 2024. These restricted shares vest on the earlier of (i) the restart of production from the SYU Assets or (ii) three years after the Closing Date. All of the executive officer awards, the awards granted to the members of the Board, and the awards granted to employees of the Company following the closing of the Business Combination are restricted stock awards to be settled in shares, and qualify as equity classified awards. The value of the stock-settled restricted stock awards is established by the market price on the date of grant and is recorded as compensation expense ratably over the vesting terms. Forfeitures are recognized as they occur.

As of December 31, 2024 (Successor), 10,747,299 share-based awards were authorized and available for grant under the Successor's Incentive Plan. The following table summarizes restricted stock award activity for the period February 14, 2024 through December 31, 2024 (Successor):

	Successor	
	February 14, 2024—December 31, 2024	
	Shares	Weighted-average grant date fair value
Non-vested, beginning of the period	—	$ —
Granted	4,875,270	$ 11.99
Vested	—	—
Forfeited	(1,000)	10.97
Non-vested, end of the period	4,874,270	$ 11.99

The unrecognized stock-based compensation expense associated with the unvested restricted stock awards at December 31, 2024 (Successor) was $6.9 million, which is to be recognized over the weighted average remaining life of approximately three months.

Merger Consideration

Pursuant to the Merger Agreement, on the Closing Date and contemporaneously with the completion of the transactions contemplated under the Sable-EM Purchase Agreement, as previously noted Holdco merged with and into Flame, with Flame as the surviving company, and immediately thereafter, Sable merged with and into Flame, with Flame as the surviving company. The aggregate consideration received by holders of limited liability company membership interests in Holdco designated as Class A shares immediately prior to the Holdco Merger Effective Time was 3,000,000 shares of Flame Class A Common Stock. Share-based compensation expense of $36.3 million was recognized associated with the issuance of the 3,000,000 shares in General and administrative expenses on the consolidated statement of operations for the period from February 14, 2024 through December 31, 2024 (Successor). The Merger Consideration Shares are subject to a three-year lock-up provision.

Founders Shares

In the periods prior to the Business Combination, the Sponsor sold 434,375 Founder Shares to some of the Company’s directors and executives, including Gregory D. Patrinely, the Company’s Executive Vice President and Chief Financial Officer, at their original purchase price. Such sale of Founder Shares to the Company’s directors and executives is within the scope of FASB ASC Topic 718, “Compensation-Stock Compensation” (“ASC 718”). Under ASC 718, stock-based compensation associated with equity-classified awards is measured at fair value upon the grant date. The Founder Shares

were sold to directors and executives and effectively transferred subject to a performance condition (i.e., the consummation of a Business Combination). Compensation expense related to the Founder Shares is recognized only when the performance condition is probable of achievement under the applicable accounting literature. As such, the Company recognized $3.7 million in stock-based compensation expense upon the completion of the Business Combination, which is included in the General and administrative expenses on the consolidated statement of operations for the period from February 14, 2024 through December 31, 2024 (Successor).

Note 11 — Fair Value Measurements

Certain of the Company's financial assets and liabilities are reported at fair value on the consolidated balance sheet (Successor). An established fair value hierarchy prioritizes the relative reliability of inputs used in fair value measurements. The hierarchy gives highest priority to Level 1 inputs that represent unadjusted quoted market prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are directly or indirectly observable inputs other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs and have the lowest priority in the hierarchy.

Recurring Fair Value Measurements

The following table presents information about the Company’s assets and liabilities that are measured at fair value on a recurring basis at December 31, 2024 (Successor), and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

(dollars in thousands)	Public Warrants (Level 1)	Senior Secured Term Loan (Level 2)	Private Placement Warrants (Level 3)	Working Capital Warrants (Level 3)	Total Liabilities Fair Value
Fair value as of February 14, 2024 (Successor)	$ 39,962	$ 761,401	$ 19,813	$ —	$ 821,176
Additions	—	72,141	—	10,283	82,424
Transfer in (out) of Level 3	21,054	—	(21,054)	—	—
Liabilities removed due to warrant exercises	(166,357)	—	(4,214)	—	(170,571)
Change in valuation inputs or other assumptions	105,341	—	84,718	37,395	227,454
Fair value as of December 31, 2024 (Successor)	$ —	$ 833,542	$ 79,263	$ 47,678	$ 960,483

During the period from February 14, 2024 through December 31, 2024 (Successor), 1,609,564 Private Placement Warrants ceased to be held by the initial purchasers or their permitted transferees and therefore became redeemable by the Company and exercisable by the holders of such warrants on the same basis as the Public Warrants. As a result, $21.1 million was transferred out of Level 3 and into Level 1 in the fair value hierarchy during the period from February 14, 2024 through December 31, 2024 (Successor). There were no other transfers in or out of Level 2 or Level 3 from other levels in the fair value hierarchy during the period from February 14, 2024 through December 31, 2024 (Successor).

There were no financial assets or liabilities accounted for at fair value on a recurring basis in the Predecessor financial statements as of December 31, 2023 (Predecessor) or for the period from January 1, 2024 to February 13, 2024 (Predecessor) and the year ended December 31, 2023 (Predecessor).

Investments Held in Money Market Accounts

As of December 31, 2024 (Successor), investments in the Company's money market accounts consisted of $300.5 million in demand deposit accounts (and are therefore not reflected in the table above).

Accounts Payable and Accrued Expenses

The carrying values of accounts payable and accrued expenses are considered to be representative of their respective fair values due to the short-term maturities of those instruments (and are therefore not reflected in the table above).

Senior Secured Term Loan

As of December 31, 2024 (Successor), the estimated fair value of the Senior Secured Term Loan approximates the amount of principal and paid-in-kind interest outstanding because the interest rate is reflective of market rates and such outstanding amount may be repaid, in full or in part, at any time without penalty. The associated inputs are considered a Level 2 fair value measurement.

Warrant Liabilities

Prior to the Redemption, the Public Warrants were measured at the observable quoted price in active markets. Refer to *Note 7 — Warrants* for details regarding the Warrant exercises and redemptions for the period from February 14, 2024 through December 31, 2024 (Successor). The estimated fair values of the Private Warrants and the Working Capital Warrants are measured using the Modified Black-Scholes Optional Pricing Model, which utilizes Level 3 inputs. Inherent in a binomial options pricing model are assumptions related to expected share-price volatility, expected life, risk-free interest rate and dividend yield. A change in these significant unobservable inputs to a different value could result in a significantly higher or lower fair value measurement at future reporting dates. The Company estimates the volatility of its Common Stock based on historical volatility that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend rate is based on the historical rate, which the Company anticipates to remain at zero. The aforementioned warrant liabilities are not subject to qualified hedge accounting. Changes in the estimated fair value of the Private Placement Warrants and Working Capital Warrants are included in the Change in fair value of warrant liabilities on the Company's consolidated statement of operations for the period from February 14, 2024 through December 31, 2024 (Successor).

As Private Placement Warrants held by FL Co-Investment, LLC ("FL Co-Investment") and Intrepid Financial Partners, L.L.C. ("Intrepid Financial Partners") will not be exercisable more than five years from the effective date of the registration statement, the exercise period end date is different than other Private Placement Warrants and Working Capital Warrants which will expire five years after the Closing Date or earlier upon redemption or liquidation. Accordingly, they have different inputs to the Modified Black-Scholes Optional Pricing Model.

The following table provides quantitative information regarding Level 3 inputs used to determine the fair values of Private Placement Warrants held by FL Co-Investment and Intrepid Financial Partners as of December 31, 2024 (Successor).

Inputs	December 31, 2024 (Successor)	
Stock price	$ 22.90	
Strike price	$ 11.50	
Term (in years)	1.15	
Volatility	60.0	%
Risk-free rate	4.09	%
Dividend yield	0.00	%

The following table provides quantitative information regarding Level 3 fair value measurements used to determine the fair value of the Working Capital Warrants and the Private Placement Warrants, excluding Private Placement Warrants held by FL Co-Investment and Intrepid Financial Partners, as of December 31, 2024 (Successor).

Inputs	December 31, 2024 (Successor)	
Stock price	$ 22.90	
Strike price	$ 11.50	
Term (in years)	4.12	
Volatility	45.0	%
Risk-free rate	4.24	%
Dividend yield	0.00	%

Note 12 — Income Taxes

The Company follows the asset and liability method of accounting for income taxes under FASB ASC 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. After consideration of all of the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a valuation allowance.

Income taxes were not allocated to the Predecessor as the seller did not file a consolidated tax return and was not a taxable legal entity.

The components of the deferred income taxes were as follows:

	Successor December 31, 2024
Deferred tax asset	
Net operating loss	$ 48,155
Net oil & gas acquisition, exploration and other development costs	17,800
Stock-based compensation	5,221
Start-up/organization costs	6,036
Total deferred tax assets	77,212
Valuation allowance	(76,327)
Deferred tax assets, net of allowance	885
Total deferred tax liabilities	2,047
Net deferred tax liabilities	$ 1,162

The components of the income tax benefit were as follows:

	Successor February 14, 2024— December 31, 2024
Current	
Federal	$ —
State	—
Deferred	
Federal	(62,730)
State[1]	(99)
Change in valuation allowance	62,781
Income tax benefit	$ (48)

[1]Net of federal benefit and state valuation allowance.

As of December 31, 2024 (Successor), the Company had $195.6 million U.S. federal net operating loss carryovers available to offset future taxable income. The Company had $184.8 million of California net operating loss carryovers available to offset future taxable income beginning in 2027 and are subject to expiration in 2047. Under the Tax Cuts and Jobs Act ("TCJA"), federal NOLs generated after 2017 will be carried forward indefinitely but are limited to an 80% deduction of taxable income. In June 2024, California's Governor signed into law AB 167 suspending California NOL utilization for taxpayers with more than $1 million of taxable income, effective for tax years 2024, 2025, and 2026. AB 167 includes an extended carryover period for suspended NOLs that would have been utilized if not for AB 167.

A reconciliation of the federal income tax rate to the Company's effective tax rate for the periods presented is as follows:

	Successor	
	February 14, 2024—December 31, 2024	
(in thousands)	Amount	Percentage
Income tax at statutory rate	$ (129,638)	21.0 %
Change in federal valuation allowance	62,781	(10.2) %
Change in fair value of warrants	47,765	(7.7) %
Non-cash compensation permanent differences	14,683	(2.4) %
Non-deductible expenses & other	4,460	(0.7) %
State income tax, net	(99)	0.0 %
Income tax benefit	$ (48)	0.0 %

There were no unrecognized tax benefits as of December 31, 2024 (Successor). Interest and penalties for the years ended December 31, 2024, were not material. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company files income tax returns in the U.S. federal and state of California, Texas and Louisiana jurisdictions. The Company is not currently under examination in any jurisdiction. The Company's tax returns for the years ended December 31, 2024, 2023 and 2022, remain open and subject to examination.

Note 13 - Leases

Right-of-use assets and lease liabilities are established on the consolidated balance sheet for leases with an expected term greater than one year by discounting the amounts fixed in the lease agreement for the duration of the lease which is reasonably certain, considering the probability of exercising any early termination and extension options. Generally, assets are leased only for a portion of their useful lives and are accounted for as operating leases. Our leased assets primarily consist of office space and additionally include facilities, land sites, vessels, and equipment used in the operation of the SYU Assets. All of our leases are classified as operating leases.
The following table shows the classification and location of our right-of-use assets and lease liabilities on our consolidated balance sheets:

		Successor	Predecessor
(in thousands)	Consolidated Balance Sheets Location	December 31, 2024	December 31, 2023
Right-of-use assets - operating	Other, net	$ 17,239	$ 6,404
Total right-of-use assets		$ 17,239	$ 6,404
Current operating lease liabilities	Other current liabilities	$ 918	$ 1,148
Non-current operating lease liabilities	Other	16,988	5,323
Total lease liabilities		$ 17,906	$ 6,471

The lease costs are classified by the function of the right-of-use asset. Our short term lease costs related to exploration and development activities are initially included in the Oil and Gas properties line on the consolidated balance sheets and subsequently accounted for in accordance with the ASC 932 Extractive Industries—Oil and Gas Topic. The remaining

lease costs are included in our consolidated statements of operations as either Operations and maintenance expenses or General and administrative expenses based on the function of the right-of-use asset.

The following table shows the classification and location of our lease costs on our consolidated statements of operations:

(in thousands)	Successor February 14, 2024—December 31, 2024	Predecessor January 1, 2024—February 13, 2024	Predecessor Year Ended December 31, 2023
Operating lease costs	$ 2,081	$ 173	$ 1,187
Variable lease costs	121	—	—
Short-term lease costs	2,543	—	—
Total lease costs	$ 4,745	$ 173	$ 1,187

The following table shows the weighted-average remaining lease term and weighted-average discount rate for our operating leases:

	Successor December 31, 2024	Predecessor December 31, 2023
Weighted-average remaining lease term (years)	14.1	7.0
Weighted-average discount rate (percent)	10.3 %	0.7 %

Future annual minimum lease payments for operating leases as of December 31, 2024 (Successor), are as follows (in thousands):

Years Ending December 31,	Operating Leases
2025[1]	$ (742)
2026	1,924
2027	3,219
2028	1,587
2029	2,621
Thereafter	34,733
Total lease payments	43,342
Less: discount to present value	(25,436)
Present value of lease liabilities	$ 17,906

[1]The Company estimates the timing of when certain lease incentives will be received. Such estimates result in the funds being received during the year ending December 31, 2025, outweighing the minimum lease payments during such year.

The Company has generated sublease income from facilities for which it acts as lessor. Variable lease costs represent costs incurred above the contractual minimum payments. The following table includes other quantitative information for our operating leases:

(in thousands)	Successor February 14, 2024—December 31, 2024	Predecessor January 1, 2024—February 13, 2024	Predecessor Year Ended December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities	$ 1,380	$ 126	$ 1,182
Sublease income	$ 196	$ 103	$ 599

Note 14 — Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the consolidated balance sheet date up to the date that the consolidated financial statements were issued. Based upon this review, the Company, other than as previously described herein, or listed below, did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2024. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2024, our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) under the Exchange Act) were effective at the reasonable assurance level as of December 31, 2024. Accordingly, management believes that the financial statements included in this Annual Report on Form 10-K present fairly in all material respects our financial position, results of operations and cash flows for the periods presented.

Management's Report on Internal Control over Financial Reporting

As required by SEC rules and regulations implementing Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company,

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting at December 31, 2024. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that we maintained effective internal control over financial reporting as of December 31, 2024.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to our status as an emerging growth company under the JOBS Act.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

During the twelve months ended December 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosures Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Except as set forth below, the information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed within 120 days of our fiscal year ended December 31, 2024.

Information about our Executive Officers

The following chart names each of the Company's executive officers and their ages and positions at February 13, 2025. Also included below is biographical information relating to each of the Company's executive officers. Each of the executive officers is elected by and serves at the pleasure of the board of directors.

Name	Age	Position
James C. Flores	65	Chairman and Chief Executive Officer
J. Caldwell Flores	32	President
Gregory D. Patrinely	39	Executive Vice President and Chief Financial Officer
Doss R. Bourgeois	67	Executive Vice President and Chief Operating Officer
Anthony C. Duenner	65	Executive Vice President, General Counsel and Secretary

James C. Flores, 65, has been our Chairman and Chief Executive officer since February 2024. Prior to that, Mr. Flores served as Flame's co-founder, Chief Executive officer and Chairman of its board of directors from its inception to February 2024. From its inception to March 3, 2023, he also served as Flame's President. From May 2017 until February 2021, Mr. Flores served as President, Chief Executive Officer and Chairman of Sable Permian Resources, which engaged in the acquisition, consolidation and optimization of oil and gas upstream opportunities. Sable Permian Resources filed a voluntary petition for bankruptcy on June 25, 2020 and emerged from bankruptcy on February 1, 2021. Prior to Sable Permian Resources, Mr. Flores served as Vice Chairman of Freeport-McMoRan, Inc. and CEO of Freeport-McMoRan Oil & Gas, a wholly owned subsidiary of Freeport-McMoRan Inc., the world's largest publicly traded copper producer, from June 2013 until April 2016. From 2001 until 2013, Mr. Flores was the Chairman, CEO and President of Plains Exploration & Production Company and Chairman and CEO of Plains Resources Inc. From 1994 until 2000, Mr. Flores was also the Chairman and CEO of Flores & Rucks, Inc. which, after several acquisitions, was later renamed Ocean Energy Inc. prior to its sale to Devon Energy Corporation. Since 1982, Mr. Flores has had an extensive career in the oil and gas industry in the roles of Chairman, Chief Executive Officer, and President of four public and one private oil & gas exploration and production companies. He is a member of the National Petroleum Council, serves as Trustee for the Baylor College of Medicine and is a Director for the Waterfowl Research Foundation. He was recognized as Executive of the Year in 2004 in Oil and Gas Investor magazine. Mr. Flores received a B.S. degree in corporate finance and petroleum land management from Louisiana State University. We believe Mr. Flores is qualified to serve on our board of directors due to his more than 35 years in the oil and gas industry, including as Chief Executive Officer of several public companies. Mr. Flores is the father of J. Caldwell Flores, who is the President of Sable.

J. Caldwell Flores, 32, has been our President since February 2024. Prior to that, Mr. Flores served as Flame's President from March 2023 to February 2024. Previously, he served as Flame's Vice President from March 1, 2021 to March 3, 2023. Mr. Flores has also served as President of Sable Offshore Corp. since September 2021 and as President of Sable Minerals, Inc., a Houston-based private oil and gas company, overseeing the daily operations and administration, as well as providing investment analysis for the firm since January 2015. Prior to assuming the role of President of Sable Minerals, Inc., Mr. Flores was a Senior Associate for Sable Permian Resources, LLC, which engaged in the acquisition, consolidation and optimization of oil and gas upstream opportunities from February 2018 until February 2021. Prior to that time, Mr. Flores served as Operations Manager for Sable Minerals, Inc. from 2015 through 2017. Mr. Flores attended the University

of Houston where he graduated with a Bachelor of Science in Business Administration. Mr. Flores is the son of James C. Flores, who is the Chairman and Chief Executive Officer of Sable.

Gregory D. Patrinely, 39, has been our Executive Vice President and Chief Financial Officer since February 2024. Prior to that, Mr. Patrinely served as Flame's Chief Financial Officer from its inception to February 2024. Since March 3, 2023, he has also served as Flame's Executive Vice President. From its inception to March 3, 2023, he also served as Flame's Secretary. From June 2018 until February 2021, Mr. Patrinely served as Executive Vice President and Chief Financial Officer of Sable Permian Resources, which engaged in the acquisition, consolidation and optimization of oil and gas upstream opportunities. Sable Permian Resources filed a voluntary petition for bankruptcy on June 25, 2020 and emerged from bankruptcy on February 1, 2021.

Mr. Patrinely previously served as Treasurer for Sable Permian Resources, from May 2017 to June 2018, where he oversaw the financial analysis and execution of refinancing, restructuring and acquisition efforts. Prior to Sable Permian Resources, Mr. Patrinely was a Manager in the Acquisitions & Divestments Group of Freeport-McMoRan Oil & Gas, a wholly owned subsidiary of Freeport-McMoRan Inc., from May 2015 to May 2017, where he managed the execution of financings, mergers, acquisitions and divestments. Mr. Patrinely holds a B.S. degree in Economics with Financial Applications and a B.A. degree in English, with Honors, from Southern Methodist University.

Doss R. Bourgeois, 66, has been our Executive Vice President and Chief Operating Officer since February 2024. Prior to that, Mr. Bourgeois served as Flame's Executive Vice President and Chief Operating Officer from March 3, 2023 to February 2024. He has also served as Executive Vice President and Chief Operating Officer of Sable Offshore Corp. since September 2021. He served as Executive Vice President of Sable Permian Resources, LLC from May 2017 until February 2021. Mr. Bourgeois served as President and Chief Operating Officer of Freeport-McMoRan Oil & Gas ("FM O&G") from July 2015 until April 2016. Mr. Bourgeois served as Executive Vice President, Exploration and Production of FM O&G from June 2013 until July 2015. He previously served as Executive Vice President, Exploration and Production of FM O&G's predecessor, Plains Exploration & Production Company ("PXP") from June 2006 until PXP merged into Freeport-McMoRan Copper & Gold in May 2013. Mr. Bourgeois also served as PXP's Vice President of Development from April 2006 to June 2006 and as PXP's Vice President—Eastern Development Unit from May 2003 to April 2006. Prior to that time, Mr. Bourgeois was Vice President at Ocean Energy, Inc. from August 1993 to May 2003. He also served in various production engineering and drilling engineering roles for Consolidated Natural Gas Producing Company from August 1983 to August 1993 and for Mobil Oil Company from December 1980 to August 1983. Mr. Bourgeois is a graduate of Louisiana State University with a Bachelor of Science degree in Petroleum Engineering.

Anthony C. Duenner, 65, has been our Executive Vice President, General Counsel and Secretary since February 2024. Prior to that, he served as Flame's Executive Vice President, General Counsel and Secretary from March 3, 2023 to February 2024. Previously, he served as Flame's Vice President from March 1, 2021 to March 3, 2023. Mr. Duenner has also served as Executive Vice President, General Counsel & Secretary of Sable Offshore Corp. since September 2021. Mr. Duenner has over 35 years of diverse legal and commercial energy experience. From May 2017 until February 2021, Mr. Duenner served as Vice President, Corporate Development of Sable Permian Resources, LLC, which engaged in the acquisition, consolidation and optimization of oil and gas upstream opportunities. Prior to Sable Permian Resources, LLC, from June 2013 to April 2017, Mr. Duenner was Vice President—International & New Ventures for Freeport-McMoRan Oil & Gas ("FM O&G"), a wholly owned subsidiary of Freeport-McMoRan Inc., where he had responsibility for the company's international commercial activities as well as new ventures and partnerships. He previously served as Vice President – International & New Ventures of FM O&G's predecessor, Plains Exploration & Production Company ("PXP") from May 2005 until PXP merged into Freeport-McMoRan Copper & Gold in May 2013. While with PXP, Mr. Duenner also served as the company's Assistant General Counsel from May 2005 until November 2007.

Mr. Duenner also served as the company's Assistant General Counsel from May 2005 until November 2007. Prior to that time, Mr. Duenner was Vice President, Corporate Development for integrated energy company Entergy Corp., where he led corporate development activities for Entergy and its subsidiaries from 2004 to 2005. Prior to Entergy, from 1998 to 2004, Mr. Duenner served in various project development and wholesale origination functions within Enron International and its successor Prisma Energy International. Previously, Mr. Duenner was in the private practice of law with Bracewell LLP in Houston (Partner from 1994 to 1997 and Associate from 1988 to 1994) and with Morgan Lewis in Washington, D.C. (Associate from 1986 to 1988). Mr. Duenner attended the University of Oklahoma and received a Bachelor of Science in Finance and a Juris Doctor degree from the University of Tulsa.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees. Any amendments to or waivers from the code of business conduct and ethics will be disclosed on our website. The Company has made the Code of Business Conduct and Ethics available on our website under the "Governance—Governance Documents" section at www.sableoffshore.com. We will make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our website.

Insider Trading Policy

We have adopted an Insider Trading Policy that governs the purchase, sale, and/or other dispositions of our securities by directors, officers and employees that is reasonably designed to promote compliance with insider trading laws, rules and regulations, and the listing requirements of the New York Stock Exchange. A copy of our Insider Trading Policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed within 120 days of our fiscal year ended December 31, 2024.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed within 120 days of our fiscal year ended December 31, 2024.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed within 120 days of our fiscal year ended December 31, 2024.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to our Proxy Statement for the 2025 Annual Meeting of Stockholders, which will be filed within 120 days of our fiscal year ended December 31, 2024.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this annual report:

(1) Financial Statements

(2) Financial Statement Schedules: All financial statement schedules have been omitted because they are not applicable, not required or the information required is shown in the financial statements or the notes thereto.

(3) Exhibits

We hereby file as part of this annual report the exhibits listed in the attached Exhibit Index. Exhibits which are incorporated herein by reference can be obtained on the SEC website at www.sec.gov.

(b) The following exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

		Incorporate by Reference		
No.	**Description of Exhibit**	**Form**	**Exhibit**	**Filing Date**
2.1†	Agreement and Plan of Merger, dated as of November 2, 2022, by and among Flame Acquisition Corp., Sable Offshore Corp. and Sable Offshore Holdings LLC as amended by the First Amendment to Agreement and Plan of Merger, dated as of December 22, 2022 and the Second Amendment to Agreement and Plan of Merger, dated as of June 30, 2024.	8-K	2.1	2/14/24
2.1	Second Amended and Restated Certificate of Incorporation of Sable Offshore Corp.	8-K	3.1	2/14/24
3.2	Amended and Restated Bylaws of Sable Offshore Corp.	8-K	3.2	2/14/24
4.1	Specimen Common Stock Certificate.	S-1	4.2	7/2/20
4.2	Specimen Warrant Certificate.	S-1	4.3	7/2/20
4.3	Warrant Agreement, dated February 24, 2021, between the Company and American Stock Transfer & Trust Company, as warrant agent.	8-K	4.1	3/2/21
4.4	Description of registered securities.	10-K	4.4	3/28/24
10.1	Form of Subscription Agreement	8-K	10.1	9/24/24
10.2	Form of Indemnity.	8-K	10.33	2/14/24
10.3	Form of Holdco PIPE Subscription Agreement Amendment.	8-K	10.1	1/16/24
10.4	Form of Additional Holdco PIPE Subscription Agreement.	8-K	10.2	1/16/24
10.5	Form of Flame PIPE Subscription Agreement.	8-K	10.3	1/16/24
10.6	Sable Offshore Corp. 2023 Incentive Award Plan.	8-K	10.32	2/14/24
10.7^	Senior Secured Term Loan Agreement, dated as of February 14, 2024, by and among the Company, Exxon Mobil Corporation and Alter Domus Products Corp.	8-K	10.1	2/14/24
10.8	First Amendment to Senior Secured Term Loan Agreement, dated as of September 6, 2024.	10-Q	10.1	11/14/24
10.9	Registration Rights Agreement, dated as of February 14 2024, by and among the Company and the undersigned party listed under Holder on the signature page thereto.	8-K	10.31	2/14/24

10.10^	Purchase and Sale Agreement between Exxon Mobil Corporation, Mobil Pacific Pipeline Company and Sable Offshore Corp., dated as of November 1, 2022, as amended by the First Amendment to Purchase and Sale Agreement, dated as of June 13, 2023 and the Second Amendment to Purchase and Sale Agreement, dated as of December 15, 2023.	8-K	10.27	2/14/24
10.11*	Third Amendment to Purchase and Sale Agreement between Exxon Mobil Corporation, Mobil Pacific Pipeline Company and Sable Offshore Corp., dated as of March 11, 2024.	—	—	—
10.12*	Fourth Amendment to Purchase and Sale Agreement between Exxon Mobil Corporation, Mobil Pacific Pipeline Company and Sable Offshore Corp., dated as of March 11, 2024.	—	—	—
10.13#	Employment Agreement by and between Sable Offshore Corp. and James C. Flores	10-K	10.39	2/14/24
10.14#	Employment Agreement by and between Sable Offshore Corp. and Gregory Patrinely	10-K	10.40	2/14/24
10.15#	Employment Agreement by and between Sable Offshore Corp. and J. Caldwell Flores	10-K	10.41	2/14/24
10.16#	Employment Agreement by and between Sable Offshore Corp. and Doss R. Bourgeois	10-K	10.42	2/14/24
10.17#	Employment Agreement by and between Sable Offshore Corp. and Anthony C. Duenner	10-K	10.43	2/14/24
19.1*	Insider Trading Policy	—	—	—
21.1	Subsidiaries of the Company.	8-K	21.1	2/14/24
23.1*	Consent of Ham, Langston & Brezina, L.L.P.	—	—	—
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—
97.1	Sable Offshore Corp. Policy for Recovery of Erroneously Awarded Compensation.	10-K	97.1	3/28/24
101.INS*	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document			
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.SCH*	Inline XBRL Taxonomy Extension Schema Document			
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document			
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document			

104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished

# Indicates a management contract or compensatory plan.

† Certain exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). The Registrant agrees to furnish supplementally a copy of all omitted exhibits and schedules to the Securities and Exchange Commission upon its request.

^ Certain portions of this exhibit (indicated by "[***]") have been omitted pursuant to Regulation S-K, Item 601(b)(10).

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SABLE OFFSHORE CORP.

Date: March 17, 2025

By: /s/ James C. Flores
Name: James C. Flores
Title: Chairman and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Position	Date
/s/ James C. Flores James C. Flores	Chairman and Chief Executive Officer (Principal Executive Officer)	March 17, 2025
/s/ Gregory D. Patrinely Gregory D. Patrinely	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 17, 2025
/s/ Michael E. Dillard Michael E. Dillard	Director	March 17, 2025
/s/ Gregory P. Pipkin Gregory P. Pipkin	Director	March 17, 2025
/s/ Christopher B. Sarofim Christopher B. Sarofim	Director	March 17, 2025

THIRD AMENDMENT TO PURCHASE AND SALE AGREEMENT

THIS THIRD AMENDMENT TO PURCHASE AND SALE AGREEMENT (this "**Amendment**"), dated effective as of March 11, 2024 (the "**Execution Date**"), is by and between EXXON MOBIL CORPORATION, a New Jersey corporation ("**EMC**"), and MOBIL PACIFIC PIPELINE COMPANY, a Delaware corporation ("**MPPC**") (each a "**Seller**"), and SABLE OFFSHORE CORP., a Texas corporation (" **Purchaser**"). Seller and Purchaser are sometimes hereinafter referred to individually as a "**Party**" and collectively as the "**Parties**". EMC and MPPC may from time to time hereinafter be referred to collectively as "**ExxonMobil**", "**Seller**" or "**Sellers**" solely for convenience and simplicity; such reference is not intended to in any way affect the corporate separateness of these separate legal entities.

RECITALS

A. **WHEREAS** the Parties entered into that certain Purchase and Sale Agreement dated November 1, 2022 (as amended by that certain Side Letter dated November 4, 2022, the certain First Amendment thereto dated effective June 13, 2023, that certain Second amendment thereto dated effective December 15, 2023 and this Third Amendment, and as may be further amended from time to time, the "**PSA**").

B. The Parties desire to amend the PSA pursuant to Section 17.1 thereof, as more specifically set forth in this Amendment.

AMENDMENT

In consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Defined Terms**. Capitalized terms used but not defined herein shall have the meanings assigned to them in the PSA.

2. **Deletion of Section 11.14(b)(i) of the PSA**. Section 11.14(b)(i) of the PSA, as previously amended, is hereby deleted in its entirety. Accordingly, Sellers acknowledge that Purchaser shall not be required to change the name of POPCO; *provided, however*, that all other provisions of Section 11.14 (as previously amended) shall remain unchanged and in full force and effect.

3. **Compliance with PSA**. The Parties acknowledge that this Amendment complies with the requirements to alter or amend the PSA, as stated in Section 17.1 of the PSA. The PSA, as amended herein, is ratified and confirmed, and all other terms and conditions of the PSA not modified by this Amendment shall remain in full force and effect. All references to the PSA shall be considered to be references to the PSA as modified by this Amendment. In the event of any conflict between the terms and conditions of this Amendment, and the terms and conditions of the PSA, the terms and conditions of this Amendment shall govern and control the point in conflict. This Amendment shall be

binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

4. **Governing Law**. This Amendment and the relationship of the Parties with respect to this Amendment shall be governed by the laws of the State of Texas without regard to conflicts of laws principles.

5. **Entire Agreement and Modification**. This Amendment, the PSA, and the Transaction Documents, including all Schedules and Exhibits attached hereto and thereto, constitute the entire agreement between the Parties as to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions of the Parties, whether oral or written. This Amendment may not be amended or otherwise modified except by a written agreement executed by the Parties.

6. **Incorporation**. The Parties acknowledge that this Amendment shall be governed by the terms of Section 17.2 (References and Rules of Construction), Section 17.4 (Waiver), Section 17.5 (Conflict of Law, Jurisdiction, Venue, Arbitration), Section 17.6 (Notices), Section 17.7 (Timing), Section 17.8 (Confidentiality), Section 17.11 (Severability), Section 17.12 (Parties in Interest), Section 17.14 (Execution in Counterparts) and Section 17.15 (Recourse Only Against Parties) of the PSA, and such provisions shall be incorporated herein, *mutatis mutandis*.

7. **Headings**. The headings of the articles and sections of this Amendment are for guidance and convenience of reference only and shall not limit or otherwise affect any of the terms or provisions of this Amendment.

8. **Counterparts**. This Amendment may be executed electronically or delivered (including by facsimile or electronic transmission) in one or more counterparts, each of which shall be deemed to be an original copy of this Amendment, and each of which may be executed by less than all of the Parties, and shall be enforceable and effective against the Parties actually executing such counterparts, and all of which, when taken together, shall be deemed to constitute one and the same agreement.

[*Signature pages follow.*]

EXECUTED as of the Execution Date of this Amendment.

SELLER:

EXXON MOBIL CORPORATION

By: /s/ Mickey D. Johnson
Name: Mickey D. Johnson
Title: Agent & Attorney-In-Fact

MOBIL PACIFIC PIPELINE COMPANY

By: /s/ David H. Welsh
Name: David H. Welsh
Title: President

PURCHASER:

SABLE OFFSHORE CORP.

By: /s/ James C. Flores
Name: James C. Flores
Title: Chairman and Chief Executive Officer

[Signature Page to Third Amendment to the Purchase and Sale Agreement]

EX-10.12 3 syu_fourthxamendmentxexe.htm EX-10.12

FOURTH AMENDMENT TO PURCHASE AND SALE AGREEMENT

THIS FOURTH AMENDMENT TO PURCHASE AND SALE AGREEMENT (this "Amendment"), dated effective as of December 13, 2024 (the "Execution Date"), is by and between EXXON MOBIL CORPORATION, a New Jersey corporation ("EMC"), and MOBIL PACIFIC PIPELINE COMPANY, a Delaware corporation ("MPPC") (each a "Seller"), and SABLE OFFSHORE CORP., a Delaware corporation ("Purchaser"). Seller and Purchaser are sometimes hereinafter referred to individually as a "Party" and collectively as the "Parties". EMC and MPPC may from time to time hereinafter be referred to collectively as "ExxonMobil", "Seller" or "Sellers" solely for convenience and simplicity; such reference is not intended to in any way affect the corporate separateness of these separate legal entities.

RECITALS

A. The Parties entered into that certain Purchase and Sale Agreement dated November 1, 2022 (as amended by that certain Side Letter dated November 4, 2022, that certain First Amendment to Purchase and Sale Agreement dated effective as of June 13, 2023, that certain Second Amendment to Purchase and Sale Agreement dated effective as of December 15, 2023, that certain Third Amendment to Purchase and Sale Agreement dated effective as of March 11, 2024 and this Amendment, and as may be further amended from time to time, the "PSA"); and

B. The Parties desire to amend the PSA pursuant to Section 17.1 thereof, as more specifically set forth in this Amendment.

AMENDMENT

In consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to them in the PSA.

2. Amendments to the PSA. Effective as of the Execution Date, the PSA is hereby amended as follows.

a. Amendment to Section 7.3(a) of the Agreement. Section 7.3(a) is hereby deleted in its entirety and replaced with the following:

> "(a) Purchaser shall be responsible for obtaining, at its cost and expense, and shall use all reasonable efforts to obtain all other Required Consents and Customary Post-Closing Consents, including but not limited to approval for transfer of interests in the Leases and federal OCS rights-of-way and rights-of-use for the Leases, federal OCS rights-of-way and rights-of-use, and the Units. Purchaser will (with Seller's commercially reasonable assistance) prepare and submit these instruments to the applicable governmental authority promptly after Closing, but in no event later than five (5) Business Days after Closing. Subject to the terms of this Agreement, from Closing until the Restart Failure Date, Seller agrees to provide commercially reasonable assistance to Purchaser, at Purchaser's sole cost and expense, in connection with obtaining such regulatory approvals, provided, however, that Seller shall not be required to incur any liability in connection therewith."

b. Amendment to Section 7.3(c) of the PSA. Section 7.3(c) of the PSA is hereby deleted in its entirety and replaced with the following:

"(c) If the Restart Production date does not occur prior to the Restart Failure Date, then for a period of one hundred and eighty (180) days from the Restart Failure Date, Seller shall have the exclusive right, but not the obligation, to require Purchaser to reassign the Assets and any other rights conveyed under this Agreement to Seller or its designated representative, free and clear of all Encumbrances other than Seller's security interests, upon written demand, without reimbursement of any Purchaser costs or expenditures (collectively with Seller's reassignment option under Section 7.3(b), the "Reassignment Option"). If Purchaser acquires or has acquired any additional rights, assets or has developed additional improvements, records or benefits arising out of or related to the Assets between the Closing and the Restart Failure Date, on Seller's request, such rights, assets, improvements, records, or benefits shall also be assigned and delivered to Seller together with the reassignment of the Assets in accordance with the Reassignment Option."

c. Amendment to Section 7.12 of the PSA. Section 7.12 is hereby deleted in its entirety and replaced with the following:

"Section 7.12 Restart; Periodic Reporting. Purchaser shall use all commercially reasonable efforts to Restart Production and shall do so in compliance with all applicable Laws. Purchaser agrees to keep Seller reasonably apprised of the progress of its work, and any material developments or setbacks. In connection with such obligation, Purchaser shall provide Seller with quarterly written updates regarding the progress of the Restart Production, including the status of all material Permit negotiations, governmental approvals, developments with Plains or other third-party hydrocarbon transportation service providers, as well as other material contracts necessary to achieve Restart Production. If any material Permits are revoked or a governmental authority indicates it is reasonably likely such Permit or other governmental approval will not be granted before the Restart Failure Date, Purchaser shall promptly notify Seller in writing of such development and shall use all reasonable efforts to prevent such revocation and obtain such Permit and governmental approval, as applicable. In addition to the foregoing, Purchaser will provide Seller copies of any official correspondence from governmental authorities relating to the issuance of requested Permits and governmental approvals for the Restart Production. Purchaser (or its Affiliate) shall obtain and maintain all Required Consents, Customary Post Closing Consents and governmental approvals to be recognized as the owner and operator (and to the extent applicable, the guarantor) of an Asset (including all applicable Permits) prior to producing, transporting, treating or storing Hydrocarbons from, through, in or across such Asset (as applicable). If Purchaser (or its Affiliate) has timely applied for and is diligently pursuing such consents and approvals in accordance with the terms of this Agreement, but a consent or approval is withheld, delayed or conditioned by the applicable governmental authority, Purchaser shall promptly notify Seller of the circumstances of same so that the Parties may, subject to the terms of this Agreement and applicable Laws, consider potential further actions in respect thereof."

d. Amendment to Section 11.12(c) of the PSA. Section 11.12(c) is hereby deleted in its entirety and replaced with the following:

"Notwithstanding any provision of this Agreement to the contrary, for a period of six (6) years after the Closing, Purchaser shall maintain in place one or more asset-level insurance policy(ies) from an internationally recognized, reputable insurance provider(s) having liability coverage totaling no less than One Hundred Million Dollars ($100,000,000.00) per occurrence which shall: (1) cover Seller and their Affiliates as additional insureds for liabilities arising from or assumed under this Agreement; and (2) be primary as to all other policies (including any deductibles or self-insured retentions); provided, this Section 11.12 shall in no way apply to Purchaser's general corporate insurance policies. It is further agreed that Purchaser and its insurer(s) providing coverage shall waive all rights of subrogation and/or contribution against Seller and its Affiliates to the extent liabilities are assumed by Purchaser."

e. Amendment to Section 11.13 of the PSA. Section 11.13 is hereby deleted in its entirety and replaced with the following:

"Section 11.13 Governmental Bonding. Within sixty (60) days of the BOEM or any other governmental authority notifying Purchaser or Seller of any plugging, supplemental or other bonding requirements necessary for Purchaser to have the applicable assignments with respect to the Assets (including all Permits) approved by the BOEM or any other applicable governmental authority, Purchaser shall have such bonds, guarantees or other financial security posted with the applicable governmental authority to have such assignments approved. Without limitation to Section 11.12, during the period extending from the Closing until such time as (i) such bonds, guarantees or other financial security are posted by Purchaser (or its Affiliate on its behalf) with and accepted by the applicable governmental authority, (ii) any related security provided by Seller has been released, and (iii) all such approvals by the BOEM or other governmental authorities have been obtained, Purchaser shall name Seller as an additional insured on Purchaser's insurance policies."

f. Amendment to Section 12.5 to the PSA. The last paragraph of Section 12.5 is hereby deleted in its entirety and replaced with the following:

"Purchaser further agrees to take all other actions required of it by governmental authorities having jurisdiction to obtain all requisite regulatory approval with respect to this transaction, and to use all reasonable efforts to obtain unconditional approval by such governmental authorities of any transfer documents requiring governmental approval in order for Purchaser (or its Affiliate) to be recognized as owner and operator (and to the extent applicable, the guarantor) of the Assets. Purchaser agrees to provide Seller with copies of all applications for Permits and governmental approvals and all documents evidencing each such Permit or governmental approval as soon as they are available. Subject to the terms of this Agreement, from Closing until the Restart Failure Date, Seller agrees to provide commercially reasonable assistance to Purchaser, at Purchaser's sole cost and expense, in

connection with obtaining such regulatory approvals, provided, however, that Seller shall not be required to incur any liability in connection therewith."

g. Amendment to Appendix A (Defined Terms).

i. The definition of "Restart Production" set forth in Appendix A to the PSA is hereby deleted in its entirety and replaced with the following:

""Restart Production" means one hundred and fifty (150) days after the resumption of actual production of Hydrocarbons from the Leases in compliance with all applicable Laws and in accordance with the terms of this Agreement."

ii. The definition of "Restart Failure Date" set forth in Appendix A to the PSA is hereby deleted in its entirety and replaced with the following:

""Restart Failure Date" means March 1, 2026; provided that, at Purchaser's request at least thirty (30) days before the then current Restart Failure Date, Sellers may elect to extend the Restart Failure Date in its sole discretion."

3. Compliance with PSA. The Parties acknowledge that this Amendment complies with the requirements to alter or amend the PSA, as stated in Section 17.1 of the PSA. The PSA, as amended herein, is ratified and confirmed, and all other terms and conditions of the PSA not modified by this Amendment shall remain in full force and effect. All references to the PSA shall be considered to be references to the PSA as modified by this Amendment. In the event of any conflict between the terms and conditions of this Amendment, and the terms and conditions of the PSA, the terms and conditions of this Amendment shall govern and control the point in conflict. This Amendment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

4. Governing Law. This Amendment and the relationship of the Parties with respect to this Amendment shall be governed by the laws of the State of Texas without regard to conflicts of laws principles.

5. Entire Agreement and Modification. This Amendment, the PSA, and the Transaction Documents, including all Schedules and Exhibits attached hereto and thereto, constitute the entire agreement between the Parties as to the subject matter of this Amendment and supersedes all prior agreements, understandings, negotiations and discussions of the Parties, whether oral or written. This Amendment may not be amended or otherwise modified except by a written agreement executed by the Parties.

6. Incorporation. The Parties acknowledge that this Amendment shall be governed by the terms of Section 17.2 (References and Rules of Construction), Section 17.4 (Waiver), Section 17.5 (Conflict of Law, Jurisdiction, Venue, Arbitration), Section 17.6 (Notices), Section 17.7 (Timing), Section 17.8 (Confidentiality), Section 17.11 (Severability), Section 17.12 (Parties in Interest), Section 17.14 (Execution in Counterparts) and Section 17.15 (Recourse Only Against Parties) of the PSA, and such provisions shall be incorporated herein, mutatis mutandis.

7. Headings. The headings of the articles and sections of this Amendment are for guidance and convenience of reference only and shall not limit or otherwise affect any of the terms or provisions of this Amendment.

8. Counterparts. This Amendment may be executed electronically or delivered (including by facsimile or electronic transmission) in one or more counterparts, each of which shall be deemed to be an original copy of this Amendment, and each of which may be executed by less than all of the Parties,

and shall be enforceable and effective against the Parties actually executing such counterparts, and all of which, when taken together, shall be deemed to constitute one and the same agreement.

[Signature pages follow.]

EXECUTED as of the Execution Date of this Amendment.

SELLER:

EXXON MOBIL CORPORATION

By: DocuSigned by: Mickey Johnson

Name: Mickey D. Johnson

Title: Agent & Attorney-in-Fact

MOBIL PACIFIC PIPELINE COMPANY

By: DocuSigned by: David H. Welsh

Name: David H. Welsh

Title: President

PURCHASER:

SABLE OFFSHORE CORP.

By:

Name: J. Caldwell Flores

Title: President

Sable Offshore Corp.
Insider Trading Compliance Policy and Procedures

Federal and state laws prohibit trading in the securities of a company while in possession of material nonpublic information and in breach of a duty of trust or confidence. These laws also prohibit anyone who is aware of material nonpublic information from providing this information to others who may trade. Violating such laws can undermine investor trust, harm the reputation and integrity of Sable Offshore Corp. (together with its subsidiaries, the "Company"), and result in dismissal from the Company or even serious criminal and civil charges against the individual and the Company. The Company reserves the right to take whatever disciplinary or other measure(s) it determines in its sole discretion to be appropriate in any particular situation, including disclosure of wrongdoing to governmental authorities.

Persons Covered and Administration of Policy

This Insider Trading Compliance Policy and Procedures (this "Policy") applies to all officers, directors and employees of the Company. For purposes of this Policy, "officers" refer to those individuals who meet the definition of "officer" under Section 16 of the Securities Exchange Act of 1934 (as amended, the "Exchange Act"). Individuals subject to this Policy are responsible for ensuring that members of their household comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, limited liability companies, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy as if they were for the individual's own account. The Company may determine that this Policy applies to additional persons with access to material nonpublic information, such as contractors or consultants. Officers, directors and employees, together with any other person designated as being subject to this Policy by the General Counsel or his or her designee (the "Compliance Officer"), are referred to collectively as "Covered Persons."

Questions regarding the Policy should be directed to the Compliance Officer, who is responsible for the administration of this Policy.

Policy Statement

No Covered Person shall purchase or sell any type of security while in possession of material nonpublic information relating to the security or the issuer of such security in breach of a duty of trust or confidence, whether the issuer of such security is the Company or any other company. In addition, if a Covered Person is in possession of material nonpublic information about other publicly-traded companies, such as suppliers, customers, competitors or potential acquisition targets, the Covered Person may not trade in such other companies' securities until the information becomes public or is no longer material. Further, no Covered Person shall purchase or sell any security of any other company, including another company in the Company's industry, while in possession of material nonpublic information if such information is obtained in the course of the Covered Person's employment or service with the Company.

In addition, Covered Persons shall not directly or indirectly communicate material nonpublic information to anyone outside the Company (except in accordance with the Company's policies regarding confidential information) or to anyone within the Company other than on a "need-to-know" basis.

"Securities" includes stocks, bonds, notes, debentures, options, warrants, equity and other convertible securities, as well as derivative instruments.

"Purchase" and "sale" are defined broadly under the federal securities law. "Purchase" includes not only the actual purchase of a security, but also any contract to purchase or otherwise acquire a security. "Sale" includes not only the actual sale of a security, but also any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions, including conventional cash-for-stock transactions, conversions, the exercise of stock options, transfers, gifts, and acquisitions and exercises of warrants or puts, calls, pledging and margin loans, or other derivative securities.

The laws and regulations concerning insider trading are complex, and Covered Persons are encouraged to seek guidance from the Compliance Officer prior to considering a transaction in Company securities.

Blackout Periods

No director, officer or employee listed on Schedule I, as amended from time to time, (as well as any individual or entity covered by this Policy by virtue of their relationship to such director, officer or employee) shall purchase or sell any security of the Company during the period beginning on the 15th calendar day of the last month of any fiscal quarter of the Company and ending after completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company, such period, a "blackout period." A "trading day" is a day on which U.S. national stock exchanges are open for trading. If, for example, the Company were to make an announcement on Monday *prior* to 9:30 a.m. Eastern Time, then the blackout period would terminate *after* the close of trading on Tuesday. If an announcement were made on Monday after 9:30 a.m. Eastern Time, then the blackout period would terminate after the close of trading on Wednesday. If you have any question as to whether information is publicly available, please direct an inquiry to the Compliance Officer.

These prohibitions do not apply to:

- purchases of the Company's securities from the Company, or sales of the Company's securities to the Company;
- exercises of stock options or other equity awards or the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement (including the Sable Offshore Corp. 2023 Incentive Award Plan), or vesting of equity-based awards, in each case, that do not involve a market sale of the Company's securities (the "cashless exercise" of a Company stock option or

other equity award through a broker does involve a market sale of the Company's securities, and therefore would not qualify under this exception);

- *bona fide* gifts of the Company's securities, unless the individual making the gift knows, or is reckless in not knowing, the recipient intends to sell the securities while the donor is in possession of material nonpublic information about the Company; or

- purchases or sales of the Company's securities made pursuant to a plan adopted to comply with the Exchange Act Rule 10b5-1 ("Rule 10b5-1").

Exceptions to the blackout period policy may be approved by the Compliance Officer or, in the case of exceptions for directors, the Board of Directors.

The Compliance Officer may recommend that directors, officers, employees or others suspend trading in Company securities because of developments that have not yet been disclosed to the public. Subject to the exceptions noted above, all of those individuals affected should not trade in the Company's securities while the suspension is in effect, and should not disclose to others that the Company has suspended trading.

Preclearance of Trades by Directors, Officers and Employees

All transactions in the Company's securities by directors, officers, and employees listed on Schedule II (each, a "Preclearance Person") must be precleared by the Compliance Officer or the Chief Financial Officer for transactions by the Compliance Officer. Preclearance should not be understood to represent legal advice by the company that a proposed transaction complies with the law.

A request for preclearance must be in writing, should be made at least two business days in advance of the proposed transaction, and should include the identity of the Preclearance Person, a description of the proposed transaction, the proposed date of the transaction, and the number of shares or other securities involved. In addition, the Preclearance Person must execute a certification that he or she is not aware of material nonpublic information about the Company. The Compliance Officer, or the Chief Financial Officer for transactions by the Compliance Officer, shall have sole discretion to decide whether to clear any contemplated transaction. All trades that are precleared must be effected within five business days of receipt of the preclearance. A precleared trade (or any portion of a precleared trade) that has not been effected during the five business day period must be submitted for preclearance determination again prior to execution. Notwithstanding receipt of preclearance, if the Preclearance Person becomes aware of material nonpublic information, or becomes subject to a blackout period before the transaction is effected, the transaction may not be completed. Transactions under a previously established Rule 10b5-1 Trading Plan that has been preapproved in accordance with this Policy are not subject to further preclearance.

None of the Company, the Compliance Officer, or the Company's other employees will have any liability for any delay in reviewing, or refusal of, a request for preclearance.

Material Nonpublic Information

Information is considered "material" if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell, or hold a security, or if the information is likely to have a significant effect on the market price of the security. Material information can be positive or negative, and can relate to virtually any aspect of a company's business or to any type of security, debt, or equity. Also, information that something is likely to happen in the future—or even just that it may happen—could be deemed material.

Examples of material information may include (but are not limited to) information about:

- corporate earnings or earnings forecasts;
- possible mergers, acquisitions, tender offers, or dispositions;
- major new products or product developments;
- important business developments, such as developments regarding strategic collaborations;
- management or control changes;
- significant financing developments including pending public sales or offerings of debt or equity securities;
- defaults on borrowings;
- bankruptcies;
- cybersecurity or data security incidents; and
- significant litigation or regulatory actions.

Information is "nonpublic" if it is not available to the general public. In order for information to be considered "public," it must be widely disseminated in a manner that makes it generally available to investors in a Regulation FD-compliant method, such as through a press release, a filing with the U.S. Securities and Exchange Commission (the "SEC") or a Regulation FD-compliant conference call. The Compliance Officer shall have sole discretion to decide whether information is public for purposes of this Policy.

The circulation of rumors, even if accurate and reported in the media, does not constitute public dissemination. In addition, even after a public announcement, a reasonable period of time may need to lapse in order for the market to react to the information. Generally, the passage of two full trading days following release of the information to the public, is a reasonable waiting period before such information is deemed to be public.

Post-Termination Transactions

If an individual is in possession of material nonpublic information when the individual's service terminates, the individual may not trade in the Company's securities until that information has become public or is no longer material.

Prohibited Transactions

The Company has determined that there is a heightened legal risk and the appearance of improper or inappropriate conduct if persons subject to this Policy engage in certain types of transactions. Therefore, Covered Persons shall comply with the following policies with respect to certain transactions in the Company's securities.

Short Sales

Short sales of the Company's securities are prohibited by this Policy. Short sales of the Company's securities, or sales of shares that the insider does not own at the time of sale, or sales of shares against which the insider does not deliver the shares within 20 days after the sale, evidence an expectation on the part of the seller that the securities will decline in value, and, therefore, signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, Section 16(c) of the Exchange Act prohibits Section 16 reporting persons (i.e., directors, officers, and the Company's 10% stockholders) from making short sales of the Company's equity securities.

Options

Transactions in puts, calls, or other derivative securities involving the Company's equity securities, on an exchange, on an over-the-counter market, or in any other organized market, are prohibited by this Policy. A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and, therefore, creates the appearance that a Covered Person is trading based on material nonpublic information. Transactions in options, whether traded on an exchange, on an over-the-counter market, or any other organized market, also may focus a Covered Person's attention on short-term performance at the expense of the Company's long-term objectives.

Hedging Transactions

Hedging transactions involving the Company's securities, such as prepaid variable forward contracts, equity swaps, collars and exchange funds, or other transactions that hedge or offset, or are designed to hedge or offset, any decrease in the market value of the Company's equity securities, are prohibited by this Policy. Such transactions allow the Covered Person to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the Covered Person may no longer have the same objectives as the Company's other stockholders.

Margin Accounts and Pledging

Individuals are prohibited from pledging Company securities as collateral for a loan, purchasing Company securities on margin (i.e., borrowing money to purchase the securities), or placing Company securities in a margin account. This prohibition does not apply to cashless exercises of stock options under the Company's equity plans, nor to situations approved in advance by the Compliance Officer.

Partnership Distributions

Nothing in this Policy is intended to limit the ability of an investment fund, venture capital partnership or other similar entity with which a director is affiliated to distribute Company securities to its partners, members, or other similar persons. It is the responsibility of each affected director and the affiliated entity, in consultation with their own counsel (as appropriate), to determine the timing of any distributions, based on all relevant facts and circumstances, and applicable securities laws.

Rule 10b5-1 Trading Plans

The trading restrictions set forth in this Policy, other than those transactions described under "Prohibited Transactions," do not apply to transactions under a previously established contract, plan or instruction to trade in the Company's securities entered into in accordance with Rule 10b5-1 (a "Trading Plan") that:

- has been submitted to and preapproved by the Compliance Officer;
- includes a "Cooling Off Period" for
    - Section 16 reporting persons that extends to the later of 90 days after adoption or modification of a Trading Plan or two business days after filing the Form 10-K or Form 10-Q covering the fiscal quarter in which the Trading Plan was adopted, up to a maximum of 120 days; and
    - employees and any other persons, other than the Company, that extends 30 days after adoption or modification of a Trading Plan;
- for Section 16 reporting persons, includes a representation in the Trading Plan that the Section 16 reporting person is (1) not aware of any material nonpublic information about the Company or its securities; and (2) adopting the Trading Plan in good faith and not as part of a plan or scheme to evade Rule 10b-5;
- has been entered into in good faith at a time when the individual was not in possession of material nonpublic information about the Company and not otherwise in a blackout period, and the person who entered into the Trading Plan has acted in good faith with respect to the Trading Plan;
- either (1) specifies the amounts, prices, and dates of all transactions under the Trading Plan; or (2) provides a written formula, algorithm, or computer program for determining the amount, price, and date of the transactions, and (3) prohibits the individual from exercising any subsequent influence over the transactions; and
- complies with all other applicable requirements of Rule 10b5-1.

The Compliance Officer may impose such other conditions on the implementation and operation of the Trading Plan as the Compliance Officer deems necessary or advisable.

Individuals may not adopt more than one Trading Plan at a time except under the limited circumstances permitted by Rule 10b5-1 and subject to preapproval by the Compliance Officer.

An individual may only modify a Trading Plan outside of a blackout period and, in any event, when the individual does not possess material nonpublic information. Modifications to and terminations of a Trading Plan are subject to preapproval by the Compliance Officer and modifications of a Trading Plan that change the amount, price, or timing of the purchase or sale of the securities underlying a Trading Plan will trigger a new Cooling-Off Period.

The Company reserves the right to publicly disclose, announce, or respond to inquiries from the media regarding the adoption, modification, or termination of a Trading Plan and non-Rule 10b5-1 trading arrangements, or the execution of transactions made under a Trading Plan. The Company also reserves the right from time to time to suspend, discontinue, or otherwise prohibit transactions under a Trading Plan if the Compliance Officer or the Board of Directors, in its discretion, determines that such suspension, discontinuation, or other prohibition is in the best interests of the Company.

Compliance of a Trading Plan with the terms of Rule 10b5-1 and the execution of transactions pursuant to the Trading Plan are the sole responsibility of the person initiating the Trading Plan, and none of the Company, the Compliance Officer, or the Company's other employees assumes any liability for any delay in reviewing and/or refusing to approve a Trading Plan submitted for approval, nor the legality or consequences relating to a person entering into, informing the Company of, or trading under, a Trading Plan.

Interpretation, Amendment, and Implementation of this Policy

The Compliance Officer shall have the authority to interpret and update this Policy and all related policies and procedures. In particular, such interpretations and updates of this Policy, as authorized by the Compliance Officer, may include amendments to or departures from the terms of this Policy, to the extent consistent with the general purpose of this Policy and applicable securities laws.

Actions taken by the Company, the Compliance Officer, or any other Company personnel do not constitute legal advice, nor do they insulate you from the consequences of noncompliance with this Policy or with securities laws.

Certification of Compliance

All directors, officers, employees and others subject to this Policy may be asked periodically to certify their compliance with the terms and provisions of this Policy.

Schedule I

Individuals Subject to Quarterly Trading Blackouts

- All Directors and Executive Officers of the Company
- Any other personnel as determined from time to time by the Compliance Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-278836) of Sable Offshore Corp. (the "Company") of our report dated March 17, 2025, relating to the consolidated financial statements of the Company, which appears in this Form 10-K.

/s/ Ham, Langston & Brezina, L.L.P.
Houston, Texas
March 17, 2025

EXHIBIT 31.1

CERTIFICATION

I, James C. Flores, certify that:

1. I have reviewed this annual report on Form 10-K of Sable Offshore Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2025

/s/ James C. Flores
James C. Flores
Chairman and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Gregory D. Patrinely, certify that:

1. I have reviewed this annual report on Form 10-K of Sable Offshore Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2025

/s/ Gregory D. Patrinely

Gregory D. Patrinely

Executive Vice President and Chief Financial Officer

(Principal Accounting Officer and Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Sable Offshore Corp. (the "Company") for the period ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James C. Flores, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 17, 2025

/s/ James C. Flores
James C. Flores
Chairman and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Sable Offshore Corp. (the "Company") for the period ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory D. Patrinely, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 17, 2025

/s/ Gregory D. Patrinely

Gregory D. Patrinely
Executive Vice President and Chief Financial Officer
(Principal Accounting Officer and Principal Financial Officer)

Katherine Douglas

From:	Cynthia Elkins <CElkins@biologicaldiversity.org>
Sent:	Wednesday, October 29, 2025 4:27 PM
To:	sbcob; Jacquelyne Alexander
Cc:	Rachel Mathews; Julie Teel Simmonds
Subject:	References in support of appeal - SYU permit transfers (Vol B)
Attachments:	Vol B - CBD Refs II.pdf

Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

References - Volume B (2 of 3)

Dear Supervisors and Clerk Alexander,

Please see the attached references submitted on behalf of the Center for Biological Diversity and Wishtoyo Foundation, which are submitted in support of our appeal of the Planning Commission's approval of Sable Offshore Corp.'s application to transfer the Final Development Permits for the Santa Ynez Unit, Pacific Offshore Pipeline Company Gas Plant, and Las Flores Pipeline System. Our comments were submitted under a separate cover, which also includes a list of supporting references.

Hard copies of the attached are being sent via FedEx, and they are also are available to download via Dropbox:

https://www.dropbox.com/scl/fo/ezfmsdytic6oceojc2rm7/AA9kSVPQXZ2TfXBwqvhMuMk?rlkey=suk7nr9ukk3a8e43356a294ld&st=ne78f7dg&dl=0

This Dropbox folder can also be accessed at the following shortened link:

https://tinyurl.com/CBD-Appeal-II

Please include these references as part of your administrative record for this matter, , as well as the references we submitted in February 2025, as part of the administrative record for this matter, and please contact me if there are any problems.

Thank you for your time and for considering our comments and concerns.

Sincerely,
Cynthia Elkins, Senior Paralegal
Center for Biological Diversity
celkins@biologicaldiversity.org
(707) 358 – 0430

REFERENCES

Volume B

Documents 9–22

Submitted on Behalf of the Center for Biological Diversity and Wishtoyo Foundation

Exhibit 10.27

PURCHASE AND SALE AGREEMENT

BETWEEN

EXXON MOBIL CORPORATION

MOBIL PACIFIC PIPELINE COMPANY

AND

SABLE OFFSHORE CORP.

EFFECTIVE TIME: JANUARY 1, 2022

as amended by
FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT
dated as of June 13, 2023

as amended by
SECOND AMENDMENT TO PURCHASE AND SALE AGREEMENT
dated as of December 15, 2023

ARTICLE III
PURCHASE PRICE

Section 3.1 **Purchase Price.** The purchase price for the Assets shall be Six Hundred and Twenty Five Million Dollars ($625,000,000) (the "**Purchase Price**"). The Purchase Price (i) shall be paid as provided in Section 3.4, (ii) shall bear Interest compounded annually up to (and including) the Actual Payment Date as provided in Section 3.4 of this Agreement and as further provided in the Senior Secured Term Loan Agreement and (iii) shall be guaranteed and secured by the Collateral Documents. The Purchase Price shall be allocated among the Assets as set forth in Exhibit C (the "**Allocated Values**").

Section 3.2 **Upward Settlement Adjustments.** The Purchase Price shall be adjusted upward as follows (without duplication):

(a) the amount of all Property Expenses paid or payable by Seller that are attributable to the Assets and which were incurred on and after the Effective Time and all prepaid Property Expenses allocable to periods from and after the Effective Time which were paid by Seller;

(b) an amount equal to the value of (i) all Hydrocarbons attributable to the Assets in pipelines, in tanks or otherwise in storage (including inventory) above the pipeline sales connection as of the Effective Time, plus (ii) line fill, in each case, such value to be based upon the contract price in effect as of the Effective Time (or if no such contract is in effect, the market value in the area as of the Effective Time), less applicable Taxes and gravity adjustments;

(c) the amount of any Property Taxes prorated to Purchaser under Section 13.1, but paid or payable by Seller;

(d) an amount equal to the aggregate volume owed to Seller for each of the Imbalances set forth on Schedule 3.2(d), multiplied by the applicable dollar amount set forth on Schedule 3.2(d) for such Imbalances;

(e) Overhead Costs attributable to the period from the Effective Time to the Closing (pro-rated on a daily basis for any partial months);

(f) an amount equal to the value of the materials and supply inventory set forth in Schedule 3.2(f), which is unsold as of the Closing;

(g) an amount equal to the value of all Title Benefits in accordance with Section 4.7;

(h) an amount equal to costs paid by Seller after the Effective Time and attributable to the plugging and abandonment of any well(s) or decommissioning of any facilities in accordance with Section 11.1(b);

(i) an additional Seventy-Five Million Dollars ($75,000,000.00) if, on or prior to the Closing Date, (i) Seller has filed an AB 864 plan with the California Office of the State Fire Marshal (OFSM) and such plan has been approved by the OSFM, and (ii) such OSFM approval is not subject, in material part, to further appeal or reconsideration, or the time period for further appeal or reconsideration, as to the material part of the decision, has expired; and

(j) any other upward adjustment agreed upon by Seller and Purchaser in a separate written agreement.

Section 3.3 **Downward Settlement Adjustments.** The Purchase Price shall be adjusted downward as follows (without duplication):

(a) the amount of all proceeds and revenues received by Seller, if any, from and after the Effective Time up to the Closing that are attributable to the Assets from and after the Effective Time (net of any royalties, overriding royalties, marketing and transportation or other post-production, severance, sales, income or other similar Taxes not reimbursed to Sellers by the purchaser of production, and excluding proceeds from the sale of materials and supply inventory);

Permit that expires or terminates in accordance with its terms, or pursuant to applicable Law, regulation or governmental order. Notwithstanding anything in this Agreement to the contrary, Sellers shall have no obligation to obtain any permits or authorizations that may be required for Purchaser to operate the Assets (or any of them) and Purchaser acknowledges that it shall be solely responsible for obtaining such permits or authorizations.

(c) With respect to any AFE or similar expenditure that is estimated to cost in excess of Three Million Dollars ($3,000,000), Seller shall forward such AFE to Purchaser as soon as is reasonably practicable and thereafter the Parties shall consult with each other regarding whether or not Seller should elect to participate in such operation. Purchaser agrees that it will timely respond to any written request for consent pursuant to this Section 7.1(c). In the event the Parties are unable to agree within ten (10) days (unless a shorter time, not to be less than twenty four (24) hours, is reasonably required by the circumstances and the applicable joint operating agreement and such shorter time is specified in Seller's request for consent) of Purchaser's receipt of any consent request as to whether or not Seller should elect to participate in such operation, Seller's decision shall control and such operation shall be deemed to have been consented to by Purchaser.

Section 7.2 **Performance Bonds.** Purchaser acknowledges that none of the bonds, letters of credit and guarantees, if any, posted by Seller or its Affiliates relating to the Assets are transferable to Purchaser. Except with respect to any supplemental bonds required by the BOEM or other governmental authority (which are addressed in Section 11.13) that are identified on Schedule 5.20 on or before the Closing Date, Purchaser shall obtain replacements for all such bonds, letters of credit and guarantees to the extent such replacements are necessary for Purchaser's ownership and/or operation of the Assets. Purchaser shall use commercially reasonable efforts to assist Seller in its efforts to cause the cancellation or return of the bonds, letters of credit and guarantees posted by Seller or its Affiliates with respect to the Assets. Notwithstanding the foregoing, but subject to Section 11.13, in the event that any counterparty to any Scheduled Bonds (including the BOEM or other governmental authority) does not release Seller or cancel the applicable Scheduled Bond as it relates to the Assets as of the Closing, then, from and after Closing, Purchaser shall indemnify Seller from and against any and all Losses asserted against, resulting from, imposed upon or incurred by Seller or any of its Affiliates as a result of, arising out of, or with respect to the Assets acquired by Purchaser under such Scheduled Bond until such time as a full release is obtained to the satisfaction of Seller.

Section 7.3 **Transfers and Assignments; Reassignment.**

(a) Purchaser shall be responsible for obtaining, at its cost and expense, and shall use its reasonable efforts to obtain (with Seller's commercially reasonable assistance), all other Required Consents and Customary Post-Closing Consents, including but not limited to approval for transfer of interests in the Leases and federal OCS rights-of-way and rights-of-use for the Leases, federal OCS rights-of-way and rights-of-use, and the Units. Purchaser will (with Seller's commercially reasonable assistance) prepare and submit these instruments to the applicable governmental authority promptly after Closing, but in no event later than five (5) Business Days after Closing.

(b) If any governmental authority having a right to approve or reject assignment of any Lease by Seller to Purchaser in order for title to transfer affirmatively rejects the assignment because Purchaser does not meet the conditions imposed for approval of the assignment, after Seller and Purchaser have both made a good faith effort (*provided, however*, that Seller shall not be required to incur any cost) to obtain such approval, then Seller may, after the first (1st) anniversary of the Closing Date, require reassignment of the Assets.

(c) If Purchaser fails to Restart Production from the Leases within a period of four (4) years from and after the Effective Time (the "**Restart Failure Date**"), then for a period of one hundred and eighty (180) days from the Restart Failure Date, Seller shall have the exclusive right, but not the obligation, to require Purchaser to reassign the Assets and any other rights conveyed under this Agreement to Seller or its designated representative, free and clear of all Encumbrances other than Seller's security

interests, upon written demand, without reimbursement of any Purchaser costs or expenditures (collectively with Seller's reassignment option under Section 7.3(b), the "**Reassignment Option**"). If Purchaser acquires or has acquired any additional rights, assets or has developed additional improvements, records or benefits arising out of or related to the Assets between the Closing and the Restart Failure Date, on Seller's request, such rights, assets, improvements, records, or benefits shall also be assigned and delivered to Seller together with the reassignment of the Assets.

(d) If the Reassignment Option is exercised, Purchaser shall obtain any requisite approvals for the reassignment of the Assets at its sole cost and expense.

(e) From the Closing until the Restart Failure Date, Purchaser shall maintain the Assets free and clear of all Encumbrances, except those which would qualify under the definition of Permitted Encumbrances, and shall continue to comply with all covenants in this Agreement relating to the ownership and operation of the Assets.

(f) Upon reassignment due to the exercise of the Reassignment Option, Purchaser will promptly (but in any event within thirty (30) days) execute and deliver to Seller a reassignment by special warranty, substantially similar to the form of Assignment and Bill of Sale attached hereto as Exhibit R, and Deed substantially in the form of Exhibit S, but sufficient to place Seller in the same position it occupied prior to the assignment to Purchaser, less reasonable wear and tear. At Seller's option, as an alternative to or in addition with Purchaser's execution of reassignment documentation, (i) Seller may sign and deliver reassignment documents on behalf of Purchaser in accordance with the Power of Attorney, which shall contain, among other provisions, a relinquishment of operatorship to Seller or its designated assign and a relinquishment of any right, title or interest in any Asset. Purchaser's Assumed Obligations shall apply to the reassigned Assets for the period of Purchaser's ownership and shall be re-stated in the reassignment instruments, and (ii) Seller will deliver to Purchaser a release of the Senior Secured Term Loan Agreement and a release and termination of the Collateral Documents and all obligations thereunder shall terminate (other than obligations that expressly survive by their terms).

(g) After reassignment of the Assets in accordance with this Section 7.3, and subject to Purchaser's Assumed Obligations for the period of Purchaser's ownership, Seller shall cause the P&A Financial Security to be released.

(h) It is the intent of the Parties that if the Reassignment Option is exercised by Seller, Purchaser shall be deemed to have reassigned any and all rights or equitable interest it may have acquired in or to the Assets under this Agreement. The Parties agree and acknowledge that the Reassignment Option is an integral part of the consideration to Seller under this Agreement and that such option is not a penalty, but rather a reasonable remedy in light of the exposure of Purchaser at the time such remedy can be invoked, the potential risks and substantial Losses to be incurred by Seller upon the failure of the Restart Failure Date, and Seller's need to promptly pursue other option with respect to the Assets.

Section 7.4 **Amendment of Schedules.** Purchaser agrees that, with respect to the representations and warranties of Seller contained in this Agreement, Seller shall have the continuing right until the Closing to add, supplement or amend the Schedules to its representations and warranties with respect to any matter hereafter arising or discovered which, if existing or known at the Execution Date thereafter, would have been required to be set forth or described in such Schedules. For purposes of determining whether the conditions set forth in ARTICLE VIII have been fulfilled, the Schedules to Seller's representations and warranties contained in this Agreement shall be deemed to include only that information contained therein on the Execution Date and shall be deemed to exclude all information contained in any addition, supplement or amendment thereto; *provided, however*, that if the Closing shall occur, then all matters disclosed pursuant to any such addition, supplement or amendment at or prior to the Closing shall be waived and Purchaser shall not be entitled to make a claim with respect thereto pursuant to the terms of this Agreement or otherwise.

Section 7.5 **Indemnity Regarding Access.** Purchaser hereby agrees to defend, indemnify and holds harmless Seller as operator of the Assets and the Seller Group from and against any and all Losses arising out of,

ARTICLE XI
POST-CLOSING OBLIGATIONS

Section 11.1 **Assumed Obligations.** Without limiting Purchaser's rights to indemnity under Section 11.3 (if applicable), if the Closing occurs, from and after Closing, Purchaser hereby assumes and agrees to fulfill, perform, pay and discharge all liabilities, obligations and Losses, known or unknown, with respect to the Assets or the ownership, use or operation thereof, regardless of whether such liabilities, obligations or Losses arose prior to, on or after the Effective Time, including obligations and Losses relating to the following (all of the aforementioned and following obligations and Losses being the "**Assumed Obligations**"):

(a) the payment of owners of Working Interests, royalties, overriding royalties and other interests all revenues attributable thereto;

(b) fully performing all Plugging and Abandonment Obligations, regardless of whether such obligations are attributable to the ownership or operation of the Assets prior to, on, or after the Effective Time, in a good and workmanlike manner and in compliance with all Laws, including:

(i) the necessary and proper plugging, replugging, and abandonment of all wells on the Assets or comprising a part of the Assets, whether the BOEM, the California Office of Conservation or any other governmental authority reflects such well as having been plugged, abandoned or remediated for regulatory purposes or otherwise, prior to, on, or after the Effective Time;

(ii) the necessary and proper removal, abandonment, decommissioning, and disposal of all structures, pipelines, facilities, equipment, abandoned property, and junk located on or comprising part of the Assets;

(iii) the necessary and proper capping and burying of all flow lines and pipelines associated with the Assets or located on or comprising part of the Assets; and

(iv) the necessary and proper restoration of the offshore and onshore sites and property, both surface and subsurface, as may be required by Laws or contract;

(c) furnishing make-up gas and dead oil according to the terms of applicable Existing Contracts, and to satisfy all other Imbalances, if any;

(d) the environmental and physical condition of the Assets, whether such condition existed prior to, on or after the Effective Time, including Environmental Defects, if any, with respect to the Assets, whether or not asserted by Purchaser in accordance with this Agreement, including the clean-up, restoration and remediation of the Assets in accordance with applicable Law, including all Environmental Laws;

(e) obligations or Losses under or imposed on the lessee, owner, Assets or operator under the Leases, the Existing Contracts and applicable Laws;

(f) storing, handling, transporting and disposing of or discharging all materials, substances and wastes from the Assets (including produced water, drilling fluids, NORM, and other wastes), whether present prior to, on or after the Effective Time, in accordance with applicable Laws and contracts; and

(g) obligations or Losses arising out of our related to the 901/903 Pipeline, including any Assumed Liabilities (as such term is defined in the Plains PSA), provided that with respect to any pending litigation or regulatory actions relating to any Assumed Liabilities, including item 7 on Schedule 3.4 of the Plains PSA, (i) Sellers shall have the right (but not the obligation) to participate in the defense of any claims that directly or indirectly could be Assumed Liabilities, including any claims impacting the rights of way for the 901/903 Pipeline (each an "**Existing Pipeline Claim**"). If Sellers elect not to control or conduct the defense or prosecution of any such Existing Pipeline Claim, Sellers nevertheless shall have the right to participate in the defense or prosecution of any such claim and, at their own expense, to employ counsel of their own choosing for such purpose; (ii) the Parties shall

Laws to protect the health and safety of persons and that Purchaser will use and implement engineering controls to prevent the migration of vapors and/or liquids containing contamination into any buildings, underground utilities / spaces and / or storm water retention / detention ponds, including without limitation, vapor installation systems, vapor barriers, sealed sumps and storm pond liners as determined to be necessary by a professional engineer licensed in the state with substantial experience in the field. Purchaser shall take measure(s) to isolate building occupants from identified contamination as may be required by Environmental Laws to protect the health of occupants / public.

Section 11.17 **Covenants Running with the Land.** The covenants contained in Section 11.15 and Section 11.16 of this Agreement shall be covenants running with the land, shall be set out in the Deed and the Assignment and recorded in the real property records, and shall be binding on Purchaser and its successors and assigns.

Section 11.18 **Financial Security in Favor of Seller.**

(a) From and after the Closing, Seller shall have the right to enforce any security interest or credit support provided by Purchaser pursuant to this Agreement, the Collateral Documents, or otherwise, in accordance with the terms thereof to protect its interests in the payment of the Purchase Price and the viability of the Reassignment Option, and to ensure Seller's compliance with its post-closing obligations, including funding the Penal Sum, hereunder.

(b) The exercise by Seller of the Ultimate Parent Company Guarantee or rights under any Collateral Document shall be in addition to, and not in lieu of, any other rights and remedies Seller may have under Law or in equity for Purchaser's failure to perform as provided herein, including but not limited to, Seller's rights to exercise the P&A Financial Security.

(c) Subject to Section 11.18(d) and (e), at or prior to Purchaser achieving Restart Production, Purchaser shall provide Seller with a performance bond substantially in the form attached as Exhibit H, in the amount of Three Hundred Fifty Million Dollars ($350,000,000.00) (the "**Penal Sum**") in favor of Seller as sole beneficiary, as security for Purchaser's obligations as provided in Section 11.1(b) (the "**P&A Financial Security**"); *provided, however*, that if Purchaser has used commercially reasonable efforts to seek P&A Financial Security in the form of Exhibit H from the financial institutions set forth on Schedule 11.18, and no such financial institution will accept Exhibit H, Purchaser shall provide Seller with a performance bond in a form acceptable to Seller. The P&A Financial Security shall be issued by a financial institution acceptable to Seller.

(i) Upon occurrence of any of the following and after prior notice to Purchaser of at least ten (10) Business Days, Seller may draw on the P&A Financial Security, in whole or in part and without prejudice to Seller's other rights or remedies under this Agreement or the Ultimate Parent Company Guarantee (but any such a draw on the P&A Financial Security will not release or discharge (1) Purchaser from its obligations under this Agreement or (2) Purchaser's ultimate parent company under the Ultimate Parent Company Guarantee):

1) Seller is required in any manner to perform obligations under Section 11.1(b), whether pursuant to an order or directive issued by a governmental body or regulatory agency or otherwise; or

2) Purchaser defaults on any of its obligations under Section 11.1(b) and Seller has opted to perform any or all such obligations of Purchaser (*provided, however,* that nothing herein shall be construed as imposing an obligation upon Seller to so perform).

(ii) If the provider of P&A Financial Security becomes unacceptable to Seller or its issuer rating by Standard & Poor's drops below A with a stable outlook or its issuer rating by Moody's drops below A2 with a stable outlook, within forty five (45) days of ExxonMobil providing notice to Purchaser of such occurrence, Purchaser will replace the P&A Financial Security with another security in a form substantially similar to the form attached as Exhibit H issued by a financial institution

acceptable to ExxonMobil, (the "**Replacement P&A Financial Security**"). If Purchaser has used commercially reasonable efforts to seek Replacement P&A Financial Security using Exhibit H with financial institutions set forth on Schedule 11.18 and no such financial institution will accept Exhibit H, Purchaser shall provide Seller with a performance bond in a form acceptable to Seller. Upon Purchaser's timely compliance with the obligation to provide Replacement P&A Financial Security, Seller: (1) shall accept such Replacement P&A Financial Security within fifteen (15) days after it is provided to Seller by Purchaser and the replacement financial institution, and (2) release and return the P&A Financial Security instrument to Purchaser for cancellation.

(d) Subject to Section 11.18(e), at any time after January 1, 2026, but no more often than once every thirty six (36) months thereafter, each of Purchaser and Seller shall have the right to request a review of the then-uncompleted Plugging and Abandonment Obligations and potential adjustment of the Penal Sum (each a "**Redetermination Review**"). Notwithstanding the foregoing or anything herein to the contrary (i) at the first Redetermination Review, Seller shall have the right to require, and Purchaser shall provide if requested, an increase in the Penal Sum to an Adjusted Penal Sum (as defined below) amount of no less than Five Hundred Million Dollars ($500,000,000.00) and (ii) Seller shall have the right to call for a Redetermination Review at any time an event occurs with respect to the Assets or Purchaser's operations that (a) constitutes a material violation of Environmental Laws, or (b) constitutes a physical condition that requires reporting to a governmental authority, investigation, monitoring, removal, cleanup, Remediation, restoration, repair or correction under Environmental Laws. The Party requesting the Redetermination Review must submit a written request to the other Party for each Redetermination Review, which shall take place at a time and place mutually convenient to the Parties, but in any event, shall take place no later than ninety (90) days after the non-requesting Party's receipt of such written notice. At the Redetermination Review, the Parties shall attempt in good faith to agree on whether the Penal Sum should be increased or decreased based upon then current estimates of the costs and expenses to satisfy the Plugging and Abandonment Obligations which remain uncompleted at the time of the Redetermination Review. If the Parties cannot reach agreement on any adjustments to the Penal Sum within fifteen (15) days of the Redetermination Review, either Party may refer the remaining issues in dispute for review and final determination to a nationally-recognized independent engineering firm experienced in performing offshore plugging, abandonment and decommissioning operations and mutually agreeable to both Seller and Purchaser, or if the Parties cannot agree, selected by the American Arbitration Association (such firm, the "**Referee**"). The Referee shall act as an expert for the limited purposes of determining the disputed elements in the Parties' Redetermination Review and resulting adjustment, if any, to the Penal Sum (and may not award any party damages or assess any fees or penalties). The Referee's determination shall be made within fifteen (15) days after submission of the matters in dispute and shall be final and binding on the Parties without right of appeal. Seller and Purchaser shall each bear (i) their own legal fees and other costs associated with the proceeding and (ii) one-half of the fees, costs and expenses of the Referee (unless the Redetermination Review arises as a result of the conditions in the second sentence of this subsection (d), in which case they shall be for Purchaser's account).

(e) On or before the date that is thirty (30) days after (i) the date the Parties reach final agreement on the adjustment to the Penal Sum addressed at each Redetermination Review or (ii) the date any dispute regarding adjustments to the Penal Sum is resolved pursuant to Section 11.18(d), (x) if the adjustment results in a new Penal Sum (the "**Adjusted Penal Sum**") that is less than the amount of the Penal Sum immediately before such Redetermination Review (the "**Unadjusted Penal Sum**"), Seller shall execute a release of an amount of the then-current Penal Sum equal to the difference between the Unadjusted Penal Sum less the Adjusted Penal Sum, or (y) if the adjustment to the Penal Sum results in an Adjusted Penal Sum that is greater than the Unadjusted Penal Sum, Purchaser shall increase the amount of the then-current Penal Sum by an amount equal to the difference between the Adjusted Penal Sum less the Unadjusted Penal Sum. The Parties shall execute any reduction riders or amendments to the P&A Financial Security, as necessary, to adjust the amount of the Penal Sum in accordance with the Parties' final agreement or the Referee's decision, as applicable.

(f) If for any reason Purchaser fails to timely obtain a performance bond in the amount of the Penal Sum required under Section 11.18(c) or the Adjusted Penal Sum required under Section 11.18(e), then Seller shall have the right to require Purchaser to provide alternative P&A Financial Security or supplemental P&A Financial Security in the form of a letter (or letters) of credit in form substantially similar to Exhibit T to be issued by JPMorgan Chase Bank, N.A. or another bank of similar reputation that is acceptable to Seller. In the event Purchaser is not able to provide such letter or letters of credit as described in this Section 11.18(f) in an amount that, together with any bonds required under Section 11.18(c) or Section 11.18(e), equals or exceeds the amount of the Penal Sum required under Section 11.18(c) or the Adjusted Penal Sum required under Section 11.18(e), then in such case, Purchaser shall have a period of thirty-six (36) months from the date Purchaser determines that it cannot obtain a letter or letters of credit in the required amount in which to pay the required amounts into an abandonment escrow account, pursuant to an escrow agreement acceptable to Seller and on a payment schedule acceptable to Seller, until the total amount of all P&A Financial Security provided by Purchaser under this Agreement is equal to the then required Penal Sum or Adjusted Penal Sum, as the case may be.

(g) If, after Restart Production is achieved, (i) BOEM or any other governmental authority requires Purchaser to post supplemental bonds for all or any of the Assets approved by BOEM or any other applicable governmental authority as set forth in Section 11.13, (ii) such supplemental bonds cover Plugging and Abandonment Obligations, (iii) Purchaser satisfies such governmental authority's requirements and posts such supplemental bonds from a qualified surety as specified Section 11.18(c), and (iv) Seller is listed as a co-obligee on such supplemental bonds, then the Parties shall decrease the amount of the Penal Sum or Adjusted Penal Sum, as applicable, on a dollar for dollar basis by the amount of such supplemental bonds.

(h) The provisions of this Section 11.18 are (i) binding on all successors and assigns of Purchaser with respect to any of the Assets and (ii) covenants running with the Assets. For the avoidance of doubt, if Purchaser sells, assigns or otherwise transfers less than all of the Assets to a transferee, the transferee shall be required to (A) satisfy the Senior Secured Term Loan Agreement and Collateral Documents (to the extent, and only to the extent such transfer occurs prior to the Actual Payment Date) and (B) obtain an Ultimate Parent Company Guarantee and P&A Financial Security in a form and manner reasonably acceptable to Seller as set forth herein with respect to such Assets so sold, assigned or otherwise transferred. Such transfer shall not relieve Purchaser's obligation to maintain the Senior Secured Term Loan Agreement and Collateral Documents, its Ultimate Parent Company Guarantee and P&A Financial Security as to any Assets it retains.

Section 11.19 **Tax Treatment.** The Parties shall treat any indemnification payment made under this ARTICLE XI as an adjustment to the Purchase Price for U.S. federal and applicable state Income Tax purposes, unless otherwise required by applicable Law.

EX-10.12 3 syu_fourthxamendmentxexe.htm EX-10.12

FOURTH AMENDMENT TO PURCHASE AND SALE AGREEMENT

THIS FOURTH AMENDMENT TO PURCHASE AND SALE AGREEMENT (this "Amendment"), dated effective as of December 13, 2024 (the "Execution Date"), is by and between EXXON MOBIL CORPORATION, a New Jersey corporation ("EMC"), and MOBIL PACIFIC PIPELINE COMPANY, a Delaware corporation ("MPPC") (each a "Seller"), and SABLE OFFSHORE CORP., a Delaware corporation ("Purchaser"). Seller and Purchaser are sometimes hereinafter referred to individually as a "Party" and collectively as the "Parties". EMC and MPPC may from time to time hereinafter be referred to collectively as "ExxonMobil", "Seller" or "Sellers" solely for convenience and simplicity; such reference is not intended to in any way affect the corporate separateness of these separate legal entities.

RECITALS

A. The Parties entered into that certain Purchase and Sale Agreement dated November 1, 2022 (as amended by that certain Side Letter dated November 4, 2022, that certain First Amendment to Purchase and Sale Agreement dated effective as of June 13, 2023, that certain Second Amendment to Purchase and Sale Agreement dated effective as of December 15, 2023, that certain Third Amendment to Purchase and Sale Agreement dated effective as of March 11, 2024 and this Amendment, and as may be further amended from time to time, the "PSA"); and

B. The Parties desire to amend the PSA pursuant to Section 17.1 thereof, as more specifically set forth in this Amendment.

AMENDMENT

In consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings assigned to them in the PSA.

2. Amendments to the PSA. Effective as of the Execution Date, the PSA is hereby amended as follows.

a. Amendment to Section 7.3(a) of the Agreement. Section 7.3(a) is hereby deleted in its entirety and replaced with the following:

> "(a) Purchaser shall be responsible for obtaining, at its cost and expense, and shall use all reasonable efforts to obtain all other Required Consents and Customary Post-Closing Consents, including but not limited to approval for transfer of interests in the Leases and federal OCS rights-of-way and rights-of-use for the Leases, federal OCS rights-of-way and rights-of-use, and the Units. Purchaser will (with Seller's commercially reasonable assistance) prepare and submit these instruments to the applicable governmental authority promptly after Closing, but in no event later than five (5) Business Days after Closing. Subject to the terms of this Agreement, from Closing until the Restart Failure Date, Seller agrees to provide commercially reasonable assistance to Purchaser, at Purchaser's sole cost and expense, in connection with obtaining such regulatory approvals, provided, however, that Seller shall not be required to incur any liability in connection therewith."

b. Amendment to Section 7.3(c) of the PSA. Section 7.3(c) of the PSA is hereby deleted in its entirety and replaced with the following:

"(c) If the Restart Production date does not occur prior to the Restart Failure Date, then for a period of one hundred and eighty (180) days from the Restart Failure Date, Seller shall have the exclusive right, but not the obligation, to require Purchaser to reassign the Assets and any other rights conveyed under this Agreement to Seller or its designated representative, free and clear of all Encumbrances other than Seller's security interests, upon written demand, without reimbursement of any Purchaser costs or expenditures (collectively with Seller's reassignment option under Section 7.3(b), the "Reassignment Option"). If Purchaser acquires or has acquired any additional rights, assets or has developed additional improvements, records or benefits arising out of or related to the Assets between the Closing and the Restart Failure Date, on Seller's request, such rights, assets, improvements, records, or benefits shall also be assigned and delivered to Seller together with the reassignment of the Assets in accordance with the Reassignment Option."

c. Amendment to Section 7.12 of the PSA. Section 7.12 is hereby deleted in its entirety and replaced with the following:

"Section 7.12 Restart; Periodic Reporting. Purchaser shall use all commercially reasonable efforts to Restart Production and shall do so in compliance with all applicable Laws. Purchaser agrees to keep Seller reasonably apprised of the progress of its work, and any material developments or setbacks. In connection with such obligation, Purchaser shall provide Seller with quarterly written updates regarding the progress of the Restart Production, including the status of all material Permit negotiations, governmental approvals, developments with Plains or other third-party hydrocarbon transportation service providers, as well as other material contracts necessary to achieve Restart Production. If any material Permits are revoked or a governmental authority indicates it is reasonably likely such Permit or other governmental approval will not be granted before the Restart Failure Date, Purchaser shall promptly notify Seller in writing of such development and shall use all reasonable efforts to prevent such revocation and obtain such Permit and governmental approval, as applicable. In addition to the foregoing, Purchaser will provide Seller copies of any official correspondence from governmental authorities relating to the issuance of requested Permits and governmental approvals for the Restart Production. Purchaser (or its Affiliate) shall obtain and maintain all Required Consents, Customary Post Closing Consents and governmental approvals to be recognized as the owner and operator (and to the extent applicable, the guarantor) of an Asset (including all applicable Permits) prior to producing, transporting, treating or storing Hydrocarbons from, through, in or across such Asset (as applicable). If Purchaser (or its Affiliate) has timely applied for and is diligently pursuing such consents and approvals in accordance with the terms of this Agreement, but a consent or approval is withheld, delayed or conditioned by the applicable governmental authority, Purchaser shall promptly notify Seller of the circumstances of same so that the Parties may, subject to the terms of this Agreement and applicable Laws, consider potential further actions in respect thereof."

d. Amendment to Section 11.12(c) of the PSA. Section 11.12(c) is hereby deleted in its entirety and replaced with the following:

"Notwithstanding any provision of this Agreement to the contrary, for a period of six (6) years after the Closing, Purchaser shall maintain in place one or more asset-level insurance policy(ies) from an internationally recognized, reputable insurance provider(s) having liability coverage totaling no less than One Hundred Million Dollars ($100,000,000.00) per occurrence which shall: (1) cover Seller and their Affiliates as additional insureds for liabilities arising from or assumed under this Agreement; and (2) be primary as to all other policies (including any deductibles or self-insured retentions); provided, this Section 11.12 shall in no way apply to Purchaser's general corporate insurance policies. It is further agreed that Purchaser and its insurer(s) providing coverage shall waive all rights of subrogation and/or contribution against Seller and its Affiliates to the extent liabilities are assumed by Purchaser."

e. Amendment to Section 11.13 of the PSA. Section 11.13 is hereby deleted in its entirety and replaced with the following:

"Section 11.13 Governmental Bonding. Within sixty (60) days of the BOEM or any other governmental authority notifying Purchaser or Seller of any plugging, supplemental or other bonding requirements necessary for Purchaser to have the applicable assignments with respect to the Assets (including all Permits) approved by the BOEM or any other applicable governmental authority, Purchaser shall have such bonds, guarantees or other financial security posted with the applicable governmental authority to have such assignments approved. Without limitation to Section 11.12, during the period extending from the Closing until such time as (i) such bonds, guarantees or other financial security are posted by Purchaser (or its Affiliate on its behalf) with and accepted by the applicable governmental authority, (ii) any related security provided by Seller has been released, and (iii) all such approvals by the BOEM or other governmental authorities have been obtained, Purchaser shall name Seller as an additional insured on Purchaser's insurance policies."

f. Amendment to Section 12.5 to the PSA. The last paragraph of Section 12.5 is hereby deleted in its entirety and replaced with the following:

"Purchaser further agrees to take all other actions required of it by governmental authorities having jurisdiction to obtain all requisite regulatory approval with respect to this transaction, and to use all reasonable efforts to obtain unconditional approval by such governmental authorities of any transfer documents requiring governmental approval in order for Purchaser (or its Affiliate) to be recognized as owner and operator (and to the extent applicable, the guarantor) of the Assets. Purchaser agrees to provide Seller with copies of all applications for Permits and governmental approvals and all documents evidencing each such Permit or governmental approval as soon as they are available. Subject to the terms of this Agreement, from Closing until the Restart Failure Date, Seller agrees to provide commercially reasonable assistance to Purchaser, at Purchaser's sole cost and expense, in

connection with obtaining such regulatory approvals, provided, however, that Seller shall not be required to incur any liability in connection therewith."

g. Amendment to Appendix A (Defined Terms).

i. The definition of "Restart Production" set forth in Appendix A to the PSA is hereby deleted in its entirety and replaced with the following:

""Restart Production" means one hundred and fifty (150) days after the resumption of actual production of Hydrocarbons from the Leases in compliance with all applicable Laws and in accordance with the terms of this Agreement."

ii. The definition of "Restart Failure Date" set forth in Appendix A to the PSA is hereby deleted in its entirety and replaced with the following:

""Restart Failure Date" means March 1, 2026; provided that, at Purchaser's request at least thirty (30) days before the then current Restart Failure Date, Sellers may elect to extend the Restart Failure Date in its sole discretion."

3. Compliance with PSA. The Parties acknowledge that this Amendment complies with the requirements to alter or amend the PSA, as stated in Section 17.1 of the PSA. The PSA, as amended herein, is ratified and confirmed, and all other terms and conditions of the PSA not modified by this Amendment shall remain in full force and effect. All references to the PSA shall be considered to be references to the PSA as modified by this Amendment. In the event of any conflict between the terms and conditions of this Amendment, and the terms and conditions of the PSA, the terms and conditions of this Amendment shall govern and control the point in conflict. This Amendment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

4. Governing Law. This Amendment and the relationship of the Parties with respect to this Amendment shall be governed by the laws of the State of Texas without regard to conflicts of laws principles.

5. Entire Agreement and Modification. This Amendment, the PSA, and the Transaction Documents, including all Schedules and Exhibits attached hereto and thereto, constitute the entire agreement between the Parties as to the subject matter of this Amendment and supersedes all prior agreements, understandings, negotiations and discussions of the Parties, whether oral or written. This Amendment may not be amended or otherwise modified except by a written agreement executed by the Parties.

6. Incorporation. The Parties acknowledge that this Amendment shall be governed by the terms of Section 17.2 (References and Rules of Construction), Section 17.4 (Waiver), Section 17.5 (Conflict of Law, Jurisdiction, Venue, Arbitration), Section 17.6 (Notices), Section 17.7 (Timing), Section 17.8 (Confidentiality), Section 17.11 (Severability), Section 17.12 (Parties in Interest), Section 17.14 (Execution in Counterparts) and Section 17.15 (Recourse Only Against Parties) of the PSA, and such provisions shall be incorporated herein, mutatis mutandis.

7. Headings. The headings of the articles and sections of this Amendment are for guidance and convenience of reference only and shall not limit or otherwise affect any of the terms or provisions of this Amendment.

8. Counterparts. This Amendment may be executed electronically or delivered (including by facsimile or electronic transmission) in one or more counterparts, each of which shall be deemed to be an original copy of this Amendment, and each of which may be executed by less than all of the Parties,

and shall be enforceable and effective against the Parties actually executing such counterparts, and all of which, when taken together, shall be deemed to constitute one and the same agreement.

[Signature pages follow.]

EXECUTED as of the Execution Date of this Amendment.

SELLER:

EXXON MOBIL CORPORATION

By: DocuSigned by: Mickey Johnson 92EDA7769774EE...

Name: Mickey D. Johnson

Title: Agent & Attorney-in-Fact

MOBIL PACIFIC PIPELINE COMPANY

By: DocuSigned by: Dave H. Welsh 8988AB144B9F46F...

Name: David H. Welsh

Title: President

PURCHASER:

SABLE OFFSHORE CORP.

By:

Name: J. Caldwell Flores

Title: President

Summary of State Regulation of Crude Oil Pipelines in Santa Barbara County

October 22, 2025

(Updates in red)

Sable Offshore Corporation is attempting to restart the Santa Ynez Unit oil and gas operation in Santa Barbara County. The Santa Ynez Unit includes three offshore platforms in federal waters connected to shore by offshore pipelines, onshore pipelines, the Ellwood Pier, mooring buoys, and the Las Flores Canyon Processing Facility. The onshore pipelines include pipelines identified as CA-324 and CA-325 that were responsible for the 2015 Refugio Oil Spill.

This summary outlines the many state agencies that oversee the Santa Ynez Unit operations, including oil pipeline construction, maintenance and operations, which would need to approve various actions to allow these pipelines to restart. This summary has been assembled to build public understanding of the regulatory processes over these pipelines.

Overview

California's lands and offshore waters have hosted significant crude oil extraction for well over a century. Since the mid-1980's, however, crude oil extraction has declined each year largely due to decreasing levels of easily accessible crude oil.

Today, the state has three active crude oil/petroleum extraction platforms off its coast in state waters and eight active platforms in federal waters. These platforms are connected to the shore via undersea pipelines that transport crude oil from the offshore platforms to onshore facilities that process the oil for sale. This oil is eventually transported to refineries to be converted into products such as gasoline and diesel fuel.

California state government enforces a broad set of laws and regulations over many aspects of crude oil infrastructure. This includes oversight of the extraction, transport, and refining of crude oil. These laws and regulations exist to protect public health and safety and to safeguard California's natural resources and environment.

Oversight By Agency

Multiple state agencies regulate the pipelines owned and operated (pipelines CA-324 and CA-325) by Sable Offshore Corporation in Santa Barbara County that the company is attempting to restart. Each of these state entities has specific authorities and obligations over these pipelines that is detailed in state law and discharges these responsibilities through regulatory and oversight processes.

The state entities with oversight over these pipelines include (in alphabetical order):

1. California Coastal Commission
2. California Department of Conservation, California Geologic Energy Management Division (CalGEM)

3. California Department of Fish and Wildlife (CDFW), including the Office of Oil Spill Prevention and Response (OSPR)
4. California Department of Forestry and Fire Protection (CAL FIRE), Office of the State Fire Marshal (OSFM)
5. California Department of Parks and Recreation (State Parks)
6. Central Coast Regional Water Quality Control Board
7. Central Valley Regional Water Quality Control Board
8. State Lands Commission

These state entities, with the exception of the two regional Water Quality Control Boards, exist within the California Natural Resources Agency. The regional Water Boards fall under the umbrella of the California Environmental Protection Agency.

Below is a short summary of the referenced state entities with regulatory oversight over these pipelines.

CALIFORNIA COASTAL COMMISSION
Issues permits for approved development activity in coastal areas.

- FOCUS: Environmental protection and public access to state coastal areas.
- ROLE & AUTHORITY: Under the California Coastal Act of 1976, the California Coastal Commission has permitting responsibility for non-exempt pipeline work and other development associated with the pipeline in the Coastal Zone, including any enforcement actions for permitting requirements. The Commission also has federal consistency review authority under the Coastal Zone Management Act of certain pipeline-related activities in federal waters.
- ACTIONS UNDERWAY: Commission staff is coordinating with Santa Barbara County, which shares the permitting jurisdiction, on permitting processes related to Sable's work along the pipeline. Commission staff continues to direct Sable to apply for a Coastal Development Permit to resolve Coastal Act violations that occurred both onshore and offshore.
    - *On September 27, 2024*, Commission staff issued a Notice of Violation letter to Sable due to then recent and ongoing development activities that were occurring on and around the pipeline within the Coastal Zone without any Coastal Act authorization, requesting that Sable cease and desist.
    - *On October 4, 2024,* Commission staff issued a Notice of Intent to issue an Executive Director Cease and Desist Order and requested confirmation that all work on the pipeline had ceased and that Sable would apply for a Coastal Development Permit for the work that had already occurred.
    - *On November 12, 2024,* the Commission's Executive Director issued a Cease and Desist Order to Sable, directing Sable, among other things, to submit an application for a Coastal Development Permit *"for any proposed future work to be undertaken along the Pipelines, as well as for after-the-fact ('ATF') authorization for unpermitted development that has already occurred."*
        - Sable temporarily ceased its onshore activities. The Cease and Desist Order expired on February 10, 2025. The deadline established in the Order

for Sable to apply for a Coastal Development Permit expired on March 12, 2025. Sable has not filed an application.

- *On February 18, 2025*, Sable filed a complaint against the Commission in Santa Barbara Superior Court, challenging two Notices of Violation and the Executive Director Cease and Desist Order issued on November 12, 2024. Sable is seeking declaratory and injunctive relief and inverse condemnation damages.

- *On February 11, 2025*, Commission staff issued a Notice of Violation letter to Sable regarding unpermitted development activities which had taken place offshore, in state coastal waters. This letter asked Sable to cease any further unpermitted development activities and apply for after-the-fact authorization for those development activities already undertaken.
- *Around February 14, 2025*, four days after the Executive Director Cease-and-Desist order had expired, Sable recommenced its onshore activities in the coastal zone, and *on February 18, 2025*, the Commission's Executive Director issued a second Executive Director Cease and Desist order addressing the unpermitted development activities Sable had recommenced onshore. This order, among other things, directed Sable to, again, cease any further development activities at the onshore locations. This Executive Director Cease and Desist Order also included notice of the Executive Director's intent to pursue a future Cease and Desist Order and other further enforcement actions from the Coastal Commission. Sable did not cease its activities or comply with the order.
- On *April 10, 2025*, the Commission held a five-hour, noticed, public hearing, at the conclusion of which it issued Sable a Cease and Desist Order and Restoration Order and imposed an administrative penalty. The Cease and Desist Order required, among other things, that Sable cease operations until securing Coastal Act authorization or a formal, final exemption determination for any work it wished to pursue. It also required that Sable seek after-the-fact Coastal Act authorization for work already completed and prospective authorization for anticipated work. The administrative penalty requires Sable to pay approximately $18 million, with a potential reduction to approximately $15 million if Sable complies with the requirement to seek Coastal Act authorization and pursues the most expeditious permitting approach. Sable continued its work and did not apply for authorization under the Coastal Act.
- *On April 16, 2025*, the Commission filed a cross-complaint and an application for a temporary restraining order (TRO) and preliminary injunction (PI) against Sable to enforce the April 10, 2025 Cease and Desist Order. That same day, Sable amended its complaint against the Commission to add a challenge to the Commission's April 10 actions.
- *On April 17, 2025*, the trial court reversed its tentative ruling in favor of the Commission, denied the Commission's request for a TRO, and set a hearing for May 14, 2025, on an Order to Show Cause (OSC) why a PI should not issue.

- *On April 21, 2025*, the Commission filed a notice of appeal of the denial of the TRO, and on April 22, 2025, the Commission filed a writ petition with the Court of Appeal seeking immediate injunctive relief.
- *On May 6, 2025*, the trial court issued an order moving the OSC hearing to May 28, 2025, and requiring the parties to submit briefs by May 14, 2025, on the question of whether the trial court retains jurisdiction to consider the issuance of a PI at an OSC hearing, given the Commission's appeal and writ petition.
- *On May 15, 2025*, the Court of Appeal denied the Commission's April 22, 2025 request for a writ but confirmed that the trial court retained jurisdiction to act on the Commission's request for a PI, and the trial court denied the Commission's request to hold the OSC hearing on the Commission's request for a PI sooner than May 28, 2025, given the resolution of the jurisdictional issue.
- *On May 16, 2025*, the Commission filed a demurrer to several of the causes of action in Sable's First Amended Complaint.
- *On May 28, 2025*, the trial court granted the Commission's request for a PI and directed the Commission to submit a proposed order. After multiple rounds of objections to the Commission's proposed order from Sable, the court overruled the objections on June 9 and signed the order that the Commission had proposed on June 10.
- *On June 4, 2025*, the court held a case management conference and set the case (including both Sable's case against the Commission and the Commission's cross-complaint against Sable to enforce its orders) for trial in October 2025.
- *On June 13, 2025*, Sable filed a motion to stay the Cease-and-Desist Order that the Commission had issued on April 10 and that the court's preliminary injunction prohibits Sable from violating. Sable also filed a demurrer to the Commission's cross-complaint.
- *On June 18, 2025*, the trial court sustained the Commission's demurrer to one cause of action in Sable's complaint but overruled it with respect to the other causes of action.
- *On July 9, 2025,* the trial court held a hearing on the motion Sable filed on June 13, 2025, asking the court to stay the Commission's Cease-and-Desist Order. The court denied the motion.
- *On July 15, 2025*, Sable filed a petition with the Court of Appeal for a writ of supersedeas to stay the effectiveness of the preliminary injunction issued by the trial court.
- *On July 23, 2025*, the trial court overruled Sable's demurrer to the Commission's cross-complaint, granted the Commission's motion to bifurcate the case such that only Sable's petition for a writ of mandate would go to trial in October, and denied the Commission's motion for a protective order to preclude all post administrative hearing discovery.
- *On July 29, 2025*, Sable filed a petition for a writ of mandate with the Court of Appeal to overturn the trial court's July 9 ruling and stay the Commission's Cease-and-Desist Order.

    - *On August 4, 2025*, the Court of Appeal denied both Sable's July 15 petition for a writ of supersedeas and its July 29 petition for a writ of mandate.
    - Trial on Sable's first cause of action (petition for a writ of mandate) is set for October 165, 2025.
    - On *October 15, 2025*, the trial court ruled in favor of the Commission and against Sable, declining to issue the requested writ, rejecting Sable's challenges to the Commission's action, and upholding the Commission's April 10 orders and penalties.
    - A hearing is scheduled for December 3, 2025 to rule on Sable's motions (1) for leave to file a second amended complaint and (2) to compel discovery, at which point the court indicated it would also address whether any claims remain viable given its October 15 ruling.
- FOR MORE INFORMATION: Contact the California Coastal Commission at ExecutiveStaff@coastal.ca.gov or the Commission's Public Information Officer at (415) 200-8052.

CALIFORNIA DEPARTMENT OF CONSERVATION: GEOLOGIC ENERGY MANAGEMENT DIVISION (CalGEM)

Oversees and regulates oil processing and production facilities.

- FOCUS: Public health and safety, environmental quality.
- ROLE & AUTHORITY: The Department of Conservation oversees compliance for oil production facility management. While the department has oversight of the Las Flores Canyon oil processing facility, CalGEM approval is not required prior to restarting the pipeline. CalGEM does, however, have a role in ensuring compliance with other regulatory partners in completing an oil spill plan, a pipeline management plan, various testing and maintenance requirements, bonding to cover decommissioning costs, and oversight of any potential oil production work happening near communities (called health protection zones).
- ACTIONS UNDERWAY:
    - *On December 17, 2024*, the Department of Conservation sent a letter to Sable notifying them of the need for an additional inspection of facilities, and production and bonding requirements.
    - On *May 9, 2025,* the Department of Conservation sent a letter to Sable notifying them that a bond in the amount of $31.9 million must be filed and outlining additional production facility requirements.
- FOR MORE INFORMATION: Contact Department of Conservation Public Affairs at PAO@conservation.ca.gov or the Office of the Director at (916) 322-1080.

CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE/CDFW OFFICE OF SPILL PREVENTION AND RESPONSE

Manages natural resources for their ecological value and for public use.

- FOCUS: Protecting wildlife.

- ROLE & AUTHORITY: Exercises oversight as a landowner, as well as through its authority to protect fish and wildlife, and separately through one of its offices that oversees prevention, preparation for, and response to oil spills. CDFW-OSPR reviews and approves oil spill response plans and works to ensure that facilities have the financial resources necessary to cover the costs of oil spill scenarios. Under the Endangered Species Act and other Fish and Game Code laws, CDFW also oversees the review and approval process for evaluating impacts to wildlife due to altering the adjacent landscape.
- ACTIONS UNDERWAY:
    - *In October 2024*, CDFW-OSPR certified that Sable had the financial resources to cover the costs of a reasonable worst-case scenario oil spill.
    - *On November 22, 2024*, CDFW-OSPR sent a second notice to Sable sharing that its offshore contingency plan (C-Plan #CA-00-7239) was deficient. On December 20, 2024, Sable submitted corrections to its plan. CDFW-OSPR is reviewing these corrections and must respond by January 19, 2025.
        - Additional corrections were submitted by Sable on December 20, 2024 and January 17, 2025. CDFW-OSPR has reviewed the plan and found no deficiencies.
        - *On March 26, 2025*, following the completion of a formal review, CDFW OSPR issued an approval letter for the C-Plan and an updated COFR for #CA-00-7239.
    - *On December 17, 2024*, CDFW-OSPR sent a third notice to Sable sharing that its onshore contingency plan (C-Plan #CA-00-7217) was deficient. On January 9, 2025, Sable submitted corrections to its plan. CDFW-OSPR is reviewing these corrections and must respond by February 9, 2025.
        - OSPR has reviewed the plan and found no deficiencies.
        - On *March 26, 2025*, following the completion of a formal review, CDFW OSPR issued an approval letter for C-Plan #CA-00-7217
    - *On December 17, 2024,* CDFW also issued a notice of potential violation (NOPV) for Fish and Game Code violations. This notice requests that Sable discontinue any work on CDFW properties and contact CDFW to discuss remedial measures and other actions to address impacts. Specifically, the NOPV explained that Sable appeared to have: (a) violated Fish and Game Code section 1602(a)(1) by failing to notify CDFW prior to undertaking activities subject to that section, as well as sections 5650 and 5652; and (b) conducted work outside a 50-foot-wide pipeline easement on CDFW property. The NOPV requested Sable to discontinue any work on CDFW property inconsistent with the easement and to contact CDFW to discuss remedial measures and other actions to address impacts on fish and wildlife resources at the locations identified in the NOPV.
        - Sable submitted three notifications to CDFW under Fish and Game Code section 1602(a)(1), all to complete remediation work at the locations identified in the notifications.
            - *On February 18, 2025*, CDFW received a notification (No. EPIMS-SBA-57481-R5) pertaining to Sable's previous work at Site 280.65.19 (Unnamed Drainage East of Baron Ranch). *On March 18, 2025*,

CDFW notified Sable that its notification was complete and because the project would not substantially adversely affect an existing fish or wildlife resource, a streambed alteration agreement was not required.

- *On March 13, 2025*, CDFW received a second notification (No. EPIMS-SBA-58088-R5) pertaining to the three locations in Santa Barbara County that CDFW identified in the NOPV: Sites R5-1, R5-2, and R5-3. *On April 14, 2025*, CDFW determined the notification was complete. CDFW also determined the work at the three locations identified in the notification will not substantially adversely affect an existing fish or wildlife resource, and therefore a streambed alteration agreement would not be needed for any of the work. CDFW explained this in a letter to Sable dated April 14, 2025.
- *On March 4, 2025*, CDFW received a third notification (No. EPIMS-SLO-57972-R4) pertaining to the location that CDFW identified in the NOPV: Site R4-1.
- *On April 3, 2025*, CDFW sent Sable a letter, explaining the third notification was incomplete. *On April 25, 2025*, Sable submitted additional information to CDFW in response to CDFW's April 3, 2025, letter.
- *On May 27, 2025*, CDFW sent Sable a letter explaining the third notification with the additional information was complete. The letter also explained that CDFW will have until *July 28, 2025*, to submit to Sable a draft streambed alteration agreement for the work described in the notification if CDFW determines an agreement is needed.
- *On July 25, 2025*, CDFW submitted to Sable a draft streambed alteration agreement for the work described in the third notification.
- *On August 26, 2025*, Sable responded to the draft streambed alteration agreement, requesting minor changes.
- *On September 5, 2025*, CDFW submitted a revised draft streambed alteration agreement to Sable that included the changes discussed between CDFW and Sable. If Sable signs the revised draft agreement and CDFW subsequently signs, it will become the final agreement.
- *On August 27, 2025*, CDFW received a fourth notification from Sable that included nine sites where Sable had previously completed work. None of the sites was included in CDFW's NOPV.
- ~~CDFW will have until *September 26, 2025*, to determine if the notification is complete.~~ *On September 29, 2025*, CDFW deemed the notification complete. CDFW has until *November 28, 2025*~~After the notification is deemed complete, CDFW will have until *November 25, 2025,*~~ to submit a draft streambed alteration agreement for each of the work sites if an agreement is needed.
- *On February 7, 2025*, one of Sable's contractors, SCS Engineers, requested a letter of permission from CDFW to access the Carrizo Plains Ecological Reserve. CDFW has not acted on the request.

    - Sable Offshore Corp continues to maintain compliance with OSPR's exercise requirements for both the offshore (CA-00-7217) and onshore (CA-00-7239) contingency plans. Both of Sable Offshore Corp's plans are Tier 1, which has the greatest drill and exercise requirements. There are two exercises scheduled for the remainder of the year:
        - CA-00-7217 – Offshore plan. Exercise is scheduled for 7/17/25.
            - 7/25/2024 Exercise. Received credit for multiple objectives
        - CA-00-7239 – Onshore plan. Exercise scheduled for 9/18/2025.
            - 9/18/2024 Exercise. Received credit for multiple objectives
    - OSPR's contingency plan exercise program is outlined in Title 14, California Code of Regulations (CCR), Section 820.1. The program establishes exercise requirement tiers based upon plan holders largest Reasonable Worst-Case Spill (RWCS) volume.
        - For facilities, the regulations establish 10 objectives; objectives (1) and (2) must be successfully achieved annually. Any number of objectives (3) through (10) may be tested during an exercise, but over any consecutive three-year period all objectives in (3) through (10) must be tested and successfully achieved.
- FOR MORE INFORMATION: Contact Department of Fish and Wildlife Public Information Officer at Steve.Gonzalez@wildlife.ca.gov or (916) 804-1714.

CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CAL FIRE): OFFICE OF THE STATE FIRE MARSHAL

Oversees and regulates the safety and operation of intrastate pipelines moving hazardous liquid in California.

- FOCUS: Protecting public safety and spill prevention.
- ROLE & AUTHORITY: With other regulatory partners, inspects, regulates, and oversees the overall safety of hazardous liquid pipelines. Prior to restarting any pipeline, the State Fire Marshal must approve a thorough list of requirements and regulations, including Sable's proposed plans for using technology to minimize oil spill impacts, a detailed risk analysis, safety compliance reports, pipeline integrity evaluations, field verifications and maintenance plans, start-up and safety inspection plans, and waiver applications proving equal or greater levels of safety than required regulations.
- ACTIONS UNDERWAY:
    - CAL FIRE Office of the State Fire Marshal (OSFM) approved a risk analysis and implementation plan for Sable's use of best available technologies in 2021.
    - *On December 17, 2024*, OSFM submitted waivers for federal review.
        - *On February 11, 2025,* PHMSA provided its notification of non-objection.
    - Sable has completed most of the required pipeline repairs, and OSFM has inspected the field work. OSFM must verify records of those repairs. OSFM has completed two additional PHMSA-required inspections since August 15; both inspections resulted in minor recommended suggestions and no significant findings.

- All remaining oversight items, including approving the pressure testing results of lines and Sable's submission of an updated start-up plan, which OSFM must review and approve, remain open and must be completed prior to restarting the pipeline. Following Sable's submission to OSFM of the final start-up plan, OSFM will review the plan and provide recommendations for approval or denial of the plan.
- *On June 2, 2025*, Center for Biological Diversity and Environmental Defense Center separately moved ex parte for temporary restraining orders in Santa Barbara County Superior Court to prevent OSFM from issuing authorizations or proceeding with restart of the Las Flores Pipeline System. The Superior Court granted each petitioner's request for a temporary restraining order and the judge clarified from the bench that the orders would stop not just approval of the restart plan, but all activity by CAL FIRE relating to Lines 324 and 325. The court set a hearing on the requests for preliminary injunction for July 18, 2025.
- *On July 18, 2025*, the court issued a preliminary injunction that allows OSFM to resume pipeline safety inspections on lines CA-324 and CA-325, as warranted. The court's order contained several other requirements, including that the restart of the Las Flores Pipelines would remain enjoined until 10 court days after Sable filed a notice with the court indicating that Sable had received all necessary approvals and permits for restart of the Las Flores Pipelines and that Sable intended to restart the lines. OSFM will continue to uphold the laws and the court orders related to this case as staff works to ensure actions taken by the operator to restart lines 324 and 325 meet all pipeline safety requirements under the purview of OSFM.
- *On September 11, 2025*, Sable submitted its updated restart plan to OSFM. These documents are currently under review by OSFM staff.
- *On October 22, 2025,* the State Fire Marshal sent a letter to Sable notifying the company of deficiencies in its compliance with the State Waivers, which prevent the restart of the pipelines. OSFM continues to review the restart plan submitted by Sable in September and reserves its rights to provide additional direction or comment as part of that review.

- FOR MORE INFORMATION: Contact CAL FIRE Communications at calfire.dutypio@fire.ca.gov or (916) 651-FIRE (3473).

CALIFORNIA DEPARTMENT OF PARKS AND RECREATION

Protecting and managing California state park land in areas where onshore pipelines are located.

- FOCUS: Environmental protection, state-owned land stewardship.
- ROLE & AUTHORITY: The California Department of Parks and Recreation manages public land for public benefits in areas where onshore pipelines may cross. The Department may grant easements for pipelines on this property. Specifically, this would include an easement to accommodate a four-mile section for pipeline maintenance in Gaviota State Park. The previous 30-year easement expired in 2016. Since then, the Department has issued individual permits for accessing and maintaining the pipeline.
- ACTIONS UNDERWAY:

    - *On December 20, 2024*, the Department of Parks and Recreation sent a letter to Sable requesting a full project description to evaluate their request for an easement.
    - The Department of Parks and Recreation evaluated a request to perform maintenance anomaly digs and associated repair work along a four-mile section of pipeline on State Parks property.
    - *On May 9, 2025*, the Department of Parks and Recreation issued a Right of Entry Permit to Sable to perform the 18 anomaly digs within Gaviota State Park, with work to commence on May 12, 2025.
    - *As of June 6, 2025*, the work authorized by the Right of Entry Permit is complete, except for some of the restoration requirements, including restoring San Julian Road, which provides access to a local elementary school and some park visitor access. The section of road is not within the Coastal Zone.
    - *On June 27, 2025*, staff sent Sable a letter detailing the steps for submitting a complete easement application.
    - As of *August 12, 2025*, Sable has sent an easement request package. State Parks is reviewing and working with Sable to provide any other information needed for State Parks' review.
- FOR MORE INFORMATION: Contact Department of Parks and Recreation Communications at newsroom@parks.ca.gov.

CENTRAL COAST AND CENTRAL VALLEY REGIONAL WATER QUALITY CONTROL BOARDS
Protecting the state's water ways and drinking water.

- FOCUS: Water quality and environmental public health.
- ROLE & AUTHORITY: The Central Coast and Central Valley Regional Water Quality Control Boards oversee water resources for the State of California within their respective jurisdictions, implementing the Clean Water Act and the Porter-Cologne Water Quality Control Act. The Regional Water Boards regulate the discharge of waste, such as sediment, that could occur during pipeline repair or construction. This includes issuing permits for dredging and land disturbances, and discharges of waste and stormwater.
- ACTIONS UNDERWAY FOR CENTRAL COAST REGIONAL WATER QUALITY CONTROL BOARD:
    - *On December 13, 2024*, following an inspection, the Central Coast Regional Water Quality Control Board issued violation and non-compliance notices for unauthorized waste discharge into Santa Barbara County waterways, as well as a directive to seek permit coverage. Sable must take corrective action, submit a waste discharge report, and apply for appropriate permits.
    - *On January 22, 2025*, the Central Coast Regional Water Quality Control Board issued Sable a directive to submit a technical report describing Sable's activities at all pipeline work locations and associated potential discharges to waterways. The technical report was due March 10, 2025.
        - *On March 8, 2025,* Sable submitted an incomplete response to the Central Coast Regional Water Quality Control Board's January 22, 2025 directive to submit a technical report.

        - *On April 15, 2025*, Sable submitted additional incomplete information in response to the Central Coast Regional Water Quality Control Board's January 22, 2025 directive to submit a technical report.
    - *On January 31, 2025,* Sable submitted an application for waste discharge requirements for its work at one waterway location.
        - *On March 20, 2025,* the Central Coast Regional Water Quality Control Board issued authorization to Sable to restore the one waterway location identified in its January 31, 2025 application.
    - On *February 28, 2025*, the Central Coast Regional Water Quality Control Board inspected additional project work locations discovered as a result of public complaints. Staff observed unauthorized work within waters of the state and discharges of waste to waters of the United States.
    - *On March 4, 2025,* Sable submitted two applications for coverage under the statewide permit for stormwater discharges associated with construction and land disturbing activities. The applications are under review.
    - *On March 13, 2025,* Sable submitted applications for waste discharge requirements for its work at four additional waterway locations.
        - On *June 2, 2025*, the Central Coast Regional Water Quality Control Board issued authorization to Sable to restore the four waterway locations identified in its March 13, 2025 applications.
    - *On April 7, 2025*, Central Coast Regional Water Quality Control Board staff notified Sable and the public that the Board will consider adopting a resolution to refer alleged violations of the California Water Code for potential civil judicial enforcement to the California Office of the Attorney General at a public hearing on April 17, 2025.
    - *On April 15, 2025*, the Central Coast Regional Water Quality Control Board issued a second notice of violation for unauthorized waste discharge into Santa Barbara County waterways and for failure to submit the technical report due on March 10, 2025.
    - *On April 16, 2025,* the Central Coast Regional Water Quality Control Board issued a second directive to seek permit coverage.
    - *On April 17, 2025*, at a public hearing, the Central Coast Regional Water Quality Control Board adopted a resolution referring alleged violations of the California Water Code for potential civil judicial enforcement to the California Office of the Attorney General.
    - *On May 27, 2025,* Central Coast Regional Water Quality Control Board staff inspected recently conducted work sites in Gaviota State Park and adjacent to the Park.
    - *On June 11, 2025,* Sable submitted a response disagreeing with assertions in the April 15, 2025 notice of violation.
    - *On July 24, 2025,* Central Coast Regional Water Quality Control Board issued a third notice of violation for Sable's continued failure to submit the technical report due on March 10, 2025.

    - On *August 19, 2025*, Sable submitted applications for waste discharge requirements for its work at nine additional waterway locations.
    - On *October 3, 2025,* the Central Coast Regional Water Quality Control Board filed a complaint against Sable in Santa Barbara Superior Court seeking civil penalties for Sable's alleged failure to comply with the Board's investigative order, failure to seek required permits after being so requested, and unlawful discharges of waste.
- ACTIONS UNDERWAY FOR CENTRAL VALLEY REGIONAL WATER QUALITY CONTROL BOARD:
    - *On March 20, 2025*, Pacific Pipeline Company submitted an application to the Central Valley Regional Water Quality Control Board to obtain coverage under State Water Resources Control Board Order 2003-0003-DWQ, *Statewide General Waste Discharge Requirements for Discharges to Land with a Low Threat to Water Quality, for* a proposed discharge of approximately 6.1 million gallons of water used in hydrostatic testing of the Las Flores Pipeline System to a 20-acre agricultural area in Kern County.
    - *On April 9, 2025*, the Central Valley Regional Water Quality Control Board issued a notice to Pacific Pipeline Company, which authorized the proposed discharge pursuant to State Water Resources Control Board Order 2003-0003-DWQ.
    - *On June 6, 2025*, Pacific Pipeline Company sought authorization from the Central Valley Regional Water Quality Control Board to increase the discharge of water associated with hydrostatic testing authorized under State Water Resources Control Board Order 2003-0003-DWQ to 8.9 million gallon.
    - *On July 8, 2025*, the Central Valley Regional Water Quality Control Board authorized Pacific Pipeline Company's request to increase the discharge authorized under State Water Resources Control Board Order 2003-0003-DWQ.
- FOR MORE INFORMATION: Contact the State Water Resources Control Board at opa@waterboards.ca.gov or (916) 341-5252.

STATE LANDS COMMISSION

Oversees and approves leases for offshore pipelines, piers, and buoys.

- FOCUS: Safety of offshore pipelines to shore, spill prevention, environmental protection.
- ROLE & AUTHORITY: Under the Public Resources Code, the State Lands Commission must review and approve assignment of leases from the current owner (ExxonMobil) to Sable for offshore pipelines from federal platforms to shore, piers, and mooring buoys. Per this role and overview, Sable could restart the pipelines only if the terms and requirements of the current lease and operating agreements are met. This includes Sable performing detailed inspections of the pipeline line (in-line inspections), pressure testing (called hydrotesting), and using remotely operated vehicles to monitor the pipeline.
- ACTIONS UNDERWAY:
    - Ongoing review of assignment of leases as of December 20, 2024, with the most recent discussion at the State Lands Commission on December 17, 2024.
    - *On May 9, 2025*, Staff issued a letter to Exxon and Sable stating that the inspections required by the Commission's leases, for the portion of the offshore pipelines in

state waters, and under the Commission's jurisdiction, have been completed and reviewed. This is not directly related to the repair work on the onshore pipeline.

- FOR MORE INFORMATION: Contact the State Lands Commission External Affairs at ExternalAffairsChief.Public@slc.ca.gov or (916) 574-1992.

Notice: The court is aware of fraudulent messages and scams being sent to the public. For more information please click here.

Sable Offshore Corp. and Pacific Pipeline Company v. California Coastal Commission

Case Number

25CV00974

Case Type

Civil Law & Motion

Hearing Date / Time

Wed, 10/15/2025 - 10:00

Nature of Proceedings

Petition of Petitioners Sable Offshore Corp. and Pacific Pipeline Co. for Writ of Mandate

Tentative Ruling

For Plaintiffs and Petitioners Sable Offshore Corp. and Pacific Pipeline Company: Jeffrey D. Dintzer, Garrett B. Stanton, Alston & Bird LLP; Trevor D. Large, Fauver, Large, Archbald & Spray LLP

For Defendant and Respondent California Coastal Commission: Rob Bonta, Norman N. Franklin, Wyatt E. Sloan-Tribe, Office of the California Attorney General

RULING

1. For the reasons set forth herein, the Court finds in favor of Respondent California Coastal Commission and against Petitioners Sable Offshore Corp. and Pacific Pipeline Company on Petitioners' first cause of action for issuance of a writ of mandate.

2. The Court does not now address the extent to which this ruling resolves or otherwise impacts other causes of action of the FAP or of the Commission's cross-complaint, which will be addressed in subsequent proceedings.

JUDGES

JUDGE THOMAS ANDERLE

Dept. 3 SB-Anacapa
1100 Anacapa Street P.O. Box 21107
Santa Barbara, CA 93121-1107
US

3. There is currently a motion to compel discovery now pending and set for hearing on 10/22/25 at 10 am. That matter is continued to 12/3/25, at 10 am with the final brief filed one week before the hearing.

4. There is currently a CMC set for 10/31/25; that CMC is vacated. The Court sets the next CMC for 12/3/25, at 10 am. CMCS's filed one week in advance.

5. There is currently a motion filed for leave to file a SAC that is set for 12/3/25 at 10am; the hearing will go forward. Briefing on the issue, if any, will be accomplished so the final brief is filed one week in advance.

Background

This matter arises out of work done by Petitioners Sable Offshore Corp. (Sable OC) and Pacific Pipeline Company (PPC) (collectively, Sable or Petitioners) subject to the California Coastal Act of 1976 (Coastal Act, Pub. Resources Code, § 30000 et seq.). To address the issues raised in the petition, it is first useful to summarize the history of the underlying oil pipeline construction and maintenance. The summary is intended to provide sufficient background to address the issues before the Court and is not intended to be a complete recitation of the facts. Nonetheless, the Court has considered the complete record in this matter in making this ruling. Citations to the Administrative Record (AR) are in the form of "AR [page number(s)]" with leading zeros omitted.

(1) Factual Background

(A) The Oil Pipeline

PPC, a wholly-owned subsidiary of Sable OC, is the owner of the Las Flores Pipelines, which includes the pipeline segments CA-324 (Line 324) (previously known as Line 901) and CA-325 (Line 325) (previously known as Line 903) (collectively, the Las Flores Pipelines or Pipelines), portions of which are located within the coastal zone in an unincorporated area of the County of Santa Barbara (County). (First Amended Petition [FAP], ¶ 1; Answer to FAP [Answer], ¶ 1; AR 1-3.)

Line 324 is designed to transport crude oil from a pump station in Las Flores Canyon approximately 11 miles west along the coast to a pump station about a mile east of Gaviota State Park. (FAP, ¶ 26; Answer, ¶ 26; AR 3, 64.) Line 325 of the Pipelines is designed to transport crude oil from there to a location approximately 113.5 miles north, eventually reaching the Pentland Delivery Point in Kern County. (*Ibid.*)

The Pipelines were constructed in the 1980s and were referred to at the time as the "Celeron/ All American Pipeline Project." (AR 3832.) The Final Development Plan (FDP) Conditional Use Permit (CUP), dated March 3, 1986, was issued following approval by the Santa Barbara County Planning Commission. (*Ibid.*) The project description in the CUP is:

"Celeron proposes to construct a 30-inch diameter, insulated welded steel pipeline designed to transport up to a maximum of 425,000 barrels per day (BPD) with an optimal throughput of 300,00 BPD, of Outer Continental Shelf and other locally produced crude oils. The pipeline would extend approximately 135 miles from Las Flores Canyon to the Emidio pump station in the southern San Joaquin Valley. Three pump stations would be constructed, one at Las Flores Canyon, one at Gaviota, and one near the Sisquoc River in northern Santa Barbara County. The pipeline would be buried to a minimum cover depth of three feet throughout its length according to Department of Transportation specifications, with increased cover depth in selected areas. [¶] The pipeline will require a 100-foot wide construction corridor and a 50-foot wide permanent easement. The proposed route parallels Highway 101 from Las Flores to Gaviota, turns north at Gaviota State Park west of Highway 101 and continues to the Sisquoc River. From the Sisquoc River the route follows Santa Maria then Suey Canyons north toward the Cuyama River. It crosses the river in the Western Cuyama Valley, and exits the County." (AR 3836.)

The final environmental impact report/environmental impact statement (EIR/EIS) regarding the project includes the following statement in its abstract:

"The Celeron and All American Pipeline Companies propose to construct a 1,200-mile pipeline that would transport Outer Continental Shelf and other locally produced crude oils from the Santa Barbara and Santa Maria Basins through Emidio station, CA, to McCamey, TX. The 122-mile Celeron segment would extend from Las Flores, CA to Emidio, CA, and the 1,084-mile All American segment would extend from Emidio, CA to McCamey, TX; both would transport heated crude oil. Getty Trading and Transportation Company (Getty) proposes to construct a 113-mile buried pipeline that would transport heated crude oil from Getty's existing marine terminal facility at Gaviota, CA, to Emidio station, CA. The Celeron/All American pipeline proposal and the Getty pipeline proposal are not dependent upon each other. Both projects could be approved or either project could be approved independently of the other.

"The Celeron/All American and Getty Pipeline Projects Environmental Impact Report/Environmental Impact Statement (EIR/EIS) addresses both applications to construct pipelines from the Santa Barbara coast to Emidio in Kern County. The EIR/EIS also addresses Celeron/All American's application for a pipeline from Emidio to McCamey, Texas.

"The EIR/EIS analyzes the environmental effects of the proposed pipelines; pump, heating, and delivery stations; and a tank farm through construction, operation, maintenance, and abandonment. This report analyzes the impacts of the Celeron/All American and Getty Proposals and four routing alternatives that have been identified. These are the Santa Maria Canyon, Desert Plan Utility Corridor, Brenda, and McCamey to Freeport Alternatives. The Santa Maria Canyon Alternative crosses a portion of the Los Padres National Forest in Santa Barbara County; the Desert Plan Alternative is in the Mojave Desert in eastern California;

the Brenda Alternative is in western Arizona near the Kofa National Wildlife Refuge; and the McCamey to Freeport Alternative. extends from West Texas to the Gulf Coast. These alternatives were identified to provide optional locations for the pipelines in sensitive areas. The No Project Alternative is also analyzed." (AR 3191-3192.)

Two coastal development permits (CDPs) were issued for the project. CDP 86-CDP-189 was issued on July 27, 1986. (AR 3891) The CDP is for the approved project: "Clearing, grading, and trenching activities for Celeron Pipeline Project as approved by 85-DP-66cz, in the area described below." (*Ibid.*) The area for this CDP is: "Gaviota State Park (survey station #1725+40) to Gaviota pump station." (*Ibid.*) CDP 86-CDP-205 was issued on August 5, 1986. (AR 3894.) The CDP is for the approved project: "Remainder of all construction activities for the Celeron Pipeline project as approved by 85-DP-66cz, in the area described below." (*Ibid.*) The area for this CDP is: "Gaviota State Park (survey station #1725+40) to Gaviota pump station." (*Ibid.*) Both CDPs state as special conditions: "The project description, pipeline route, conditions and plans required pursuant to those conditions described by the approved Final Development Plan 85-DP-66cz are incorporated herein by reference as terms of this permit. (AR 3891, 3894.)

The CDPs were not appealed or otherwise challenged after their issuance.

The FDP's Conditions of Approval include:

Under the heading "Authority to Impose Feasible Mitigations":

"This permit is premised upon findings that where feasible, all significant environmental effects of the project identified in the EIR/EIS (State Clearinghouse No. 83110902), which occur in Santa Barbara County, will be substantially mitigated by the permit conditions. Prior to approval of the Final Development Plan, County shall review any findings that identified certain mitigation measures as being in the primary jurisdiction of another agency but are also within County's

jurisdiction. County shall thereupon determine either (1) that such mitigation has or is being implemented by such other agency or (2) that such other agency and County determine such mitigation to be infeasible. If County determines that no other agency is or may be implementing such feasible mitigation measures then County may impose those feasible measures within its jurisdiction to mitigate those environmental impacts in accordance with appropriate mitigation measures identified by the EIS/R." (AR 6714.)

Under the heading "Facility Throughput and Source Limits":

"All facilities constructed under this permit shall be used only for the shipment of a maximum volume of heated crude oil demonstrated to be within the design parameters of the pipeline facilities as built. The subject volumes will be outer continental shelf (OCS) and other locally produced onshore and offshore petroleum from the Santa Barbara and Santa Maria Basins. PPC shall obtain a new or modified permit, or authority to continue operation under the existing permit prior to undertaking any of the following activities which may, in the judgment of the County, result in significant changes to the impacts on the County. Such changes could include but not be limited to: 1) major pipeline or pump station modifications; 2) major changes in pipeline throughput; 3) introduction of production to the pipeline from sources other than those described above; and 4) introduction of a different product from any source." (AR 6710.)

Respondent California Coastal Commission (Commission) issue a CDP for offshore portion of the Pipelines in 1988, CDP E-88-1. (AR 61-62.)

In 2015, a corroded portion of Line 324 ruptured, causing an oil spill (2015 Refugio Oil Spill). (AR 3.) Following the 2015 Refugio Oil Spill, the Pipelines were placed out of service. (*Ibid.*)

In 2020, Sable's predecessor-in-interest entered into a Federal Consent Decree with the United States and the State of California to resolve issues related to the 2015 Refugio Oil Spill. (AR 6049-6150.) The Federal Consent Decree requires, among other things, that if Line 324 (former Line 901) is to restart, a written Restart Plan must first be approved by the California Office of the State Fire Marshal (OSFM). (AR 6144-6145.) No Restart Plan has yet been approved and restart of the Pipelines is not at issue in this litigation. (Sable Opening Brief, at p. 8, fn. 6.)

(B) Pipeline Activities

In 2024, Sable identified 121 sites on the onshore pipelines requiring Anomaly Repair Work. (AR 1750-1751.) A pipeline "anomaly" refers to a pipeline segment with some deviation from its original configuration. (AR 1750.)

According to Sable: "Sable detects anomalies by using a roving data gathering instrument located within the pipeline interior, typically referred to as an inspection 'pig,' which examines a pipeline's conditions as the pig travels through the Onshore Pipelines. Data collected from the inspection pig is used to identify the approximate location of anomalies from the surface so that excavation and repair activities can be planned. Sable generally must complete the following steps to repair any particular anomaly detected by the pig: (1) access the affected pipeline segment via existing roadways and rights-of-way, which in some locations requires placing metal plates over water courses; (2) excavate the anomaly site, including the dirt beneath the affected pipeline segment, which in some locations may require dewatering and associated discharge; (3) expose the pipeline segment by removing insulation and sandblasting; (4) evaluate whether a 'Composite Repair' or 'Cut-Out Repair' is required, (5) conduct the Composite or Cut-Out Repair as appropriate, sandblast the repaired pipeline segment, and apply an epoxy coating, pipe tape, and rockguard wrap; (6) backfill the anomaly site, and (7) conduct final site cleanup including erosion control and revegetation work (collectively, the 'Anomaly Repair Work'). Anomaly Repair Work is short-term and temporary (often lasting less than a week) within the Onshore Pipelines' operational right-of-way. It requires the use of heavy equipment and may involve the removal of vegetation." (AR 1751, fns. omitted.)

According to Sable, Sable completed the Anomaly Repair Work at 48 of these anomaly sites before it received communications from the Commission. (AR 1751.)

On September 20, 2024, Commission Enforcement Analyst Jo Ginsberg sent an email to Errin Briggs, Deputy Director, Energy Minerals & Compliance of the County stating:

"We have learned that Sable Offshore Corporation (Sable) is undertaking development in the coastal zone related to Lines 324/325 (formerly known as Lines 901/903) without any Coastal Act authorization, which is a violation of the County's LCP, and we hereby request the County to take enforcement action. At the same time, we are also aware of both the recent litigation and settlement between the County and Sable, and we assume that, as a result of that settlement, the County will not take the requested action. However, we do believe the work requires Coastal Act authorization. Thus, the Commission will assume enforcement jurisdiction based on the understanding that you are declining this request unless you indicate otherwise by close of business on Sept. 23, 2024." (AR 300-301.)

Later on September 20, the Briggs replied: "Received. We will review this and get back to you ASAP." (AR 300.)

On September 27, 2024, Ginsberg, on behalf of the Commission, sent by email its Notice of Violation (NOV) No. V-9-24-0152 (2024 NOV) to Steve Rusch, Vice President Environmental & Regulatory Affairs of Sable, stating in part:

"As you have recently discussed with Cassidy Teufel and Wesley Horn of our staff, it has come to our attention that unpermitted activities are currently taking place in the Coastal Zone, including excavation and other activities at various locations along the existing Lines 324/325 (formerly known as Lines 901/903) now owned by [Sable] associated with a proposed restart of the Santa Ynez Unit. These activities constitute violations of the Coastal Act and Santa Barbara County's Local Coastal Program ('LCP'). (AR 208-209, fn. omitted.)

"It has been confirmed that Sable is currently performing various unpermitted construction activities in the Coastal Zone associated with upgrades to Lines 324/325 in connection with Sable's proposed restart of that pipeline. As part of that proposed restart, Sable is currently undertaking work including a pipeline upgrade project to address pipeline corrosion in locations within the Coastal Zone and to install new safety valves in portions of the pipeline in the Coastal Zone. These activities constitute development and are not exempt from coastal development permit ('CDP') requirements." (AR 209, fn. omitted.)

"Please note that in certain cases when unpermitted development takes place, but Commission staff believe that some version of the work could have been found to be consistent with the applicable standard of review and authorized accordingly, staff recommends that the party undertaking the development submit a CDP application to the regulating authority (in this case, Santa Barbara County), seeking after-the-fact ('ATF') authorization for the previously undertaken unpermitted development within the County's LCP jurisdiction. In other cases, when staff has determined that the unpermitted development is not something for which staff would recommend approval due its inconsistency with the Coastal Act/certified LCP, staff advises the alleged violator to seek resolution through removal, mitigation, restoration, and/or payment of penalties, etc., and not to seek a CDP to authorize such development.

"In this case, we are uncertain at this time whether Santa Barbara County would be able to approve a CDP application from Sable that was seeking ATF authorization for the unpermitted construction activities that have already taken place, as well as authorization going forward for continued construction or other development activities related to the pipeline, such as the installation of safety valves. More information regarding the project would be necessary to come to any such conclusion at this time; however, since such an application might be found approvable by the County, we recommend that you submit a CDP application to the County as soon as possible. Please note that should the County grant approval of such a CDP application, those portions of the project that are located within the Coastal Commission's appeals jurisdiction would be appealable to the Commission and those portions of the project, if any, that are located within the Commission's original jurisdiction would require a CDP from the Commission." (AR 211.)

The Commission followed up with a letter to Sable, dated October 4, 2024 (October 4 Letter), from Kate Huckelbridge, Executive Director, which asked for confirmation that the activity referred to in the 2024 NOV fully ceased and for additional information. (AR 214-217.) According to Sable, at the time of their receipt of the October 4 Letter, Sable completed the Anomaly Repair Work at 48 of the identified anomaly sites. (AR 1751.) At that time, 45 anomaly sites were open (Open Sites) where excavation and other steps had been undertaken, but the Anomaly Repair Work had not been completed. (*Ibid*.)

On November 12, 2024, the Commission's Executive Director issued an Executive Director Cease and Desist Order (EDCDO). (AR 13311-13320.) This EDCDO orders Sable to cease and desist from conducting any further unpermitted development and to immediately take steps to avoid irreparable injury to the properties at issue, including, safely securing and stabilizing the Open Sites. (AR 13312-13313.)

On November 21, 2024, Cassidy Teufel, Deputy Director of the Commission, sent an email to Rusch of Sable stating that any work on the offshore portions of the Pipelines would also require a CDP from the Commission. (AR 247-249.)

On November 22, 2024, SCS Engineers, on behalf of Sable, sent a request to Briggs for Zoning Clearances to conduct certain Anomaly Repair Work on Line 324. (AR 6866-6868.) The request identifies that Sable had previously commenced Anomaly Repair Work and had received the 2024 NOV and the EDCDO. (AR 6867.) Sable sought both after-the-fact Zoning Clearances for the Anomaly Repair Work previously undertaken and Zoning Clearances to complete the Anomaly Repair Work in the future. (*Ibid*.)

The Commission received reports that Sable was conducting work on the offshore portions of the Pipelines beginning on November 29, 2024. (AR 4, 6-7, 8.)

On December 6, 2024, SCS Engineers, on behalf of Sable, sent a second request for Zoning Clearances. (AR 7916-7917.) "Sable is submitting two Zoning Clearance applications for this anomaly repair work: (i) an application for the anomaly repair work that is not located in proximity to environmentally sensitive habitat areas, and (ii) an application associated with 6 anomaly repairs for locations that are potentially located in proximity to areas of sensitive habitat." (AR 7916.)

"Through its inspection pig activities, Sable identified one hundred and twenty-one (121) anomalies where Anomaly Repair Work was required within unincorporated Santa Barbara County and within the Coastal Zone. Sable completed the Anomaly Repair Work at forty-eight (48) of these anomaly sites before receiving the 2024 [Notice of Violation (NOV)] and October 4 Letter. Forty-five (45) anomaly sites were open (i.e., excavation and other steps had been undertaken, but the Anomaly Repair Work had not been completed) at the time Sable received the 2024 NOV and October 4 Letter. At that time, twenty-eight (28) remaining anomaly sites had been identified for future Anomaly Repair Work that had not yet commenced." (AR 1751, fns. omitted.)

On February 10, 2025, the Commission's ECDCO expired by operation of law. (See Pub. Resources Code, § 30809, subd. (e).)

On February 11, 2025, Ginsberg, on behalf of the Commission, sent by email a second NOV, V-9-25-001 (2025 NOV). (AR 219-226.) The 2025 NOV identified the violation as: "Unpermitted offshore development including, but not necessarily limited to, deploying sand/cement bags on the seafloor and positioning them to provide support to Sable's out-of-service offshore oil and water pipelines as part of an effort to restart SYU oil production operations and bring the pipelines back into use." (AR 219.)

On February 12, 2025, Briggs of the County sent a letter to Sable in response to the November 22, 2024 and December 6, 2024, Zoning Clearance applications, stating in part:

"On November 22, 2024 and December 6, 2024, Santa Barbara County Planning and Development received four Zoning Clearance applications for pipeline 'anomaly repair work' to Lines 324 and 325a. These applications stated that they sought to permit anomaly repair work in the enclosed descriptions of work for case numbers 24ZCI-00090, 24ZCI-00091, 24ZCI-00095, and 24ZCI-00096. Sable's position is that the Zoning Clearance process meets the requirements of the County's Local Coastal Program because it is a means for the County to determine if the activities fall within an existing Coastal Development Permit or if a new Coastal Development Permit is required.

"The County conducted a detailed review of pipeline permitting history and the Coastal Zoning Ordinance. Planning and Development concludes that this pipeline anomaly repair work is authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement (EIR/EIS). The County previously exercised its authority under its Local Coastal Program and delegated Coastal Act authority in approving the permits and the requested anomaly repair work is within the scope of those approved permits. (Pub. Resources Code§ 30519.) The County's assessment is consistent with the type of reviews conducted by the County, both inside and outside the Coastal Zone, on a regular basis to determine whether proposed development activities fall within the scope of existing permits. Planning and Development will be returning the Zoning Clearance applications to Sable without taking action on them. Alternatively, Sable can choose to withdraw the applications.

"This conclusion is related to the requested pipeline anomaly repair work in case numbers 24ZCI-00090, 24ZCI-00091, 24ZCI-00095, and 24ZCI-00096 and the information supplied with those applications and does not speak to permitting or jurisdiction on any other past or future work on or changes to the Pipeline and associated equipment.

"This is not a: 1) permit exemption; 2) Director determination on the meaning or applicability of the provisions of the Coastal Zoning Ordinance; 3) decision on an application for a Coastal Development Permit; or 4) any other ground set forth in Article II Section 35-182. Rather, this letter confirms that the requested anomaly repair work was contemplated, analyzed, and approved in the existing Final Development Plan, Major Conditional Use Permit, associated Coastal Development Permits and certified EIR/EIS. Thus, no further application to or action by the County is required. This conclusion is not appealable to the Planning Commission, Board of Supervisors, or Coastal Commission and it does not require a Notice of Final Action. (Article II §§ 35-182; 35-181.4.)" (AR 543-544.)

On February 14, 2025, Sable sent a letter to the Commission addressing the 2024 NOV and the October 4 Letter. (AR 282-299.) Among other things, the February 14 letter points to the County's February 12 letter as confirming Sable's position that the Anomaly Repair Work does not require any further authorization under the Coastal Act or the County's LCP. (AR 295.)

On February 16, 2025, the Commission Executive Director sent a response to Sable, stating in part:

"My staff have reviewed your February 14, 2025 letter, in which, at page 4, you cite

Santa Barbara County (the 'County') as concluding that 'no further authorization under the Coastal Act or LCP is required for Sable to proceed' with the work you generally describe as 'anomaly repair work' along Las Flores Pipelines CA-324 and CA-325 ('Pipeline'). Your letter suggests that Sable intends to proceed with this work, and we have received evidence suggesting that Sable may already be doing so, despite several conversations with Commission staff, Notice of Violation letters, and a previous Executive Director Cease and Desist Order ('EDCDO') directing Sable to seek Coastal Act authorization for the work already completed and to cease further work until it, too, is authorized by a new coastal development permit ('CDP'), as described in greater detail below. Although your letter argues that the work has been pre-authorized, based on the information we have received to date, I do not agree." (AR 13523.)

The February 16 letter further states:

"I am therefore informing you that if Sable does not immediately cease all unpermitted development activities, as described above, and comply with the requirement in the next paragraph, it may receive an Executive Director Cease and Desist Order ('EDCDO'), the violation of which may subject Sable to additional fines and penalties. [¶] In order to avoid issuance of an EDCDO, you must confirm, in writing, by Monday, February 17, 2025, no later than 4pm, that Sable will cease all development of the sort described in this notice unless and until it either: (a) demonstrates, to my satisfaction and receives my written confirmation, that it already possesses the necessary Coastal Act authorization for the work, which Sable has not yet demonstrated; or (b) obtains a new, final, operative CDP or other valid Coastal Act authorization specifically covering the work at issue and complies with the terms of any final, validly issued CDPs." (AR 13526.)

On February 17, 2025, the Commission, by Enforcement Counsel Stephanie Cook, sent a letter to the County expressing surprise and disappointment with the February 14 letter sent to Sable. (AR 1078.) The letter states that the Commission received notice that Sable was refusing to halt its operations. (*Ibid.*) The letter asks the County to initiate enforcement proceedings. (*Ibid.*) The letter concludes by stating that unless the Commission hears from the County by noon on February 18, the Commission will "assume that the County has declined to act and conclude that, in any event, the County has not taken action in a timely manner. And as such, we may issue our EDCDO." (AR 1079.)

On February 18, 2025, the Commission's Executive Director issued a second EDCDO (ED-25-CD-01), violation numbers V-9-25-0013 and V-9-24-0152. (AR 233-246.) This EDCDO included a notice of intent to commence cease and desist order, restoration order, and administrative order proceedings. (*Ibid.*)

After receiving the County's letter, Sable resumed onshore Anomaly Repair Work. (AR 1748; Sable Opening Brief, at pp. 4-5.)

(C) Legal and Administrative Proceedings

On February 18, 2025, Sable filed its initial petition in this matter asserting four causes of action: (1) damages for inverse condemnation; (2) declaratory relief for impairment of vested rights; (3) declaratory relief for inverse condemnation; and (4) declaratory relief re Public Resources Code section 30803.

On March 10, 2025, submitted a Statement of Defense to the Commission. (AR 1740-10165.)

The Commission set the matter for a formal administrative adjudication and, on March 28, 2025 issued its staff report and recommendation. (AR 117-205.)

On April 10, 2025, the Commission held a public hearing on its proposed enforcement orders against Sable. (AR 12973-13227.) At this hearing, Sable presented its defense. (*Ibid.*) At the conclusion of the hearing, following deliberation among the Commissioners, the Commission voted to issue three orders (collectively, the April 10 Orders): Cease and Desist Order No. CCC-25-CD-01 (CDO); Restoration Order No. CCC-25-RO-01 (RO); and Administrative Penalty No. CCC-25-AP3-01 (AP). (AR 12497-12522.) The AP provided an administrative penalty of $18,022,500. (AR 12501.)

Also on April 10, 2025, the Commission filed a demurer to Sable's original complaint in this Court.

On April 16, 2025, Sable filed its FAP. The FAP asserts six causes of action: (1) for writ of traditional mandamus, or alternatively for administrative mandamus; (2) for declaratory relief; (3) for inverse condemnation; (4) for declaratory relief for impairment of vested rights; (5) for declaratory relief for inverse condemnation; and (6) for declaratory relief under Public Resources Code section 30803. The first cause of action seeks issuance of a writ of mandate to set aside the NOVs, EDCDOs, and April 10 orders.

Also on April 16, 2025, the Commission filed a cross-complaint against Sable asserting two causes of action: (1) equitable relief to restrain violation of a cease and desist order; and (2) for declaratory relief.

On May 15, 2025, the Commission filed its first amended cross-complaint (FACC) asserting five causes of action: (1) equitable relief to restrain violation of a cease and desist order; (2) equitable relief to restrain violation of a restoration order; (3) equitable relief to restrain violation of an administrative civil penalty order; (4) for declaratory relief for Sable's violation of CDO CCC-25-CD-01; and (5) for declaratory relief for Sable's violation of RO CCC-25-RO-01.

On May 16, 2025, the Commission made a motion to bifurcate and separately try the writ of mandate claims before the non-writ claims. Also on May 16, the Commission filed its demurrer to the FAP.

On June 16, 2025, Sable filed its demurrer to the FACC.

On June 18, 2025, the Court sustained, without leave to amend, the Commission's demurrer to the sixth cause of action of the FAP and otherwise overruled the demurrer.

On July 23, 2025, the Court overruled Sable's demurrer to the FACC. The Court also granted the Commission's motion to bifurcate. The Court set a briefing schedule for resolution of the writ claims on the administrative record.

The parties have lodged the administrative record with the Court. The parties have filed their respective briefs.

Analysis

(1) Requests for Judicial Notice

In support of the petition, Sable requests that the Court take judicial notice of selected provisions of the Coastal Zoning Ordinance of the County. This request for judicial notice is granted. (See Evid. Code, § 452, subds. (b), (c).)

In support of the petition in reply, Sable also requests that the Court take judicial notice of "the dictionary definition of 'act.' " (Reply Request for Judicial Notice [RRJN], at p. 2.) The Court will take judicial notice of the fact that definition of "act" in exhibit 2 the RRJN appears at the website for merriam-webster.com. (See Evid. Code, § 452, subd. (h).) "When interpreting a statute, Courts 'appropriately refer to the dictionary definition' to ascertain the ordinary, usual meaning of a word." (*California Public Records Research, Inc. v. County of Stanislaus* (2016) 246 Cal.App.4th 1432, 1445.) The Court may therefore appropriately consider that dictionary definitions in determining statutory meaning (as discussed below). However, judicial notice does not extend to determining that this specific definition of "act" applies in the relevant a statutory context.

(2) Standards of Review

"Any aggrieved person shall have a right to judicial review of any decision or action of the commission by filing a petition for a writ of mandate in accordance with Section 1094.5 of the Code of Civil Procedure …." (Pub. Resources Code, § 30801.)

"Administrative mandamus [citation] provides for judicial review of an agency decision resulting from a proceeding in which '(1) by law a hearing is required to be given, (2) evidence is required to be taken, and (3) the determination of the facts is the responsibility of the administrative agency.' [Citations.]" (*Save Oxnard Shores v. California Coastal Com.* (1986) 179 Cal.App.3d 140, 148.)

Both parties agree that, notwithstanding that Sable's first cause of action is stated in the alternative of a traditional writ of mandate under Code of Civil Procedure section 1085, the appropriate procedure and standards are for an administrative writ of mandate under section 1094.5. (Sable Notice of Motion, at p. 2; Sable Opening Brief, at p. 8; Commission Opposition Brief, at p. 8.)

"The inquiry in such a case shall extend to the questions whether the Respondent has proceeded without, or in excess of, jurisdiction; whether there was a fair trial; and whether there was any prejudicial abuse of discretion. Abuse of discretion is established if the Respondent has not proceeded in the manner required by law, the order or decision is not supported by the findings, or the findings are not supported by the evidence." (Code Civ. Proc., § 1094.5, subd. (b).)

" ' "The general rule" ' in [writ of administrative mandate] actions is that judicial review ' "is conducted solely on the record of the proceeding before the administrative agency. [Citation.]" [Citation.]' [Citation.] A reviewing Court may receive additional evidence only if that evidence 'in the exercise of reasonable diligence, could not have been produced or ... was improperly excluded at the hearing before' the administrative agency. [Citations.] Thus, in reviewing the Commission's decision, Courts are 'confined to the record before the Commission unless' the Petitioner shows it 'could not have produced' the new evidence 'in the exercise of reasonable diligence or unless relevant evidence was improperly excluded at the administrative hearing.' [Citation.]" (*Sierra Club v. California Coastal Com.* (2005) 35 Cal.4th 839, 863.)

The administrative record is reviewed " 'to determine whether the Commission's findings are supported by substantial evidence.' [Citation.]" (*Reddell v. California Coastal Com.* (2009) 180 Cal.App.4th 956, 962 (*Reddell*).) " ' "Courts may reverse an agency's decision only if, based on the evidence before the agency, a reasonable person could not reach the conclusion reached by the agency." ' [Citation.]" (*Ibid*., italics omitted.)

"It is presumed that an administrative agency regularly performed its duty, and the burden is on the party challenging the agency's actions to prove an abuse of discretion." (*Save Laurel Way v. City of Redwood City* (2017) 14 Cal.App.5th 1005, 1011.)

(3) Arguments

Sable argues that the Commission abused its discretion in issuing the April 10 Orders because the County authorized Sable's onshore repair work. In support of this argument Sable argues that the existing onshore CDPs encompass the onshore work, that the County's determination is entitled to deference, and that the Commission lacks statutory authority to issue the CDO. Sable further argues that the OSFM compelled and approved Sable's installation of safety valves. Sable further argues that the offshore repair work was fully authorized.

The Commission disagrees and disputes each of Sable's arguments. Instead, the Commission argues that it was authorized to issue the April 10 Orders and that Sable engaged in unauthorized development in violation of the Coastal Act.

(4) Coastal Act Requirements

Except as to emergencies not at issue here, "and in addition to obtaining any other permit required by law from any local government or from any state, regional, or local agency, any person, as defined in Section 21066, wishing to perform or undertake any development in the coastal zone, other than a facility subject to Section 25500, shall obtain a coastal development permit." (Pub. Resources Code, § 30600, subd. (a).)

" 'Development' means, on land, in or under water, the placement or erection of any solid material or structure; discharge or disposal of any dredged material or of any gaseous, liquid, solid, or thermal waste; grading, removing, dredging, mining, or extraction of any materials; change in the density or intensity of use of land, including, but not limited to, subdivision pursuant to the Subdivision Map Act (commencing with Section 66410 of the Government Code), and any other division of land, including lot splits, except where the land division is brought about in connection with the purchase of such land by a public agency for public recreational use; change in the intensity of use of water, or of access thereto; construction, reconstruction, demolition, or alteration of the size of any structure, including any facility of any private, public, or municipal utility; and the removal or harvesting of major vegetation other than for agricultural purposes, kelp harvesting, and timber operations which are in accordance with a timber harvesting plan submitted pursuant to the provisions of the Z'berg-Nejedly Forest Practice Act of 1973 (commencing with Section 4511). [¶] As used in this section, 'structure' includes, but is not limited to, any building, road, pipe, flume, conduit, siphon, aqueduct, telephone line, and electrical power transmission and distribution line." (Pub. Resources Code, § 30106.)

There is no essential dispute that Sable's Anomaly Repair Work constitutes "development" within the meaning of the Coastal Act. The Anomaly Repair Work involves grading and other activities within the definition of "development." There is therefore no essential dispute that performing such work requires a CDP. Sable argues both that the CDPs obtained in 1986 authorize the development activities under the Coastal Act and that the Commission does not have authority to issue the CDO based upon the development activities.

(5) Commission Authority

"The Coastal Act 'was enacted by the Legislature as a comprehensive scheme to govern land use planning for the entire coastal zone of California. The Legislature found that "the California coastal zone is a distinct and valuable natural resource of vital and enduring interest to all the people"; that "the permanent protection of the state's natural and scenic resources is a paramount concern"; that "it is necessary to protect the ecological balance of the coastal zone" and that "existing developed uses, and future developments that are carefully planned and developed consistent with the policies of this division, are essential to the economic and social well-being of the people of this state...." ([Pub. Resources Code,] § 30001, subds. (a) and (d).)' [Citation.] The Coastal Act is to be 'liberally construed to accomplish its purposes and objectives.' (Pub. Resources Code, § 30009.) Under it, with exceptions not applicable here, any person wishing to perform or undertake any development in the coastal zone must obtain a coastal development permit 'in addition to obtaining any other permit required by law from any local government or from any state, regional, or local agency....' (*Id.*, § 30600, subd. (a).)" (*Pacific Palisades Bowl Mobile Estates, LLC v. City of Los Angeles* (2012) 55 Cal.4th 783, 793–794 (*Pacific Palisades*).)

"The Coastal Act expressly recognizes the need to 'rely heavily' on local government '[t]o achieve maximum responsiveness to local conditions, accountability, and public accessibility....' (Pub. Resources Code, § 30004, subd. (a).) As relevant here, it requires local governments to develop local coastal programs, comprised of a land use plan and a set of implementing ordinances designed to promote the act's objectives of protecting the coastline and its resources and of maximizing public access. (*Id.*, §§ 30001.5, 30500–30526; [citation].) Once the California Coastal Commission certifies a local government's program, and all implementing actions become effective, the commission delegates authority over coastal development permits to the local government. (Pub. Resources Code, §§ 30519, subd. (a), 30600.5, subds. (a), (b), (c).) Moreover, '[p]rior to certification of its local coastal program, a local government may, with respect to any development within its area of jurisdiction, ... establish procedures for the filing, processing, review, modification, approval, or denial of a coastal development permit.' (*Id.*, § 30600, subd. (b)(1).) An action taken under a locally issued permit is appealable to the commission. (*Id.*, § 30603.) Thus, '[u]nder the Coastal Act's legislative scheme, ... the [local coastal program] and the development permits issued by local agencies pursuant to the Coastal Act are not solely a matter of local law, but embody state policy.' [Citation.] 'In fact, a fundamental purpose of the Coastal Act is to ensure that state policies prevail over the concerns of local government.' [Citation.]" (*Pacific Palisades*, *supra*, 55 Cal.4th at p. 794.)

The County established a LCP at the time of the issuance of the 1986 CDPs. There is no essential dispute that the initial construction of the Pipelines were within the scope of the CDPs as issued.

Sable argues that the Commission has no authority to issue the CDO as to the onshore work because the County issued the applicable CDP and the County determined that the work was within the scope of the CDP. The Commission argues that it has authority to issue the EDCDOs and CDO because the County failed and refused to act to enforce the Coastal Act.

"If the executive director determines that any person or governmental agency has undertaken, or is threatening to undertake, any activity that (1) may require a permit from the commission without securing a permit or (2) may be inconsistent with any permit previously issued by the commission, the executive director may issue an order directing that person or governmental agency to cease and desist. The order may be also issued to enforce any requirements of a certified local coastal program …, or any requirements of this division which are subject to the jurisdiction of the certified program or plan, under any of the following circumstances: [¶] … [¶] (2) The commission requests and the local government … declines to act, or does not take action in a timely manner, regarding an alleged violation which could cause significant damage to coastal resources. [¶] (3) The local government … is a party to the violation." (Pub. Resources Code, § 30809, subd. (a)(2), (3).)

"If the commission, after public hearing, determines that any person or governmental agency has undertaken, or is threatening to undertake, any activity that (1) requires a permit from the commission without securing a permit or (2) is inconsistent with any permit previously issued by the commission, the commission may issue an order directing that person or governmental agency to cease and desist. The order may also be issued to enforce any requirements of a certified local coastal program …, or any requirements of this division which are subject to the jurisdiction of the certified program or plan, under any of the following circumstances: [¶] … [¶] (2) The commission requests and the local government … declines to act, or does not take action in a timely manner, regarding an alleged violation which could cause significant damage to coastal resources. [¶] (3) The local government … is a party to the violation." (Pub. Resources Code, § 30810, subd. (a)(2), (3).)

The Commission twice requested that the County take enforcement to stop Sable's construction activity. (AR 300-301, 1078-1079.) The County has taken no enforcement action. Instead, in its February 12 letter to Sable, the County staff took the position that no further application to or action by the County is required for Sable to do the Anomaly Repair Work. (AR 543-544.) The Commission points to the County's February 12 letter as inaction to authorize its own action under sections 30809 and 30810. Sable points to the County's February 12 letter as action by the County precluding Commission action under sections 30809 and 30810.

To resolve this dispute, it is necessary for the Court to interpret the language in sections 30809 and 30810 of "the local government … declines to act." (Note: For ease of writing, the Court will refer only to section 30810. Because the language is identical and there is no apparent reason for interpreting this language different as between section 30809 and 30810, the same analysis applies to section 30809.)

"We will follow the Act's plain meaning unless doing so would lead to absurd results the Legislature did not intend. [Citation.] If we cannot determine that meaning from the statutory language, we will defer to the Commission's interpretation of the Act so long as it is not clearly erroneous. [Citation.] We may also examine legislative history [citation] and 'consider the impact of an interpretation on public policy' [citation]. But we can neither insert words into the Act that the Legislature omitted nor omit words the Legislature inserted [citation]; our job is not to rewrite statutes to conform to an assumed intent that does not appear from their language [citation]." (*Wall v. California Coastal Commission* (2021) 72 Cal.App.5th 943, 953.)

However, "[w]e give no deference to the Coastal Commission's determination in deciding whether its action exceeds the authority delegated to it by the Legislature." (*City of Malibu v. California Coastal Com.* (2012) 206 Cal.App.4th 549, 560.)

Sable argues, citing a definition of "act" as "to give a decision," that the County did act. This interpretation is not, however, consistent with the overall use of language in the statute.

"Pursuant to established principles, our first task in construing a statute is to ascertain the intent of the Legislature so as to effectuate the purpose of the law. In determining such intent, a Court must look first to the words of the statute themselves, giving to the language its usual, ordinary import and according significance, if possible, to every word, phrase and sentence in pursuance of the legislative purpose. A construction making some words surplusage is to be avoided. The words of the statute must be construed in context, keeping in mind the statutory purpose, and statutes or statutory sections relating to the same subject must be harmonized, both internally and with each other, to the extent possible. [Citations.] Where uncertainty exists consideration should be given to the consequences that will flow from a particular interpretation. [Citation.] Both the legislative history of the statute and the wider historical circumstances of its enactment may be considered in ascertaining the legislative intent." (*Dyna-Med, Inc. v. Fair Employment & Housing Com.* (1987) 43 Cal.3d 1379, 1386–1387.)

The language of section 30810, subdivision (a)(2) is "The commission requests and the local government … declines to act, or does not take action in a timely manner, regarding an alleged violation which could cause significant damage to coastal resources." The phrase "declines to act" exists in conjunction with the "commission requests" and both are modified by "regarding an alleged violation which could cause significant damage." The phrase "declines to act" thus more naturally reads as a negative response to the Commission's request for action. That is precisely what occurred here—the County, or at least a staff member acting for the County, declined to take enforcement action as requested by the Commission, instead finding that no further action was necessary.

The ostensible purpose of section 30810, subdivision (a) is to allow the Commission to act to stop significant damage to coastal resources, even where there is a LCP in place, where the local government does not act. It is reasonable to assume that if a local government is not acting to stop such potential damage after a request by the Commission, one reason why the local government does not act is because it disagrees with the Commission as to the need or wisdom to act. The statutory language and overall statutory purpose, however, is to protect coastal resources. Thus, under subdivision (a), if the Commission sees a violation and the local government does not, the Commission may issue a CDO.

Sable's alternative interpretation is inconsistent with the statutory scheme. As Sable points out, the action by County here is not subject to appeal, within the County or to the Commission. (AR 9358.) Consequently, under this interpretation, if the County's determination that no further authorization is required is legally wrong, the Commission has no authority to act to prevent the violation. The Commission's apparent only avenue would be to seek a writ in civil Court to make the County act differently. That consequence is plainly contrary to the statutory language to allow the Commission to act on its own to protect coastal resources when the local government does not. It is, for the same reason, also inconsistent with subdivision (a)(3) that allows the Commission to issue a CDO, notwithstanding a LCP, where the local government itself is a party to the violation.

The Court finds that, under the facts presented in the AR here, the Commission had authority to issue the April 10 Orders.

(6) Scope of 1986 CDPs

Sable's next principal argument is that the Anomaly Repair Work was authorized by the 1986 CDPs issued by the County. The County's February 12 letter addresses this issue by stating: "The County conducted a detailed review of pipeline permitting history and the Coastal Zoning Ordinance. Planning and Development concludes that this pipeline anomaly repair work is authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement (EIR/EIS)." (AR 543.)

This argument was rejected by the Commission in reaching its determination to issue the April 10 Orders. (See AR 6.)

The CDPs by their express terms authorize "[c]learing, grading and trenching activities for Celeron Pipeline Project as approved by 85-DP-66cz" and "[r]emainder of all construction activities for Celeron Pipeline Project as approved by 85-DP-66cz." (AR 3891, 3894.) There is no essential dispute between the parties that the CDPs authorize not only the initial construction of the Pipelines but maintenance activities consistent with the continuing operation of the Pipelines. The parties do not point to anything in the AR to suggest that additional CDPs were required or expected for maintenance activities during the time of the continuous operation of the Pipelines. This is understanding is consistent with the EIR/EIS analysis which very generally addresses maintenance.

The circumstances at the time of the April 10 Orders, however, were markedly different from those contemplated by the CDPs as issued. One significant difference is that in 2015 there was an oil spill that shut down the operation of the Pipelines. The Anomaly Repair Work did not commence until 2024, with approximately nine years of hiatus. (AR 1748-1750.) Another significant difference is that the work in 2024 was significantly more intense than prior maintenance activities. The work done by Sable involved work at 121 sites done during a single year, rather than limited work done throughout nearly a decade.

The definition of "development" under Public Resources Code section 30106 includes "construction" and "reconstruction" of any "structure." "Structure" is further defined to include a "pipe." Because the definition of "development" expressly includes both "construction" and "reconstruction," under ordinary principles of statutory construction, these terms are interpreted to mean different things. Thus, a permit that allows for "construction" would not in the ordinary sense also allow for "reconstruction." And, indeed, the CDPs expressly permit "construction" without mention of "reconstruction." The dictionary definition of "reconstruct" is sensible, including: "to construct again: as **a** (1): to build again: rebuild <*~ing* destroyed railroads> (2): to make over: repair <*~ed* the highways that needed it>." (Webster's 3d New Internat. Dict. (1986) p. 1897.) So "reconstruction" (the action of reconstructing (*id*., p. 1898)) includes concepts of both rebuilding and repair.

By including "reconstruction" as separate from "construction," it is reasonable to conclude that at some point the extent of maintenance of a project would move from construction to reconstruction, where reconstruction would be a development requiring a CDP separate from the CDP authorizing construction. Whether specific to that part of the definition of "development" or more generally, these concepts provide an analytical framework to distinguish among permitted development as authorized by a CDP and unpermitted further development requiring a separate CDP.

As a starting point, it is useful to note that the EIR/ EIS projected a 30-year life of the project, although the actual life would depend on the availability of crude oil. (AR 2580.) This projected end of life is close to when the 2015 Refugio Oil Spill occurred. In that timeframe, work needed to keep the Pipeline operational would be expected to intensify and thus be more akin to "reconstruction" than mere maintenance. This is consistent with the record of what happened. According to Commission staff, the work done by Sable far exceeds the simple repair and maintenance as described by Sable:

"Sable has excavated and reinforced or replaced the line at more than 130 separate locations along its roughly 14-mile length in the Coastal Zone, in some extended stretches, leaving behind barely any in its original condition. In addition, the type of work being done, which includes permanent removal of the insulating layer on the outside of the line, which was a critical feature of the original design." (AR 13000-13001.) "Based on information from Sable, it has excavated over 3.7 acres across its worksites in the Coastal Zone and an estimated 72,000 cubic yards of soil." (AR 13001.) "Considering the additional area of habitat removal and disturbance for access roads and staging areas and stockpile areas for the worksites, the cumulative

impact of the work is significantly greater." (AR 13002.)

This last point is also meaningful. Even it is assumed that the same repair and maintenance work that was actually done by Sable (or at the time of the CDO contemplated by Sable) would have ultimately have been required during continuous operation of the Pipelines, such work would have been accomplished under the CDP authorization over the course of approximately nine years. Doing all of that work in the space of a few months has a cumulative effect of a substantially increased intensity of use of the land that is more consistent with "reconstruction" than maintenance "construction."

While there are some factual disputes regarding the scope and nature of the work performed by Sable (and, as of the time of the CDO, to have been performed by Sable), the Commission determined the extent of this work to exceed the scope of "construction" as authorized by the existing CDPs. This is a different conclusion than apparently reached by the County. This disagreement raises an issue about the extent to which deference is owed to either decision. (See *Reddell*, *supra*, 180 Cal.App.4th 956, 968, quoting *Divers' Environmental Conservation Organization v. State Water Resources Control Bd.* (2006) 145 Cal.App.4th 246, 252, 51 Cal.Rptr.3d 497 [" '... we must also defer to an administrative agency's interpretation of a statute or regulation involving its area of expertise, unless the interpretation flies in the face of the clear language and purpose of the interpreted provision' "].)

As between the County's position and the Commission's position, the Commission's position is more persuasive. The issue presented to each agency is the same. The Commission, in addition to its position as a state-wide agency responsible for Coastal Act issues, adopted its position by action of its Commissioners with a detailed staff report incorporated by reference. (AR 12493-12494.) The County's February 12 letter is conclusory in its analysis, reflects the position of staff rather than a decisional body of the County, and contains express qualifications as to the limitations of it as a County decision. (AR 543-544.) Under these circumstances, to whatever extent deference is to be paid to these determinations, the Commission's determination is entitled to greater deference.

As a consequence, applying these concepts to the instant situation, the scope of the activity is more consistent with "reconstruction" than with "construction." The Court finds that there is substantial evidence to support the Commission's conclusion that the work is beyond the scope of the 1986 CDPs. To whatever extent this is a legal determination, the Court agrees with the Commission's characterization of such work as beyond the scope of the 1986 CDPs.

While the above discussion is focused on the Anomaly Repair Work, the same analysis and conclusion applies to both the installation of safety valves and the offshore repair work, as discussed below.

The Court concludes that Sable has not shown that the Commission was in error in determining that the prior CDPs did not authorize the work subject to the April 10 Orders. Put differently, under the standards applicable to administrative writs, Sable has not shown that its work was authorized under the Coastal Act.

(7) OSFM Approval of Safety Valve Installation

Sable also argues that because the OSFM compelled and approved Sable's installation of safety valves, that specific work is permitted by the existing CDPs. It is significant to note that the OSFM required operators to retrofit existing pipelines with "best available technology" (BAT), i.e., an automatic shutoff system, by April 1, 2023. (Cal. Code Regs., tit. 19, § 2108, subd. (c).) The work subject to the April 10 Orders occurred in 2024 as part of the extensive work performed by Sable. For the same reasons discussed above, whether or not specific work could under different conditions been considered as within the scope of the existing CDPs, the Commission did not err in determining that the extensive work conducted by Sable was beyond the scope of the 1986 CDPs and hence unpermitted.

(8) Offshore Work

Sable further argues that the Offshore Repair Work was fully authorized by the prior CDP. This argument is subject to the same analysis as discussed above. The offshore portion of the Pipelines was constructed under a CDP issued by the Commission (rather than the County) in 1988. (AR 61-62.) The Offshore Repair Work included within the unpermitted work identified in the April 10 Orders include the deployment and positioning of sand and concrete bags to provide structural support below section from which the seafloor had scoured or eroded. (AR 6.) As with the onshore work, there is a factual dispute between the parties as to the characterization of the work, among other things, as being within the scope of the 1988 CDPs. For the same reasons discussed above, whether or not specific work could under different conditions have been considered as within the scope of the existing CDPs, the Commission did not err in determining that the extensive work conducted by Sable was beyond the scope of the 1988 CDP and hence unpermitted.

(9) Conclusion

As the above discussion demonstrates, the issue before the Court is not whether the specific work conducted by Sable was or is ultimately necessary or appropriate for pipeline safety. The issue before the Court is whether the Commission abused its discretion in issuing the April 10 Orders under the standards for review by petition for administrative writ of mandate.

Based on the foregoing analysis and a review of all of the arguments of the parties and the AR, the Court finds the Commission's factual findings are supported by substantial evidence and that Sable has not met its burden to show an abuse of discretion by the Commission in issuing the April 10 Orders.

Accordingly, the petition for administrative mandate as set forth in the first cause of action of Sable's FAP will be denied.

CEASE AND DESIST ORDER CCC-25-CD-01, RESTORATION ORDER CCC-25-RO-01, ADMINISTRATIVE CIVIL PENALTY CCC-25-AP3-01

1.0 CEASE AND DESIST ORDER CCC-25-CD-01

Pursuant to its authority under California Public Resource Code ("PRC") Section 30810, the California Coastal Commission ("the Commission") hereby orders and authorizes Sable Offshore Corporation ("Sable"); its successors in interest, heirs, officers, managers, assigns, employees, agents, and contractors; and any other persons or entities acting in concert with any of the foregoing (hereinafter collectively referred to as "Sable") to take all actions required by this Cease and Desist Order, in compliance with its terms, including by complying with the following:

1.1 Cease and desist from engaging in or undertaking any development, as that term is defined in the Coastal Act (PRC Section 30106) and the Santa Barbara County Local Coastal Program (at Section 35-58), that requires a coastal development permit on any of the property and/or locations defined in Section 4.3, below, as the Santa Ynez Unit unless confirmed by the Executive Director of the Coastal Commission to have received the requisite Coastal Act authorization or to be exempt, including but not limited to the following development undertaken or planned at A) locations onshore: excavation; removal of major vegetation; fill of wetlands; grading and widening of roads; installation of metal plates over water courses; dewatering and discharge of water; removal, replacement, and reinforcement of pipeline and pipeline infrastructure; and other development associated with the return to service of Las Flores Pipelines CA-324 and CA-325 and; B) at locations offshore: placement of sand and cement bags on the seafloor below and adjacent to Sable's out-of-service offshore oil and water pipelines; as part of an effort to restart the Santa Ynez Unit oil production operations and bring the pipelines back into use.

1.2 Fully and completely comply with the terms and conditions set forth herein, including the terms and conditions of Cease and Desist Order No. CCC-25-CD-01, Restoration Order No. CCC-25-RO-01, and Administrative Penalty No. CCC-25-AP3-01 (collectively, "Orders"). These Orders provide authorization under the Coastal Act for the development required herein, including any restoration activities described below, so long as such development is undertaken in accordance with the terms and conditions of these Orders.

1.3.A Within 30 days of the effective date of these Orders, submit complete coastal development permit ("CDP") applications or a single consolidated CDP application (as provided for in the Coastal Act in PRC Section 30601.3) for: (a) after the fact ("ATF") authorization for all unpermitted development as defined in Section 4.2, below, conducted at both onshore and offshore locations; as well as

(b) prospective authorization for any proposed development activities that have not yet been completed but that are contemplated in Sable's current plans. Sable shall not withdraw or impede final action in any way on this CDP application(s). Sable shall comply with the terms and conditions of any CDP approved pursuant to the application(s) submitted under these Orders by the deadlines required in the CDP(s).

1.3.B A complete CDP application shall include, at a minimum,

For onshore development:

- Site plans for each anomaly repair location depicting, but not limited to: topographic contours, grading (cut, fill, export), sensitive resources (Environmentally Sensitive Habitat Area ("ESHA"), wetlands), applicable Best Management Practices ("BMPs"), equipment staging, stockpiles, details specific to work to be performed at each site (wrap, pipeline cut and replacement), cross sections and diagrams of the work to be performed, and surveys of property lines/easements/right-of-ways;
- Grading totals (cut, fill, export) for each site and all of the types of work (anomaly excavation, road creation/widening/maintenance, crossings of wetlands or watercourses, etc.) plus the combined total grading for all of the work (both that already occurred and future proposed development);
- Specific details on the amount and type of vegetation clearing and trimming (area, amount of limbing, plant species and alliances, per the Manual of California Vegetation);
- List of all construction and erosion control BMPs;
- Geology and soils report;
- Site-specific biological survey reports prepared by a qualified biologist;
- A site survey of all ESHA buffers of 100 feet from location of ESHA;
- Site-specific delineation of single parameter wetlands;
- Measures to avoid, minimize and mitigate for adverse impacts to ESHA, wetlands and sensitive plant and animal species;
- Site-specific cultural resources surveys and measures to avoid and minimize potential adverse impacts on cultural resources (including outreach and coordination with Tribes that may have cultural connections to the restoration area and use of tribal monitors during ground disturbance activities);
- Project schedule (with a breakdown of the hours of construction, number of days and time of year that construction took place or is proposed to take place at each location);
- Evidence that permits or authorization from other agencies have been granted or applied for;
- CEQA determination.

For offshore development:

- Site plans for each span remediation location depicting, but not limited to: bathymetric contours, fill placement areas, results of marine habitat surveys (such as sandy bottom, rocky, reef, kelp), applicable BMPs including material staging/stockpiles/hazardous materials and spill response, details specific to work to be performed at each site (such as number of bags, slopes), cross sections and diagrams of the work performed;
- Information on the vessels and ROVs that were used for the work and information on how the vessels and ROVs were maintained to prevent the release of any fuel or oils;
- Information on where the vessels were moored and how they transited to and from the site;
- Information on any commercial and recreational fishing in the area that could have been affected by project activities and any advance coordination that occurred with fishing communities;
- Information on the specific type of cement mix used and information demonstrating how it will be safe for use in the marine environment over the life of the development;
- In the event that anchors are needed, identify contingency anchor areas away from sensitive marine habitat and species;
- Marine resources survey including survey of the seafloor and information on marine species in the area of the development. This should also include a quantification of the totals of each type of benthic habitat impacted by the development as well as the methodology used for the survey;
- Analysis of alternatives to the proposed cement bags, and measures to avoid or minimize quantity of fill and potential adverse impacts from the fill (e.g. use different materials other than concrete that may have less of an environmentally impact (i.e., 100% sand, use of “T bar” support, change in orientation/slope of the bags to minimize their impact on the seafloor);
- Site-specific cultural resources surveys of the development area and measures to avoid and minimize potential adverse impacts on cultural resources;
- Project schedule with hours of construction, total number of days, and time of year work occurred;
- Evidence that permits or authorization from other agencies have been granted or applied for;
- CEQA determination

Sable shall provide complete responses to any request for information made by the appropriate permitting agency within 10 days of the date of such request, unless additional time is provided by the Executive Director pursuant to Section 14, below.

1.3.C Sable shall submit the application(s) required by Section 1.3.A in one of the following manners: (a) as one, consolidated permit application, submitted to the Commission pursuant to PRC section 30601.3; or (b) if the County agrees to process an application for the work within its LCP permitting jurisdiction, Sable may submit an application for the work in that area to the County, and a separate application for the work in the Commission's permitting jurisdiction to the Commission. To maximize the likelihood of compliance with these Orders and to rectify this matter in the most efficient manner possible, thereby limiting the costs to the state and increasing the potential for accelerated restoration and reduced impacts on resources, if Sable elects to proceed with option (a), above (consolidated CDP application), the Administrative Penalty outlined in Section 3, below, will be reduced according to the provisions of that section. The Executive Director may extend the deadline for submittal of the CDP application pursuant to Section 14, below.

1.3.D In the event the appropriate permitting agency denies the CDP application in whole or in part, Sable shall submit, for the review and approval of the Executive Director of the Commission, a Removal Plan that provides for the removal of that development that was already completed but for which after-the-fact authorization was denied. Sable shall submit this Removal Plan within 30 days of final action on said denial and shall commence implementation of this Removal Plan within 30 days of Executive Director approval thereof and shall complete all removal and activities within 30 days of commencement, unless an extension is granted by the Executive Director for good cause pursuant to Section 14, below. If the Executive Director determines that any removal activities negatively impacted resources protected under the Coastal Act, Respondent shall submit an amendment to the Restoration Plan required pursuant to Section 6, below, to restore any resources impacted.

1.3 Obtain and comply with the terms and conditions of all other mandatory approvals or permits for the work required herein that are issued by other government agencies having jurisdiction over that work, consistent with these Orders, and comply with the terms and conditions of such approvals/permits.

1.4 Any questions of intent or interpretation of any condition in the CDP issued pursuant to the terms of these Orders will be resolved by the Executive Director of the Commission after consultation with Sable.

2.0 RESTORATION ORDER CCC-25-RO-01

Pursuant to its authority under PRC Section 30811, the Commission hereby orders and authorizes Sable to undertake all the restorative actions set forth in Section 6.0, below.

3.0 ADMINISTRATIVE PENALTY CCC-25-AP3-01

3.1. Pursuant to its authority under PRC Section 30821.3, the Commission hereby imposes on Sable an administrative penalty of $14,987,250

3.2 To maximize the likelihood of compliance with these Orders and to rectify this matter in the most efficient manner possible, thereby limiting the costs to the state and increasing the potential for accelerated restoration and reduced impacts on resources, if Sable elects to proceed with option (a) as described in Section1.3.C, above (consolidated CDP application), the Administrative Penalty will be reduced by 10% of the total amount (i.e., $1,498,725). If, however, at any point prior to the Commission staff filing the CDP application as complete, Sable takes any steps that would interfere with the processing of the CDP application, including any attempt to delay or avoid submittal of the CDP application, the penalty amount shall not be reduced, and Sable shall be required to pay any remaining penalty amount to bring the full payment up to $14,987,250.

3.3 Within 180 days of the effective date of this Administrative Penalty, Sable shall pay the full penalty (or reduced penalty pursuant to Section 3.2, above). The monetary penalty shall be made out to and deposited in the Violation Remediation Account administered by the California State Coastal Conservancy (see PRC Section 30821.3(k) and 30823). The monetary penalty shall be submitted to the Commission's San Francisco office, at the address provided in Section 7.0, to the attention of Stephanie Cook of the Commission, payable to the account designated under the Coastal Act, and include a reference to these Orders by number.

4.0 DEFINITIONS COMMON TO ALL ORDERS

4.1 Orders: Cease and Desist Order No. CCC-25-CD-01, Restoration Order No. CCC-25-RO-01, and Administrative Civil Penalty CCC-25-AP3-01 are collectively referred to herein as "the" or "these Orders."

4.2 Unpermitted Development: The phrase "Unpermitted Development" as used herein means all "development" as that term is defined in PRC Section 30106 that Sable has undertaken in the Coastal Zone that required authorization pursuant to the Coastal Act but for which no such authorization was obtained, including, but not limited to, excavation with heavy equipment; removal of major vegetation; grading and widening of roads; installation of metal plates and other fill material within wetlands; dewatering and discharge of water; pipeline removal, replacement, and reinforcement; installation of shutoff valves; and other development associated with the Las Flores Pipelines CA-324 and CA-325; as well as offshore development including, but not necessarily limited to, placing sand and cement bags on the seafloor below and adjacent to out-of-service offshore oil and water pipelines; all without the requisite Coastal

Act authorization, as part of an effort to restart Santa Ynez Unit oil production operations and bring the pipelines back into use.

4.3 Santa Ynez Unit**:** The Santa Ynez Unit consists of three offshore platforms (Hondo, Harmony, and Heritage), Las Flores Canyon processing facility, Pacific Offshore Pipeline Company (POPCO) Gas Plant, associated electrical transmission facilities and lines, oil, natural gas and produced water transport pipelines, including pipelines CA-325 and CA-325 and associated rights-of-way (ROW) and easements.

4.4 Restoration Area: All areas within, along, or around the Santa Ynez Unit, as defined above, and any other areas impacted in connection with work on any portion of the Santa Ynez Unit, upon which Unpermitted Development occurred. This identifies the location where the unpermitted development was undertaken.

5.0 ENTITIES AND PERSONS SUBJECT TO THIS CEASE AND DESIST ORDER, RESTORATION ORDER, AND ADMINISTRATIVE PENALTY ACTION

Sable Offshore Corp.; its successors in interest, assigns, lessees, officers, managers, employees, agents, and contractors; and any other persons or entities acting in concert with or on behalf of any of the foregoing are jointly and severally subject to all requirements of these Orders.

6.0 RESTORATION PLAN

Within 60 days of issuance of these Orders, Sable shall submit, for the review and approval of the Commission's Executive Director a Revegetation Plan; a Temporary Erosion Control Plan, a Remedial Grading Plan, a Cultural Resources Plan, and a Monitoring Plan (hereinafter collectively referred to as “the Restoration Plan”). The Restoration Plan shall set forth the measures that Sable shall undertake to implement erosion control measures, undertake remedial grading, revegetate the Restoration Area to address permanent and temporal losses of habitat and other resources affected by the Unpermitted Development, implement cultural resource protections and monitoring, and monitor the restoration to ensure the success of restoration activities.

6.1 General Provisions of the Restoration Plan:

6.1.A The Restoration Plan shall include an initial assessment of all Unpermitted Development and a site-specific biological assessment for all of the areas in which Unpermitted Development occurred. This will form the basis of the Restoration Area as defined in Section 4.4. These initial site assessments shall include, at a minimum, a plan that (a) delineates all areas where the development listed in Section 4.2 was undertaken, (b) details the nature of the

work undertaken, and (c) identifies the coastal resources, specifically: on the ground environmentally sensitive habitat areas ("ESHA"), including but not limited to riparian, oak woodland, chaparral, coastal sage scrub, and/or native grasslands, as shown on a biological resources survey, (d) a single-parameter wetlands delineation, (e) an evaluation of protected plant and animal species in those areas that could have been affected by the Unpermitted Development, and the timing and duration of all Unpermitted Development, including as such development relates to the timing of bird and other animals' nesting and breeding seasons, including but not limited to those species identified under the California Endangered Species Act or federal Endangered Species Act such as the southern California steelhead, southwestern pond turtle, tidewater goby, and California red-legged frog. For Unpermitted Development that occurred offshore, Sable shall also include in this initial assessment: the physical and chemical composition of the materials used to form the concrete bags, a survey of the seafloor identifying the type of substrate(s) within the area of the Unpermitted Development (i.e., sandy bottom or rock reef/bedrock) and a quantification of the total of each type of substrate impacted by the Unpermitted Development, a survey identifying the marine species in the area of the Unpermitted Development, and location of any anchor points that were used. Based on this initial assessment, Sable shall identify areas where the work may have adversely affected coastal resources protected under the Coastal Act and/or the Santa Barbara County Local Coastal Program, and where restoration is needed to address temporal and permanent losses of habitat. The Executive Director will make the final determination of the size and scale of location of, and impacts caused by, the Unpermitted Development. These areas will be known as the Restoration Area.

6.1.A.1 Within 15 days of the effective date of these Orders and prior to the submittal of the Restoration Plan, Sable shall submit, for the Executive Director's review and approval, a description of the qualifications of the proposed Specialist(s), including a description of their educational background, training, and experience related to the preparation and implementation of the Restoration Plan described herein. To meet the requirements to be a qualified Specialist specifically for the restoration component of the Restoration Plan, one must have experience successfully completing restoration projects of a similar scale and scope involving restoration of ESHA in the Gaviota region of Santa Barbara County. A qualified Specialist must also have experience in wildlife surveys, including those species identified under the California Endangered Species Act or federal Endangered Species Act that may be present in or near the Restoration Area (see also Section 6.3.A, below). In addition, to meet the requirements for the development and implementation of plans related to the remedial grading, and erosion activities required herein, a qualified Specialist must have experience successfully designing plans for and implementing these plans for

restoration of wetlands, restorative grading, erosion control, and hydrology.

6.1.A.2 The Restoration Plan shall include a survey map from a licensed surveyor, with input from the Specialist(s), drawn to scale, that shows the specific parameters, locations and extents of: 1) the boundaries of the Restoration Area and associated areas affected by the Unpermitted Development; 2) the physical items placed or allowed to come to rest on or in the Restoration Area; 3) the areas from which native vegetation and wetlands were removed or impacted; 4) the current topography of all landscape features within the Restoration Area and the topography of all landscape features within 100 feet of the Restoration Area; 5) the locations of all erosion control measures to be installed pursuant to Section 6.7, below; 6) the locations of all species, individually delineated and labeled, to be planted pursuant to Section 6.9, below; 8) the specific locations and directions from which photographs will be taken for the annual monitoring reports; and 9) the locations where remedial grading will take place. Pursuant to Section 6.8, below.

6.1.A.3 The Restoration Plan shall provide that, prior to the initiation of any restoration activities, the boundaries of the Restoration Area shall be physically delineated in the field using temporary non-plastic measures such as fencing or colored wooden stakes. The Restoration Plan shall further provide that all delineation materials shall be removed when no longer needed, and verification of such removal shall be provided in the annual monitoring report corresponding to the reporting period during which the removal occurred. No more than one week prior to commencement of ground disturbance in a particular work area at all restoration sites, a qualified biologist shall survey the ground-disturbance area for any sensitive, protected and/or endangered species, which may include, but be not limited to, California red-legged frog (*Rana draytonii*), southerwestern pond turtle (*Actinemys pallida*), tidewater goby (Eucyclogobius newberryi) and southern California steelhead (*Oncorhynchus mykiss irideus*), and if any such animals are present within the Restoration Area, shall coordinate with the California Department of Fish and Wildlife (“CDFW”) staff to determine if work should be delayed until the species is no longer present or if it can be relocated to nearby suitable habitats an appropriate distance away from the work area.

6.1.A.4 The Restoration Plan shall include a specific schedule/timeline of activities for each of the Restoration Plan components; the procedures to be used, and identification of the parties who will be conducting the restoration activities. The schedule/timeline of activities in the Restoration Plan shall be in accordance with the deadlines in these Orders and shall be in

accordance with the ideal planting seasons. In addition, the schedule/timeline of activities shall incorporate the following restrictions:

6.1.A.4.1 The Restoration Plan shall include a detailed explanation of how Sable will proactively address potential impacts to raptors and protected bird species and other protected animals, from restoration activities. This explanation shall be based on a nesting bird/habitat survey of areas within 500 feet of all work to be conducted. In the event that Sable is unable to obtain access to neighboring properties for surveying, survey areas shall be limited to on or along the Sable easements to which impact from the Unpermitted Development occurred. The survey shall be attached to and incorporated into the Restoration Plan. Both the biologist and the methods for the survey must be approved by the Executive Director.

6.1.A.4.2 All in-creek or stream work for temporary erosion control and remedial grading activities under the approved Restoration Plan shall occur during the dry season from May 1 through October 31. This period may be extended for a limited period of time if the situation warrants such a limited extension, if approved by the Executive Director. Restoration activities restricted to this period include any work within the bed to the bank or the outer edge of riparian vegetation, whichever is the greater distance.

6.1.A.4.3 If during the rainy season (Nov 1-April 30) season, in-creek or stream work is necessary and such work is authorized by the Executive Director to occur during this time, Sable shall implement the following best management practices (BMPs), and include such measures in the Restoration Plan:

6.1.A.4.3.1 In addition to other measures that may be required by CDFW and the Regional Water Quality Control Board (RWQCB), all in-water construction work shall, at a minimum, be done with a qualified biological monitor with expertise in the identification of threatened, endangered and/or sensitive species on-site at all times during all in-water restoration work. Should the biological monitor identify any sensitive species that could be adversely affected by restoration activities, restoration work shall be halted and Sable shall contact the appropriate resource agency (USFWS or CDFW) to determine an appropriate course of action.

6.1.A.4.3.2 Any materials or structures temporarily placed within the creek or stream where protected species, such as those noted above, are or may be present, shall be designed, constructed, and maintained such that it does not constitute a barrier to upstream or downstream movement of the species. Additionally, Sable shall

include: 1) measures to avoid capture of fish and wildlife in pumps or other equipment that contain mechanisms; 2) measures to maintain acceptable noise levels (e.g. using low-noise equipment, placing sandbags or another noise reduction device around pumps); and 3) measures to prevent sediment and debris from entering the creek channel or adjacent areas. Dust control measures shall be provided. Any and all debris resulting from construction activities shall be removed immediately. Any debris inadvertently discharged into coastal waters shall be recovered immediately and disposed of consistent with the requirements of this order.

6.1.A.4.3.3 Equipment shall avoid contact with water to the extent feasible. If that is infeasible, there shall be protocols for ensuring that all equipment that may come into contact with surface or subsurface water in the creek or stream channel is cleaned prior to contact, in order to prevent introduction of invasive species or substances that could impact the water quality of or native habitat in the creek or stream.

6.1.A.4.3.4 Water in the creek or stream shall either be diverted from work areas or barriers, such as coffer dams, shall be installed to prevent water from entering the work area.

6.1.A.4.3.5 Any fueling, maintenance and washing of construction equipment shall occur within upland areas outside of ESHA/wetlands and within designated staging areas. Mechanized heavy equipment or other vehicles shall not be refueled, maintained or washed within 100 feet of coastal waters.

6.1.A.4.3.6 Fuels, lubricants, and solvents shall not be allowed to enter coastal waters. Hazardous materials management equipment including oil containment booms and absorbent pads shall be available immediately on-hand at the project site, and a registered first-response, professional hazardous materials clean-up/remediation service shall be locally available on call. Any accidental spill shall be rapidly contained and cleaned up.

6.1.A.5 Each component of the Restoration Plan shall include a narrative report, specific to that component, describing the restoration activities to take place, the procedures to be used, and identification of the parties who will be conducting such activities. Along with a narrative report of each component of the Restoration Plan to be completed, Sable shall also submit photographs depicting the work, taken from the designated photo points. The photographic report shall show implementation of each

component of the Restoration Plan, demonstrating progress before, during, and after completion of each component of the work.

6.1.A.6 The Restoration Plan shall provide appropriate contact information for each landowner where restoration activities would be carried out to facilitate coordination with Commission staff regarding the scope of proposed work. Commission staff will use that information to make all reasonable efforts to reach out to and consider input provided by such landowners prior to approval of the Restoration Plan.

6.2 The Restoration Plan shall include a detailed description of all equipment to be used. Non-mechanized hand tools shall be used for invasive, non-native plant removal. The Restoration Plan shall state that any equipment utilized to implement the Restoration Plan shall not adversely impact resources protected under the Coastal Act, including, but not limited to: public access, geological stability, erosion, integrity of landforms, water quality, sensitive species, and the existing and restored native vegetation. If circumstances require the use of mechanized equipment, Sable shall submit a supplemental plan, for the review and approval of the Executive Director, that describes the proposed use of such equipment, including routes the equipment will take and locations of such use, and shall detail the following in the supplemental plan:

6.2.A Limitations on the hours of operations for all equipment and measures that addresses, at a minimum: 1) potential impacts from equipment use, including disturbance of areas where revegetation will occur and the responses thereto; 2) potential spills of fuel or other hazardous releases that may result from the use of mechanized equipment and the responses thereto; and 3) any potential water quality impacts.

6.2.B Designated areas for staging of any mechanized equipment and other materials, including receptacles and temporary stockpiles of materials, provided that equipment shall be covered, enclosed on all sides, located as far away as possible from drain inlets and any waterway, a minimum of 100 feet from any sensitive habitat, and not stored in contact with the soil or sandy beach, and not stored in areas reserved for public parking.

6.2.C Designated and confined areas for fueling, maintaining and washing machinery and equipment shall be specifically designed to control runoff. Thinners or solvents shall not be discharged into sanitary or storm sewer systems. The discharge of hazardous materials into any receiving waters is prohibited.

6.2.D Prior to commencement of work under the approved Restoration Plan, Sable shall submit to the Executive Director written evidence that all necessary approvals have been obtained. If an agency requires a change to the Restoration

Plan as submitted and/or approved, Sable shall submit proposed revisions for Executive Director review and approval.

6.3 Wildlife Protection

6.3.A Sable shall retain the services of a qualified biologist (hereinafter, "biologist") with appropriate qualifications acceptable to the Executive Director, to monitor the site during restoration activities and conduct surveys of sensitive species and to monitor all restoration activities. Sable shall submit the contact information and qualifications of all monitors with a description of their duties and their on-site schedule to the Executive Director for review and approval pursuant to Section 6.1.A.1, above. Should a biological monitor identify any sensitive species that could be adversely affected by restoration activities, such work shall be halted, and Sable shall contact the appropriate resource agency (USFWS or CDFW) to determine an appropriate course of action. For the purpose of these Orders, "sensitive species" shall be taken to mean any special-status wildlife species. Special-status species are species listed as: Endangered, Threatened, or Rare under the federal or state Endangered Species Acts; Candidate Species, California Fully Protected Species, and, pursuant to CEQA Guidelines Section 15380(d), all other species tracked by the California Natural Diversity Database (CNDDB), which are considered by the CDFW to be those species of greatest conservation concern (e.g. S1-S3 and G1-G3 Listed Species), and locally important species including, but not limited to: raptors, Steelhead trout, California red-legged frog, Tidewater goby, and Western pond turtle.

6.3.B To avoid impacts to nesting birds, restoration activities shall be scheduled outside of the avian breeding and nesting season (February 1 through September 15). No restoration activities shall occur within 300 feet of roosting or foraging birds. If the Executive Director determines that restoration activities may occur during the breeding and nesting season, then restoration activities shall be done with the following protective measures:

6.3.C If restoration activities must occur during bird nesting season (February 1 through September 15), a qualified biologist with experience conducting bird surveys shall survey for active nests of any federally or state listed threatened or endangered species, species of special concern, fully protected species, species with global rarity rankings of G1-G3 and/or state rarity rankings of S1-S3, or any species of raptor or wading birds, within 7 days prior to commencement of restoration activities, and once a week thereafter during construction, to detect any such activity within 500 feet of the project area.

6.3.D If an active nest(s) of any of the above species is located within 300 feet of construction activities (500 feet for raptors), the qualified biologist shall halt construction activities to enable Respondent to employ BMPs to ensure that construction activities do not disturb or disrupt nesting activities.

6.3.E Results of nesting bird surveys, ambient noise studies, and any follow-up construction avoidance measures shall be documented in monthly reports by the qualified biologist and submitted to the Commission Executive Director throughout the bird breeding season.

6.4 Prior to commencement of work under the approved Restoration Plan, Sable shall submit to the Executive Director written evidence that all other necessary government approvals have been obtained. If an agency requires a change to the approved Restoration Plan, Sable shall submit proposed revisions for the Executive Director's review and approval under Section 7.0 (Submittal of Documents). These Orders provide Coastal Act authorization for all development required herein.

6.5 These Orders require the following deadlines that shall be reflected in the Restoration Plan:

6.5.A Within 15 days of the effective date of these Orders, Sable shall submit the qualifications of the proposed Specialist(s) for the Executive Director's review and approval.

6.5.B Within 60 days of the approval of the Specialist(s) by the Executive Director, Sable shall submit the proposed Restoration Plan to the Commission's Executive Director for their review and written approval.

6.5.C Within 30 days of the approval of the Restoration Plan by the Executive Director, Sable shall commence implementation of the Restoration Plan through commencing the restoration activities and installing temporary erosion control measures. Sable shall implement each phase of the Restoration Plan according to the deadlines set forth in each section, as described more fully, below.

6.5.D Within 15 days of the completion of each element of the Restoration Plan (i.e., Erosion Control Plan, Remedial Grading Plan, etc.), Sable shall submit a narrative report pursuant to Section 6.1.A.5, prepared by the Specialist(s), for the review and approval of the Executive Director, documenting all restoration work performed pursuant to the plan, which shall include a summary of dates on which work was performed and accompanying photographs documenting implementation of the respective components of the Restoration Plan.

6.5.E If timing in which the Executive Director approves the Restoration Plan creates a situation that causes work to occur during avian nesting season, breeding season for protected species, or outside of the ideal planting season as determined by the Specialist, Sable shall request an extension of deadlines pursuant to Section 14.0 and the Executive Director may, for good cause, extend this deadline to provide for a more successful restoration and to protect such species.

6.6 Sable shall actively monitor for trash and/or other debris and promptly remove any such debris or trash from the Restoration Area, as necessary, to ensure the ongoing success of the restoration activities.

6.7 TEMPORARY EROSION CONTROL PLAN

6.7.A Sable shall submit, as part of the Restoration Plan, a Temporary Erosion Control Plan, prepared by a qualified Specialist approved pursuant to Section 6.1.A.1, to stabilize the soil and prevent erosion, to address ground disturbance during any restoration activities, and to stabilize the soil and prevent erosion during the establishment of any vegetation planted pursuant to Section 6.9, below.

6.7.B The Temporary Erosion Control Plan shall include: 1) a narrative report describing all temporary run- off and erosion control measures to be used including replacement and/or re-compaction of any excavated materials, and restorative grading to be done during and after restoration activities; and 2) a site plan identifying and delineating the locations of all temporary erosion control measures that will be installed pursuant to this plan, including seeding of location-appropriate plant species to assist in erosion control and 3) specify that the remedial grading and installation of erosion control features shall take place only during the dry season (May 1 through October 31).

6.7.C The Temporary Erosion Control Plan shall indicate that all erosion control measures are required to be installed and fully functional in the Restoration Area prior to, or concurrent with, the initial restoration activities required by these Orders and maintained at all times of the year throughout the remedial grading, revegetation, and monitoring process, to minimize erosion across the site, and consistent with the deadlines established herein for the removal of the temporary erosion control measures.

6.7.D All temporary construction related erosion control materials shall be comprised of bio-degradable materials, including the material used to encase fiber rolls and other erosion control devices. To minimize wildlife entanglement and plastic debris pollution, the use of temporary rolled erosion and sediment control products with plastic netting (such as polypropylene, nylon, polyethylene, polyester, or other synthetic fibers used in fiber rolls, erosion control blankets, and mulch control netting) is prohibited. Any erosion-control associated netting shall be made of natural fibers and constructed in a loose-weave design with movable joints between the horizontal and vertical twines.

6.7.E The erosion control measures shall remain in place and be maintained at all times of the year until the plantings have become established, or in the case of erosion control measures for winter rainstorms, until such time period established by the approved Restoration Plan, and then all such measures shall be removed and properly disposed of by Sable. Verification of such removal shall be provided

in the monitoring or completion report for the monitoring report period during which the removal occurred.

6.7.F The Temporary Erosion Control Plan shall include the following deadlines:

6.7.F.1 Within 15 days of the approval of the Restoration Plan by the Executive Director, Sable shall commence the implementation of the Temporary Erosion Control Plan.

6.7.F.2 Within 15 days of commencing installation activities under the Temporary Erosion Control Plan, Sable shall conclude installation.

6.7.F.3 Within 15 days of the completion of the installation of erosion control measures under the Temporary Erosion Control Plan, Sable shall submit evidence for the Executive Director's review and approval in the form of a narrative report. The Temporary Erosion Control Plan Report shall also show the devices installed, the type of devices installed, and document their impact, if any.

6.8 REMEDIAL GRADING PLAN

6.8.A The Restoration Plan shall include a Remedial Grading Plan prepared by a qualified Specialist approved pursuant to Section 6.1.A.1 above, that will describe all measures necessary to return the Restoration Area to the original, pre-violation topography if it is determined by the Executive Director, based upon the information received pursuant to Section 6.1.A, that such remedial grading is necessary to restore the pre-violation topography.

6.8.B The Remedial Grading Plan shall include a narrative description that demonstrates how the proposed remedial grading will restore the Restoration Areas to the pre-violation topography. If fill materials are to be used, the narrative shall discuss which fill materials will be used, the origin of the fill materials, how the fill materials are compatible for use within the Restoration Area, how much of each type of material will be used, and the differences and similarities between the fill materials and existing materials located in the corresponding portions of the Restoration Area.

6.8.C If historic data or topographical maps are not available for this location, Sable shall propose an approximation of the topography which existed in the area prior to the Unpermitted Development based on undisturbed slopes in the area, for the review and approval of the Executive Director. If an approximation is used, the Specialist shall submit in writing that the proposed approximation is the most accurate depiction of what the topography looked like prior to the occurrence of the Unpermitted Development. If it is determined by the Specialist that a different topography will result in a more successful restoration and will benefit coastal

resources, the Specialist may propose a different topography to meet these goals.

6.8.D The Remedial Grading Plan shall include sections showing original and finished grades, and a quantitative breakdown of grading amounts (cut/fill/export), drawn to scale with contours that clearly illustrate, as accurately as possible, the pre-violation topography and the current, unpermitted topography. The Remedial Grading Plan shall demonstrate how the proposed remedial grading will restore impacted areas to their original, pre-violation topography. The Remedial Grading Plan shall identify the source and date for all of the data used to produce this information.

6.8.E The Remedial Grading Plan shall state that remedial grading activities undertaken pursuant to the Restoration Plan shall not disturb areas outside of the Restoration Area. Prior to initiation of any activities resulting in physical alteration of the areas affected by the Unpermitted Development, the disturbance boundary shall be physically delineated in the field using temporary non-plastic measures such as fencing or colored wooden stakes.

6.8.F The Remedial Grading Plan shall include the following deadlines:

6.8.F.1 Within 15 days of completing Temporary Erosion Control Plan, Sable shall begin implementation of the Remedial Grading Plan.

6.8.F.2 Within 45 days of commencing implementation of the remedial grading activities, Sable shall complete implementation of the Remedial Grading Plan.

6.8.F.3 Within 15 days of the completion of the implementation of the Remedial Grading Plan Sable shall submit evidence, for the Executive Director's review and approval, in the form of a narrative report as described in 6.1.A.5, showing that the remedial grading has been completed pursuant to the approved Restoration Plan.

6.9 REVEGETATION PLAN

6.9.A The Restoration Plan shall include a Revegetation Plan prepared by a qualified Specialist, approved pursuant to Section 6.1.A.1 above, that will describe the measures necessary to revegetate the Restoration Areas such that these areas meet the goals, standards and objectives of these Orders.

6.9.B The Revegetation Plan shall include a detailed description of the methods that shall be utilized to restore the Restoration Area that is determined, pursuant to Section 6.1.A, to have been adversely impacted by the Unpermitted Development. The Revegetation Plan shall include detailed descriptions, including graphic representations, narrative reports, and photographic evidence,

as necessary. The Revegetation Plan shall demonstrate that the Restoration Area and additional areas to account for the temporal and permanent losses of habitat caused by the Unpermitted Development will be revegetated using plant species endemic to and appropriate for the locations where Unpermitted Development occurred.

6.9.C The Revegetation Plan shall identify the natural habitat type(s) that are the reference site(s)/model(s) for the restoration and shall describe the desired relative abundance of particular species in each vegetation community. The reference site(s) shall be natural areas with the least amount of disturbance and located as close as possible to the Restoration Area, so long as the habitat type is similar to that impacted by the Unpermitted Development. If an undisturbed reference site does not exist, an otherwise representative area may be proposed, accounting for vegetation and topography changes due to disturbance, and in conjunction with published descriptions of local habitat using relevant, peer-reviewed literature. Alternatively, if an undisturbed reference site or otherwise representative area are not available or suitable for the proposed restoration, the peer-reviewed literature along with membership rules per the Manual of California Vegetation (Sawyer,Keeler-Wolf and Evens 2009; available online at https://vegetation.cnps.org) for the appropriate habitat alliance-level, may be used to determine the desired relative abundance of native vegetation and particular species in each vegetation community. The Revegetation Plan shall be based on one or more reference sites specific to the habitat type(s) upon which the Unpermitted Development occurred. The Revegetation Plan shall explicitly lay out the restoration goals, standards and objectives for the restoration based on the respective model(s).

6.9.D The Revegetation Plan shall be based on these Reference Sites, which, along with information from the scientific literature, shall be used to identify the plant species that are native to the site and will be planted in the areas determined by the Executive Director pursuant to Section 6.1.A, above, to be adversely impacted in the Restoration Area. The Revegetation Plan shall explicitly state the restoration goals, standards and objectives for the revegetation effort, with the goal of achieving the revegetation performance standards in the allotted period, which may include, but are not limited to, diversity and native plant cover requirements and require the control of invasive plants. Based on these goals, the Revegetation Plan shall identify the species that are to be planted (plant “palette”) and provide a rationale for and description of the size and number of container plants, seed mix, the rate and method of seed application, the method of planting, irrigation requirements and irrigation schedule. The Revegetation Plan shall indicate that plant propagules and seeds must come from local, native stock. If plants, cuttings, or seeds are obtained from a nursery, the nursery must certify that they are of local origin and are not cultivars. The Revegetation Plan shall provide specifications for preparation of nursery stock. Technical details of planting methods (e.g., spacing, mycorrhizal inoculation, etc.) shall be included.

shall not employ non-native plant species, which could supplant native plant species in the Restoration Area.

6.9.E The Revegetation Plan shall include a schedule for installation of plants, removal of non-native plants, and completion of revegetation within the Restoration Area and any other area revegetated to account for the temporal and permanent losses of habitat caused by the Unpermitted Development. The Specialist shall recommend removal of non-natives outside the Restoration Area if they determine that such non-natives could impact or limit the success of the native plantings within the Restoration Area.

6.9.F The revegetation schedule shall include specific time periods and deadlines, including identifiable interim goals for planting, other revegetation activities, and additional non-native species removal work spread out over the time period established in this section.

6.9.G Sable is responsible for ensuring the ongoing survival of the plantings, shall undertake measures necessary to ensure the success of such plantings, and shall replace any dead or dying plants with native plants approved through this Revegetation Plan.

6.9.H The Revegetation Plan shall describe the proposed use of artificial inputs, such as irrigation, fertilizer, or herbicides, including the full range of amounts of the inputs that may be utilized. The minimum amount necessary to support the establishment of the plantings for successful restoration shall be utilized.

6.9.I The Revegetation Plan shall include the following deadlines:

6.9.I.1 Within 15 days of completing implementation of the Remedial Grading Plan, Sable shall begin implementation of the Revegetation Plan. The schedule/timeline of activities in the Restoration Plan shall be in accordance with the deadlines in these Orders and shall be in accordance with the ideal planting seasons.

6.9.I.2 Within 45 days of commencing implementation of activities under the Revegetation Plan, Sable shall complete implementation of all planting activities under the Revegetation Plan.

6.9.I.3 Within 15 days of the completion of all revegetation activities, Sable shall submit evidence, for the Executive Director’s review and approval, in the form of a narrative report as described in Section 6.1.A.5, demonstrating that the revegetation has been completed pursuant to these Orders and the approved Restoration Plan.

6.10 CULTURAL RESOURES SURVEY AND PLAN

6.10.A Sable shall submit, for review and approval of the Executive Director, a Cultural Resources Survey and Cultural Materials Plan prepared by a qualified professional, defined in Section 6.1.A.1 below as the "Archeological Specialist", which shall assess the extent to which the restoration activities required by these Orders have any potential to uncover or otherwise disturb cultural resources. Prior to the preparation of the Cultural Resources Survey and Cultural Materials Plan, Sable shall submit the qualifications of the proposed Archeological Specialist for the Executive Director's review and approval, including a description of the archeologist's background, training, and experience.

After the Executive Director has approved the Restoration Plan, but before the first commencement of activities required by the Restoration Plan, Sable shall convene an on-site pre-meeting with the Archeological Specialist, the Native American Most Likely Descendant(s) (MLD) and Native American Monitor(s), as defined in Section 6.10.D, below, to ensure that all parties understand the procedures to be followed pursuant to these Orders and the approved Cultural Resources Survey and Cultural Materials Plan

In order to protect cultural resources on any location where restoration activities will occur pursuant to these Orders, the Cultural Resources Survey and Cultural Materials Plan shall incorporate the following measures and procedures, and Sable shall implement such measures and procedures.

6.10.B In preparing Cultural Resources Survey and Cultural Materials Plan, the Archeological Specialist, as defined in Section 6.10.C, below, shall consult with the Native American Monitor(s), as defined in Section 6.10.D, below.

6.10.C The Archeologist Specialist shall be a professional archeologist who has experience in cultural and archeological fieldwork, preferably in Santa Barbara County. The archeologist must be selected in consultation with the Executive Director consistent with the standards of the Native American Heritage Commission ("NAHC"). The Cultural Resources Survey and Cultural Materials Plan shall identify the Archaeological Specialist and include a description of his/her education, training, and experience. Native American Monitors

6.10.D The Native American Monitor(s) shall be the monitor(s) who will monitor work to be conducted pursuant to these Orders, according to the provisions of the Cultural Resources Survey and Cultural Materials Plan. The Native American monitors shall be selected by the appropriate tribe as designated by the NAHC.

6.10.E The Cultural Resources Survey and Cultural Materials Plan shall require that the Archeological Specialist shall document any cultural materials, including but not limited to, human remains and grave-related artifacts, traditional cultural sites, religious or spiritual site, village sites, or other artifacts, ("Cultural Materials")

encountered during the course of work conducted pursuant to these Orders, and such documentation shall be included in a report to the Executive Director within 15 days of identification.

6.10.F During all ground disturbance and subsurface activity that occurs on the Restoration Area or any location where restoration activities may occur pursuant to the requirements of these Orders that have any potential to uncover or otherwise disturb cultural deposits, the Native American Monitors may be present on the Restoration Area.

6.10.G Sable shall fund sufficient Native American Monitors to assure that all remedial grading or other restoration activities that have any potential to uncover or otherwise disturb cultural deposits are monitored at all times. More than one Monitor at the Restoration Area may be necessary during times with multiple soil disturbance locations. In instances where more than one Monitor is necessary and less than all Native American Monitors necessary respond to request to monitor particular areas within 7 days, Sable shall halt work until Native American Monitors are available.

6.10.H Prior to the disposal of any materials from the restoration activities, the Archeological Specialist shall identify, as best as possible, soil that may contain cultural materials and, if determined by the Archeological Specialist and the MLD and Native American Monitors to be necessary, screen it for evidence of such materials. Any cultural materials, including cultural midden materials, human remains, and archeological features, shall be documented and reburied, or transported offsite in coordination with guidance from the Archeological Specialist and Native American Monitors. If human remains are encountered during soil screening, Sable shall comply with all applicable State and Federal laws, including but not limited to, contacting the County Coroner, NAHC, and the MLDs

6.10.I All identification of soil, soil screening, and restoration activities conducted pursuant to these Orders shall be monitored by the Native American Monitors. In addition, the Native American Monitors shall be provided access to the site to inspect the Restoration Area prior to removal and/or restoration. Sable shall not restrict the Native American Monitors from communicating with Commission staff. If human remains are encountered during inspection of the Restoration Area, Sable shall comply with all applicable State and Federal laws including, but not limited to, immediately stopping working and contacting the County Coroner, NAHC, and the MLD

6.10.J If any Cultural Materials are discovered, all restoration activities in that particular area shall cease. The Archaeological Specialist shall submit a proposal to the Executive Director for his review and approval on how Sable will address such discovery, consistent with the Cultural Resources Survey and Cultural Materials Plan. Restoration activity may proceed only at such time as the Executive

Director has determined that Sable has complied with all obligations of the Cultural Resources Survey and Cultural Materials Plan.

6.10.K Should human remains be discovered on-site during the course of the restoration activities, immediately after such discovery, the on-site archaeologist and Native American monitor(s) shall notify the County Coroner within 24 hours of such discovery, and all restoration activities shall be temporarily halted until the remains can be identified. An “exclusion zone” may be established around the discovery area. If the County coroner determines that the human remains are those of a Native American, the coroner shall contact the NAHC within 24 hours, pursuant to Health and Safety Code Section 7050.5. The NAHC shall deem the Native American most likely descendant (MLD) to be invited to participate in the identification process pursuant to Public Resources Code Section 5097.98. Sable shall comply with the requirements of Section 5097.98 and work with the MLD person(s) to preserve the remains in place, move the remains elsewhere onsite, relinquish the remains to the descendants for treatment, or determine other culturally appropriate treatment. Within five (5) calendar days of notification to NAHC, Sable shall notify the Executive Director of the discovery of human remains and identify any changes to the proposed Cultural Resources Survey and Cultural Materials Plan that may be needed related to the inadvertent discovery. The Executive Director will maintain confidentiality regarding the presence of human remains on the site. If such discovery requires changes to the Restoration Plan, Sable shall submit, within 30 days of notifying the Executive Director, and amendment to the plan for the Executive Director’s review and approval.

6.11 MONITORING PLAN

6.11.A The Restoration Plan shall include a Monitoring Plan prepared by a qualified Specialist, approved pursuant to Section 6.1.A.1 above, that will provide for monitoring the Restoration Area over a period of, at a minimum, 5 years from the completion and full implementation of the Restoration Plan to ensure successful restoration.

6.11.B The Monitoring Plan shall describe the monitoring and maintenance methodology, including sampling procedures, sampling frequency, goals, standards, objectives, and contingency plans to address potential problems with restoration activities or unsuccessful restoration of the Restoration Area.

6.11.C The Monitoring Plan shall include an initial site survey showing the Restoration Area, the areas and types of revegetation mapped to the appropriate alliance-level, and specific photo points that will be used for the annual reports and site visits described below.

6.11.D The Monitoring Plan shall specify the number of site visits (at a minimum on a quarterly basis) that the Specialist shall conduct annually for the duration of the monitoring period for the purpose of inspecting and maintaining, at a minimum, the following: all erosion control measures; non-native species eradication; trash and debris removal; and the health and abundance of original and/or replacement plantings planted pursuant to these Orders and consistent with the Revegetation Plan. It is Sable's obligation to ensure a successful restoration that will meet the established goals, standards, and objectives, which may necessitate more site visits than required herein.

6.11.E Sable shall submit no later than December 31 of the first year of monitoring and subsequently on an annual basis and during the same one-month period of each year for at least 5 years from the completion of the revegetation phase of the Restoration Plan, for the review and approval of the Executive Director, a monitoring report prepared by the Specialist that evaluates compliance with the approved Restoration Plan. These reports shall also include photographs taken during the periodic site inspections demonstrating the success of the restoration. The locations from which the photographs are taken shall not change over the course of the monitoring period.

6.11.F If periodic inspections or the annual monitoring reports indicate that the restoration project or a portion thereof is not in conformance with the Restoration Plan or these Orders or has failed to meet the goals and/or performance standards specified in the Restoration Plan, Sable shall implement approved contingency plans.

6.11.G At the end of the five-year monitoring period, Sable shall submit, for the review and approval of the Executive Director, a final detailed report prepared by the Specialist that documents the successful implementation of the Restoration Plan. If the Executive Director determines from this final report that the restoration has in part, or in whole, been unsuccessful and/or did not meet the final success criteria, based on the requirements of the respective plan, Sable shall submit a Revised Restoration Plan, and the monitoring program shall be revised accordingly.

6.11.H The Revised Restoration Plan shall be prepared by the Specialist, approved by the Executive Director, and shall specify measures to correct those restoration activities that have failed or are not in conformance with the original, approved Restoration Plan. The Executive Director will then determine whether the Revised Restoration Plan must be processed as a new Restoration Order, or a CDP. After the Revised Restoration Plan has been approved, these measures, and any subsequent measures necessary to carry out the original, approved Restoration Plan, shall be undertaken by Sable as required by the Executive Director until the goals of the original, approved Restoration Plan have been met. Following Sable's full implementation of the Revised Restoration Plan, the

duration of the monitoring period shall be extended for a period of time equal to that during which the project remained out of compliance, but in no case less than two annual reporting periods.

6.11.I The Monitoring Plan shall include the following deadlines:

6.11.I.1 As part of the Restoration Plan, within 60 days of the effective date of these Orders, Sable shall submit, for review and approval of the Executive Director, the Monitoring Plan.

6.11.I.2 The monitoring period shall begin immediately upon the full implementation of the Restoration Plan and shall extend for a period of, at a minimum, 5 years.

6.11.I.3 Sable shall submit no later than December 31 of the first year of monitoring and subsequently on an annual basis and during the same one-month period of each year for at least 5 years from the completion of the revegetation phase of the Restoration Plan, for the review and approval of the Executive Director, a monitoring report.

6.11.I.4 At the end of the five-year monitoring, Sable shall submit, for the review and approval of the Executive Director, a final detailed report prepared by the Specialist that documents the successful implementation of the Restoration Plan.

ADDITIONAL PROVISIONS COMMON TO THESE ORDERS

7.0 SUBMITTAL OF DOCUMENTS

All plans, reports, photographs, documents and funds submitted to the Commission pursuant to these Orders shall be sent to both of the following addresses, with the original sent to the San Francisco office, and additionally sent via electronic mail to:

	With a copy sent to:
California Coastal Commission Attn: Stephanie Cook 455 Market Street, Suite 300 San Francisco, CA 94105 Stephanie.Cook@coastal.ca.gov	California Coastal Commission Attn: Wesley Horn 89 S. California Street, STE 200 Ventura, CA 93001 Wesley.Horn@coastal.ca.gov

8.0 FINDINGS

This Cease and Desist Order, Restoration Order, and Administrative Penalty Assessment are issued on the basis of the findings adopted by the Commission, as set forth in the document entitled “Staff Report: Recommendations and

Findings for Cease and Desist Order, Restoration Order, and Administrative Civil Penalties." The Commission has ordered and authorized the activities required in these Orders and has determined them to be consistent with the resource protection policies set forth in Chapter 3 of the Coastal Act if carried out in compliance with the terms of these Orders.

9.0 EFFECTIVE DATE AND TERMS OF THESE ORDERS

The effective date of these Orders is the date the Commission votes to approve these Orders. These Orders shall remain in effect permanently unless and until rescinded by the Commission.

10.0 COMMISSION JURISDICTION

The Commission has jurisdiction to issue the Cease and Desist Order pursuant to PRC Section 30810, jurisdiction to issue the Restoration Order pursuant to PRC Section 30811, and jurisdiction to impose the Administrative Civil Penalties pursuant to PRC Section 30821.3.

11.0 SITE ACCESS

11.1 Sable shall provide Commission staff and staff of any agency having jurisdiction over the work being performed under these Orders with access to all portions of the Restoration Area and any area needed for Commission staff to safely access the Restoration area Nothing in these Orders is intended to limit in any way the right of entry or inspection that any agency may otherwise have by operation of any law. The Commission staff and other relevant agency staff may enter and move freely about the following areas: (1) any areas on which the development as defined in Section 4.2, above, occurred, (2) any areas where work is to be performed pursuant to these Orders or pursuant to any plans adopted pursuant to these Orders, (3) any areas necessary in order to view the areas where work is being performed pursuant to the requirements of these Orders, (4) any areas where evidence of compliance with these Orders may lie for purposes including but not limited to, inspecting records, logs and contracts; and overseeing, inspecting, documenting, and reviewing the progress of Sable in carrying out the terms of these Orders.

11.2 Sable shall provide Commission staff with documentation of their right to enter and take action as required pursuant to these Orders on any property not owned by Sable.

12.0 APPEAL

Pursuant to PRC Section 30803 (b), any person or entity against whom this Cease and Desist Order under Section 1.0 is issued may file a petition with the

Superior Court for a stay of this Cease and Desist Order. Pursuant to Section 30803(a), any person may maintain an action for declaratory and equitable relief to restrain any violation of this division, including violations of a cease and desist or restoration order issued pursuant to this division.

13.0 GOVERNMENT LIABILITY

Neither the State of California, nor the Commission, nor its employees shall be liable for injuries or damages to persons or property resulting from acts or omissions by Sable in carrying out activities pursuant to these Orders; nor shall the State of California, the Commission or its employees be held as a party to any contract entered into by Sable or their agents in carrying out activities pursuant to these Orders.

14.0 DEADLINES

The Executive Director may extend deadlines specified herein. Any extension request must be made in writing and received by Commission staff ten (10) days prior to expiration of the subject deadline. Any such request shall be sent to the address listed in Section 7.0, above

15.0 SUCCESSORS AND ASSIGNS

These Orders shall bind Sable and all its successors in interest, newly created LLCs, partnerships, and corporations, heirs, and assigns.

16.0 REVISION OF DELIVERABLES

The Executive Director may require revisions to deliverables under these Orders, as necessary to satisfy the requirements in these Orders, and Sable shall revise any such deliverable consistent with the Executive Director's specifications and resubmit them for review and approval by the Executive Director by the deadline established by the modification request from the Executive Director.

17.0 MODIFICATION AND AMENDMENTS

Except as provided in Section 14 of these Orders, or for ministerial corrections, these Orders may be amended or modified only in accordance with the standards and procedures set forth in Section 13188(b) and 13197 of Title 14 of the California Code of Regulations.

18.0 SEVERABILITY

Should any provision of these Orders be found invalid, void, or unenforceable, such illegality or unenforceability shall not invalidate the whole, but these Orders shall be construed as if the provision(s) containing the illegal or unenforceable part were not a part hereof.

19.0 GOVERNMENT JURISDICTION

These Orders shall be interpreted, construed, governed, and enforced under and pursuant to the laws of the State of California.

20.0 COMPLIANCE OBLIGATION

Strict compliance with this Cease and Desist Order, Restoration Order, and Administrative Penalty by all parties subject hereto is required. Failure to resolve violations addressed herein or comply with any term or condition of this Cease and Desist Order, Restoration Order, and Administrative Penalty, including any deadline contained herein, will constitute a violation of these Orders and may result in the imposition of civil penalties under PRC Section 30821.6 of up to six thousand dollars ($6,000) per day for each day in which each violation persists. In addition, failure to comply with any terms or conditions of these Orders may result in the Commission seeking judicial relief and additional penalties as authorized under Chapter 9 of the Coastal Act, including PRC Sections 30820, 30821.3(d), and 30822

21.0 NO LIMITATION OF AUTHORITY

Except as expressly provided herein, nothing in these Orders shall limit or restrict the exercise of the Commission's enforcement authority pursuant to Chapter 9 of the Coastal Act (PRC Sections 30800 to 30824), including the authority to require and enforce compliance with these Orders and the authority to take enforcement action for Coastal Act violations beyond those that are specified in Section 4.2 of these Orders.

Executed in _____on behalf of the California Coastal Commission:

_____ _____

Dr. Kate Huckelbridge Date
Executive Director
California Coastal Commission

CALIFORNIA COASTAL COMMISSION
455 MARKET STREET, SUITE 300
SAN FRANCISCO, CA 94105-2421
VOICE (415) 904-5200
FAX (415) 904-5400

Th8.1, Th8.2 & Th8.3

Staff: Stephanie Cook –SF
Staff Report: March 28, 2025
Hearing Date: April 10, 2025

STAFF REPORT: RECOMMENDATIONS AND FINDINGS FOR CEASE AND DESIST ORDER, RESTORATION ORDER, AND ADMINISTRATIVE CIVIL PENALTY

Cease and Desist Order No.:	**CCC-25-CD-01**
Restoration Order No.:	**CCC-25-RO-01**
Administrative Penalty No.:	**CCC-25-AP3-01**
Related Violation File:	**V-9-24-0152**
Entity Subject to this Order:	**Sable Offshore Corp.**
Location:	The properties that are subject to this proceeding are at various locations along the existing Las Flores Pipelines CA-324 and CA-325 within the Coastal Zone, between the Gaviota coast and the Los Padres National Forest, and areas around those properties, that are being or could be impacted by the development activities at issue here, as described below, all within Santa Barbara County; as well as offshore locations in state waters, where the parties subject to this proceeding have undertaken unpermitted development in placing sand and cement bags on the seafloor below and adjacent to out-of-service offshore oil and water pipelines, all as part of an effort to restart Santa Ynez Unit oil production operations and bring the pipelines back into use.
Violation Description:	Activities onshore including, but not limited to, excavation with heavy equipment; removal of

major vegetation; grading and widening of roads; installation of metal plates and other fill material within wetlands; dewatering and discharge of water; pipeline removal, replacement, and reinforcement; installation of shutoff valves; and other development associated with the Las Flores Pipelines CA-324 and CA-325; as well as offshore development including, but not necessarily limited to, placing sand and cement bags on the seafloor below and adjacent to out-of-service offshore oil and water pipelines; all without the requisite Coastal Act authorization, as part of an effort to restart Santa Ynez Unit oil production operations and bring the pipelines back into use.

Substantive File Documents:

1. Public documents in the files for Cease-and-Desist Order CCC-25-CD-01, Restoration Order CCC-25-RO-01, and Administrative Civil Penalty Order CCC-25-AP3-01

2. Exhibits 1 through 130 and Appendix A of this staff report.

SUMMARY OF STAFF RECOMMENDATIONS

Introduction

These proceedings pertain to several ongoing and extensive Coastal Act violations undertaken by Sable Offshore Corp. (“Sable”) at various onshore locations along existing crude oil conveyance pipelines on the Gaviota coast in Santa Barbara County, as well as offshore, along sections of related oil and water pipelines, located within state waters, that connect the offshore Santa Ynez Unit oil production platforms to shore. All the violations are at sites along or offshore of the Gaviota Coast, in Santa Barbara County, and all of which have adversely impacted, and continue to adversely impact, coastal resources as a result of Sable’s outright refusal to comply with the Coastal Act. Sable’s development activities on the Pipelines have also been the concern of several other state environmental and natural resource agencies including the State Water Control Resources Board and Regional Water Quality Control Board, the California Department of Fish and Wildlife, and the Department of Parks and Recreation, all of which have similarly identified issues associated with Sable’s lack of compliance with applicable environmental regulations. This issue has also generated concern from State legislators, culminating in a recent inter-agency Town Hall meeting where the aforementioned agencies, as well as some others, collectively met to discuss their respective roles, and interest, in this ongoing issue, as well as to answer questions from the public.

Both the onshore portion of the Pipelines and the offshore oil and water pipelines are part of the larger Santa Ynez Unit, which consists of three offshore platforms (Hondo, Harmony, and Heritage), the Las Flores Canyon processing facility, and associated electrical transmission and onshore and offshore oil, water and natural gas transport pipelines. The Las Flores Pipelines CA-324 and CA-325 (previously Lines 901 and 903 respectively) ("Pipelines") are located onshore, with Line CA-324 following along the coastline between the Las Flores Canyon Plant processing facility and the Gaviota Pump Station, and line CA-325 extending inland from the pump station. Separate offshore oil and water pipelines extend from the Las Flores facility into state coastal waters and ultimately connect to the three platforms offshore in federal waters, mentioned above.

Background

This specific pipeline system is of particular historical importance as it is the source of the 2015 Refugio Beach oil spill, which caused significant environmental damage to approximately 150 miles of coastline. The oil spill occurred when a corroded portion of the onshore pipeline Line CA-324 ruptured, releasing more than 123,000 gallons of oil. Much of this oil flowed into a storm drain which traveled under the adjacent highway, before reaching the coast of Refugio State Beach, and continuing outward into the ocean.[1] The spill had a severe effect on the coast, negatively impacting wildlife and ecosystems along the coast, and requiring hundreds of millions of dollars in clean-up costs. In addition, the spill caused an estimated 140,000 lost recreation user days between Santa Barbara, Ventura, and Los Angeles Counties.[2] As a result of the oil spill, all production of oil was halted at the Santa Ynez Unit in 2015, and the pipelines have remained offline and out-of-service since that time.

The Las Flores Pipeline System was constructed in the 1980's after Celeron Pipeline Company ("Celeron") proposed to construct a pipeline that would transport crude oil produced from offshore platform locations to out-of-state refinery facilities. Celeron applied to Santa Barbara County and was granted a Conditional Use Permit ("CUP") and Final Development Permit ("FDP"). Additionally issued under the umbrella of the FDP were two coastal development permits, each of which incorporated by reference the language in the FDP. Celeron completed construction in 1990, and thereafter, the pipelines remained in service until the 2015 oil spill, at which point they were placed out of service.

Since that time, ownership of the Pipelines has been transferred from Plains Pipeline, L.P., owner and operator in 2015, when the lines were placed offline, to ExxonMobil Corporation ("Exxon") which purchased them on October 13, 2022. Exxon then entered into a purchase agreement with Sable one month later, on November 1, 2022. This purchase agreement between Exxon and Sable was finalized on February 14, 2024. Through this agreement, Sable purchased the entire Santa Ynez Unit ("SYU"), including the Pipelines, and all associated assets (the three offshore platforms, subsea pipelines and infrastructure, and Las Flores Canyon processing facility). As the new owner and operator of the Pipelines,

[1] https://nrm.dfg.ca.gov/FileHandler.ashx?DocumentID=193144&inline
[2] California Department of Fish and Wildlife et al., *Refugio Beach Oil Spill Final Damage Assessment and Restoration Plan/Environmental Assessment*, p. 18 (June 2021) [hereinafter "NRDA"], available at: https://nrm.dfg.ca.gov/FileHandler.ashx?DocumentID=193144&inline.

Sable began undertaking efforts to transfer necessary permits and to restart use of the Pipelines and SYU offshore oil production operations.

In brief, this case seeks to resolve Coastal Act violations where Sable, the current owner and operator of the SYU, including the Pipelines and other associated assets as described above, has undertaken, and continues to undertake, development activities onshore, along the Pipelines, and at locations at offshore pipelines, as well, all without prior Coastal Act authorization. Importantly, most of the activities undertaken at locations onshore, along the Pipelines, and which Sable has refused to suspend, have been carried out in direct violation of several Notice of Violation and Notice of Intent letters, and in direct violation of Commission staff warnings and even a formal Cease and Desist Order.

Violation Description

As described in greater detail below, Sable undertook development at locations onshore, along the Pipelines, as early as, if not before, September of 2024. Sable undertook such activities without prior communication or notification to the California Coastal Commission ("Commission") staff, and without Coastal Act authorization. More specifically, at locations onshore, Sable undertook development activities including the following: 1) excavation with heavy equipment; 2) removal of major vegetation; 3) grading and widening of roads; 4) installation of metal plates and other fill material within wetlands; 5) dewatering and discharge of water, including into coastal waterways; 6) pipeline removal, replacement, and reinforcement; 7) installation of shutoff valves; as well as other development associated with the inspection and anomaly correction work on Las Flores Pipelines CA-324 and CA-325. At locations offshore, Sable undertook development beginning on November 29, 2024, including the placement of sand and cement bags on the seafloor below and adjacent to Sable's out-of-service offshore oil and water pipelines.

After acquiring the Pipelines, Sable began conducting inspections along the Pipelines to assess the many sites where the pipeline had corroded and was at risk of rupture. These inspections showed over 100 locations along the Pipelines, and within the Coastal Zone, where Sable determined the pipeline was defective, and in need of repair. To complete these repairs, Sable brought in heavy equipment to excavate substantial areas, and began either, removing or replacing whole sections of pipe, or installing external sleeves or coatings to expand and reinforce the pipeline. With regard to the installation of shutoff valves, as mentioned above, 16 shutoff valves were installed at onshore locations of the Pipelines and of those 16 valves, a total of seven were located in the Coastal Zone. The shutoff valves are large structures with various apparatuses that are installed directly on the Pipelines. In certain locations, installation of this type of apparatus involved extensive grading and removal of vegetation. Importantly, the full extent of development undertaken in accordance with the above-listed Coastal Act violations, is not fully known by Commission staff as Sable has repeatedly declined requests from Commission staff to provide full-scale project plans and detailed information about the scope of work it carried out.

The onshore development along the Pipelines has resulted in adverse impacts to various sensitive habitat areas in order to create access routes and staging areas, and for the

excavations themselves. Although some of the work has been in areas of less sensitive habitat, they still raise some concerns.is pastureland, Some of these excavations extend for roughly 100 ft, with a depth of roughly 10 ft, and some occurred on steep slopes (Exh. 112 and Exh. 113 and in protected habitat areas including federal designated critical habitat for wildlife protected under the Endangered Species Act, or within streambed corridors and wetlands. Over the months in which Sable has continued to undertake this work, Commission staff received reports with concerning images depicting potential for damage of these critical habitats, including images of excavators staged in particularly sensitive areas, such as above a pool of water where a southwestern pond turtle was seen to be swimming, or alongside two southern California steelhead (See exhibit 67 for image of critical species in pool under excavator). Notably, the southwestern pond turtle is proposed for federal listing as a threatened species and designated as a species of special concern, and the southern California steelhead is listed as an endangered species under the federal Endangered Species Act and is a candidate for listing under California's Endangered Species Act.

Sable characterizes the work as routine maintenance and claims that it was authorized by the original entitlements received in the 1980s. However, despite many discussions with both Sable and the County and extensive research into the history, Commission staff has found no support for this position. Furthermore, the level of work conducted along the onshore portions of the Pipeline is extraordinary. A single campaign to excavate over 100 separate pipeline sections across a modest distance; sever, remove and replace some sections; and expose, reinforce, seal, and coat others goes beyond what could possibly have been considered by the original permit and supporting documents. The only way for this level of activity to have been contemplated at the time of the original permit would be if it were presumed that required inspections would be incapable of detecting corrosion and degradation throughout the line to the point that the pipeline ruptured at one location and was in imminent risk of rupturing at over 100 other locations. When a pipeline is operated legally and responsibly – as would have been assumed by the permit and supporting documents – this level of degradation and subsequent need for simultaneous and comprehensive remediation across the entire line would never happen.

The timing of Sable's onshore work is also problematic in that it has occurred during the breeding season for the federally listed southern California steelhead and the California red legged frog, a species which is listed as threatened under the federal Endangered Species Act. The work also occurred during the nesting season for most bird species, as well as the time of year in which ground disturbance is most likely to result in erosion, scarring, and discharge of sediment into wetlands and watercourses. Moreover, several work sites are in or adjacent to environmentally sensitive habitat areas (ESHA), including coastal scrub and chaparral habitats, and in, or near, areas mapped as wetlands and riparian habitat. Other work sites are in annual or native grassland, and woodlands. Importantly, native grasslands are ESHA, while certain non-native habitats such as annual grasslands can also be ESHA if rare species are present, under Policy NS-4 (Coastal) of Santa Barbara County's Gaviota Coast Plan.[3] While there appears to have been damage

[3] *See* Gaviota Coast Plan ("GCP"), Santa Barbara County (Certified by CCC in 2018), Policy NS-4 (Coastal) at 2-16 to 2-18, available at https://cosantabarbara.app.box.com/s/67cui9hpdphz64ajtmbdndqwq1x8tr5h

to these areas, it is difficult for Commission staff to assess the full extent since vegetation was removed without first providing the Commission with adequate information, and without site-specific biological surveys taken by resource agency-approved independent experts at the appropriate times of year.

It also appears that Sable carried out work on the Pipelines without implementation of appropriate coastal resource protection measures. Images taken during the first week of October, after work had already commenced, demonstrate several erosion control measures had been installed improperly, and were therefore ineffective. Thus, not only was this work undertaken in areas which require critical measures in place to safeguard against degradation of environmental resources, it appears that even the measures which were observed to have been put in place were done so haphazardly. While Sable has maintained that this work was done with thorough analysis, and consideration of potential environmental impacts, it is unclear how successful these measures were, and whether they had meaningful benefits. Without input from or review by the Commission or other independent biologists as to methods, parameters, and other critical components of any such measures, it is likely that such measures did not, in fact, provide appropriate protection to surrounding sensitive habitat areas. The limited information and photos available from the public regarding the work undertaken supports these conclusions.

Further, as noted above, Sable asserts that it can rely on permits issued nearly 40 years ago for the original construction and installation of the pipeline as authorization for the work undertaken now. There are many reasons why this is not accurate, as discussed below, but it should be noted that any measures required decades ago simply could not incorporate protections for the current habitat and species on the site, as many sensitive resources have developed on the site or been identified or provided with legal protection in the time after that initial environmental review. These include the listing of several species under the federal Endangered Species Act that are present along the pipeline corridor, as well as the designation of Critical Habitat supporting them. No analysis or consideration of these species was made in the original permit and supporting documents from the 1980s. The Southern California Distinct Population Segment of steelhead (“Southern California steelhead”) was federally listed Endangered in 1997 and state listed in 2022; tidewater goby was federally listed Endangered in 1994; California red legged frog was federally listed Threatened in 1996; southwestern pond turtle was proposed as federally Threatened in 2023.

In addition to the onshore violations described above, Sable has also conducted unpermitted development at locations offshore, along the oil pipeline that connects the offshore SYU platforms to shore and an adjacent produced water discharge pipeline. This development, as mentioned above, included deployment and positioning of sand and concrete bags to provide structural support below sections from which the seafloor had scoured or eroded. Reinforcement of these pipelines was also carried out as part of an effort to restart SYU oil production operations and bring the pipelines back into use. Specifically, the project deployed a remotely operated vehicle (“ROV”) to place concrete bags along more than 750 linear feet of the pipelines to create support piers along 14 identified “spans” (sections of pipeline that are unsupported by the seabed), each measuring between 41 and 70 feet.

Commission staff and the Coastal Act provisions regarding oil and gas facilities support the thorough, and prompt, remediation of any problems that have the potential to adversely affect the structural integrity of active oil and gas pipelines, and the Coastal Act has a variety of regulatory review mechanisms to help ensure such efforts can be expedited and carried out in a timely manner. It is notable in this case, however, that Sable's pipelines were purged of oil and cleaned nearly ten years ago and currently have no potential to release or spill oil, thus reducing the time sensitive nature of the work Sable undertook. Whether expedited or carried out on a regular timeline, it is crucial, for the protection of coastal resources, that regulatory review occur in advance of construction activities to ensure that those activities are designed and carried out in a manner that avoids, minimizes and mitigates any adverse effects on coastal resources. For example, certain methods of pipeline inspection and installation present enhanced risks of disturbance and displacement of commercial and recreational fishing activities and gear, marine mammal entanglement, sensitive habitat damage and disturbance, and marine debris generation and release, while others present lower risks. However, in refusing to apply for a coastal development permit ("CDP") for this type of work, and thereby not engaging in the thorough analysis that would be afforded through the CDP application and review process and having the work conditioned to minimize harms to coastal resources, Sable has engaged in activities for which the aforementioned risks are high. In contrast, because those risks could probably be lowered to the point where the work would be consistent with the Coastal Act and the County's Local Coastal Program, through the conditions and mitigations that can be provided in a CDP, it is likely this work would be approvable, if a permit were to be sought. Yet, instead, Sable opted to move forward with this work without seeking a CDP, despite being informed that doing so would be in violation of the Coastal Act.

Initial Enforcement Actions

Since learning of the development activities undertaken at onshore locations along the Pipelines in September, Commission staff have made repeated, and extensive, attempts to work with Sable, and their counsel, in an effort to resolve both onshore and offshore Coastal Act violations. Throughout this time, Sable sporadically indicated willingness to comply and take steps toward resolving these violations, which prompted Commission staff to exert considerable resources, time, and efforts toward trying to reach an amicable resolution, including Coastal Act authorization for the work being undertaken. Ultimately, these efforts have proven unsuccessful. Sable twice indicated an interest in settling in the context of a consent order and twice they ceased negotiations and ended up not agreeing to do so.

After Commission staff became aware of the activities taking place at onshore locations along the Pipeline in September of 2024, Commission staff immediately initiated conversations with Sable to discuss the activities, and a potential consent order to resolve the potential violations. As described in greater detail below, Commission staff issued a Notice of Violation letter regarding these activities (Exh, 2), and then a Notice of Intent for an Executive Director Cease and Desist Order ("EDCDO"), (Exh, 3), followed by discussions to attempt to resolve this matter amicably. When that was unsuccessful, the

Executive Director issued an EDCDO in November. (Exh.4) Importantly, after the issuance of the November EDCDO addressing the onshore work along the Pipelines, Sable did cease certain activities at those locations and complied with portions of the EDCDO. However, at this time, Sable also turned its focus to undertaking work at locations along its offshore pipelines, despite being advised by Commission permitting staff that such work would also require a CDP. In fact, mere weeks after the issuance of the November EDCDO, and after having been reminded that the planned offshore work also needed Coastal Act authorization, Sable undertook development activities at these offshore locations without Coastal Act authorization. Commission staff was unaware that they had undertaken this additional unpermitted work until January of the following year.

As noted, Commission staff have worked extensively with Sable in an attempt to resolve these issues, beginning with the activities conducted onshore along the Pipelines. On September 18, 2024, after learning of the activities Sable was conducting at the onshore locations along the Pipelines, Commission staff initiated communications with Sable , to clarify, and confirm, that Sable was the current owner and operator of the Pipelines, as well as to confirm the specifics of the development undertaken at the onshore locations, and further to inform Sable that an application for an after the fact ("ATF") CDP would be required for the work undertaken, as well as a CDP application to address any future, proposed work. On September 20, 2024, Commission staff also initiated communications with Santa Barbara County Planning and Development Department ("County") staff, informing them of the development undertaken, the Commission's position that the development needed Coastal Act authorization and requesting that the County take enforcement action. These communications also noted that the Commission would assume jurisdiction under the Coastal Act provisions regarding enforcement jurisdiction if the County declined to act. The County responded that it would review and respond but no further response was received either indicating that the County was taking action or objecting to the Commission assuming jurisdiction over the matter. Exh.15)

On September 27, 2024, Commission staff issued Sable a Notice of Violation letter addressing the onshore Coastal Act violations and directing it to immediately cease any unpermitted activities within the coastal zone and to apply for both an ATF CDP for work undertaken, and a CDP for any future, planned work. Commission staff then met with Sable on October 1, 2024, to discuss the Notice of Violation letter, and actions to be taken. Commission staff, again, reiterated the imminent need to for Sable to immediately cease all work activities and, also asked for information as to the location and scale of Sable's work to date, as well as any additional planned work and requested full-scale project plans. At this time, Commission staff remained hopeful that Sable had undertaken the work without full understanding as to the requirements of the Coastal Act, and permit application processes. Commission staff discussed legal options, and discussed the potential permit options, as well as solicited input from Sable as to what measures they felt it was necessary to take to secure the open trench sites once work fully ceased. Commission staff had hoped that they could work collaboratively to ensure the sites were secure, as Sable seemed receptive to applying to requisite CDPs, and finding an agreeable path forward to resolve the Coastal Act violations.

Despite this conversation, Commission staff received reports that Sable had not ceased work in the Coastal Zone. On October 2, Commission staff received an email from Sable, in response to the September 27, 2024, Notice of Violation letter, which started that all work "subject to interim measures" had ceased. (Exh. 9) Despite this, Commission staff continued to receive reports that work had not ceased. On October 4, Commission staff requested written assurance that work had ceased, including what Sable referred to as "interim measures," to be provided no later than 2 pm that day. Commission staff additionally requested that Sable provide responses to staff's information request, in accordance with the September 27, 2024, Notice of Violation letter, no later than 5pm, the following Monday. At 1:57. on October 2, Sable, again, sent an email to Commission staff asserting that work had ceased. Yet again, Commission staff received reports that no cessation of work had occurred, and therefore, again, asked for written assurance from Sable, which was ultimately provided that afternoon. (Exh 135) Sable did not, however, provide a full response to the request for information regarding what had been done, and where, by the 5pm deadline the following Monday. Sable did provide some information after the deadline regarding locations where work had been conducted within the Coastal Zone but asserted that the full information request could not be answered at that time.

Therefore, since Sable failed to satisfactorily provide information requested and, further, failed to provide written confirmation of an intent to apply for both an ATF CDP for work undertaken, and a CDP for future, proposed work, the Executive Director issued an Executive Director Cease and Desist Order ("EDCDO") to Sable. This EDCDO directed Sable to cease all unpermitted development activities, undertake steps to temporarily secure the sites where Sable's development had temporarily ceased, and apply for CDPs, as described above. After issuance of the EDCDO, Sable ceased operations at locations in the Coastal Zone and instead shifted its focus to operations outside of the Coastal Zone. During this time, Sable undertook steps, pursuant to the EDCDO, to secure the sites where work had ceased, and Commission staff maintained regular communication with Sable's counsel, who indicated openness to submitting applications for CDPs, once time was afforded to more fully analyze the Pipelines' permitting history. As an accommodation, Commission staff provided a longer deadline for the application for CDPs, which extended beyond the February 10, 2025, expiration of the EDCDO, and provided Sable an additional 30 days, with a deadline of March 12, 2025, to submit such applications.

Regrettably, within a few days of the February 10, 2025, expiration of the EDCDO, Sable quickly resumed work, despite having not submitted any application for a CDP. On February 14, 2025, Commission staff began to receive several reports of equipment having been staged at construction sites, as well as reports that development was being undertaken into evening hours, and through the weekend. (Exh. 100) Two days prior to receiving these messages, on February 12, 2024, Commission staff received a letter from the County (Exh. 38), responding to Commission's staff's previous, January 10, 2024 request that the County agree to the Commission's review of a consolidated permit application. In the County's February 12th response, as discussed in greater detail in this staff report, the County asserted that Sable needed no permit for the work it had undertaken onshore, along the Pipelines, because that work was authorized by existing permits. The County also provided Commission staff with a copy of an additional letter, which the County sent to Sable, similarly notifying Sable that the work Sable had

undertaken onshore, along the Pipelines, which was the subject of the EDCDO issued in November, was, and is, covered by existing permits.

On February 14, Commission staff sent a letter to the County, objecting to the County's February 12 letter on procedural grounds and also explaining staff's disagreement with the County's position on the merits and asking for language in any permit that would support the County's position by potentially authorizing such development. (Exh, 40) This letter was also addressed to Sable. However, the County did not respond, and Sable continued its work and sent its own letter later that day defending the County's position. (Exh 38) Thus, on Sunday, February 16, Commission staff issued a notice of intent to issue a second EDCDO. (Exh. 6) In response to that notice, on February 17, 2025, Sable sent a letter to Commission staff challenging Commission staff's jurisdiction to proceed. The next day, the Commission's Executive Director issued the second EDCDO. (Exh. 7) The next day, Commission staff learned that Sable had sued the Commission over the actions to date, alleging that the Notices of Violation and the first EDCDO were illegal and effected a taking of Sable's property.

Commission staff have continued to attempt to reach an amicable settlement with Sable, including, in this instance, an offer to resolve the short-term issues with a consent EDCDO. While Sable chose to move forward with undertaking continued, unpermitted activities at the onshore locations along the Pipeline, Commission staff continued to engage in conversations with Sable, in hopes of finding an amicable resolution. In the weeks after issuance of the EDCDO, Sable, again, indicated willingness to engage in conversations with Commission staff that could lead to a potential consent agreement, in the form of a consent Cease and Desist Order, To this end, Commission staff spent extensive resources working to pull together proposed language for the potential orders, mentioned above, then spent days on intensive negotiations with Sable.

During a virtual meeting on March 11, 2025, Sable and Commission staff discussed the aforementioned language, and potential pathways forward. After this meeting, Sable provided language to be reviewed by Commission staff, which Commission staff worked late through that evening to provide. Unfortunately, before Commission staff had the opportunity to discuss this language with Sable, Sable informed Commission staff that they were terminating discussions.

To date, Sable has made no efforts to comply with this second EDCDO, has not submitted any application for a CDP, and has refused to cease operations despite being fully informed of the ongoing Coastal Act Violations and ongoing threats to coastal resources associated with its activities. Commission staff have worked exhaustively with Sable in an effort to find an agreeable path forward, and to achieve resolution of the numerous ongoing Coastal Act violations but, unfortunately, have been unable to reach any such agreement. Thus, Sable's actions, and inactions with regard to these violations have led to this action for the Commission to consider issuance of this unilateral Cease and Desist Order, Restoration Order, and Civil Administrative Penalty Order, as described below.

Proposed Resolution

The unpermitted development Sable has undertaken at both onshore and offshore locations has resulted in damage to coastal resources, but the extent of this damage is not fully known because of Sable's continued refusal to provide complete and detailed information as to the work that it has undertaken, as well as proposed, future plans. Additionally, Sable has continued to undertake development activities at onshore locations along the Pipelines, despite issuance of two separate Cease and Desist Orders and in direct contravention of the resource protection provisions of the Coastal Act.

Commission staff recommends the Commission approve Cease and Desist Order No. CCC-25-CD-01 to ensure that Sable ceases any further development activities along the Pipelines, until a complete CDP[4] application has been submitted and addressed for future, proposed activities, as well as an ATF CDP application for all development activities already undertaken at the onshore locations along the Pipelines, and for all development activities undertaken along offshore sections of Sable's oil and water pipelines.

Commission staff also recommends that, in conjunction with the proposed Cease and Desist Order, the Commission approve Restoration Order No. CCC-25-RO-01 to address the effects of the unpermitted work.

Lastly, Commission staff recommends that the Commission issue Civil Administrative Penalty Order No. CCC-25-AP3-01. The Coastal Act provides five factors for the Commission to consider in imposing a penalty. Applying those factors here, and grouping and treating the violations as proposed herein, the Commission could justify imposing a penalty up to a maximum of $18,022,500 in this case. Commission staff recommends that a substantial fine be imposed, given the nature of the multiple violations at both onshore and offshore locations; the lengthy and substantial amount of Commission staff resources expended in attempting to resolve these violations; the unprecedented manner in which Sable has continually refused to comply with any such attempts to resolve these violations and even a valid administrative order issued, and other public and legal policies at issue here, including the need to secure compliance with the Coastal Act CDP process. Commission staff is recommending a penalty in the range of $12,000,000- $15,000,000. Within that range, Commission staff is recommending the Commission, in its discretion, specify a penalty of $14,987,250.

To address these violations, Commission staff recommends that the Commission approve issuance of Cease and Desist Order No. CCC-25-CD-01; Restoration Order No. CCC-25-RO-01; and Civil Administrative Penalty Order No. CCC-25-AP3-01 (collectively "the Orders"). The proposed Sable Orders are included as Appendix A to this Staff Report.

[4] Although the orders require the submittal of an application for a CDP, that does not preclude a more expeditious form of review. Indeed, it is not uncommon for the Commission to approve such applications by issuing a waiver of the CDP requirement if the application materials demonstrate that the project is eligible for that form of Coastal Act authorization. This requirement for a complete CDP application is to ensure that the Commission has the necessary information to make the correct determination and is not in any way prejudging the outcome, either substantively or procedurally."

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I. MOTIONS AND RESOLUTIONS

Motion1: Cease and Desist Order

> *I move that the Commission issue Cease and Desist Order No. CCC-25-CD-01 to Sable Offshore Corp. pursuant to the staff recommendation.*

Staff recommends a YES vote on the foregoing motion. Passage of this motion will result in adoption of the resolution immediately below and issuance of the Cease and Desist Order. The motion passes only by an affirmative vote of the majority of Commissioners present.

Resolution to Issue a Cease and Desist Order:

> *The Commission hereby issues Cease and Desist Order No. CCC-25-CD-01, as set forth below in Appendix A, and adopts the findings set forth below on the ground that development has occurred without the requisite Coastal Development Permit, in violation of the Coastal Act and the Santa Barbara County Local Coastal Program; and that the requirements of the Cease and Desist Order are necessary to ensure compliance with the Coastal Act and the Coastal Development Permit.*

Motion 2: Restoration Order

> *I move that the Commission issue Restoration Order No. CCC-25-RO-01 to Sable Offshore Corp. pursuant to the staff recommendation.*

Staff recommends a YES vote on the foregoing motion. Passage of this motion will result in adoption of the resolution immediately below and issuance of the Restoration Order. The motion passes only by an affirmative vote of the majority of Commissioners present.

Resolution to Issue a Restoration Order:

The Commission hereby issues Restoration Order No. CCC-25-RO-01, set forth below on the grounds that Sable Offshore Corp. has undertaken development without the requisite Coastal Act authorization, the development is inconsistent with the Coastal Act, and the development is causing continuing resource damage.

Motion 3 Administrative Civil Penalty Action

I move that the Commission find that the various actions and failure to act by Sable Offshore Corp., as described in the Commission's findings, are in violation of the resource protection provisions of the Coastal Act, and the Commission impose upon them an administrative penalty in the amount of $ 14,987,250.

Staff recommends a YES vote on the foregoing motion. Passage of this motion will result in the assessment of an administrative penalty against Sable Offshore Corporation in the amount of $ *14,987,250.* The motion passes only by an affirmative vote of a majority of Commissioners present.

Resolution to Impose Administrative Penalties:

The Commission hereby imposes an administrative civil penalty against Sable in the amount of $ 14,987,250 dollars and adopts the findings set forth below; on grounds that development has violated the resource protection provisions of the Coastal Act, and these activities have negatively impacted coastal resources and violated 30821.3 of the Coastal Act.

II. HEARING PROCEDURES

The procedures for a hearing in which the Commission issues a Cease and Desist Order under Public Resources Code ("PRC") Section 30810 are described in the Commission's regulations at Section 13185 of Title 14 of the California Code of Regulations ("14 CCR") and the procedures for a hearing in which the Commission issues a Restoration Order under PRC Section 30811 are described in the regulations at Section 13195 of 14 CCR. Additionally, Section 30821(b) states that the imposition of administrative civil penalties by the Commission shall take place at a duly noticed public hearing in compliance with the requirements of Sections 30810, 30811, or 30812. Therefore, the procedures employed for a hearing to impose administrative penalties are the same as those for a Cease and Desist and Restoration Order, and the hearing on these Cease and Desist and Restoration Orders and Administrative Civil Penalty Actions shall proceed according to 14 CCR section 13185, including the following:

The Chair shall announce the matter and request that all parties or their representatives present at the hearing identify themselves for the record. The Chair shall announce the rules of proceeding, including time limits for presentations. The Chair shall also announce the right of any speaker to propose to the Commission, before the close of the hearing, any question(s) for any Commissioner, at his or her discretion to ask of any other party. Staff shall then present its report and recommendation to the Commission, after which the

alleged violators, or their representatives, may present their positions with particular attention to those areas where actual controversy exists. The Chair may then recognize other interested persons, after which the chair may allow the alleged violators to use any reserved rebuttal time to respond to comments from interested persons and may then have staff respond to specific points raised by the alleged violators or any of the other speakers.

The Commission will receive, consider, and evaluate evidence in accordance with the same standards it uses in its other quasi-judicial proceedings, as specified in 14 CCR Section 13186, which incorporates, by reference, Section 13065. The Chair will close the public hearing after the presentations are completed. The Commissioners may ask questions of any speaker at any time during the hearing or deliberations, including if any Commissioner so chooses, any questions proposed by any speaker in the manner noted above. The Commission shall determine, by a majority vote of those present and voting, whether to issue the Cease and Desist and Restoration Orders and impose Administrative Penalties, either in the forms recommended by staff, or as amended by the Commission. Passage of the motions above, per the staff recommendations, or as amended by the Commission, will result in issuance of the Cease and Desist and Restoration Orders and imposition of Administrative Penalties.

III. FINDINGS FOR CEASE AND DESIST ORDER, RESTORATION ORDER, AND ISSUANCE OF ADMINISTRATIVE PENALTIES[5]

A. DESCRIPTION OF PROPERTY

The properties subject to this enforcement action are at various locations along the Las Flores Pipelines CA-324 and CA -325 (formerly Lines 901, and 903). The Las Flores Pipelines are part of the greater Santa Ynez Unit which consists of three offshore platforms (Hondo, Harmony, and Heritage), Las Flores Canyon processing facility, and associated electrical transmission facilities and lines, oil, natural gas and produced water transport pipelines, (including offshore pipelines as well as CA-325 and CA-325 onshore) and associated rights-of-way and easements. (Exh.1) All Santa Ynez Unit infrastructure is located along or offshore of the Gaviota Coast, within Santa Barbara County.

B. DESCRIPTION OF COASTAL ACT VIOLATIONS

The Coastal Act violations, and threatened violations, addressed by the proposed Commission Cease and Desist Order, Restorations Order and Administrative Penalty ("Orders") involve development that has occurred in the Coastal Zone without the requisite

[5] These findings also hereby incorporate by reference the Summary at the beginning of the March 28, 2025, staff report (“STAFF REPORT: Recommendations and Findings for Cease and Desist Order, Restoration Order, and Administrative Civil Penalty”) in which these findings appear, which section is entitled “Summary of Staff Recommendations.”

Coastal act authorization, including, but not necessarily limited to, excavation with heavy equipment; removal of major vegetation; grading and widening of roads; installation of metal plates over water courses; placement of fill in wetlands and coastal waters; dewatering and discharge of water; pipeline removal, replacement, and reinforcement; any installation of shutoff valves; and other development along onshore locations of the Pipelines, as well as development, including but not limited to, placement of sand and cement bags on the seafloor below and adjacent to out-of-service oil and water pipelines.

C. ENFORCEMENT ACTIVITIES AND ATTEMPTS AT RESOLUTION

In mid-September of 2024, Commission staff became aware of development activities occurring at locations onshore, along the Las Flores Pipelines CA-324 and CA-325. On September 18, 2024, Commission staff initiated communications with Sable, through their representative Steve Rusch, to confirm Sable's position as owner and operator of the Pipelines, as well as to convey the need for Coastal Act authorization for any development activities on, or along, the Pipelines. After receiving confirmation of Sable's status as owner and operator, and that development activities were being undertaken at locations along the onshore Pipelines, on September 20, 2024 Commission staff sent an email to the County, providing notification that the Commission had learned of development activities being undertaken along the Pipelines, and informing the County of Commission staff's position that such work required Coastal Act Authorization. This email message further requested the County take formal enforcement action and provided "… the Commission will assume enforcement jurisdiction based on the understanding that you are declining this request unless you indicate otherwise by close of business on Sept. 23, 2024." In response, the County stated, in email, that they were looking into the issue, and would respond "ASAP". The County did not provide further response to this email, nor did the County affirmatively decline the Commission's request to take formal enforcement action, before the deadline provided. (Exh. 13)

Thus, on September 27, 2024, Commission staff sent a "Notice of Violation" letter regarding the unpermitted development activities taking place within the Coastal Zone, along the Pipelines. Commission staff requested Sable immediately cease all unpermitted development in state coastal waters, or elsewhere in the Coastal Zone. Commission staff further detailed the need for Coastal Act authorization for any development in the Coastal Zone, which should be sought through the submittal of an application for an "after the fact" Coastal Development Permit ("ATF CDP"), and a Coastal Development Permit ("CDP") for any future, proposed development. The lack of a CDP with conditions to minimize adverse impacts to coastal resources was particularly concerning given the time of year in which the work was occurring was sensitive for a variety of protected wildlife species and also presented increased risks of erosion due to the pending start of the rainy season.

On October 1, 2024, Sable met with Commission staff on a video conference to discuss these Coastal Act violations. In this conversation, Commission staff conveyed to Sable that all unpermitted development activities along the Pipeline, must cease immediately. Recognizing that immediate cessation of all work would result in several open pit sites, where excavation activities had already begun, Commission staff discussed potential steps

necessary to safely, and temporarily, secure the sites. However, staff made it clear to Sable that all work must stop immediately, and that information must be provided so that staff could assess the full scope, nature and location of work before such measures to secure the sites could be evaluated and taken. Nonetheless, Commission staff received an email from Sable on the following day, October 2, 2024, stating that work had been suspended, “subject to taking interim measures.” Images received after these communications and later on October 2, 2024, show an excavator, which appears to be actively excavating next to ESHA.[6](See. Exh.126 of excavator located adjacent to riparian area)

Despite receiving assurances from Sable that work had ceased, Commission staff continued to receive reports that work had continued and, again, met with Sable via video conference, on October 3, 2024, to reiterate that all work must fully cease, including any such “interim measures” which involved development requiring Coastal Act authorization.

However, Commission staff continued to receive reports that Sable had yet to cease all work, and, on October 4, 2024, Commission staff sent a letter ("EDCDO NOI") to Sable providing formal notice of the Executive Director’s intent to issue an order to halt the ongoing work, and requested written assurances by 2:00 p.m. that day, that Sable had, in fact ceased work entirely. At 1:57 p.m., Sable sent an email to Commission staff asserting that all work, including the actions in which Sable characterized as “interim work measures”, had ceased. Commission staff continued to receive messages, after receiving this confirmation from Sable, that work was ongoing. In response, Commission staff sent a second email to Sable, again, asking for assurance that work had completely stopped. In response, Sable, sent an email to Commission staff around 4 p.m. stating that all work had ceased.

In addition to the cessation of all work, the October 4, 2024 EDCDO NOI letter required Sable to provide information, as to work undertaken, or planned, along the Pipeline, including information regarding what work had been undertaken and where, as well as information about the project plans for the remainder of the work being done, and this information was to be provided no later than 5pm the following Monday, October 7, 2024. Additionally, the October 4, 2024, letter asked for written confirmation of intent to apply for a CDP(s) for ATF authorization for any work that had already occurred in the Coastal Zone and prospective authorization for any proposed future work. After 5 pm on October 7, 2024, Commission staff received an email from Sable’s counsel, DJ Moore, which provided a spreadsheet as to locations where Sable had undertaken development, but they stated that the remainder of the information request could not be met by the deadline.

Because Sable did not provide a "satisfactory response", as required by PRC Section 30809, by not providing the information as requested in Commission staff’s October 4 letter, and further, because it failed to provide written confirmation as to its commitment to apply for an ATF CDP for work previously undertaken within the Coastal Zone, the Executive Director issued a EDCDO on November 12, 2024.This EDCDO, directed Sable to complete an Interim Restoration Plan (the “Plan”) to safely secure the open excavation

sites in the interim period necessary for Sable to apply for both an ATF CDP for all work previously undertaken along the Pipeline as well as apply for a CDP for future, proposed work. As an accommodation, to allow them additional time to apply for these CDPs, this letter provided for 120 days from the issuance of the EDCDO for Sable to apply for requisite CDPs, which provided Sable an additional 30 days, beyond the expiration date of the EDCDO, to submit the requisite CDP applications. Staff offered to meet with Sable and its representatives to assist them in the application process and to make the permit process as streamlined and efficient as possible. Throughout November, commission staff worked extensively with Sable's counsel to ensure effective implementation of the Plan and, on December 20, 2024, Sable submitted a completion report for the Plan. However, Sable declined to submit any application for a CDP, even through the extended deadline provided. Further, Commission staff had repeatedly requested information as to the development which Sable had already undertaken, or planned to undertake, including any full-scale work plans, but did not receive adequate responses to the information required in the EDCDO.

Given the lack of information from Sable about what work they had actually undertaken, and where, (such as whether it was in or adjacent to environmentally sensitive habitat areas ("ESHA") or wetlands) it was difficult to determine fully the potential for adverse impacts on resources. Commission staff did, however, begin to receive reports from the public about the activities and the potential harm to coastal resources they had and were likely to result in.

While Sable has maintained that it conducted its work onshore along the Pipelines with measures in place to minimize environmental harms, the work was done without any coordination with Commission staff, and it is unclear the extent to which any measures it may have undertaken did, in fact, protect coastal resources. Without communication with Commission staff, or a complete CDP application, which would have provided an opportunity to fully analyze the potential impacts of the work, it is highly likely that the extent of work undertaken by Sable caused greater damage than what Commission staff are currently aware of. Images provided to Commission staff, that were taken during the first week of October, show erosion control measures in place improperly and ineffectively. Further, there are several images depicting excavation work occurring on steep slopes, in, or near, riparian wetlands, and near ESHA. All of this leads Commission staff to have serious doubts as to the effectiveness of any potential measures taken to safeguard against coastal resources damage.

Further, in its February 14 letter arguing that its work was authorized, Sable relied heavily on environmental review documents from the 1980s, which it claimed had analyzed the impacts of future "maintenance" work and provided mitigation measures to address those impacts. But if Sable's basis for the development of protection measures is the environmental review conducted 40 years ago, it could not have fully incorporated appropriate considerations. since many sensitive resources have been identified or designated since that initial environmental review occurred in 1985. In particular, several species that are present along the pipeline corridor have since been listed and protected under the federal Endangered Species Act, and areas have been designated as Critical Habitat for them No analysis or consideration of these species was made in the original

permit and supporting documents because these were drafted in the 1980s. In contrast, the Southern California Distinct Population Segment of Steelhead was federally listed as Endangered in 1997 under the Endangered Species Act and state listed in 2022; the tidewater goby was federally listed as Endangered in 1994; the California red legged frog was federally listed as Threatened in 1996; and the southwestern pond turtle was proposed as federally Threatened in 2023.[7]

Additionally, the manner of work currently being carried out on the Pipelines appears incompatible with the original design and construction authorized in 1987. Specifically, these Pipelines were designed, analyzed and permitted to be covered in a layer of insulation so they could transport heated oil that would otherwise be too viscous to transport by pipeline. In fact, the Pipelines were one of the first of this kind to be constructed and operated. However, the work currently being carried out by Sable has resulted in the permanent removal of the pipeline's insulation from over 100 individual sections, some of which extend for close to 100 feet in length. This is because we learned as a result of the 2015 spill that the original line's design was flawed. The insulation layer, designed to keep the oil warm, also impaired the functioning of the cathodic protection system that was to prevent corrosion. Sable is therefore actively removing insulation from the line as part of the current work – something that would have been unheard of as part of the original design and thus the authorizations provided for it. Moreover, Sable has acknowledged, in its application to the Office of the State Fire Marshal (OSFM) for a "State Waiver" that the corrosion protection strategy described and approved in the original authorizations for the pipeline's construction and operation – namely, a cathodic protection system – cannot appropriately manage the risk of corrosion under the pipeline's insulation and an entirely new strategy and approach must be developed. Sable proposes this new strategy and approach in its application to OSFM and in its December 17, 2024, letter in response to that application, OSFM provides Sable with 12 pages of specific protocols and conditions (67 in total) that must be added to further expand Sable's proposed approach. None of this was considered, analyzed, described or approved in the 1980s permits issued for the original construction of the pipeline. The removal of the pipeline's insulation and implementation of this new strategy for managing corrosion risk represents such a fundamental shift in the pipeline's design and operation that resuming operations under this new system would not be consistent with the existing permit and should necessitate an amendment to the original permit due to the significant deviation between what was analyzed, permitted and constructed and what Sable has been actively trying to transform the pipeline and its operation into through the current activities.

As also discussed here, several sites are in, or adjacent to, ESHA, including coastal sage scrub, lemonadeberry scrub, wetland or drainages, and are also in, or near, Mapped Wetlands. Other work sites are in annual or native grassland. Importantly, native grasslands are ESHA, while annual grasslands are ESHA if they support rare species, under Policy NS-4 (Coastal) of Santa Barabara County's Gaviota Coast Plan. While there appears to damage to these areas, the full extent of the damage is difficult for Commission staff to analyze fully as vegetation was removed, without first providing the Commission

with information, or biological surveys carried out by resource agency-approved independent experts at the appropriate times of year.

While Sable temporarily ceased operations on the onshore locations of the Pipeline after receiving the November EDCDO, the company quickly shifted operations offshore and carried out additional development activities, beginning on November 29, 2024, and without the benefit of a CDP. These activities include, but are not limited to, the deployment of an unspecified number of sand and concrete bags. Specifically, the project deployed a remotely operated vehicle ("ROV") to place concrete bags along more than 750 linear feet of the pipelines to create support piers along 14 identified spans of between 41 and 70 feet. These activities took place over three days from November 29, 2024, to December 1, 2024.

On December 13, 2024, Commission Staff met via video conference with Santa Barbara County Planning and Development staff ("County") staff. , Commission staff learned that during this conversation, instead of submitting application for CDPs for the onshore violations described in the EDCDO, Sable, instead, sought authorization for those onshore violations described above through the County's zoning clearance process. In this meeting, Commission staff were informed that Sable had submitted zoning clearance applications to the County on November 22, 2024, and December 5, 2024, requesting authorization for pipeline "anomaly repair work" conducted along the Las Flores Pipelines, CA-324 and CA-325. However, in this conversation, Commission staff were provided assurances that no such applications would be granted without follow up discussions with the Commission.

On January 10, 2025, Commission staff held a follow up video conference call with the County to, again, discuss Sable's pending zoning clearance applications, as well as the potential for a consolidated coastal development permit covering both onshore and offshore development activities. During this conversation, County staff agreed to follow up with information, including the citations and provisions within existing County issued permit(s) that the County believed might have pre-authorized the recently completed and proposed Pipeline work, as well as any other evidence Sable provided that the County found to be compelling. The parties to the call further confirmed that they would have a follow-up discussion before any County approval of Sable's Zoning Clearance applications. Despite this, however, no such information was received, and Commission staff, therefore, followed up on this conversation through email, on February 7, 2025, again requesting this information. (Exh 66)

On February 12, 2025, Commission staff received a letter from the County, in response to the prior request made by Commission staff that the County agree to the Commission's review of a consolidated permit application, pursuant to California Public Resources Code section 30601.3(a)(2). In this letter, the County stated that it had concluded that the "anomaly repair work" addressed in Sable's zoning clearance applications "is authorized by existing permits" and therefore no further application to, or action by, the County is required. However, the County expressed its support for the Commission's review of a consolidated permit application, if submitted by Sable.

In addition to this letter, the County provided Commission staff with copy of an additional letter, which the County sent to Sable, notifying Sable that work addressed in Sable's zoning clearance permits "is covered by prior permits," though neither letter provided any citation to or quotation of any language in any such permits to support this assertion.

In response to these two letters and a February 14, 2025, request from the Environmental Defense Center, (Exh, 48) on February 16, 2025, the Executive Director issued a letter to the County initiating a review of the County's determination, pursuant to Section 13569 of the Commission's regulations, and requesting a complete copy of any coastal development permit applications submitted by Sable and/or its predecessor(s) for the shutoff valve installation work on the Pipelines and Sable's application for the zoning clearance(s) for the repair anomaly work along the Pipelines.

Additionally, on February 16, 2025, the Executive Director, provided Sable with notice of her intent to issue a new EDCDO to Sable. In this letter, the Executive Director responded to arguments that Sable submitted on February 14, purporting to support the position the County had taken, and explained why, despite those arguments, based on the information Commission staff had received to date, she continued to believe that Sable's proposed activities lacked the necessary Coastal Act authorization. The Executive Director therefore directed Sable to confirm, in writing, by February 17, 2025, that Sable would cease all development as described in, and subject of, that letter unless and until Sable either: (a) demonstrates, to the Executive Director's satisfaction, that it already possesses the necessary Coastal Act authorization for the work, or (b) obtain a new, final, operative CDP or other valid Coastal Act authorization specifically covering the work at issue and comply with the terms of any final, validly issued CDPs. On February 17, 2025, Commission staff received a letter from Sable reiterating their position that Sable's work "does not constitute a violation of the Coastal Act or the County's LCP because it is authorized under the pipelines' existing CDPs and other approvals."

In the following weeks, Commission staff made a concerted effort to work with Sable to resolve both onshore, and offshore violations through numerous conversations. During these conversations, Sable indicated a willingness to submit ATF applications for the development undertaken at both onshore, and offshore locations, if such could be done under protest. Commission staff agreed to work with Sable, and assist in this application process, with hopes that this would be a productive step toward further fully resolving all violations. In addition, Commission staff spent a considerable amount of time engaging in several conversations with Sable as to terms for the proposed Cease and Desist, Restoration, and Administrative Penalty orders, as noticed in the February EDCDO. Over the course of these conversations, Sable continually indicated a willingness to find agreeable terms, and, to that end, Commission staff worked tirelessly to provide a mechanism that would provide resolution. Unfortunately, despite these efforts on the part of Commission staff, Sable ultimately refused to engage in any further productive conversations and declined to move forward with any potential consent order process.

IV. BASIS FOR ISSUING CEASE AND DESIST ORDER

A. Statutory Provision

The statutory authority for issuance of these Cease and Desist Orders is provided in Coastal Act Section 30810, which states, in relevant part:

> *(a) If the commission, after public hearing, determines that any person or governmental agency has undertaken, or is threatening to undertake, any activity that (1) requires a permit from the commission without securing the permit, or (2) is inconsistent with any permit previously issued by the commission, the commission may issue an order directing that person or governmental agency to cease and desist. The order may also be issued to enforce any requirements of a certified local coastal program*

Additionally, Section 30810 (b) provides that, in part

> (b) *The cease and desist order may be subject to such terms and conditions as the commission may determine are necessary to ensure compliance with this division, including immediate removal of any development material or the setting of a schedule within which steps shall be taken to obtain a permit pursuant to this division.*

B. Jurisdiction

Santa Barbara County's Local Coastal Program ("LCP") was adopted by the Board of Supervisors on January 7, 1980, and was partially certified by the Commission on March 17, 1981. After an LCP is certified by the Commission, review authority over new development within the coastal zone rests with the locality; development appealable to the Commission is defined in Section 35-58 of the LCP (and Section 30603 of the Coastal Act) to include development approved by the County between the sea and the first public road paralleling the sea.

Once the Commission has certified a locality's LCP, the locality has inherent authority, via its police power, to take enforcement actions for violations of its LCP. The Commission also retains enforcement authority including under Coastal Action section 30811 and in the specific circumstances enumerated in Coastal Act Sections 30810(a) to address violations of the LCP. Pursuant to Section 30810(a) of the Coastal Act, the Commission can issue a cease and desist order to address an LCP/Coastal Act violation within a certified area if 1) the local government requests the Commission assume enforcement responsibility; 2) the Commission requests that the local government take action and the local government declines to act or does not take action in a timely manner; or 3) if the local government is a party to the violation.

On September 20, 2024, Commission staff sent an email to the County, providing notification that the Commission learned of development activities being undertaken along the Pipelines and informing the County of Commission staff's position that such work

required Coastal Act authorization. This email message further requested the County take formal enforcement action and provided "… the Commission will assume enforcement jurisdiction based on the understanding that you are declining this request unless you indicate otherwise by close of business on Sept. 23, 2024." In response, the County stated, in email, that they were looking into the issue, and would respond "ASAP". The County did not provide further response to this email, nor did the County affirmatively decline the Commission's request to take formal enforcement action, before the deadline provided.

Commission staff, additionally, addressed the issue of jurisdiction through the exchange of several letters in February of 2025. On February 12, 2024, the County sent a letter to Commission staff responding the Commission staff's request that the County consent to the Commission's processing of a consolidated CDP covering both Sable's onshore activities along the Pipelines and its offshore work. In this letter, the County asserted that the pending onshore work, referred to as "anomaly repair work" was "…authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement. Thus, no further application to or action by the County is required." However, the County further stated that, despite their position that Sable's work was authorized, the County would agree to a consolidated CDP process, if Sable also agreed. Commission staff responded explaining that they disagreed with the County's assertion regarding the existing permits, and found them problematic for multiple reasons, both procedural and substantive. Substantively, Commission staff had repeatedly asked both the County and Sable, for any such specific language or permit conditions that would support this proposition that future work was pre-authorized through existing permits issued nearly 40 years ago. Commission staff had additionally carried out extensive efforts to locate any such language or permit condition. The County has not, to this day, provided any citations to any evidence to supports its conclusion. On February 14, 2024, Sable provided its own analysis, which it then repeated and expanded in its March 10, 2024 Statement of Defense, and that analysis is discussed in detail below, in Section VII, and that discussion is incorporated herein by reference.

Notably, and as discussed above, Commission staff had also continuously asked for detailed work plans relating the work in which Sable has undertaken. Without a detailed work plan to provide specifics as to the scope, nature, and location of the completed work, and future work that is proposed to occur, it is unclear to us how the County could conclude that such work is covered by prior permits. In other words, without knowing what work is going to be carried out, how could the County determine it was included in existing permits. Further, while its letter additionally asserts that the County fully conducted an analysis of review of all relevant permit history, as well as potential implications of the County's coastal zone ordinance, the letter provided no citations or actual permit language to support that assertion.

Moreover, Commission staff found this letter to be procedurally problematic as the County provided no forewarning as to the issuance of this letter. In fact, in a January 10, 2024, video conference meeting between Commission staff and the County, the County agreed to follow up with Commission staff with information, including relevant citations and

provisions within existing County-issued permits that the County believed preauthorized the activities in which Sable conducted onshore, along the Pipelines, prior to taking action. In this conversation, Commission staff further confirmed the County and Commission staff, would have a follow-up discussion before any County approval of Sable's Zoning Clearance applications. The County provided no such citations or provisions, and Commission staff, therefore, followed up on this conversation through email, on February 7, 2025, again requesting this information. Unfortunately, Commission staff received no response before receiving the County's February 12, 2025, letters.

On February 14, 2024, Commission staff received a letter from the Environmental Defense Center requesting, pursuant to Section 13569(c) of the Commission's regulations, that Commission staff review the County's determinations regarding the activities undertaken by Sable at onshore locations, on the Pipeline, as asserted in the County's February 12, 2024, letter.

Thus, on February 16, 2024, Commission staff provided the County with a letter stating, pursuant to section 13569(c) of the Commission's regulations, the Executive Director was initiating a formal review process by requesting a copy of any coastal development permit applications submitted by Sable and/or its predecessor(s) for the safety valve installation work on the Pipeline and Sable's application the for the zoning clearance(s) for the repair anomaly work along the Pipelines, as well as the County's determinations on these matters, including the specific grounds for the determinations (and the permit files and records on which the County relies for its determinations. Further, Commission staff provided the County with an additional letter on February 17, 2024, again, requesting the County take formal enforcement action.

To date, Commission staff have not received a full response to this request. Though the County provided a follow up letter on February 24, 2025, asserting a claim that the Dispute Resolution process is inapplicable in this instance, Commission staff disagree and have attempted to obtain information from and have conversations with the County to resolve this interpretation. While the County has been responsive about providing documents to Commission staff, County staff continue to fail to respond to the core request, perpetuating a dynamic that has now persisted since at least January, 10, 2025, when Commission staff first asked County staff to identify the specific grounds for its determinations -- the exact section(s) within the County's 1987 coastal development permit and/or supporting documents that purportedly provide CDP authorization for the pipeline work at issue.

Commission staff have now requested this information from County staff on no less than seven separate occasions spanning nearly three months and have provided County staff with ample opportunity to provide it and demonstrate that a factual basis exists to support its position and determination regarding the scope of the County's 1987 coastal development permit. Commission staff have also thoroughly reviewed all of the documents County staff provided but have not located any basis for the County's position that there was prior CDP authorization for Sable's recent and current pipeline work.

As such, the second prong of Section 30810(a), has been met in that the County has declined to act to enforce its LCP, despite two separate instances in which Commission staff has requested the County do so.

C. Application to Facts

This section and this Staff Report set forth the basis for the issuance of the proposed Cease and Desist Order by providing substantial evidence that existing development meets all of the required grounds listed in Coastal Act Section 30810 for the Commission to issue a Cease and Desist Order.

Violations of the Coastal Act
Development, as described below, that required a CDP has occurred at onshore locations of the Pipelines, and at offshore locations along separate oil and water pipelines, in state coastal waters, without the required CDP. Section 30600(a) of the Coastal Act, state that, in addition to obtaining any other permit required by law, any person wishing to perform or undertake any development in the Coastal Zone must obtain a coastal development Permit. "Development" is defined broadly by Section 30106 of the Coastal Act as follows, in relevant part:

> *""Development' means, on land, in or under water, the placement or erection of any solid material or structure; discharge or disposal of any dredged material or of any gaseous, liquid, solid, or thermal waste; grading, removing, dredging, mining, or extraction of any materials; change in the density or intensity of use of land, including, but not limited to, subdivision pursuant to the Subdivision Map Act (commencing with Section 66410 of the Government Code), and any other division of land, including lot splits, except where the land division is brought about in connection with the purchase of such land by a public agency for public recreational use; change in the intensity of use of water, or of access thereto; construction, reconstruction, demolition, or alteration of the size of any structure, including any facility of any private, public, or municipal utility…" (emphasis added)*

In this case, development was undertaken at onshore locations of the Pipelines including, but not limited to; excavation of underground pipeline; removal of major vegetation; grading and widening of roads; placement of fill in wetlands; installation of metal plates over water courses; dewatering and discharge of water; removal, replacement, and reinforcement of a pipeline and pipeline infrastructure; installation of shutoff valves; and other development associated with the Las Flores Pipelines CA-3214 and CA-325, Development also occurred at offshore locations including, but not limited to, deploying sand/cement fill materials on the seafloor adjacent to, and below, Sable's out-of-service offshore oil and water pipelines. Each of these activities clearly meets the definition of development under Section 30106 and each required a CDP as required under the Coastal Act.

As indicated above, one may not perform such development in the Coastal Zone unless it is authorized by a CDP. No CDP has been issued for any of the work described above. Sable argues that the work was authorized by permits granted in the 1980s to authorize

the original construction of the pipeline system and the Santa Ynez Unit development and production plan. However, those permits do not specifically authorize any of the work at issue here, and this issue is discussed in much greater detail in Section VII, below, in which the Commission responds to Sable's Statement of Defense.

Further, construction equipment and material related to the unpermitted development activities, as well as placement of solid fill and other materials in some locations, all remain and are therefore causing continued resource damage as defined in the Coastal Act, and the Commission regulations, and therefore constitutes an ongoing violation of the Coastal Act, and its resource protection provisions. Commission staff understand that while the unpermitted development activities undertaken offshore, along Sable's oil and water pipelines, have been completed, the materials remain in place. In addition, unpermitted development activities, at onshore locations along the Pipelines have continued, and the removal of vegetation and placement of solid materials in many places remain.

Lastly, Section 30610(d) of the Coastal Act enumerates categories of development that are exempt from the requirement to obtain a permit; the development undertaken by Sable does not fit within these exempt categories and therefore required a coastal development permit.

Sable's work offshore is subject to the Commission's jurisdiction, and Sable's work onshore is largely subject to Santa Barbara's permitting jurisdiction (with areas subject to the Commission's appeals jurisdiction), but the Commission's retained enforcement authority is predicated, in part, on Section 30810(a) of the Coastal Act, which states the following:

> *The order may also be issued to enforce any requirements of a certified local coastal program or port master plan, or any requirements of this division which are subject to the jurisdiction of the certified program, or plan, under and of the following circumstances…the commission requests and the local government or port governing body declines to act, or does not take action in a timely manner, regarding an alleged violation which could cause significant damage to coastal resources…"*

As described above, the County has declined to take formal enforcement a, regarding violations undertaken, by Sable, at locations onshore, along the Pipelines. On September 20, 2024, after learning of Sable's development activities undertaken onshore, along the Pipelines, Commission staff-initiated communications with the County, informing them of the development undertaken, the Commission's position that the development needed Coastal Act authorization and requesting that the County take enforcement action. These communications also noted that the Commission would assume jurisdiction under the Coastal Act provisions regarding enforcement jurisdiction if the County declined to act. The County responded that it would review and respond but no further response was received objecting to the Commission assuming jurisdiction over the matter Further, despite several conversations between Commission staff and the County, the County has taken the position that the work Sable has conducted onshore, along the Pipelines, is covered by prior permits issued nearly 40 years ago for the initial construction and installation of the

Pipelines, though the County has declined to provide any citation to or quotation of any language in any such existing permits to support this assertion. The Commission has reviewed the materials and disagree with this position as further analyzed in the Statement of Defense section of this Staff Report, and maintain that Sable must submit complete CDP applications, for both onshore, and offshore development activities.

In sum, the activities at issue clearly meet the definition of development under Section 30106, and no permit has been issued for the work.

Therefore, the development required a CDP and no CDP was issued.
It is only necessary to find that development has been undertaken without a required permit or in violation of a previously issued permit in order for the Commission to issue a cease and desist order.

V. Basis for Issuance of Restoration Order

A. Statutory Provisions

The statutory authority for issuance of this Restoration Order is provided in Section 30811 of the Coastal Act, which states, in relevant part:

> *In addition to any other authority to order restoration, the commission… may, after a public hearing, order restoration of a site if it finds that [a] the development has occurred without a coastal development permit from the commission, local government, or port governing body, [b] the development is inconsistent with this division, and [c] the development is causing continuing resource damage.*

The following paragraphs and this Staff Report set forth the basis for the issuance of the Cease and Desist and Restoration Orders by providing substantial evidence that the development meets all of the required grounds listed in Section 30810 and 30811 for the Commission to issue a Cease and Desist and Restoration Order.

B. Application of Facts

The following paragraphs and this Staff Report set forth the basis for the issuance of the Cease and Desist and Restoration Orders by providing substantial evidence that the development meets all of the required grounds listed in Section 30810 and 30811 for the Commission to issue a Cease and Desist and Restoration Order

1. Development Without a Permit

The statutory provision requires the Commission to demonstrate that Sable undertook or maintained development that requires a CDP from the Commission without first securing one.

This element for 30811 is the same as required for 30810 and is discussed above and incorporated here by reference.

2. Development Inconsistent with the Coastal Act

The unpermitted development described herein is inconsistent with several resource protection policies enumerated under the Coastal Act, including:

Section 30240 (requiring protection of environmentally sensitive habitat areas or ESHA);

Section 30233 (requiring protection of wetlands);

Section 30231 (requiring protection of biological productivity and water quality);

Section 30230 (protection of marine resources)

Section 30234 (protection of commercial fishing and recreational boating facilities).

The unpermitted development caused significant negative impacts to the above-listed coastal resources and was inconsistent with a number of Coastal Act policies including those mentioned above. The areas surrounding the Pipelines include ESHA in some locations including, but not limited to, coastal scrub, chaparral, riparian and wetland habitat, woodlands, and annual and native grasslands. Examples of specific sensitive plant species that have been adversely impacted by the development include but are not limited to: Lemonade berry scrub *(Rhus integrifolia*), Red willow *(Salix laevigata*), Coast Live Oak *(Quercus agrifolia*), as well as other rare vegetation communities and alliances. Additionally, several development sites are within the known occurrence range of the Gaviota tarplant (*Deinandra* increscens), a federally and state listed special-status plant species. These areas also provide habitat to support several rare species, including the California red legged frog *(Rana draytonii*), southern California steelhead (*Oncorhynchus mykiss*), southwestern pond turtle *(Actinemys pallida*), as well as the Dusky-footed Woodrat *(Neotoma macrotis*). Federally designated critical habitat for several of these species is also located within areas Sable has and/or proposes to carry out pipeline excavation, inspection and replacement or reinforcement activities. The activities also had likely impacts on water quality and biological productivity and marine resources via things such as erosion into streams, given the location of the work and the proximity to such resources, as documented in the photos of the work in progress noted above. In addition, the activities undertaken offshore, along the separate oil and water pipelines in state waters, had the potential to result in adverse impacts to marine resources such as damage or disturbance to sensitive seafloor habitats, degradation of water quality, disruption to commercial and/or recreational fishing, and release of marine debris. The coastal waters in this are known to support several species of marine mammals, including Harbor seals (*Phoca vitulina*), California sea lions (*Zalophus californianus*), and several species of common dolphin and whales. Project offshore activities had the potential to adversely impact these species. Given the location and the activities, the violations offshore also had the potential to adversely impact marine resources, commercial fishing and recreational boating facilities.

3. Continuing Resource Damage

The unpermitted development is causing 'continuing resource damage', as those terms are defined by 14 CCR Section 13190.

14 CCR Section 13190(a) defines the term 'resource' as it is used in Section 30811 of the Coastal Act as follows:

> *'Resource' means any resource that is afforded protection under the policies of Chapter 3 of the Coastal Act, including but not limited to public access, marine and other aquatic resources, environmentally sensitive wildlife habitat, and the visual quality of coastal areas. The unpermitted development here took place in and around environmentally sensitive habitat areas, wetlands, areas of scenic visual resources, and so coastal resources were affected here.*

The term 'damage' in the context of Restoration Order proceedings is defined in 14 CCR Section 13190(b) as follows:

> *Damage' means any degradation or other reduction in quality, abundance, or other quantitative or qualitative characteristic of the resource as compared to the condition the resource was in before it was disturbed by unpermitted development.*

In this case, the damage caused by the unpermitted development includes degradation of environmentally sensitive habitat area and impairing of water quality. Thus, damage to coastal resources did occur here.

The term 'continuing' is defined by 14 CCR Section 13190(c) as follows:

> *'Continuing', when used to describe 'resource damage', means such damage, which continues to occur as of the date of issuance of the Restoration Order.*

As of this time, the unpermitted development that is the subject of these proceedings and the results thereof is ongoing and in many cases the development remains in place, and the impacts of such development remain in place, with the result of continuing resource damage. As described above, the various types of unpermitted development result in a variety of impacts to coastal resources, as is discussed further below. For example, the removal of vegetation and the grading of environmentally sensitive habitat areas can continue to impact coastal resources by stimulating growth and establishment of invasive weedy species which can prevent native plants from returning and diminish the suitability of the area for rare and sensitive wildlife species. Fill in wetlands continues to impact the habitat and the species reliant thereon unless and until some restoration is successful. Because excavation occurred on steep slopes, without proper protections in place, can contribute to ongoing erosion and, with ineffective erosion controls in place, the potential for harm to coastal resources is even greater.

As described above, the unpermitted development is causing damage to resources protected by the Coastal Act that continue to occur as of the date of this proceeding, and therefore damage to resources is 'continuing' for purposes of Section 30811 of the Coastal

Act. The damage caused by the unpermitted development, which is described in the above paragraphs, satisfies the regulatory definition of 'continuing resource damage.' Thus, the third and final criterion for issuance of a Restoration Order is therefore satisfied.

C. Jurisdiction

Santa Barbara County's Local Coastal Program ("LCP") was adopted by the Board of Supervisors on January 7, 1980, and was partially certified by the Commission on March 17, 1981. After an LCP is certified by the Commission, review authority over new development within the coastal zone rests with the locality; development appealable to the Commission is defined in Section 35-58 of the LCP (and Section 30603 of the Coastal Act) to include development approved by the County between the sea and the first public road paralleling the sea.

Once the Commission has certified a locality's LCP, the locality has inherent authority, via its police power, to take enforcement actions for violations of its LCP. The Commission also retains enforcement authority including under Coastal Action section 30811 and in the specific circumstances enumerated in Coastal Act Sections 30810(a) to address violations of the LCP. Pursuant to Section 30810(a) of the Coastal Act, the Commission can issue a cease and desist order to address an LCP/Coastal Act violation within a certified area if 1) the local government requests the Commission assume enforcement responsibility; 2) the Commission requests that the local government take action and the local government declines to act or does not take action in a timely manner; or 3) if the local government is a party to the violation.

On September 20, 2024, Commission staff sent an email to the County, providing notification that the Commission learned of development activities being undertaken along the Pipelines and informing the County of Commission staff's position that such work required Coastal Act authorization. This email message further requested the County take formal enforcement action and provided "… the Commission will assume enforcement jurisdiction based on the understanding that you are declining this request unless you indicate otherwise by close of business on Sept. 23, 2024." In response, the County stated, in email, that they were looking into the issue, and would respond "ASAP". The County did not provide further response to this email, nor did the County affirmatively decline the Commission's request to take formal enforcement action, before the deadline provided.

Commission staff, additionally, addressed the issue of jurisdiction through the exchange of several letters in February of 2025. On February 12, 2024, the County sent a letter to Commission staff responding the Commission staff's request that the County consent to the Commission's processing of a consolidated CDP covering both Sable's onshore activities along the Pipelines and its offshore work. In this letter, the County asserted that the pending onshore work, referred to as "anomaly repair work" was "…authorized by the existing permits (Final Development Plan, Major Conditional Use Permit, and associated Coastal Development Permits) and was analyzed in the prior Environmental Impact Report/Environmental Impact Statement. Thus, no further application to or action by the

County is required." However, the County further stated that, despite their position that Sable's work was authorized, the County would agree to a consolidated CDP process, if Sable also agreed. Commission staff responded explaining that they disagreed with the County's assertion regarding the existing permits, and found them problematic for multiple reasons, both procedural and substantive. Substantively, Commission staff had repeatedly asked both the County and Sable, for any such specific language or permit conditions that would support this proposition that future work was pre-authorized through existing permits issued nearly 40 years ago. Commission staff had additionally carried out extensive efforts to locate any such language or permit condition. Although the County has not, to this day, provided any citations to any evidence to supports its conclusion, on February 14, Sable provided its own analysis, which it then repeated and expanded in its March 10 Statement of Defense, and that analysis is discussed in detail below, in Section VII, and that discussion is incorporated herein by reference.

Notably, and as discussed above, Commission staff had also continuously asked for detailed work plants relating the work in which Sable has undertaken. Without a detailed work plan to provide details as to the scope, nature and location of the completed work and future work that is proposed to occur, it is unclear to us how the County could conclude that such work is covered by prior permits. In other words, without knowing what work is going to be carried out, how could the County determine it was included in existing permits. Further, while its letter additionally asserts that the County fully conducted an analysis of review of all relevant permit history, as well as potential implications of the County's coastal zone ordinance, the letter provided no citations or actual permit language to support that assertion.

Moreover, Commission staff found this letter to be procedurally problematic as the County provided no forewarning as to the issuance of this letter. In fact, in a January 10, 2024, video conference meeting between Commission staff and the County, the County agreed to follow up with Commission staff with information, including relevant citations and provisions within existing County-issued permits that the County believed preauthorized the activities in which Sable conducted onshore, along the Pipelines, prior to taking action. In this conversation, Commission staff further confirmed the County and Commission staff, would have a follow-up discussion before any County approval of Sable's Zoning Clearance applications. The County provided no such citations or provisions, and Commission staff, therefore, followed up on this conversation through email, on February 7, 2025, again requesting this information. Unfortunately, Commission staff received no response before receiving the County's February 12, 2025, letters.

On February 14, 2024, Commission staff received a letter from the Environmental Defense Center requesting, pursuant to Section 13569(c) of the Commission's regulations, that Commission staff review the County's determinations regarding the activities undertaken by Sable at onshore locations, on the Pipeline, as asserted in the County's February 12, 2024, letter.

Thus, on February 16, 2024, Commission staff provided the County with a letter stating, pursuant to section 13569(c) of the Commission's regulations, the Executive Director was initiating a formal review process by requesting a copy of any coastal development permit

applications submitted by Sable and/or its predecessor(s) for the safety valve installation work on the Pipeline and Sable's application the for the zoning clearance(s) for the repair anomaly work along the Pipelines, as well as the County's determinations on these matters, including the specific grounds for the determinations (and the permit files and records on which the County relies for its determinations. Further, Commission staff provided the County with an additional letter on February 17, 2024, again, requesting the County take formal enforcement action.

To date, Commission staff have not received a full response to this request. Though the County provided a follow up letter on February 24, 2025, asserting a claim that the Dispute Resolution process is inapplicable in this instance, Commission staff disagree and have attempted to obtain information from and have conversations with the County to resolve this interpretation. While the County has been responsive about providing documents to Commission staff, County staff continue to fail to respond to the core request, perpetuating a dynamic that has now persisted since at least January, 10, 2025, when Commission staff first asked County staff to identify the specific grounds for its determinations -- the exact section(s) within the County's 1987 coastal development permit and/or supporting documents that purportedly provide CDP authorization for the pipeline work at issue.

Commission staff have now requested this information from County staff on no less than seven separate occasions spanning nearly three months and have provided County staff with ample opportunity to provide it and demonstrate that a factual basis exists to support its position and determination regarding the scope of the County's 1987 coastal development permit. Commission staff have also thoroughly reviewed all of the documents County staff provided but have not located any basis for the County's position that there was prior CDP authorization for Sable's recent and current pipeline work.

As such, the second prong of Section 30810(a), has been met in that the County has declined to act to enforce its LCP, despite two separate instances in which Commission staff has requested the County do so.

VI. BASIS FOR IMPOSITION OF ADMINISTRTIVE PENALTIES

A. Statutory Provisions

The statutory authority for imposition of administrative penalties for violations of non-access provisions of the Coastal Act is provided in the Coastal Act in Public Resources Code Section 30821.3[8], which states, in relevant part:

(a) In addition to any other penalties imposed pursuant to this division, a person, including a landowner, who is in violation of any provision of this division other than public access, including, but not limited to, damage to archaeological and wetlands resources and damage to environmentally sensitive habitat areas, is subject to an

[8] All section references in this section, III.C, are to the California Public Resources Code, and as such, to the Coastal Act, unless otherwise indicated.

> administrative civil penalty that may be imposed by the commission in an amount not to exceed 75 percent of the amount of the maximum penalty authorized pursuant to subdivision (b) of Section 30820 for each violation. The administrative civil penalty may be assessed for each day the violation persists, but for no more than five years.

Through the proposed Cease and Desist Order, Restoration Order, and Administrative Penalty Order, Sable Offshore Corp. would be required to pay penalties based on the Section 30821.3 as described above, and as detailed below.

B. Application to the Facts

1. The Violations are Ongoing:

As the courts have consistently recognized, the Coastal Act should be interpreted broadly, since the Coastal Act and case law says that it is to be "liberally construed to accomplish [the act's] purposes and objectives." (See e.g., Pacific Palisades Bowl Mobile Estates, LLC. v. City of Los Angeles (2012) 55 Cal.4th 783, 796.) The various actions and inactions by Sable have led to ongoing adverse impacts to coastal resources and constitute ongoing violations of the Coastal Act's resources protection provisions generally. The impact to coastal resources from these actions and inactions is borne by the public every day and will be until this matter is resolved.

2. Exceptions Do Not Apply:

De Minimis Violations

There are some statutory conditions on when the Commission can impose administrative penalties. One such limit is in Section 30821.3(f) of the Coastal Act, which provides that:

> *In enacting this section, it is the intent of the Legislature to ensure that unintentional, minor violations of this division that only cause de minimis harm will not lead to the imposition of administrative penalties if the violator has acted expeditiously to correct the violation.*

This language establishes four criteria, all of which must be met for the violation to be deemed *de minimis* under 30821.3(f). The violation must: (1) be unintentional, (2) be "minor," (3) cause only *de minimis* harm, and (4) be corrected expeditiously.

None of the Section 30821.3(f) criteria is applicable to this case. Sable's actions in undertaking development, at both onshore and offshore locations, without requisite CDPs were not unintentional. While unlikely, if Sable were initially unaware of the Coastal Act implications of the development they undertook at onshore locations, along the Pipelines, they were directly informed, first informally and then through a Notice of Violation letter, in September 2024, yet Sable has continued to undertake these activities through today. With specific regard to the activities taken at locations offshore, Sable was informed of the

need for Coastal Act authorization for proposed work, before it was undertaken, but chose to undertake the work without first securing a CDP, nonetheless. As such, the actions with regard to Coastal Act violations at both, onshore and offshore, locations have not been undertaken unintentionally. Moreover, these actions have resulted in ongoing harms to coastal resources, and although the full extent of this impact has not been fully disclosed to Commission staff, it is clear such impacts extend to the areas surrounding the onshore locations of the Pipelines and have potential to negatively impact important habitat areas which support rare and sensitive species, as more fully discussed above. These violations thus cannot be considered minor, nor have they resulted in *de minimis* harm. Lastly, Sable has declined to affirmative actions to correct the violations, at either onshore or offshore locations and further, has continued operations at onshore locations, along the Pipelines, despite an active Cease and Desist order.

Cure Period

In order to encourage quick and informal resolutions of violations, the Coastal Act also has a provision to allow, in certain limited circumstances, a period of time in which a party can "cure" the violation without penalties attaching. This is set forth in Section 30821.3(h) of the Coastal Act, which lists circumstances in which a property owner can prevent the imposition of administrative penalties by correcting the violation within 30 days of receiving written notification from the Commission regarding the violation. Section 30821.3(h) is inapplicable to the matter at hand.

For 30821.3(h) to apply and prevent the issuance of an administrative penalty, there are several requirements, all of which must be met: 1) the violation must be remedied within 30 days of notice; and 2) the violation must be able to be resolved without needing to undertake additional development that would require Coastal Act authorization. In addition, opportunity for a cure does not apply to cases involving resolutions of violations of permit conditions, since the party with a permit would have had previous notice of the requirements of permits. This section does not apply here, for several reasons.

First, Sable did not resolve this within 30 days of receiving notice. Sable received written notice of the onshore Coastal Act violations at issue in the form of a Notice of Violation letter dated September 27, 2024 (Exh. 2), which was followed up in the Notice of Intent to Issue an EDCDO on October 4, 2024 (Exh. 3), the issuance of the EDCDO on November 12, 2024 (Exh. 4), and by a second EDCDO issued on February 18, 2024 (Exh. 8) which additionally provided Notice of Intent to commence a formal proceeding before the Commission to consider issuance of a Commission Cease and Desist Order, Restoration Order and Administrative Penalty. Sable additionally received written notice of the offshore Coastal Act violations in the form of a Notice of Violation letter issued February 11, 2025 (Exh. 5). Sable was fully informed through all of these documents, and in numerous and extensive conversations over the course of multiple months, as detailed above. Sable has not fully complied with any of the above listed actions and has indicated their current position as continuing to refuse to comply in any manner. As such, the violations were not only not remedied in a period of 30 days, but remain unresolved, to date.

Second, the violations need legal authorization to be resolved, as has been reiterated to Sable consistently, in numerous letters, and over the course of multiple conversations, through a full and complete application for ATF CDP for all development, both onshore and offshore, that has been conducted to date, (as well as needing an application for a CDP for any onshore, or offshore, proposed, future development).

In summary, the cure pursuant to Section 30821.3(h) is inapplicable in this matter.

C. Penalty Amount

Under section 30821.3(a) of the Coastal Act, the Commission may impose penalties in "an amount not to exceed 75 percent of the amount of the maximum penalty authorized pursuant to subdivision (b) of Section 30820 for each violation." Section 30820(b) authorizes civil penalties that "shall not be less than one thousand dollars ($1,000), nor more than fifteen thousand dollars ($15,000), per day for each day in which the violation persists." Therefore, the Commission may impose penalties of up to $11,250 per day (75% of $15,000) for each separate violation. 30821.3(a) also specifies that the "administrative civil penalty may be assessed for each day the violation persists, but for no more than five years." Section 30821.3 and Section 30820's use of daily penalties reflects the legislative intent in the Coastal Act to encourage quick resolution of violations and to deter lengthy, on-going violations and thereby provide greater protection of coastal resources. The daily penalty amounts are also intended to encourage prompt and effective compliance with the Coastal Act.

Number of Violations

In this case, staff grouped the violations into a total of 9 distinct categories or types of Coastal Act violations, based on what staff was able to identify, each of which they treated as one violation, even though each category arguably comprises many individual violations. The Commission adopts this approach as a conservative approach to identifying the number of violations at issue. While the nature and extent of each separate violation may be slightly different, the cumulative impact of undertaking all of these actions, collectively, is considerable, especially as all actions were taken without specific, protective measures which could have been delineated through appropriate regulatory review processes, including by the Commission, California Department of Fish and Wildlife, California Department of Parks and Recreation and the Central Coast Regional Water Quality Control Board, all of which were avoided by Sable.

There are seven separate violations undertaken onshore along the Pipelines including, 1) excavation with heavy equipment; 2) removal of major vegetation; 3) grading and widening of roads; 4) installation of metal plates and fill in wetlands; 5) dewatering and discharge of water; 6) pipeline removal, replacement, and reinforcement; 7) installation of shutoff valves; as well as other development associated with the Las Flores Pipelines CA-324 and CA-325. There is an additional eighth violation which was undertaken at locations offshore in state waters: Sable undertook development including placement of sand and cement bags on the seafloor below and adjacent to Sable's out-of-service oil and water pipelines. Lastly, the ninth violation arises from Sable's failures to comply with the EDCDOs issued in

this matter. Sable failed to fully comply with the first EDCDO, issued in November 2024, in that Sable did not submit any application for CDP for, either activities undertaken onshore, along the Pipelines, or at offshore locations of the pipeline. Moreover, Sable knowingly, and completely, refused to comply with the terms of the second EDCDO issued in February 2025. Recognizing that Sable complied with at least a portion of the first EDCDO, issued in November, and in order to be conservative, Commission staff recommend assessment of penalties for noncompliance with the second EDCDO, issued in February only. Thus, this would amount to an additional violation, with a cumulative amount of nine penalties in total.

Number of Days

Penalties under Section 30821.3 may be "assessed for each day the violation persists" up to a period of five years. In this case, the violations have persisted for varying amounts of time. With regard to the activities undertaken at locations onshore along the Pipelines, since we were not given notice of the activities, Commission staff are not aware of the exact date of when activities began. Images show an excavated trench, at location along the Pipelines, as early as June 2024. However, Commission staff first learned of these activities in a call with the County, on September 9, 2024. Thus, these activities were being undertaken, at the very least, by that date, and we have used that date as a conservative marker for calculation of the number of days of the violations.

Because these activities have been ongoing, the conservative date range for the activities undertaken onshore used to calculate penalties under 30821.3 would begin on September 9, 2024, and run through April 10, 2024, the date of today's hearing, or for 214 days.

However, the Commission staff recognizes that Sable did, temporarily comply with the directive to cease and desist activities, provided in the November EDCDO, (Exh. 4) and are therefore recommending the Commission apply a tolling period to the assessment of certain penalties, as described below. (though Sable did immediately resume operations on February 14, 2024). Thus, staff is recommending that the penalties under 30821.3 not be assessed for the period of time in which Sable was complying, at least in large part, with the first EDCDO, for certain, specified violations namely the dewatering and discharge or water, pipeline removal, replacement, and reinforcement, and installation of shutoff valves, as described in detail below, While Commission staff have concerns about whether the work was fully ceased during this time, and, and whether work actually commenced earlier than September 9, 2024, for purposes of calculated these specific activities, Commission staff have taken a conservative approach. It is important to note that these specified activities did negatively impact coastal resources greatly, as discussed below. However, Commission staff recognize that such impacts, while not corrected, were, at least, partially abated during the period of time in which Sable complied with the first EDCDO.

However, and as also described in greater detail, Commission staff do not feel this tolling of penalties should be applied to the full list of Coastal Act violations undertaken, since the impacts of other violations could not be abated by simply ceasing actively undertaking additional such activities. More specifically, this tolling period should not be applied to

excavation with heavy equipment, installation of metal plates and fill in wetlands, removal of major vegetation, or grading and widening of roads, given that for these violations, coastal resource damage has been ongoing, despite temporary cessation of the additional activities itself.

There are 4 basic categories of violations: Onshore violations with tolling periods (as discussed above), Onshore violations without tolling periods, Offshore violations and violations of the Orders issued in this matter. We discuss each in turn.

Coastal Act Violations; Onshore, Along the Las Flores Pipelines CA-324 and CA-325

Assessment of Penalties to Which Tolling Period is Applied:

For those activities discussed above to which Commission staff believe it would be appropriate to toll the penalty period, the date range for assessment of penalties would be starting on December 19, 2024. On this date, Sable submitted to Commission staff an Interim Restoration Report, completed in compliance with the terms of the November EDCDO. Commission staff recognize that the actions taken by Sable, in implementing the measures as required by the Interim Restoration Plan hopefully reduced the likelihood of certain environmental damage from worsening, and therefore believe this date is appropriate to begin the tolling period. However, once Sable resumed development activities on February 14, 2025, penalties should again be assessed after that date, as the damage to coastal resources would no longer be halted.

In sum, Commission staff recommend that three specified activities-- the, dewatering and discharge of water; pipeline removal, replacement, and reinforcement; and installation of shutoff valves, be assessed at lower penalty range, through tolling applied to the date range in which penalties are assessed. These activities, thus, would be assessed for a period of 156 days. The period of time between December 19, 2024, and February 14, 2025, amounts to a 58-day tolling period. Subtracting that tolling period (58 days) from the full date range in which violations would otherwise be assessed (which is period of 214 days, as described above), would result in a penalty assessment period, for these specific violations, of 156 days. For these three activities, Commission staff recommend that the penalty be assessed at $7,000 a day for a period of 156 days, (The full date range for violation, with tolling period of 58 days subtracted) for the three violations discussed above. In accordance with this calculation (156 days at $7,000/day), Commission staff specifically recommends a penalty in the amount of $1,092,000 for each of these three violations, or a total of $3,276,000.

Assessment of Penalties to Which Tolling Period is Not Applied:

For the remainder of the violations, as noted above, staff would not recommend applying a tolling period to the accrual of penalties. Again, in evaluating the severity of each violation and its impacts, it should be noted that even assuming there was a cessation of work during this time, certain activities and violations continued to have the potential to cause ongoing impacts to coastal resources, even when temporarily halted. Specifically, those

four activities are as follows: excavation with heavy equipment; removal of major vegetation; installation of metal plates and fill within wetlands, and the grading and widening of roads. All of these activities caused significant environmental harms that temporary cessation of the physical activity does not alleviate. Without affirmative actions taken to correct these violations, their impacts are ongoing. Further, because of the extensive damage to coastal resources these activities caused, as described below, Commission staff recommend these three violations be assessed at the maximum daily penalty ($11,250) for the full period of 214 days, amounting to $2,407,500 for each of the violations or a total of $9,630,000.

Coastal Act Violations; Offshore Locations of the Pipeline

In addition to the unpermitted development activities undertaken onshore, Sable has additionally undertaken unpermitted development activities at offshore locations of the pipeline, in state coastal waters, including the deployment of sand and cement bags on the seabed, along the pipeline, and span remediation work, as described above. After cessation of activities onshore, at areas covered by the EDCDO issued in November, Sable began undertaking activities at locations offshore, along the pipeline, commencing on November 29, 2025.

There were several communications between Commission permit staff and Sable, before these activities began. On September 24, 2024, Commission staff sent an email, as a follow-up to a phone call conversation on that day, informing Sable that work Sable intended to undertake, which was discussed during that phone call, would require a CDP, and encouraging Sable to work with the Commission before proceeding with any work. In fact, Commission staff specifically acknowledged in this email, that, though Sable intended to move quicky with the work, doing do would create a more complicated and challenging situation, and reiterated the need to coordination with Commission staff. Sable responded to this email and indicated, at least, a willingness to discuss the work further and planned to set up a future call. On November 7, 2024, Commission staff followed up with an email to Sable, in an effort to set up a phone call to, again, discuss Sable's plans for work at locations along the offshore pipelines. The following day, November 8, Commission staff and Sable shared email messages in a further attempt to set up a phone call and when they were unable to, Commission staff requested a written description of the work Sable planned to conduct. An email from Sable, sent on November 19, provided limited information as to the specifics of the work, and claimed that Sable was "committed to ensuring compliance with all necessary authorizations before proceeding with any work. In response, Commission staff reiterated that such work would require a complete CDP application. Further, Commission staff confirmed that, based on the previous conversations, Sable did not intend to proceed with work until Commission staff had the opportunity to more fully discuss the details of that work. Sable provided no response to this email, and thus, Commission staff sent a follow up email on January 10, 2024, again informing Sable of the need for CDP for the work Sable intended to undertake along the offshore locations of the pipeline and requested a status update as to any potential work. Sable provided no response to this email.

Unfortunately, Commission staff instead received a letter from Sable's counsel on January 15, 2024, that Sable had conducted "inspections" along the offshore portions of the pipeline, then undertook the unpermitted activities discussed above. Again, this activity is one for which authorization, with appropriate conditions and mitigation if appropriate, likely could have been obtained through the Commission's CDP process, had they applied. In fact, the Commission has approved similar work on no less than seven separate occasions since 1996 as well as two emergency authorizations when expedited completion of the work was warranted. As discussed above, if Sable had secured a CDP for this work, the Commission would have had the opportunity to fully assess the proposed work, and ensure necessary measures were taken to prevent damage to coastal resources, such as limiting the fill material to sand rather than concrete (which can leach contaminants and degrade water quality), ensuring sensitive reef areas and marine habitats are avoided by the fill, coordinating the work to avoid conflicts with commercial and recreational fisheries, and including appropriately trained and independent on project vessels to minimize entanglement and ship strike risks. Instead of working collaboratively with the Commission, Sable proceeded with these actions, with full knowledge that doing so would be a violation of the Coastal Act, and with blatant disregard for the jurisdiction of the Commission, and any potential damages that the work would inflict on coastal resources, including marine mammals, coastal water quality, fisheries and sensitive marine habitats. Moreover, the materials placed offshore as discussed here remain in place today and any impacts have not been reduced, conditioned to avoid, addressed or mitigated for. This flat refusal to comply with the Coastal Act warrants a high penalty, which would be assessed for a date range of 133 days which begins on November 29, 2024, the date in which these activities began, through April 10, 2024, the date of this hearing, at $11,250 daily, amounting to 1,496,250.

Coastal Act Violation
Failure to Comply with Executive Director Cease and Desist Order

Lastly, two separate EDCDOs have been issued to Sable, in this matter.
In November 2024, the Executive Director of the Commission issued an EDCDO directing Sable to, among other things, cease and desist all unpermitted development activities, temporarily secure the open trench work sites where work had ceased, and submit a complete CDP application for both works already undertaken as well as future, proposed work. While Sable exhibited partial compliance with this order, it has, to date, not applied for any such CDP. This is despite an extended deadline given for that requirement, as accommodation made by Commission staff in hopes of assisting Sable in successfully resolving all violations.

The second EDCDO, issued in February 2025, again directed Sable to cease and desist all unpermitted development activities, and, again, directed them to comply with the Coastal Act and submit a complete application for a CDP for both work already undertaken as well as any future, proposed work. In this instance, Sable blatantly, and egregiously, refused to comply with any aspect of this EDCDO. Sable, citing a variety of arguments described in fuller detail above and in the Response to the Statement of Defense section of this staff report, have refused to apply for any such CDP, and, instead restarted work

very quickly after expiration of the first EDCDO issued in November. They disregarded the EDCDO issued in February 2025 and not only restarted work, but they continued that work through evening hours, and weekends, at an alarmingly fast rate, before the action could be brought before this Commission. While Sable raised a number of arguments asserting that they have a reasoned basis for their outright refusal to comply with this EDCDO, as discussed above and at length in the Response to the Statement of Defense, this is not accurate and Commission staff repeatedly informed Sable of this and attempted to work with them to resolve the matter amicably, to no avail.

Despite Sable's lack of full compliance with the terms of the EDCDO, issued in November, Commission staff is only recommending assessment of penalties for Sable's noncompliance with the terms of the February EDCDO. The date range for this assessment would start on February 18, 2025, when the EDCDO was issued, and be assessed through April 10, 2025, the date of today's hearings. This date range amounts to 52 days. Because of the extreme nature Sable's actions in this instance, Commission staff recommend this penalty be assessed at the max daily penalty, $11,250, per day. Over 52 days this amounts to $585,000.

Thus, collectively, Commission staff recommend a penalty amount of $14,987,250.

Finally, we note that these penalty amounts were reached under an analysis of applying the factors set forth in the Coastal Act. Under 30821.3(c), in determining the amount of administrative penalty to impose, "the commission shall take into account the factors set forth in subdivision (c) of Section 30820."

Section 30820(c) states:

> *In determining the amount of civil liability, the following factors shall be considered:*
>
> *(1) The nature, circumstance, extent, and gravity of the violation.*
> *(2) Whether the violation is susceptible to restoration or other remedial measures*
> *(3) The sensitivity of the resource affected by the violation*
> (4) *The cost to the state of bringing the action.*
> *(5) With respect to the violator, any voluntary restoration or remedial measures undertaken, any prior history of violations, the degree of culpability, economic profits, if any, resulting from, or expected to result as a consequence of, the violation, and such other matters as justice may require*

As is described in greater detail in accordance with these factors below, Sable's actions, and failures to acts constitute multiple violations and this analysis provides recommendations for the factors to be applied for each type of violation. Commission staff recommends that the Commission assess daily penalties for each of the categories of violations at a daily amount based on the factors in 30820(c) as analyzed below.

Excavation and Grading with Heavy Equipment

Note that these two violations are discussed together because we find that the five factors apply in the same manner to each of these violations.

30820(c)(1) *The nature, circumstance, extent, and gravity of the violation.*

Sable conducted extensive grading and excavation activities, some of which were conducted in, or adjacent to, riparian ESHA. (Exh. 87) Images provided to Commission staff by members of the public show several instances in which excavators are located in, or near, these sensitive resources, including excavators parked atop a pool where a southwestern pond turtle was documented to be swimming, as well as two southern California steelhead. (Exh. 68) Commission staff were provided a report with details of, at least, one damaged woodrat nest, which was impacted in coastal sage scrub – potentially from the dusky footed woodrat, a species of special concern due to its rarity and ecosystem role. The full extent to this damage, and potential species mortality, is not fully known and Sable has not been forthcoming with information as to the work, forcing Commission staff to make assessments as to this damage based on the imagery and information gathered from other sources. (see: Exh.69 of grease pool which as fallen from an excavator) That being said, the imagery reviewed by Commission staff shows particularly concerning, and extensive, damage leading Commission staff to believe the full extent of coastal resource harm is potentially, in fact, much greater than has been disclosed by Sable. There was no justification for not coordinating with the Commission in advance, and this factor in the aggregate weighs in favor of a high penalty amount.

30820(c)(2) *Whether the violation is susceptible to restoration or other remedial measures*

The topography can be restored and the earth compacted, but the habitat and water quality (such as sedimentation) impacts cannot be undone. Further, Commission staff have received images, taken in October, showing excavated sites which, at least in one instance, the recompaction was done loosely, and ineffectively. (See: Exh. 72 image of backfilled trench site that has no soil compaction) This factor weighs in favor of a medium penalty amount.

30820(c)(3) *The sensitivity of the resource affected by the violation*

As stated above, the resources affected here are particularly sensitive since the work was conducted in, or adjacent to, riparian ESHA, (See: Exh. 124 image of Scrub Vegetation that has been removed, and construction equipment in the background, in a riparian area) and with damage to important habitat which support species such as the southwestern pond turtle, California steelhead, dusky footed woodrat, as well as other critical species. As described previously in this staff report, the timing of this development is important to consider as the work has been undertaken during the breeding season for certain rare and sensitive wildlife species, as well as bird nesting season. The presence of project personnel and the operation of machinery and other equipment within these sensitive habitats during these periods had the potential to temporarily disrupt or more permanently impact the breeding and nesting of individual species. This factor weighs in favor of a high penalty

30820(c)(4) *The cost to the state of bringing the action.*

The cost to the state has been high, with respondent repeatedly starting negotiations only to back out later and refusing to comply with orders, and given the vast, dispersed, and complicated nature of the project and the way information has or has not been shared. Sable's nonfeasance and malfeasance has, and continues to be, varied and extensive, and has required an incredible amount of Commission resources to unravel, and address. Sable has been consistently obstinate with regard to informational requests, and efforts to resolve the ongoing Coastal Act violations, onshore and offshore. As a result, Commission staff have spent an unreasonably high amount of time assessing information from various sources, traveling to the locations in an effort to more fully understand the scope of work conducted, and poring over reports from the public in an effort to gain some understanding of the full scope of work. To date, Sable continues to fail to provide full information, or any full-scale project plans relating to the work. In addition, Commission staff has spent an inordinate amount of time communicating with Sable's counsel, through weekends and late into evenings, under the guise of seeking compromise, and, on more than one occasion Sable has indicated willingness to work with Commission staff, only to change positions, last minute, forcing Commission staff to expend even greater resources. In addition to the great amount of resources expended to try and resolve the violations, Sable's lack of transparency, and refusal to provide full information requested about what they have done and where and when, things which are basic to any project and to the ability to assess legal options, has resulted in a tremendous drain of resources, and has required a continually laborious effort on the part of Commission staff. As such, the cost to State in bringing the action is very high, and the Commission therefore finds that consideration of Section 30820(c)(4) warrants application of a high penalty.

30820(c)(5) *With respect to the violator, any voluntary restoration or remedial measures undertaken, any prior history of violations, the degree of culpability, economic profits, if any, resulting from, or expected to result as a consequence of, the violation, and such other matters as justice may require*

Sable Offshore Corp, a company created in 2024, has no known history of violation, however the other elements in the (c)(5) factor weigh heavily against them. They undertook no voluntary restoration or remedial measures, having only done some restoration in response to the first EDCDO, and they proceeded with this work even after, and in defiance of, the second such order. This also reveals a high degree of culpability. The entire project is designed for economic profit, which may be a significant part of the motivation to proceed very quickly, in defiance of the order, if they believe the economic benefits will outweigh the amount of penalties imposed. This factor weighs in favor of a high penalty.

Given the discussion above, we consider these violations to be at the high end of the possible range and apply a daily penalty amount of $11,250, for the full date range of 214 days, amounting to $2,407,500 per violation, or $4,815,000 for the two violations.

Removal of Major Vegetation

30820(c)(1) The nature, circumstance, extent, and gravity of the violation.

Several sites where activities were conducted are in or adjacent to potential ESHA, including coastal sage scrub, lemonadeberry scrub, wetland or drainages, and are also in, or near, mapped wetlands. Other work sites are in annual or native grassland, which is considered ESHA in certain situations. Many of the work sites are in, or near, coastal sage scrub. Construction equipment and other construction materials have been staged extensively near ESHA. (See. Exh 104 image of extensive construction equipment staged near EHSA, and Exh.106 image of staging of equipment near Willows.) Importantly, the violation involved a major amount of work at many different sites over a large area, with no justification for not coordinating with the Commission in advance and ensuring that the work was conditioned to protect these resources. Coordination with Commission staff would have allowed for full analysis of potential impacts, and safeguards to protect against coastal resource damage, yet this did not happen. Thus, so this factor weighs in favor of a medium-high penalty amount.

30820(c)(2) Whether the violation is susceptible to restoration or other remedial measures

The vegetation can be restored, though much of the work was done in sensitive areas, which may require greater measures to fully restore the vegetation. Moreover, the use of heavy machinery and other equipment within, or around, sensitive riparian areas can result in serious adverse impacts via trimming or removal of vegetation, which can reduce the habitat value of these areas as a result of the altered vegetation structure, with loss of cover, feeding areas, nest sites, and other similar functions. (Exh. 78) In addition to all of these potential impacts, these activities have the potential for to contribute to the release and dispersion of sediment and or release of hazardous materials into waterways, or sensitive riparian and wetland habitat areas. This factor weighs in favor of a high penalty amount.

30820(c)(3) The sensitivity of the resource affected by the violation

The resource affected by these violations is habitat, so this factor weighs in favor of a high penalty amount.

30820(c)(4) The cost to the state of bringing the action.

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount**.**

30820(c)(5) With respect to the violator, any voluntary restoration or remedial measures undertaken, any prior history of violations, the degree of culpability, economic profits, if any, resulting from, or expected to result as a consequence of, the violation, and such other matters as justice may require

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

Given the discussion above, we consider these violations to be at the high end of the possible range and apply a daily penalty amount of $11,250 for the full date range of 214 days, amounting to $2,407,500

Installation of Metal Plates and Fill Within Wetlands

30820(c)(1) The nature, circumstance, extent, and gravity of the violation

Sable conducted extensive grading and excavation activities, some of which was conducted in, or adjacent to, riparian ESHA. Sable also applied an incorrect buffer of 50 feet from ESHA, instead of the requisite 100 foot buffer required by the County's Commission-certified Gaviota Coast Plan. Additionally, it does not appear that Sable delineated the locations of neighboring wetlands accurately, if at all. Without accurate ESHA mapping and wetland delineations mapping it is impossible to know the full extent of ESHA and wetlands at the development sites and it is unlikely that adequate protective measures were implemented to avoid or minimize adverse impacts to these habitats. As such, there is a high potential for damage to those wetlands fill activities and thus, this factor weighs in favor of a high penalty amount

30820(c)(2) Whether the violation is susceptible to restoration or other remedial measures

Violations, such as fill in wetlands, are difficult to remedy and, even if they are remedied successfully in the long run, the resource has been impacted in the interim, thus this factor weighs in favor of a high penalty amount. (See: Exh. 94 image of steel plate placed over installed culvert)

30820(c)(3) The sensitivity of the resource affected by the violation

The resource affected by these violations is wetlands, so this factor weighs in favor of a high penalty amount

30820(c)(4) The cost to the state of bringing the action.

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

30820(c)(5) With respect to the violator, any voluntary restoration or remedial measures undertaken, any prior history of violations, the degree of culpability, economic profits, if any, resulting from, or expected to result as a consequence of, the violation, and such other matters as justice may require

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

Given the discussion above, we consider these violations to be at the high end of the possible range and apply a daily penalty amount of $11,250, for the full date range of 214 days, amounting to $2,407,500

Dewatering and Discharge of Water

30820(c)(1) The nature, circumstance, extent, and gravity of the violation

The dewatering and discharge or water, which occurred as part of excavation and work conducted on, and along, the offshore Pipelines, was done in riparian areas. and those with elevated water tables, which created potentially damaging impacts to both surrounding habitat as well as potential increased erosion damage. Again, this work was conducted with no justification for lack of coordination with Commission staff which could have avoided the adverse impacts, and has the potential to create serious damage to surrounding habitat, and erosion. Thus, this factor weighs in favor of a mid to high penalty amount.

30820(c)(2) Whether the violation is susceptible to restoration or other remedial measures

Habitat can be restored, though the extent of the damage affects the measures which may be needed to fully do so. Sable undertook these activities without coordination with Commission staff which could have ensured proper parameters were in place that could have prevented potential habitat damage. Further, Commission staff have received images that show the BMPs that Sable did use to while doing the work in an apparent attempt to limit erosion or other damage to surrounding coastal resources, were installed ineffectively. Thus, the damage may be far greater than can be adequately assessed through the material which Sable has shared, which makes assessment of the susceptibility to restoration difficult to fully analyze. Thus, this factor weighs in favor of a mid to high penalty amount.

30820(c)(3) The sensitivity of the resource affected by the violation

The resource affected by these violations is wetlands, so this factor weighs in favor of a high penalty amount.

30820(c)(4) The cost to the state of bringing the action.

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

30820(c)(5) With respect to the violator, any voluntary restoration or remedial measures undertaken, any prior history of violations, the degree of culpability, economic profits, if any, resulting from, or expected to result as a consequence of, the violation, and such other matters as justice may require

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

Given the discussion above, we consider these violations to be at the mid-high end of the possible range and apply a daily penalty amount of $7,000, with the tolling period of 58 days subtracted from the full date range of 214 days, amounting to 156 days, amounting to $1,092,000

Pipeline Removal, Replacement, and Reinforcement

30820(c)(1) The nature, circumstance, extent, and gravity of violation

Sable brought in heavy equipment to excavate substantial areas, and began either, removing or replacing whole sections of pipe, or installing external sleeves or coatings to expand and reinforce the pipeline. These activities required extension excavation, and created the potential release of construction debris and hazardous materials into the surrounding environment. While these activities created damage to the surrounding environment, they may not necessarily present the same threat of ongoing damage as other violations here do. Thus, this factor weighs in favor of a mid-range penalty.

30820(c)(2) Whether the violation is susceptible to restoration or other remedial measures

The vegetation and surrounding habitat damage can be restored, so this factor weighs in favor of a mid-range penalty amount

30820(c)(3) The sensitivity of the resource affected by the violation

The resource affected by these violations is vegetation and habitat, so this factor weighs in favor of a high penalty amount

30820(c)(4) The cost to the state of bringing the action.

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

30820(c)(5) With respect to the violator, any voluntary restoration or remedial measures undertaken, any prior history of violations, the degree of culpability, economic profits, if any, resulting from, or expected to result as a consequence of, the violation, and such other matters as justice may require

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

Given the discussion above, we consider these violations to be at the mid to high end of the possible range and apply a daily penalty amount of $7,000 with the tolling period of 58 days subtracted from the full date range of 214 days, amounting to 156 days, amounting to $1,092,000.

Installation of Shut off Valves

30820(c)(1) The nature, circumstance, extent, and gravity of the violation

The installation of shutoff valves involved extensive grading, excavation, and removal of vegetation, as well as installation of an underground apparatus, all of which create a high potential to negatively impact surrounding coastal resources and important habitat areas. Many of these activities, such as the shutoff valve installation, could have been approved with a conditioned CDP and then accomplished in a manner that minimized the damage to

coastal resources that was created by Sable's refusal to apply for permits for these actions. This factor weighs in favor of a mid-range penalty.

30820(c)(2) Whether the violation is susceptible to restoration or other remedial measures

The vegetation and surrounding habitat damage can be restored, so this factor weighs in favor of a mid-range penalty amount

30820(c)(3) The sensitivity of the resource affected by the violation

The resource affected by these violations is vegetation and habitat, so this factor weighs in favor of a high penalty amount.

30820(c)(4) The cost to the state of bringing the action.

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

30820(c)(5) With respect to the violator, any voluntary restoration or remedial measures undertaken, any prior history of violations, the degree of culpability, economic profits, if any, resulting from, or expected to result as a consequence of, the violation, and such other matters as justice may require

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

Given the discussion above, we consider these violations to be at the mid to high end of the possible range and apply a daily penalty amount of $7,000 with the tolling period of 58 days subtracted from the full date range of 214 days, amounting to 156 days, amounting to $ with the tolling period of 58 days subtracted from the full date range of 214 days, amounting to 156 days, amounting to $1,092,000.

Placing of Sand and Cement Bags on the Seafloor Below and Adjacent to Out-of-Service Offshore Oil and Water Pipelines

30820(c)(1) The nature, circumstance, extent, and gravity of the violation

Both the type of inspection activities, and the type of work undertaken, have the potential for temporary and permanent adverse impacts to marine resources. For example, offshore activities required the United States Coast Guard to issue a Notice to Mariners which may have precluded commercial and recreational fishing activities within the area of the project during project activities. Marine mammals and marine reptiles could have become entangled in cables, including the cables connecting remotely operated vehicles (ROVs) to project vessels and those used to lower equipment and material to the seafloor. Sable does not appear to have completed detailed benthic surveys prior to project operations so it is possible that sensitive benthic habitats such as rocky substrate, sand dollar beds and/or rocky reef could have been smothered or damaged by the development. Thus, this factor weighs in favor of a high penalty.

30820(c)(2) Whether the violation is susceptible to restoration or other remedial measures

Without detailed Best Management Practices (BMPs) to govern project operations it is possible that construction debris and hazardous materials could have been released into the marine environment. Despite multiple communications with Commission staff before undertaking development activities offshore, in which Commission staff conveyed that an application for CDP was needed and that these activities could result in environmental harm, Sable proceeded to take these actions without such permit. As such, an analysis of environmentally superior alternatives could not be performed and no protective measures could be set in place by the Commission, such as qualified marine wildlife monitors, avoidance of rocky substrate, or other measures, in order to avoid or minimize adverse impacts. Importantly, because Sable used a cement/sand mixture in the bags that were deployed along the seabed, there is a potential for leaching of chemicals into the ocean and such potential increases over time. Because of this, remedial measures are likely much greater than they would otherwise be, if the work had been conducted with appropriate safeguards in place, and coordination with Commission staff. Therefore, this factor weighs in favor of a high penalty.

30820(c)(3) The sensitivity of the resource affected by the violation

The resource affected by these violations is vegetation and habitat, so this factor weighs in favor of a high penalty amount.

30820(c)(4) The cost to the state of bringing the action

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

30820(c)(5) With respect to the violator, any voluntary restoration or remedial measures undertaken, any prior history of violations, the degree of culpability, economic profits, if any, resulting from, or expected to result as a consequence of, the violation, and such other matters as justice may require

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

Given the discussion above, we consider these violations to be at the high end of the possible range and apply a daily penalty amount of $11,250 for the date range in which the violation took place, beginning on November 29, 2024 when the activity began, through April 10, 2025, the date of this hearing, amounting to 133 days. A daily penalty of $11,250 for the period of 133 days amounts to $1,496,250.

Failure to Comply with Executive Director Cease and Desist Order

30820(c)(1) The nature, circumstance, extent, and gravity of the violation

The nature, gravity, and extent to which Sable flatly refused to comply with the EDCDO, issued in February, are very high and the degree of culpability to which they have exhibited with regard to the Coastal Act violations is extensive. As has been described above, Sable continued to undertake work, after issuance of two separate Notice of Violation letters, and

two EDCDOs issued under Section 30809. Section 30821.3 applies to any violation of the division (other than public access), which includes Section 3089. With specific regard to Sable's refusal to comply with the terms of the EDCDO, issued in February, for purposes of this penalty assessment, Sable has indicated no intent to apply to complete CDP applications, as directed by the EDCDO, and after its issuance, Sable continued unpermitted development activities, at the onshore locations, along the Pipelines. Further, it is relevant that Sable has not been forthcoming and reliable in its representations to Commission staff, throughout the course of their interactions with Commission staff. In early conversations about the ongoing, onshore work, Sable indicated to Commission staff that work had ceased when, in fact, it had not. Despite an initial Notice of Violation, Sable continued to undertake development. Indeed, upon expiration of the November EDCDO, Sable resumed work within days and has done so with disregard to protection of surrounding coastal resources. Sable has continued to undertake activities at locations onshore. Moreover, it should be noted that the public policy implications are great. It is highly problematic, and very exceedingly rare, for an entity to refuse to comply with legal, validly issued orders. To do so is to undercut the very tools available to protect valuable coastal resources, and the Coastal Act itself. Such behavior from an entity that desires to operate multiple oil transport pipelines and production facilities in marine and coastal areas – some of which have already generated catastrophic spills and environmental damage - is troubling. Thus, this factor weighs heavily in favor of a high penalty amount.

30820(c)(2) Whether the violation is susceptible to restoration or other remedial measures

As stated in this staff report several times, the damage to coastal resources caused by Sable's actions, and inactions, and decision to violate the EDCDO altogether could have been minimized if Sable had first coordinated with Commission staff and complied with the Coastal Act, before undertaking development activities. These activities, which effect a broad area, and on a large scale, impacted several coastal resources, and many of those impacts could have been avoided. As such, the extent to which those measures are required to will likely be extensive. As also stated here, the extent to which remedial or restorative measures must be taken, is likely much higher than what is currently known by Commission staff, due to Sable's refusal to provide information that would allow Commission to provide a fully analysis of those effects. This factor weighs heavily in favor of a high penalty amount.

30820(c)(3) The sensitivity of the resource affected by the violation

The extent, and sensitivity of the resources affected by the failure to comply with the EDCDO is great, including ESHA, riparian areas, wetlands, and other important habitat areas, many of which support critical species, as has been discussed in this staff report. Therefore, this factor weighs heavily in favor of a high penalty amount. (See. Exh 81 image of excavator in potentially Mapped Wetlands on February 20, 2025, as well as Exh. Image of an excavator removing shoring trench walls near Coastal Sage Scrub on February 18, 2025)

30820(c)(4) The cost to the state of bringing the action.

This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

30820(c)(5) With respect to the violator, any voluntary restoration or remedial measures undertaken, any prior history of violations, the degree of culpability, economic profits, if any, resulting from, or expected to result as a consequence of, the violation, and such other matters as justice may require

As has been discussed in detail in this report, Sable's actions, and inactions, in this instance have been very problematic. It is unprecedented for a violator to ignore and violate an Order in this way. As noted already, it is exceedingly rare that an entity acts in such an excessive, and repeated manner, and highly uncommon that and entity blatantly refuses, to comply with a legal, validly issued order. Commission staff have made constant attempts to work with Sable, and have repeatedly made themselves available to assist Sable in the CDP application process, and attempted to work with them to reach a consensual resolution of the whole situation, including trying to assist them in finding a path forward and a way to quickly resolve the enforcement and permitting cases. Despite this, Sable has instead consistently wasted Commission resources by agreeing engage in discussions toward resolution of the violations discussed above, only to change course with little, to no, forewarning. As discussed, Sable could have coordinated with Commission staff before undertaking activities at locations both onshore, and offshore, thereby ensuring appropriate parameters in place so as to prevent environmental damage, but instead, after direct communications with Commission staff informing them that work needed a permit and offering to work with them to obtain one, knowingly undertook work without such legal authorization and without conditions in place to ensure minimization and protection of coastal resources. This factor applies to this violation in the same way it applied to the prior one, so it weighs in favor of a high penalty amount.

Given the discussion above, we consider these violations to be at the high end of the possible range and apply a daily penalty amount of $11,250 applied to a date range beginning on February 18, 2025, when the EDCDO was issued, through April 10, 2025, the date of this hearing which amounts to 52 days. Thus, Commission staff recommends a total of $585,000.

Conclusion

Aggregating the findings with respect to all 30820(c) the factors listed above, Commission staff believes the higher-range penalty would be appropriate. A high-range penalty of $12,000,000 - $15,000,000 is suggested. See table below:

Violation	Days Assessed	$7,000 Daily Penalty	$11,250 Daily Penalty
Excavation and Grading with Heavy Equipment	214		$2,407,500

Grading and Widening of Roads	214		$2,407,500
Removal of Major Vegetation	214		$2,407,500
Installation of Metal Plates and Fill Within Wetlands	214		$2,407,500
Dewatering and Discharge of Water	156*	$1,092,000	
Pipeline Removal, Replacement, and Reinforcement	156*	$1,092,000	
Installation of Shutoff Valves	156*	$1,092,000	
Placing of Sand and Cement Bags on the Seafloor Below and Adjacent to Out-of-Service Offshore Oil and Water Pipelines	133 days		$1,496,250
Failure to Comply with EDCDO	52		$585,000

Total: $14,987,250

***Note: Staff recommends that certain violations be assessed with a tolling period of 58 days, as described above.

Potential Efficiency Discount

While the above-referenced penalty figures are factually and legally appropriate to the respective parties and violations at hand, to maximize the likelihood of compliance with these Orders and to rectify this matter in the most efficient manner possible, thereby limiting the costs to the state and increasing the potential for accelerated restoration and reduced impacts on resources, if Sable elects to proceed with consolidated CDP application[9], the Administrative Penalty will be reduced by 10% of the total amount (i.e., $1,498,725). If however, at any point prior to the Commission staff filing the CDP application as complete, Sable takes any steps that would interfere with the processing of the CDP application, including any attempt to delay or avoid submittal of the CDP

[9] If Sable elects to proceed with a Consolidated CDP process, they must do so in accordance with Section 1.3.A of the Consent Cease and Desist Order CCC-25-CD-01. See: Appendix A

application, the penalty amount shall not be reduced, and Sable shall be required to pay any remaining penalty amount to bring the full payment up to $14,987,250

VII. DEFENSES ALLEGED AND RESPONSES THERETO

A. Summary

On March 10, 2025, Sable submitted a letter entitled "Statement of Defense and Response to Notice of Intent to Commence Proceedings for a Commission Cease and Desist Order, Restoration Order, and Administrative Penalty Order," which we will refer to simply as the "Statement of Defense," or "SOD." This section provides responses to the arguments made in that SOD.

As an initial matter, although Sable makes many arguments in its Statement of Defense, a few recurrent themes stand out. The most prominent argument running throughout the SOD is that the work at issue in this proceeding was anticipated, its impacts were evaluated, and it was authorized and even required through various actions taken in the 1980s. Thus, Sable argues, the work required no further Coastal Act authorization and was not a violation of the Coastal Act. In support of this argument, Sable points to several different documents, including combined Environmental Impact Reports (EIRs) and Environmental Impact Statements (EISs) that they claim reveal the evaluation of impacts and various types of approvals and permit conditions that they claim reveal the authorization and mandate for the work.

There are several problems with Sable's approach. First, many of Sable's citations merely refer to ongoing operations, which Sable equates with maintenance. However, assessments of the impacts of the "operation" of a facility do not necessarily include the impacts of maintenance projects. Second, even where these documents discuss the need for future maintenance, none of them mentions the specific types of work at issue, nor do they imagine a project of this scope, so they could not have assessed or mitigated for its impacts. Third, even if an EIR/EIS attempts to include a "life cycle assessment" of the impacts of a project by including an assessment of the impacts of future maintenance, and even if the EIR/EIS at issue here had done so and predicted work of this nature, that does not mean that the individual future maintenance projects whose impacts were evaluated were authorized as part of the approval that the EIR/EIS supports. Such projects still require further review when they are proposed to occur, in order to ensure that they are performed in the least environmentally damaging fashion, especially where they are occurring decades in the future. And finally, although some entitlements affirmatively require the maintenance of a system in perpetuity, that is not the same as authorizing each individual instance of maintenance work. A maintenance requirement is to ensure that system integrity is maintained, but the recognition of the need for that and the requirement for that is totally independent of the question of whether the future work needed to achieve that will constitute development that will need to be reviewed to assess the potential that it will have its own impacts and then independently authorized. This is probably the primary recurrent theme throughout this document.

With that background, in Section B, we turn to an assessment of some of the individual documents upon which Sable relies in arguing that its work was pre-authorized, and we address each of these documents in turn. We then address some other recurrent themes in the SOD in Section C. Finally, in Section D, we address various other individual comments made throughout the Statement of Defense.

B. Documents on Which Sable Relies for its Pre-Authorization Argument

a. Onshore

i. EIR/EIS[10]

In the early 1980s, a pipeline project was proposed to construct and install an insulated underground pipeline – referred to as the Celeron/All American pipeline, after the two principal companies involved – to transport oil produced from the Santa Barbara Channel to refineries in Texas. The California State Lands Commission was designated as the lead agency under the California Environmental Quality Act and the Bureau of Land Management was designated as the lead agency under the National Environmental Policy Act. These agencies coordinated to develop a joint Environmental Impact Report/Environmental Impact Statement (EIR/EIS) for the project, a public draft was released in August of 1984. In its SOD, Sable contends that this 1984 EIR/EIS for construction of the Celeron/All American pipeline (Celeron project) also describes and analyzes the environmental impacts of the corrosion remediation and shut off valve installation work it began carrying out in late 2024 and continues to pursue.

Despite Sable's reliance on these documents, the EIR/EIS does not appear to cover the instances of "maintenance" development activities that have been observed and carried out by Sable over the past several months. The EIR/EIS does not refer to the types of activities undertaken, and it does not include an analysis of the types of impacts that would likely flow from the types of development at issue here.

Instead, the Draft EIR/EIS includes a July 17, 1984, cover letter with a "Project Description" that refers only to the proposal to "construct" the pipeline, not to future maintenance activities, much less substantial pipeline replacement projects, removal of pipeline insulation or the potential for the installation of additional shutoff valves decades later. Similarly, the "Abstract" at the beginning of the document, on page 2 (pdf page 8), states that the project proponents propose only to construct the pipeline.

Sable points out that the EIR/EIS goes on to say that the document analyzes the environmental effects of the proposed pipelines "through construction, operation, maintenance, and abandonment," but that does not mean that everything through abandonment was being pre-authorized. Further, even if the intent was to pre-authorize everything in that list, the document doesn't define the term "maintenance" or even elaborate on what is contemplated by the term until section 2.2.4. That section lists types of anticipated maintenance, but it doesn't mention any pipeline alteration, expansion,

[10] Sable cites to two versions of the combined EIR/EIS: (1) Final Environmental Impact Report Environmental Impact Statement; Proposed Celeron / All American and Getty Pipeline Projects; Calif. State Lands Comm'n and Bureau of Land Mgmt (DoI), January, 1985 (Sable SOD Doc. 3); and (2) the Draft of the same, from August, 1984 (Sable SOD Doc. 2).

replacement or earth movement at all. It lists five bullet points as constituting the maintenance activities associated with the pipeline and the right-of-way. Most relate to observation and inspection. The only references to maintenance are to maintenance of the cathodic protection system and the pipeline mile-post and road-crossing markers (see pdf page 128), neither of which was performed by Respondent, and both of which are simply not at issue here. The "Summary" section of the EIR/EIS states that operational impacts "would result primarily from potential oil spills and leaks" (p. S-2), without any indication of any consideration of impacts from maintenance, or the types of development undertaken recently by Sable and presently at issue.

The section of the EIR/IES on the environmental consequences of the Celeron project (§ 4.2) is broken down into subsections for each type of resource that could be affected, and does not discuss maintenance. The first subsection, on air quality (§ 4.2.1) has subsections, and each of those subsections, in turn has two subsections of its own – one on construction and one on operation. There is no section on the impacts of maintenance activities. Similarly, the third subsection, on impacts of the project to soils (§ 4.2.3) has three subsections – construction, operation, and abandonment. There is no discussion of maintenance, and the subsections on operation do not cover maintenance. The subsection on operations in section 4.2.3 limits its assessment of the impacts of operation to the impacts that "would result from oil pipeline leaks and ruptures" (4-24, pdf 328). The same is true for the sections on impacts to surface waters (§ 4.2.4, 4-30 to 4-32, pdf 334-336) and groundwater (§ 4.2.5, see, in particular, 4-35, pdf 339 [operational impacts "would only occur in the case of a leak or rupture"].

The word maintenance is only mentioned a few times in the more than 120 pages discussing impacts of the pipeline construction project, and none of those references discusses the type of work at issue here, much less any mitigation measures to avoid or minimize potential impacts specifically from this type of work. Two mentions of the word are in the section on impacts to terrestrial biology (§ 4.2.7). In that section, there is one mention that operational maintenance could increase the risk of fire (p.4-47) and one mention that maintenance traffic could increase habitat destruction (p. 4-53, pdf 357). There is no discussion of grading new roads or of excavating or stockpiling soils. The only other mentions are in the sections on socioeconomics (§ 4.2.8), discussing the fact that the project would employ people to maintain the pipeline (pp. 4-60 & 4-67), the section on cultural resources (§ 4.2.11), and, again, in discussing oil spills and leaks (§ 4.2.15), where is refers to the maintenance discussed in section 2.2 as a means of preventing impacts, but does not discuss the impacts *of* maintenance (see pp. 4-114 & 4-117, pdf 418 & 421). Regarding cultural resources, Section 4.2.11 acknowledges that not all portions of the pipeline route had been surveyed for cultural resources and many known sites had not been evaluated for their eligibility for National Register designation. For these reasons, the cultural resource impact assessment at the time that the time of preparation of the EIR/EIS was incomplete and the EIR/EIS required a compliance plan to mitigate for potential impacts to cultural resources for all aspects of the project proposal. As discussed above, since the type of maintenance undertaken by Sable was not envisioned, analyzed, or approved in the EIR/EIS as part of the project proposal, the approved compliance plan may not be sufficient to adequately prevent adverse impacts to coastal resources as a result of the work.

The Final EIR/EIS released in 1985 contains no clear project description, but the section listing areas of environmental concern (§ 1.2) only discusses impacts from construction and spills (see p.1-3, pdf19). Similarly, the section on impacts (§ 1.3) states only that the proposals have potential significant impacts from "construction and operation." (p. 1-5, pdf21). Otherwise, the discussion above regarding the Draft EIR/EIS pertains equally to the Final, and here again, there was no identification of additional development activities they are calling "maintenance" nor were there provisions to identify, reduce or mitigate such development activities. See, also, the discussion in the Summary of Staff Recommendations (on pages 5-6, above) and in Section III.C. (on pages 21-22), regarding changes in our understanding and listing of sensitive species and in the nature of the pipeline project's operation since these initial EIRs/EISs were produced

Finally, in any case, as Commission staff stated in the second half of the first paragraph on page 3 of the Notice of Intent for the second EDCDO (Exh. 8), even if an EIR is designed to do the equivalent of a "life cycle assessment" for a proposed project, to predict the impacts that will result over its full lifespan, including effects of future maintenance, that does not necessarily mean that the approval of the project includes advance approval of any and all maintenance that may be needed in the future, nor could it, without any way to know for sure what sort of maintenance will be needed, when and where it will be proposed, for how long into the future, or through what methods.

ii. Final Development Plan (FDP) (85-DP-66cz)/CUP (March, 1986) (Sable SoD Doc. 5)

Commission staff also reviewed and analyzed the Final Development Plan, upon which Sable relies for "authorization" of the development undertaken here. This Final Development Plan was approved by Santa Barbara County in March of 1986 for construction activities in Santa Barbara County for the Celeron/All American pipeline, the same one for which the EIR/EIS discussed above was prepared. Page 2 of the Final Development Plan includes a section entitled "Project Description," and it refers to the construction of the pipeline, which will require a construction corridor, and three pump stations, but not to future maintenance activities. In fact, Commission staff ran a search for the string "maint" in the document, and although it appears eight times, and the references show that maintenance was anticipated and even required, never does the FDP say that this plan was providing the necessary review and approval of specific, future maintenance activities in advance, nor could it, given that the nature and scope of any required maintenance activities, especially decades into the future, could not be anticipated. This is critical because this is really the key document given the nature of the documents in the next section.

iii. Santa Barbara County CDPs

The documents that provided Santa Barbara County's actual Coastal Act authorization for the Celeron pipeline project were two CDPs issued by the County in 1986 (CDPs number 86-CDP-189 and 86-CDP-205).[11] However, these documents are only two pages each and

[11] Sable SoD Doc. 6 and 7.

say almost nothing relevant to the ”pre-authorization of future maintenance activities” issue, as they simply define the project being authorized by referring back to the FDP (which itself refers back to the EIR/EIS discussed above), defining the approved project as “[c]learing, grading and trenching for [the pipeline project] as approved by 85-DP-66cz” and as the “[r]emainder of all construction activities for [same] as approved by 85-DP-66cz,” respectively. Still, neither of these documents states that it is authorizing development activities beyond the specific Celeron pipeline construction project before it, particularly not things such as actions to replace portions of the pipeline with new materials and new methods, much less actions taken forty years in the future.

iv. Conditions of Approval

In its SOD, Sable also points to several conditions that they claim show that maintenance was approved from the start. While these conditions show that maintenance was anticipated, and in some instances even required, that is not the same as pre-authorizing the specific activities that would be involved or have been carried out by Sable nearly 40 years in the future. For example, condition P-2 requires the creation of a Safety Inspection, Maintenance, and Quality Assurance Program “which shall be implemented during construction and operations.” But although that condition requires maintenance, the fact that this program did not yet exist shows that the impacts could not possibly have been evaluated at that point. Rather, the condition creates a requirement to generate a plan that will have to be implemented, but that requirement to implement the plan does not relieve the operator of the independent obligation to go through the permitting process prior to implementing any aspect of that plan that would normally require Coastal Act authorization. Further, the plan specifically relates to “operation” of the pipeline. The pipeline has not been in operation for almost a decade now and thus would not be covered by the plan.

Sable also points to condition A-13, which identifies certain types of changes to the pipeline or its throughput that would require a new or modified permit. However, first, that list is expressly not exhaustive, stating that the types of changes that would require permitting “could include but not be limited to” the enumerated changes. Secondly, that list appears to be focused on types of changes to the pipeline and its throughput, which raises different issues from maintenance work.

v. Summary with respect to the Aforementioned Entitlement Documents

The permitting documents from the 1980s for the original construction of the pipeline say nothing about pre-approving future maintenance activities. The EIR/EIS has some limited discussion of maintenance and some of the potential impacts of maintenance, but that does not justify the inference that such maintenance was being pre-approved, and even if it did, the maintenance discussion did not cover the sort of activities at issue now. Instead, that discussion was focused on maintenance of the cathodic protection system and the pipeline mile-post and road-crossing markers, with isolated mentions of the facts that maintenance activities could be required to cover up the pipeline if it becomes exposed, could increase risk of fire, and could disturb cultural resources, and that maintenance traffic could disturb terrestrial habitat. None of these documents contains any analysis of, or indication that they attempted to predict, or mitigate in advance for, all of the different

types of impacts that would result from the operator having to repeatedly access sites, excavate, expose and reinforce or replace stretches of pipeline, in perpetuity, for whatever type of work might be required and however it might be accomplished.

vi. Consent Decree

Sable also cites to the existence of a Consent Decree (Exh. 60) reached between Sable and the local government as somehow providing authorization under the Coastal Act for development undertaken at the site. It does not, for a variety of reasons:

- The Commission wasn't a party to that litigation or to the Consent Decree, and it specifically says it doesn't limit the rights of third parties. § 79.
- It also specifically says it was designed to resolve the issues raised in that litigation (§ 69), which couldn't have and didn't include anything relating to compliance with requirements for the work envisioned in the consent decree.
- It clearly envisions that the pipeline operator will restart use of the pipeline, and it says that they can't restart until they do certain things, but nowhere does it say that those steps are the *only* things Sable would need to do or that if Sable does those things, Sable can restart, notwithstanding any other applicable requirements.
- Conversely, it specifically says it's not a permit, that Sable will still have to comply with state and local laws and permits, and that compliance with the Consent Decree is not a defense. § 78. *See also* § 84.

vii. Santa Barbara County Letters

Finally, Sable relies on the letters from Santa Barbara County Planning and Development Department staff to Commission staff as establishing that the existing permits authorize the subject work, arguing that the Commission lacks the "authority to override or otherwise nullify" the County's letter regarding the anomaly repairs.[12] However, Sable cites nothing to indicate that the County's letters had any independent legal effect or significance such that the Commission would need to "override or otherwise nullify" them, much less that they create any sort of conclusive presumption. In fact, Sable later acknowledges that the County's letter regarding the anomaly repairs is nothing more than an "informal . . . assessment."[13] Thus, it has no binding effect.

Sable also argues that the County's letter is entitled to a substantial evidence standard of review and due deference because it represents the County's interpretation of its own permit. However, the substantial evidence standard is for judicial challenges, and even if it were to apply, the County cited no specific evidence, so there would be no way to determine whether the conclusion was supported by substantial evidence. And for the reasons stated above, the Commission finds that the evidence that Sable submitted did not support the conclusion. Finally, as indicated above, Sable acknowledges that the letter is not a formal determination by the County at all, but merely an informal assessment.

[12] Sable SOD at 2. See also Sable SOD at 37 (making a similar argument with respect to the County's September 4, 2024 letter regarding the installation of the safety valves).
[13] Sable SOD at 23.

Given both that fact and the fact that the assessment included no facts or analysis to support its conclusion, the Commission is entitled to reach a different conclusion.

b. Offshore

i. EIR/EIS[14]

Similar to the EIR/EIS for the onshore work, the EIR/EIS Sable cites for the offshore work is focused on the construction of the system and not future maintenance. Its project descriptions in the Abstract and the Executive Summary do not mention future adjustments to the sea floor, and it never mentions the work currently at issue (span remediation) at all. Sable cites one line in a table that lists the following mitigation measure: "Monitor seafloor disturbances after construction using side scan sonar or equivalent to assess need for remedial measures which could include smoothing of seafloor mounds."[15] This mitigation measure does not even explicitly specify or discuss what sort of "remedial measures" might be warranted, much less analyze their impacts. And in any case, as discussed with respect to the EIR/EIS for the onshore work, even if the document did discuss potential impacts of necessary future maintenance work, in an attempt to assess the full life cycle impacts of the project, that would not mean that the approval of the original project was authorizing all such future work in advance without the need for further review at the time.

ii. Development and Production Plan (DPP)

The DPP is equally devoid of any discussion of span remediation. Sable argues that the DPP contains "a detailed discussion of the Offshore Pipelines that would be installed, maintained, and operated," but the only citation it provides is to a page that merely discusses the sizes and use of the pipes to be installed.[16] Although the DPP has a section specifically on the pipelines, with subsections on construction and operation, Sable cites to nothing in that section about the need to adjust the seafloor (including for span remediation) in the future. Sable cites one sentence in that 28-page section that states that the pipelines "will be maintained in good operating condition at all times."[17] This general statement about the need for pipeline maintenance doesn't even mention the environment of the pipelines and is reasonably interpreted to refer to the integrity of the pipes themselves. And while the DPP does discuss submerged weight and trenching in the context of establishing pipeline stability,[18] there is no indication that statement is intended to address activities beyond the initial deployment.

iii. Coastal Development Permit CDP E-88-1 and Consistency Certification CC-64-87

In 1988, the Commission issued a combined report for its CDP and its concurrence with Exxon's consistency certification for the Development and Production Plan. The "Project Description" on the caption page of that report included the "[i]ntallation of" the offshore

[14] Final Environmental Impact Statement/Report for Santa Ynez Unit/Las Flores Canyon Development and Production Plan (June, 1984).
[15] Sable SOD at 47, citing Final EIR/EIS at 6-53, table 6.3.6-1.
[16] Sable SOD at 45, n.214, citing DPP at VIII-2.
[17] SOD at 45-46, n.215, citing DPP at VIII-24.
[18] DPP at VIII-14.

pipelines, The more detailed description on pages 18-23 includes the following statements (all on page 21):

- "Three principal pipelines will be installed from the onshore facilities to the SALM: a 48-inch diameter crude oil loading line and two 18-inch diameter vapor balance lines."
- "Exxon proposes to install another two pipelines: one 20-inch crude oil pipeline; one 12-inch produced water outfall pipeline . . ."
- "The construction method anticipated for pipeline installation is the conventional pipe lay barge stinger method. Surf zone trenching operations may require the use of a trestle to prevent sanding in the trench. Power cables will be installed in the same corridors as pipelines. Nearshore pipeline construction is scheduled for late 1989 to early 1990, requiring about three months."

None of this, or anything else Sable has been able to cite in the report, says anything about future modifications to the sea floor to adjust for changes that may occur in the future, much less does it suggest that such actions were being approved in advance by this permit.

It is also worth noting that Sable argues that the County's interpretation of its own permit is binding on the Commission. The obvious logical extension of that principle would require deference to the Commission's interpretation of its permit as well. It is also worth re-emphasizing that, as indicated above, Commission staff provided such an interpretation to Sable personnel prior to the commencement of the offshore work, informing them that such work would require a Coastal Development Permit.

iv. BSEE and SLC Letters

Sable claims that the State Lands Commission "emailed approval to Sable to proceed with the work" in November of 2024, followed by "an official approval letter on December 4."[19] What Sable fails to note is that this approval letter specifically states (on page 2) that Sable must "obtain all necessary permits and approvals from other Federal, State, and local agencies having lawful authority and jurisdiction over the pipelines . . . before commencing the operations." Nor would the fact that one agency approved work for purposes of its requirements insulate or immunize Sable from other regulatory requirements. Sable also notes that in 2012, BSEE allowed Exxon to "conduct span remediation maintenance on the Santa Ynez Unit pipelines" without requiring any new approvals, and that the Commission did not object.[20] BSEE's decision as to whether to allow this work to proceed, even if taken as an indication of how it interpreted the DPP, does not govern the Commission's interpretation of its permit. As for the Commission's lack of objection, Sable presented no evidence indicating that the Commission was even asked to review the issue. The only evidence Sable presented that the Commission was even aware of the matter is that it was listed as a cc on one letter. Sable's attempt to draw inferences from the Commission's lack of response to that letter are entirely baseless and no evidence exists to indicate that the letter was ever received by Commission staff. Moreover, even if Commission staff had affirmatively declined to object to that instance thirteen years ago, that would not constitute a waiver of its ability to enforce the Coastal Act with respect to similar development at a later time, nor would it bind the Commission to any particular interpretation of its permit.

[19] Sable SOD at 56
[20] Sable SOD at 60-61.

Further, the Commission has actively reviewed and required authorization for the same type of span remediation work that Sable recently completed. On no fewer than seven occasions in recent years, the Commission has considered CDP or waiver applications for this type of work on other offshore oil or intake pipelines and on two additional occasions emergency permits have been issued to allow similar work to be expedited.

C. Other Themes in Sable's SOD

a. Preemption

Sable argues that CDP review authority for Sable's anomaly repair and valve installation work is entirely preempted under federal and state law.[21] This overstates the preemptive effect of federal and state law. As the Commission stated in its initial September 27, 2024 Notice of Violation, although the California Office of the State Fire Marshall ("OSFM") has authority over pipeline safety under the federal Pipeline Safety Act (49 U.S.C § 60101 *et seq.*), any resulting preemption is limited in scope. Other state agencies, as well as local governments, may review and impose requirements related to other issues. Thus, the Commission and the County have jurisdiction to review and impose requirements relating to the consistency of the development activity with the Coastal Act and the LCP, as that does not pertain directly to pipeline safety.

Under the federal Pipeline Safety Act, the federal Pipeline and Hazardous Materials Safety Administration ("PHMSA") has authority to regulate both interstate and intrastate gas pipelines to protect against "risks to life and property posed by pipeline transportation and pipeline facilities." (49 USC § 30101(a).) Through a state certification program that PHMSA must approve, various states, including California, may regulate intrastate pipelines under PHMSA's regulations.

The federal Pipeline Safety Act has express preemption provisions for both interstate and intrastate pipeline safety. For intrastate pipelines, a certified state authority may adopt "additional or more stringent safety standards . . . only if those standards are compatible with the minimum standards prescribed under [the federal Pipeline Safety Act]." 49 U.S.C. § 60104(c). In turn, California law designates OSFM as having "exclusive safety regulatory and enforcement authority over intrastate hazardous liquid pipelines and . . . may act as agent for the United States Secretary of Transportation to implement [the federal Pipeline Safety Act]." Cal. Govt Code § 51010. *See also Olympic Pipe Line Co. v. City of Seattle*, 437 F.3d 872, 877 (9th Cir. 2006) (finding express preemption of city's safety regulations of intrastate pipeline). Thus, any resulting preemption is limited in scope and does not encompass all pipeline-related "development" (as defined in Section 30106 of the Coastal Act and Section 35-58 of the LCP). The Commission and the County retain CDP jurisdiction to review any development activity undertaken in connection with achieving the pipeline safety standards. For example, for pipeline-related development associated with vegetation clearance, grading, excavation, and construction activities, the Coastal Act requires those activities be reviewed to determine their impacts of those activities on environmentally sensitive habitat areas.

[21] It does not appear that Sable argues that preemption applies to CDP review authority for the span remediation work that occurred offshore.

Despite the limited scope of preemption, Sable argues that its predecessor's (Celeron) 1988 settlement agreement with the County creates a presumption that any CDP review of the valve installation work is entirely preempted.[22] This is not accurate, nor is it supported by preemption law, for at least three reasons. First, the work putatively preempted in the settlement agreement isn't even that which is at issue here. The 1988 settlement agreement purports to somehow preempt CDP review. But the 1988 settlement agreement purports to create a "presumption" of preemption for work that is performed "one foot or more below the surface of the ground and related to the operation of the pipeline."[23] Therefore, on its face, this term does not address any development activities aboveground or excavation above the one-foot depth threshold.[24] Secondly, the Commission was not a party to this litigation or the settlement and is not bound by it or by the conclusion that the County's Coastal Act review authority is preempted.

Third, and more fundamentally, the scope of federal preemption cannot be contractually altered because "[f]ederal preemption is the allocation of power and decision-making authority between the federal government and state and local governments, based on the Supremacy Clause of the Constitution." *Olympic Pipe Line Co. v.*, 437 F.3d 872 at 882-83. Because "[p]reemption is the power of the federal government" (i*d.* at 883), the scope of preemption under the settlement agreement is not greater than that under federal law. Thus, it is federal law – not the 1988 Settlement Agreement – that establishes the scope of any federal preemption. Federal law does not contain the "one foot or more" standard for preemptive effect, nor does it support the broad reading of preemption that Sable advances.

Sable also argues that any CDP review for the work at issue is preempted by a conflict with federal PHMSA requirements and with OSFM requirements pursuant to OSFM's certified authority to regulate pipeline safety. Again, this is simply not accurate. In particular, Sable refers to 49 C.F.R. § 195.452(h), which contains integrity management provisions applicable to pipelines in "High Consequence Areas."[25] Under PHMSA regulations, when an pipeline operator's assessment identifies a potential problem with the condition of the pipeline, it must evaluate and "discover" the issue within 180 days after the operator receives an assessment that identifies the problem. 49 C.F.R. § 195.452(h)(2).

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[22] Settlement Agreement between County of Santa Barbara and Celeron Pipeline Company (Feb. 8, 1988). The settlement agreement makes the presumption rebuttable if there is "clear language granting jurisdictional rights to the County under the terms of this Agreement . . . or by law binding upon the County and Celeron." Settlement Agreement ¶ 3.2.

[23] *Id*. ¶ 3.1.3. The August 30, 2024 Conditional Settlement Agreement between Sable and the County referenced this presumption of preemption.

[24] Furthermore, the settlement agreement also contains a presumption of preemption if it is covered by 49 C.F.R. Part 195, which are the federal pipeline safety regulations implemented under the federal Pipeline Safety Act. As discussed above, the federal Pipeline Safety Act provide for express preemption of various pipeline safety requirements.

[25] High Consequence Areas are defined in 49 C.F.R. § 195.450 to include "unusually sensitive areas" or certain population areas. Unusually sensitive areas are defined in 49 C.F.R. § 195.6 as meeting certain ecological resource criteria. In a 2024 report to OSFM, Sable indicated that Line 324 (10.86 miles from Las Flores Canyon to Gaviota) is a High Consequence Area because it is an "ecologically sensitive region (coastline)." Pacific Pipeline Background Data, Attachment B of State Waiver Application, prepared by Pacific Pipeline Company (June 2023).

This 180-day discovery timeframe is not absolute, and the operator may notify PHMSA of any need for additional time if the 180 day timeframe is "impracticable." *Id*.

Even if this PHMSA provision, with its timing requirements, were to apply to a pipeline such as the one at issue, which was rendered inoperable and has sat inactive for a decade, Sable provides no reason why it could not both apply for a CDP and comply with these PHMSA requirements. For example, Sable could have applied for a CDP in advance of doing any discovery work, or it could have notified PHMSA of additional required time, if necessary. Or the Commission's permitting process could have simply taken less than 180 days. Indeed, the Commission has processed CDPs for other pipeline repair projects taken pursuant to PHMSA regulations.[26]

i. There is No Conflict Preemption Here

Federal conflict preemption applies only where a state law conflicts with federal law, either because it is impossible to comply with both laws or because state law stands as an obstacle to accomplishing the purposes of federal law. *English v. Gen. Elec. Co*., 486 U.S. 72, 79 (1990). In either case, there is a strong presumption against preemption. *Wyeth v. Levine*, 555 U.S. 555 n. 3 (2009). Conflict preemption is a demanding standard, as courts will not "seek[] out conflicts between state and federal regulation where none clearly exists." *English*, 496 U.S. at 90 (internal quotation marks omitted). In this case, there is no conflict between compliance with the safety requirements under PHMSA regulations in Part 195 and compliance with CDP requirements that do not directly pertain to those safety requirements. Likewise, there is no conflict between compliance with Gov. Code section 51013.1 (AB 864), which requires the use of best available technologies (such as shut-off valves) for pipelines near environmentally and ecologically sensitive areas in the coastal zone,[27] and compliance with CDP requirements that do not directly pertain to the safety issues within OSFM's review under AB 864. Finally, although the Consent Decree in the lawsuit arising out of the Refugio oil spill specified actions to be taken by the defendants (Sable's predecessors) in connection with proposed restart activities,[28] the Consent Decree does not relieve Sable from applying for a CDP for development activities that do not directly pertain to PHSMA and OSFM safety requirements. As the Consent Decree states:

> This Consent Decree is not a permit, or a modification of any permit, under any federal, state, or local laws, or regulations. Defendants are responsible for achieving and maintaining full compliance with all applicable federal, state, and local laws, regulations, and permits; and Defendants' compliance with this Consent Decree shall be no defense to any action commenced pursuant to any such laws, regulations, or permits, except as set forth herein.[29]

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[26] *See, e.g.*, CDP No. E-11-031 (approved March 9, 2012). SoCalGas sought a CDP for development activities, including excavation and vegetation clearance, relating to pipeline testing required under PHMSA regulations in 49 C.F.R. Part 192 (which applies to natural gas pipelines).

[27] AB 864 was enacted in 2015 after the Refugio oil spill, and it requires OSFM to develop implementing regulations requiring the use of best available technology.

[28] Consent Decree in *United States, et al. v. Plains All American Pipeline, L.P.., et al.,* Case No. 2:20-cv-02415, (C.D. Cal. Mar. 13, 2020).

[29] *Id.* at ¶ 78.

Finally, Sable points to no published caselaw demonstrating any preemption here. Although Sable cites *San Diego Gas & Electric Co. v. City of Carlsbad*, 64 Cal.App.4th 785 (1998), that case is distinguishable. *Carlsbad* involved a city's floodplain ordinance that required the utility to obtain a permit to deposit sand from dredging operations. In that case, the utility company applied for the permit. The court held that the prescriptive requirements of the permit went into an area of state law that was "fully" occupied by the state. *Id.* at 803. *Carlsbad* did not involve the Pipeline Safety Act or its implementing regulations, nor did it involve AB 864, and it presents a different set of facts involving the deposition of dredging spoils under a different state law (Public Utilities Code § 701). Moreover, in *Carlsbad*, the utility company actually applied for and obtained a permit, which the court evaluated to determine whether the permit's scope entered an area occupied by state law. As the *Carlsbad* court noted, "[t]his record does not present the abstract question of whether a local entity may regulate, within its jurisdiction, the disposal of dredging soils taken in the operation of a public opinion, and we express no opinion on that subject." Thus, *Carlsbad* does not support Sable's conflict preemption argument.

b. Jurisdiction

Sable divides its SOD into three sections. The first addresses the anomaly repair work, the second addresses the valve installations, and the third addresses the span remediation work. Each of those three sections ends with a similar discussion of the Commission's jurisdiction. Sable claims that the Commission has no jurisdiction to issue a CDO, an RO, or penalties. However, Sable's arguments are mostly derivative of their earlier arguments, in the sense that they rely on the substantive arguments Sable made earlier and only apply if their earlier arguments are correct, as is explained in the next four paragraphs.

With respect to the Commission's authority to issue a cease-and-desist order, Sable begins by arguing that the first two bases listed in Section 30810 for such an order (that the work at issue required a permit from the Commission or violated a condition of an existing permit) do not apply. But with the exception of the span remediation work, the Commission is not asserting otherwise, and for the span remediation work, again, the issue of whether the work required Coastal Act authorization beyond what was provided for the original installation of the pipes in the 1980s is addressed above. For the other two categories of development, the Commission's CDO is based on the third, alternative, and independently sufficient basis for the Commission's jurisdiction to issue a CDO, which is that the Commission is enforcing the County's LCP. Here again, Sable argues that the work is not a violation of the County's LCP because it was already authorized, but that issue is addressed above. The Commission's analysis from above is incorporated by reference.

There are three bases on which the Commission can enforce an LCP, listed in section 30810(a)(1)-(3). Here, as discussed above, the Commission is authorized to issue the CDO based on section 30810(a)(2), because the Commission requested that the County take enforcement action, and the County declined to act or did not act in a timely manner. Sable argues that it is not the case that the County declined to act, in that the County did issue letters, referring to the County letters asserting that the work at issue was authorized

by prior permits. Section 30810(a)(2) authorizes the Commission to act whenever a local government declines the Commission's request to pursue enforcement. The County's letters may be a type of act, but they certainly do not count as the County pursuing enforcement. If anything, they are the opposite, as they explain why the County has declined to act. Sable also argues that section 30810(a)(2) only allows the Commission to enforce if the actions at issue "could cause significant damage to coastal resources." But this is, again, an issue that was addressed above, in the Commission's findings to establish its *prima facie* case on the merits.

With respect to the restoration order, Sable points out that there are three criteria that must be satisfied to support the Commission's authority to issue such an order. Sable again argues that first criterion is not satisfied because the work required no permit, but again, that is addressed above throughout this report. Sable next argues that the work did not cause continuing, or even any, resource damage, but that issue is addressed above as well. Again, the Commission's prior analyses are incorporated herein by reference.

Finally, with respect to penalties, Sable makes arguments with respect to PRC sections 30820, 30821.6, and 30822, but none of those sections is at issue here. Those sections govern the imposition of penalties by the courts. The NOI for this proceeding stated that the Commission could impose penalties pursuant to section 30821.3. The NOI then merely went on to mention that the Coastal Act "*also* includes several *other* penalty provisions that may be applicable as well" (emphasis added), meaning they may be applicable to the activities at issue, not that they would form the basis for the Commission's administrative action. As for section 30821.3, Sable returns to its derivative argument, claiming that the work was already authorized. Again, since that issue is at the heart of this report, the Commission's prior analysis is incorporated herein by reference.

The County also makes two other arguments that could be characterized as being jurisdictional arguments. With respect to the valve installation work, Sable argues that, because it has submitted additional information to the County for its review, it would be "premature" for the Commission to address that issue at this point.[30] The Commission has always been, and continues to be, interested in considering any additional materials Sable can provide regarding the work that was done and is still planning to do, or regarding Coastal Act authorization for that work. In fact, Commission staff asked repeatedly for information and evidence that any of the work was covered by prior coastal development permits. However, although Sable asserts that it is now returning to the County and argues that this divests the Commission of authority to act, Sable provides no indication of what sorts of materials were submitted to the County or why Sable didn't begin this process six months earlier, given that it acknowledges that it is submitting these materials "in light of" the letters it received from the Commission six months ago.[31] In addition, the Commission's orders provide for the possibility that Sable could produce new evidence of existing Coastal Act authorization. The prohibition on development in Section 1.1 of the Orders does not apply if the Commission's Executive Director confirms that Coastal Act authorization has been received. Thus, if the County responds to Sable's new

[30] SOD at 3, 30, 37, 41, and 42.
[31] *Id.* at 30 and 37.

submittal by providing evidence of such authorization, the Orders will allow Sable to proceed. At this point, however, since the County did not act in response to the Commission's request for enforcement, the Commission now has jurisdiction to proceed and need not wait for additional County review of this unspecified (and mysteriously timed) "new information." Second, Sable argues that the consolidated permitting process – which Commission staff mentioned in an attempt to help facilitate and expedite the process – does not apply because it requires that a permit be required from the local government. Based on its argument that no permit is required from the local government, Sable therefore argues that this process is not available. Of course, this, too, is a derivative argument in the sense that, if that were true, the entire enforcement action would be improper, so the availability of this permitting approach would be irrelevant. Conversely, however, assuming the Commission is correct that additional Coastal Act authorization is required, as is at the heart of this action, then this argument necessarily fails. Sable also argues that the process is "procedurally improper" in that it has not consented to it (SOD at 27), but again, the process was offered as an accommodation, Commission staff and the County have agreed, and whether Sable provides the final consent to make the process available is within its control. And finally, the orders merely provide this process as an option of which Sable may avail itself.

c. Benefits and Harms of the Work at Issue

Much of Sable's SOD contains arguments for the salutary nature of the work at issue, how it is consistent with industry standards,[32] how it promotes pipeline safety,[33] or how it is consistent with legislative mandates, such as AB 864[34]. All of this misses the point. Commission staff never stated that the work at issue does not improve the safety of the pipeline or that it should not ultimately be allowed. Nor is the Commission taking that position now. Indeed, it would be premature to do so without having received the normal application materials that would enable a complete review of the work. Whether the work has benefits is beside the point. Even if the work is ultimately found to be beneficial and approved, the question posed in this proceeding was a different one: whether the work must be approved through a permitting process that, if nothing else, allows the Commission to perform its responsibility of ensuring that the work is done in a manner that minimizes impacts to protected coastal resources.

Another significant portion of Sable's SOD argues that the various types of work it has been performing that are at issue here were performed in a safe and environmentally sensitive manner that protected the resources. This is relevant to some of the analysis (for example with respect to the restoration order and the penalties), but it is not relevant to the cease-and-desist order, for the reason indicated in the prior paragraph. I.e., the Commission's authority to issue a cease-and-desist order in this case is based on Sable's failure to secure the necessary Coastal Act authorization for the work, regardless of how it is performed and whether it harmed resources. However, as is explained in the body of this report, the Commission also finds that it is not true that the work was all conducted in a manner that had no impacts, and the Coastal Act is designed such that it is through the permitting process that the Commission will obtain more detailed information in this regard.

[32] E.g., SOD at 11, n.33, and 48-49.
[33] E.g., SOD at 12, 32.
[34] E.g., SOD at 30-31.

D. Additional Arguments

Respondent's Claim:

"the Coastal Commission does not have the authority to override or otherwise nullify either the County's determination or the County's interpretation of its own previously issued coastal development permits for the Onshore Pipelines"

- Statement of Defense at page 2

Response:

The County's interpretation may be due some deference, but we are unaware of any authority to suggest that a permitting agency's interpretation creates a conclusive presumption. Commission staff reviewed the relevant documents to try to determine whether the County's reading is correct, and they reached out to the County to share their reading of the permits and other documents and attempt to coordinate with them, but the County did not engage in any meaningful dialogue or provide useful documentation to support their position, despite numerous requests from Commission staff over the span of over two months.

Staff also initiated a review process pursuant to section 13569 of the Commission's regulations, in an attempt to foster further coordination with the County, understand the factual basis for its position and attempt to resolve this disagreement. However, the County continued to ignore requests to identify the sections and analysis in its historic CDPs for the pipeline that could be interpreted as pre-authorizing Sable's current work.

The County has ignored these requests and consistently failed to identify any such information, leading Commission staff to reach the conclusions described above that no such information exists.

We are also unaware of any authority to suggest that the County's letter has any independent legal significance such that we would need "authority to override or otherwise nullify" it. It is simply their position, and as such, we are free to disagree with it. Our positions are based on a reading of the relevant documents as discussed herein.

Respondent's Claim:

"Commission staff appears to be asserting Commission jurisdiction over these already permitted activities in order to exert some influence over Sable's planned restart of the Santa Ynez Unit oil production operations."

- Statement of Defense at page 3

Response:

This speculation about the reasons for the Commission's assertion of jurisdiction is both baseless and irrelevant to the issues in this case. The action being taken here, and those which were taken previously by the Executive Director of the Commission, were

taken to protect the coastal resources the Commission is charged with protecting and to ensure the integrity of the permit process.

In any event, the Commission has jurisdiction for the reasons stated in the body of this report, and as such, it can proceed regardless of Sable's speculation about motives or future issues.

Respondent's Claim:

"Jurisdiction over restart activities is entirely outside of the Commission's jurisdiction"

- Statement of Defense at page 3 and fn. 7, citing the Consent Decree with the parenthetical "requiring, in part, approval of a Restart Plan by the Office of the State Fire Marshal."

Response:

Sable cites to nothing in the Consent Decree or any other authority for the proposition that restart is in the exclusive jurisdiction of the agencies that are parties that that document, and we are aware of nothing that would support this, but this point is irrelevant to the present dispute in any event, as the activities identified as having taken place without the required permit do not include restart of the pipeline, and the action here is addressing the need for Coastal Development Permits for development activities, and the importance of the associated protection of coastal resources under the permitting processes.

Respondent's Claim:

"Since these facilities were constructed, the Coastal Commission has never asserted that any new or amended coastal development permits would be required for the type of anomaly repair and maintenance activities, safety valve installation work, or span remediation work described in the EDCDO/NOI."

- Statement of Defense at page 6

Response:

The Commission is unaware of any work of the nature or magnitude of the present project having occurred before. In fact, the Commission is unaware of being notified of any anomaly repair work or valve installation work having occurred previously, and Sable has only identified one instance, more than a decade ago, where the Commission was merely cc'd on a letter regarding offshore span remediation work. Thus, the fact that the Commission has never made an assertion regarding this sort of work before is indicative of nothing. Moreover, even if the Commission had been aware of similar work and had not affirmatively asserted that it required a permit, such silence would not and could not create a waiver of the applicable legal requirements.

Respondent's Claim:

"Sable's anomaly repair work is an important protective measure for coastal resources and part of exercising the "utmost caution" urged by Commission staff –

not an activity that threatens coastal harm or increases the risk of a potential future oil spill.
- Statement of Defense at page 12

Response:

In addition to the general point made in the previous section, we note that here is no oil flowing through the pipelines at this time, so the only risk created by the current action is from the work being performed. Leaving the anomalies unresolved while they seek a permit would create no risk as long as the pipeline is idle. The Commission is merely saying that any such development activities need a CDP and with it a review of the methods, timing and impacts of work to determine whether the work can be conditioned to avoid or minimize impacts on coastal resources and made consistent with Coastal Act protections, and to determine what conditions and mitigations are appropriate and necessary.

Respondent's Claim:

"The Onshore EIR/EIS explains that its impact analysis extends through the Onshore Pipelines' entire lifetime, including both pipeline "operation" and "maintenance."
- Statement of Defense at page 13

Response:

That page of the Final EIR/EIS also refers to impacts through abandonment. Thus, the logical extension of Sable's argument would be that abandonment was also pre-authorized, which is an untenable position, given the extensive regulation of that process. That fact demonstrates that this reliance is a misreading of the provision.

In any case, as was stated on page 3 of the Notice of Intent for the second EDCDO, while it may be prudent and perhaps even required, as part of the CEQA and NEPA process, to predict the impacts that may occur down the line from a proposed project by taking into consideration future maintenance, that certainly is not the same as pre-authorizing all such maintenance.

Respondent's Claim:

"the Onshore EIR/EIS incorporates into the Pipeline Project's project description certain Oil Spill Contingency and Emergency Response Plans that address ongoing pipeline maintenance"
- Statement of Defense at page 13

Response:

Sable cites nothing in support of this claim, and it appears to be untrue. The Draft EIR/EIS project description appears on pdf page 4 and says nothing about the oil spill contingency plan. Section 2 provides more detail on the project, and section 2.2.4 (pdf pages 126-127) talks about maintenance, but it says nothing about the sort of work at issue now, or about the oil spill contingency plan as being incorporated. It just says that such a plan would be prepared (2-12 & 2-33, pdf pages 108 & 129) and attaches a draft plan, but nothing in the document says that it was being incorporated as part of the project, and in fact, it is listed as being a preliminary draft. Footnote 4 of the impacts table (S-13,

pdf page 21) says that use of such a contingency plan "as part of the project description, would" reduce the risk of an oil spill, but it doesn't say that such a plan is part of the project description. The Final EIR/EIS is even clearer that no such plan is incorporated. It does not even include such a plan as an exhibit, and it merely says that one will be prepared (2-62, 2-133, pdf pages 130, 201). This also makes Sable's arguments about the details of the draft plan (discussed on pages 13-14 of the SOD) irrelevant. Nor is it true, as Sable claims at page 13 (and Sable cites nothing to support this claim) that the EIR/EIS "incorporates [the oil spill contingency plan, which was still in draft form] into the Pipeline Project's project description."

Respondent's Claim:

> "The Onshore EIR/EIS concludes that compliance with these plans would "substantially reduce the oil spill risk" and reduce any significant impacts that would result from a major oil spill, including impacts related to soils, surface water, aquatic biology, and land use and recreation."
>
> - Statement of Defense at page 14

Response:

That doesn't mean that the impacts of all such work was addressed in the EIS/EIR. This statement (which appears on pdf page 174 of the FEIR/FEIS) was in response to a SCAG comment saying that, in order to reduce the likelihood of failures, the pipeline should be monitored and segments should be replaced as they age and deteriorate; and the response was merely that faulty segments will be replaced as necessary. In other words, it was merely noting that monitoring and maintenance were anticipated. But there is no analysis of the impacts of repeatedly having to access sites and expose pipelines, much less a suggestion that the impacts of all such future work, for all time, and however accomplished, was being mitigated up front.

Respondent's Claim:

> "Significantly, in performing its analysis of future anomaly repairs along the pipelines' route, the Onshore EIR/EIS acknowledges that impacts to environmentally sensitive habitat areas (ESHA), such as oak woodlands, within the pipelines' right-of-way would be permanent (i.e., extending throughout the pipelines' lifetime due to anticipated and ongoing maintenance activities) and constitute a significant environmental impact."
>
> - Statement of Defense at page 14

Response:

The project involved the destruction of the existing oak woodland, and the Draft EIR/EIS recognized that this would be a permanent impact to an existing resource, but that doesn't

imply that all the other impacts that would result from repeated ground disturbance were also considered as part of the project. Moreover, it did not analyze or mitigate for other impacts to resources, nor did it anticipate or address the other resources that might exist or be impacted.

Respondent's Claim:

> "The Anomaly Repair Work occurs within the boundaries of the right-of-way analyzed in the Onshore EIR/EIS, which was disturbed by Onshore Pipeline construction and has remained impacted."
> - Statement of Defense at page 14
>
> "the Onshore Pipelines' right-of-way has remained relatively devoid of mature vegetation."
> - Statement of Defense at page 15

Response:

This only goes to the merits of whether the work is approvable, not whether it requires a CDP. Moreover, the "Anomaly Repair Work" was done in a very significant number of places and habitats, and the claim that the areas were "disturbed by Onshore Pipeline construction" conducted over three decades ago and the claim that it" has remained impacted" is clearly not accurate. In many places, in the decades since the pipeline was constructed, the vegetation in the areas has grown back, and with it there have been animals and plants that have located in those areas, some of which are protected. See the discussion regarding resources impacted. This would mean that, in addition to not being legal or sufficient "preapproval" would also be not accurate or protective.

Respondent's Claim:

> "an October 2020 Biological Resources Assessment confirmed that major work could be conducted in the Onshore Pipeline' maintenance corridor" without any substantial adverse effects on or significant impacts to biological, botanical, wetland or riparian habitat resources.
> - Statement of Defense at page 15

Response:

There are several problems with reliance on this document. First, there is no indication, nor could we find any evidence that this "biological resources assessment" was reviewed or approved by any regulatory agency, including the Commission. It is impossible to verify that this was sufficient or accurate nor what it relied on. Second, it is likely outdated and not reflective of current conditions, the field work having been conducted more than eight years ago. Third, its conclusions are dependent on the implementation of certain "avoidance and mitigation measures" (see page 8), and without any regulatory oversight, it is impossible to confirm whether such measures were implemented. Fourth, it appears to employ a definition of "short term and temporary" (in describing the work) that is not consistent with the Commission's understanding of how those terms apply to ecological impacts. Moreover, it would be very difficult for such an assessment to predict any and all work that could be done, whatever the extent and

location, and flatly determine that there would be no impacts. Further, it seems very unlikely to have no significant impacts to, for example wetlands habitat, since some of the areas in which work was done include Environmentally Sensitive Habitat Areas (ESHA) and wetlands.

In any event, this is not relevant to the question of whether the work required a permit, and moreover, if it is true that there would be and were not impacts at all, then securing such a permit it should be easy.

Respondent's Claim:

> "[FDP] Condition J-11 acknowledges that the Onshore Pipelines' right-of-way will be used for 'operational maintenance'."
>
> "Condition J-11 is broadly drafted to cover the varied types of repair and maintenance activities discussed in the Onshore EIR/EIS"
>
> - Statement of Defense at page 16

Response:

This is misrepresentation of the record. The provision at issue actually says that use will be "restricted to" operational maintenance, which is a limitation on what can be done in that area, not a pre-authorization of work. Nor does it say anything about encompassing everything discussed in the EIR/EIS, but even were it to do so, that would merely make this argument derivative of Sable's overly-broad reading of that EIR/EIS, which does not state that maintenance is pre-authorized. And even if it were, there are no "varied types of repair and maintenance activities discussed in the Onshore EIR/EIS." The Final contains no discussion, and the Draft discusses a very limited scope of maintenance activities, as indicated above.

Respondent's Claim:

> "Condition P-2 similarly contemplates that the pipeline operator will conduct 'regular maintenance and safety inspections'."
> - Statement of Defense at page 16

Response:

First, that condition requires implementation of its requirements "during construction and operations," and neither of those is occurring now. Second, it provides no detail as to what sort of maintenance is envisioned. And third, even if it were requiring this sort of maintenance at a time when the pipeline is inoperative, that does not mean that it is authorizing that work in advance without needing to get a permit to regulate the manner in which that work is done.

Respondent's Claim:

> "Condition P-2 states that 'permits may not be withheld or suspended due to County concerns which are under the jurisdiction of 49 CFR Part 195'."
> - Statement of Defense at page 16

Response:

This actually demonstrates that future permitting was, in fact, anticipated. It also only applies to the County. Third, the Commission is not proposing to withhold or suspend permits, but merely to be given the opportunity to conduct the permit review process. And fourth, it's not clear that the cited regulation applies to an idle pipeline.

Respondent's Claim:

"Commission staff's interpretation is in direct conflict with the County's permitting history for the Onshore Pipelines over the past 30 years where the County consistently has authorized Anomaly Repair Work without requiring a new or amended coastal development permit"

- Statement of Defense at page 17

Response:

The County's past practices are not binding on the Commission or dispositive of the legal requirements of the Coastal Act. Further, the facts and circumstances of these alleged past activities have not been provided for review by Commission staff. In certain locations and circumstances described in the Coastal Act and Commission's regulations, repair and maintenance activities may be exempt from Coastal Act review. As such, past activities may legitimately not have required authorization.

Respondent's Claim:

"the Onshore EIR/EIS and Conditions of Approval addressed biological impacts from the installation of the Onshore Pipelines and their ongoing repair and maintenance, such as the Anomaly Repair Work and imposed mitigation to account for permanent impacts"

- Statement of Defense at page 17

Response:

Sable cites nothing to indicate that the sort of anomaly repair work at issue was ever contemplated, and the biological impacts envisioned in the EIR/EIS were only from the permanent removal of the oak woodlands, not from impacts to other sensitive habitats that might emerge over time nor any species they might support, or to water quality from runoff from work on steep slopes or being done during the rainy season.

Respondent's Claim:

"Similarly, Conditions H-10 and H-11 required the pipeline operator to, after construction, replace and revegetate any disturbed catalina mariposa lily and refugio manzanita in locations "in or near" the disturbed area, but "***exclusive of the operation [right-of-way]***.""

- Statement of Defense at page 18

Response:

This just shows that it was anticipated that the right-of-way would be disturbed again, so it would be pointless to plant sensitive species there. That disturbance could be from driving directly on the area of the pipeline location, which has few (if any) of the significant adverse effects of grading whole new roads, excavating pipe, stockpiling dirt, etc. In other words, this doesn't show that the current work was anticipated or mitigated, much less pre-authorized.

Respondent's Claim:

"Sable also implemented several construction best management practices to ensure that impacts to coastal resources, biological resources, and archaeological resources were consistent with the Onshore Pipelines' prior impact analyses"

- Statement of Defense at page 18

Response:

This shows that Sable in fact recognized that this work could have impacts to existing resources, and they did not cite anything to show that these BMPs were required by the original approvals, which shows that they recognize that the original approvals did not provide the necessary regulation for the current work. Moreover, these BMPs were not reviewed and approved by Commission ecology staff, and we have no information proving that they were adequate or even implemented. Since there was no permit sought or obtained for this work, there wasn't oversight or on site monitors. And again, whether the work was done in a sufficiently protective manner is not relevant to whether Coastal Act authorization was legally required, and thus, to the Commission's authority to issue a cease-and-desist order.

Respondent's Claim:

"the County's Statement of Overriding Considerations concluded that the pipeline operator's compliance with the Conditions of Approval would 'mitigate[] as completely as possible' all 'potential oil spill impacts' and other potentially significant impacts"

- Statement of Defense at page 18

Response:

Here again, the reliance is misplaced and misrepresents the document. Tellingly, Sable *quotes* the phrase "oil spill impacts," but the reference to "other potentially significant impacts" is not a quote, because the Statement of Overriding Considerations doesn't use that phrasing, nor does the list on page 55 refer to impacts of future ground disturbance for maintenance.

Respondent's Claim:

"Anomaly Repair Work will serve as a protective measure for coastal resources and *reduce and avoid* any potential oil spill impacts."

- Statement of Defense at page 19

Response:

Again, this refers to oil spill impacts. That is simply not what's at issue here.

Respondent's Claim:

Condition A-13 lists the types of changes that would require a further permit, stating:

"[The pipeline operator] shall obtain a new or modified permit, or authority to continue operation under the existing permit prior to undertaking any of the following activities which may, in the judgement of the County, result in significant changes to the impacts on the County. Such changes could include but not be limited to 1)

major pipeline or pump station modifications; 2) major changes in pipeline throughput; 3) introduction of production to the pipeline from sources other than those described above [noted as the outer continental shelf and other locally produced onshore and offshore petroleum from the Santa Barbara and Santa Maria Basins], and 4) introduction of a different product from any source.79"

- Statement of Defense at page 19

Response:

This is about the sorts of changes in operations that require modifications to the existing permit (or a new permit), but (1) it does not say that it is intended to be an exhaustive list, and (2) it is focused on changes to the nature of the pipeline and its throughput, not to addressing significant maintenance work.

Respondent's Claim:

The County's review of Sable's Zoning Clearance applications reflected the County's understanding "that Zoning Clearances should be used before commencing *initial* construction approved under a final development plan and that Zoning Clearances should not be used for each individual element of the approved development or use throughout the life of a project."

- Statement of Defense at page 23

Response:

This is not relevant. Whether the Zoning Clearance process would be required if these activities were covered by the original permit is not the issue here.

Respondent's Claim:

"The County's Anomaly Repair Confirmation Letter is not appealable under the CZO or LCP."

"The County's confirmation that the work was authorized by the existing Onshore CDPs is 'not appealable to the … Coastal Commission'."

- Statement of Defense at page 23

Response:

This proceeding does not involve an appeal of this letter, so this is irrelevant.

Respondent's Claim:

"Over the last 30 years, the County has employed different procedures to confirm that anomaly repair work complies with the pipelines' existing FDP and Onshore CDPs. These procedures have included using the County's Land Use Permit process, the Zoning Clearance process, as well as informal communications between the pipeline operator"

- Statement of Defense at page 23

Response:

If, as Sable contends, it has always been understood that the intent of the County's original permit was to authorize all future anomaly repair work on the pipeline, the County shouldn't have needed to issue any sort of further authorization. Thus, the fact that the County issued these additional permits shows that the work was not fully authorized in advance. Moreover, the permits Sable cited (Sable SOD Doc. 19, 25, and 26) all included extensive conditions regulating the method of that work to protect natural resources, showing that, contrary to Sable's arguments, the County must have concluded that the original approvals did not adequately protect against the impacts of this future maintenance work.

Similarly, for the valve replacement work, as Sable notes, County staff initially issued an addendum to the EIR/EIS for that work. Although it's true that the addendum proposed a conclusion that the work would not have significant new impacts, the fact that they concluded an addendum was needed at all shows that they did not view the original EIR/EIS as covering this work. It's also notable that the Planning Commission rejected that addendum that staff had proposed, so it's conclusion that no significant adverse harm would occur was not adopted by the County

Respondent's Claim:

> In connection with the anomaly repairs, "Sable implemented several construction best management practices to ensure that impacts to coastal resources . . . were consistent with the Onshore Pipelines' prior impact analyses related to ongoing repair and maintenance, and subsequent ecological and archaeological resources analyses have confirmed that impacts resulting from such work remained within the scope of impacts previously analyzed and approved"
>
> - Statement of Defense at page 25

Response:

This is an unsupported, and vague assertion. Although there is disagreement between Commission staff and Sable that the work undertaken was previously reviewed and authorized by the EIR/EIS and subsequent permits, Sable has provided no discussion or analysis of how the identified Best Management Practices (BMPs) comport with requirements of the mitigation measures and permit conditions. Second, given that there was no permit application, analysis, or regulatory review, and that the work took place without regulatory oversight, it is impossible to evaluate the veracity of Sable's statement much less the effectiveness of the BMPs they may have implemented to avoid or minimize adverse impacts to coastal resources as a result of field work. Third, Commission staff have received reports indicating that Sable may not be in compliance with required conditions and mitigation measures, including these listed BMPs. For example, a BMP in one of the references provided by Sable requires that "All oak tree impacts are to be

avoided including no vehicles, equipment, or stockpile within the dripline of any oaks". Environmental Defense Center (EDC) shared a report with Commission staff dated March 24, 2025, for Sable work in Gaviota State Park (Exh. 27). Photos 8K and 8L of that report capture an excavator parked within the drip line of an oak tree on top of the west bank of Gaviota Creek. This is clearly inconsistent with the relevant BMP and emphasizes the concern raised by Commission staff that without regulatory input on BMP development and regulatory and independent oversight of BMP implementation, BMPs may be inadequate, ignored or both.

Respondent's Claim:

"any dispute resolution process regarding the County's determination is not authorized by the Coastal Act Regulations.

- Statement of Defense at page 27

Response:

This proceeding does not involve the dispute resolution process established by section 13569 of the Commission's regulations

Respondent's Claim:

"Pipeline operators subject to AB 864 were required to submit a risk analysis and plan to retrofit existing pipelines with BAT by October 1, 2021."

- Statement of Defense at page 31

Response:

The section of the regulations that Sable cited in connection with this statement (19 C.C.R. § 2108(b)) just specifies when the regulations become enforceable. A subsequent section (section 2113(a)) requires submittal of an implementation plan "that outlines the time frame to implement the proposed best available technologies." It leaves it to the operator to propose a timeline and doesn't specify any maximum time. Section 2113(c)(2) specifically says that the timeframe proposed must consider the time needed for "acquisition of permits." And 2113(d) provides for the possibility that the operator may have to provide "an explanation demonstrating good cause for delaying implementation past the deadline extensions." Thus, the requirement Sable cites does not require that the work be completed by any particular time.

Respondent's Claim:

"OSFM anticipated that all pipeline BAT retrofits would be completed by April 1, 2023 – just eighteen months after operators were required to submit their plan for OSFM approval."

- Statement of Defense at page 31

Response:

Here too, Sable cites a regulation that does not support this statement. However, even assuming it were true, "anticipated" is not the same as "required," so it would not mean that Sable was required to complete the valve installation by any particular time. However, again, the regulation does not say that OSFM anticipated all retrofits would be completed by April 1, 2023. Section 2108(c) says that's the date when OSFM must enforce the regulatory scheme "against an operator . . . that is required to complete retrofit of existing pipelines." In other words, if an operator is required to have completed the retrofit by that date, presumably per the schedule they proposed pursuant to 2113, then OSFM must enforce the regulatory scheme at that point. Sable presents no evidence that it had committed to complete the work by that date. And even if it did, again, section 2113 provides for the need for permits and for extensions for good cause.

Respondent's Claim:

"This timeline was based in part on an assumption that "[p]ermitting costs to install [AB 864's required safety valves] would be negligible" and that "'[i]n most cases, a permit [] may not be required'."

- Statement of Defense at page 31

Response:

This reinforces the fact that the regulatory system established by AB 864 envisioned that other permits would be necessary. In addition, any "assumption" the permitting costs would be negligible is not a requirement, nor could it be a requirement, that other agencies' permitting costs would be capped. And finally, even if this could somehow be a requirement that permitting costs be capped at some level reflective of negligibility and were, Sable has presented no evidence that this would not have been the case had it applied for a CDP.

In addition, the cited text says the determination of whether a permit would be required would be made on a case-by-case basis, but even if didn't say provide for that that, this is just a report of what OSFM was told in "[d]iscussions with local agency personnel."

Respondent's Claim:

"The Onshore EIR/EIS analyzed the installation of fifteen "[p]ipeline block and check valves"

"The Onshore Pipelines' FDP and CDPs also acknowledged that the operator would undertake certain safety valve installation work."

- Statement of Defense at page 32

Response:

These are different from the valves installed more recently, which are the subject of this matter, and any analysis of valves installed with the original project is irrelevant to the question of whether the installation process for new valves, that are almost certainly of a different sort, 40 years later, requires a permit.

Respondent's Claim:

"the additional valves were located within the Onshore Pipelines' already-disturbed operational right-of-way where permanent impacts to terrestrial biology were assumed to extend throughout the pipelines' lifetime.[163]"

-Statement of Defense at page 33

Response:

The cited page only says that "220 acres of oak woodlands would be removed for the life of the project," not that all terrestrial biology would be. And for all the reasons stated previously, it does not appear that the approval of the original project was intended to approve specific maintenance projects 40 years in the future without review of the methods, much less the installation of additional valves that was not contemplated as maintenance. And clearly, it did not analyze the impacts of such additional valves or means to best avoid adverse impacts in their installation.

Respondent's Claim:

"County staff's analysis confirmed that installing these valves would not result in any new or substantially more severe impacts"

-Statement of Defense at page 33

Response:

First, this was a staff-level determination that was overturned by the Planning Commission, so it is not binding. Second, it was only comparing the impacts of the new valve installation work to the impacts of the original project, not assessing whether the new work would have its own impacts. Third, if this work were truly pre-approved, as Sable argues, then County staff shouldn't have had to assess this question at all. Fourth, impacts analyses are not the standard for whether a permit application is required. The

requirement is based on the performance of development, not the resource impacts. Lack of resource impacts just means the permit will be approved, or that the permit requirement may be waived. Here as elsewhere, Sable is jumping to a conclusion on what may be approvable with out the process leading to that. And in fact, there are often minor tweaks as to timing or manner that can make a development activity much more protective of coastal resources.

Respondent's Claim:

> "County staff initially opted to prepare discrete amendments to the Onshore Pipelines' FDP and Onshore CDPs related to the proposed safety valve installation work."
>
> -Statement of Defense at page 33

Response:

This shows that even the County originally viewed this project as requiring an amendment to the existing approvals. In fact, it was only after Sable sued the County that the County reversed its position on this and found that the work was covered by the original permits and didn't need an amendment

Respondent's Claim:

> To support the amendments, County staff prepared a draft addendum to the EIR/EIS, which "concluded that safety valve installation work "presents minor incremental impacts ***that remain less than those identified for the originally approved***"
>
> -Statement of Defense at page 33

Response:

This is all irrelevant to the issue at hand, as it once again conflates impacts with the need for a CDP. However, as to the impacts analysis, although it's true that the staff's draft addendum to the EIR stated that the impacts of the proposed project would be minor and less than the impacts of the original project, if Sable were correct that the work was covered by the original EIR/EIS, no addendum would have been necessary at all. In fact, that addendum explains that it was created to address "changes and additions from the project described in the certified SEIR to the proposed project." Page C1-2. Thus, far from supporting Sable's position, this actually shows that this was always seen as an expansion beyond the project described in the original EIR/EIS. See also page C1-4 ("The project is a request . . . for an amendment to the . . . [FDP] to allow for the installation of 16 new valves")

Respondent's Claim:

> "Sable undertook [the valve installation] work based on the County's . . . Letter, which confirmed that no further County authorization was required to complete this safety valve installation work. The County has delegated local permitting authority under the Coastal Act and therefore the County's prior authorization was understood by Sable to extend to Coastal Act permitting as well"
>
> -Statement of Defense at page 37

Response:

The County issued its letter on September 4, 2024. That same month, Sable received a Notice of Violation letter from the Coastal Commission explaining Commission staff's contrary position, and the rationale therefor. Thus, Sable was fully aware of the Commission's opposition to this analysis and of its concerns when Sabe undertook this work.

Respondent's Claim:

> "Sable requested a two-day extension from Commission staff to submit this Statement of Defense, which would have allowed Sable to submit the valve installation materials to the County and provide those materials with the initial submission of the Statement of Defense. Commission staff rejected that request."
>
> -Statement of Defense at page 37, fn.176

Response:

The Commission's Executive Director's issued a cease-and-desist order to, among other things, preserve the *status quo* until this matter could be brought before the full Commission. However, because Sable has disregarded that order and proceeded with its work, Commission staff had no choice but to rush this matter onto the next Commission meeting to obtain further relief. It would not have been possible to do that if Sable had been given an extension on the deadline for the Statement of Defense. Therefore, it was Sable's own refusal to comply with the ED-CDO that resulted in the denial of this extension request.

Respondent's Claim:

> Sable claims that the Commission lacks jurisdiction because the County acted in a timely manner to the request from the Commission for enforcement action, as provided for in Section 30810, and cites, as evidence, that the "County issued the Safety Valve Confirmation Letter"
>
> -Statement of Defense at page 38

Response:

Again, that letter from the County was issued on September 4, 2024. Commission staff requested the County act on September 20, 2024, and February 17, 2025. Thus, the County's letter could not have been responsive to the Commission's requests. Nor did it constitute taking action to address the violations that staff was alleging. To the contrary, it showed the County took a different perspective that precluded it from acting on Commission staff's request. At most, the County's letter reveals *why* the County *declined* to take action.

Respondent's Claim:

> Sable claims that the valve installation work "could not 'cause significant damage to coastal resources' as required for a cease and desist order."
>
> -Statement of Defense at page 38

Response:

The work at hand was done over a broad area within the County's Gaviota Coast which is an incredibly diverse ecologically region with a variety of habitats and other coastal resources. The original valve installation project for the above ground safety valves was previously approved by the County zoning administrator and the zoning administrator's approval was appealed to the County Planning Commission. County Planning staff recommended that the Planning Commission deny the appeals, but the Planning Commission voted against County Planning staff and upheld the appeals. The Planning Commission decision was appealed to the County Board of Supervisors and the Board of Supervisors decision ended in a tied vote. Meaning no action was taken by the Board of Supervisors and the action by the Planning Commission stood. Next, Sable and the County entered litigation resulting in the above ground safety valve project being replaced with a proposal to install the safety valves below ground. No application was prepared for the below ground valves and the County provided no regulatory oversight regarding the work.

What this history demonstrates is that although an application was filed for the original above ground valve installation project and County Planning staff made findings regarding that project, because the Planning Commission voted against staff and the Board of Supervisors decision resulted in no action, the County never formally adopted any findings demonstrating that the above ground valve installation project was consistent with the coastal resource protection policies and provisions of the County's certified Local Coastal Program. And since Sable undertook the belowground valve installation work without ever submitting an application to the County and the County never provided any regulatory review or oversight, it is impossible to know whether that project was sited,

designed and constructed in a manner to avoid, minimize and mitigate any potential adverse impacts to coastal resources.

There were many different development activities undertaken, including some that presented the potential to have a very significant damage to coastal resources. For example, the timing of Sable's work occurred during the breeding season for southern California steelhead and California red legged frog. The work also occurred during the nesting season for most bird species, as well as during the time of year in which ground disturbances would most likely result in erosion, scarring, and discharge of sediment into wetland and watercourses. It also appears that several work sites are in or adjacent to ESHA.

Section 30810(a)(2) does not require a showing that significant damage occurred. The operative phrase is that the alleged violation "**could** cause significant damage to coastal resources." The phrase, as used in both Sections 30809 and 30810, reflects the precautionary nature of the Coastal Act and of these orders in particular. The idea is not to have harm befall coastal resources before the Commission can act to prevent it. Here Commission staff went to great lengths to determine what Sable was doing, and where, so that such potential harm could be evaluated, reduced and mitigated. As the record reflects, Commission permit and enforcement staff reached out repeatedly to Sable for this information and offered to work collaboratively to resolve the situation in a legal way to find a way to evaluate impacts and minimize any potential harms, but this did not bear fruit. Sable has repeatedly claimed that the valve work remained within the scope of the impacts previously analyzed and approved. However, as discussed previously in this staff report, there is no evidence demonstrating that this valve installation work was considered, analyzed, mitigated or approved in the EIR/EIS or any of the County's permits.

Moreover, as we have stated in response to their other comments, even if the work, such as the valve installation, is not in and of itself a bad idea or even a good idea, it does not mean that it should not be done in a manner that is protective of coastal resources. This is the whole point of the permit process—to evaluate alternatives and find the one with the least impacts and to condition the work in a way that is protective.

Respondent's Claim:

> "Commission staff also assert that Coastal Act sections 30820, 30821.3, 30821.6, and 30822 authorize penalties to be levied against Sable related to the safety valve installation work. None of those sections apply here and thus no penalties may be levied."
>
> -Statement of Defense at page 39

Response:

To the extent Sable may be objecting to the idea of the Commission invoking these provisions as a basis for imposing an administrative penalty, that is not what the Commission is doing in this proceeding, as the Commission cannot impose penalties administratively pursuant to any of those sections other than 30821.3, and staff never suggested otherwise. The NOI raises those penalty provisions in saying that the "Coastal Act also includes several other penalty provisions that may be applicable" (emphasis added), meaning that these "other" penalty provisions may apply to the acts at issue, not that the Commission can invoke them to impose penalties administratively.

Respondent's Claim:

> Sable claims that because the Commission "did not include the Span Remediation Work performed in federal waters" in this action, that "indicates staff's understanding that this work was in fact contemplated and authorized in the DPP"
>
> -Statement of Defense at page 43, fn. 205, and 51

Response:

The inference Sable attempts to draw is not only unjustified, but absurd. The reason Commission staff limited the seaward extent of its pursuit of this matter is that the "federal waters" to which Sable alludes are outside Coastal Zone and the Commission's enforcement jurisdiction. Commission staff actually did inquire about this issue with the federal agency in charge; however, the Commission also has no enforcement jurisdiction over federal agencies.

Respondent's Claim:

> Sable claims that the Commission's findings in support of its action on the CDP for the DPP and the related consistency certification "highlighted the importance of addressing potential geologic constraints through 'proper mitigation,' which included 'avoidance or … engineering design'," which Sable argues shows that the Commission authorized alterations to the seafloor.
>
> -Statement of Defense at page 50, citing the findings at page 78

Response:

Not only is the language Sable cites much more general than Sable would suggest, but more importantly, Sable points to nothing to indicate that the language referred to any work beyond the initial deployment.

Respondent's Claim:

> Sable claims the Commission's findings in support of its action on the CDP for the DPP and the related consistency certification "also recognized the need for flexibility in pipeline construction methods, acknowledging that '[p]ipeline construction

> methods are presently undefined' and allowing Exxon the latitude to 'propose their own design solutions,'" suggesting that this, too, "permits the adaptation of construction techniques," such as the span remediation work at issue.
>
> -Statement of Defense at page 50, citing the findings at page 44

Response:

The very next sentence in the cited findings states that the range of possible alternatives and their impacts are nevertheless discussed below, showing that the Commission was not creating an open-ended authorization for any sort of work that could fit into this description. In addition, again, the Commission is not saying that the approach at issue is not allowable, but only that it needs to be reviewed through the permit process.

Respondent's Claim:

> Sable claims that a plan the Commission required in the CDP for the DPP, and which the Commission subsequently approved, "specifically approved future Span Remediation Work to (1) inspect the pipelines for unacceptable free spans, and (2) 'modify' the seafloor to remediate any identified unacceptable spans as part of the Offshore CDP."
>
> -Statement of Defense at page 51, citing CDP condition 9 and the 1989 "Final Comprehensive Plan for Marine Biological Impact Reduction and Mitigation in Nearshore Waters off Las Flores Canyon, at 19.

Response:

The language quoted only reflected Exxon's proposal to "modify" certain "bedrock ridges" as part of its initial construction and then to identify unacceptable free spans "following pulling of the pipelines," meaning in the immediate aftermath of the deployment, not decades into the future. Moreover, even if it were to have been referring to future work, the statement is only about "identify[ing]" those spans. It doesn't say they will be making additional modifications in response to those unacceptable free spans without further review and regulation

Respondent's Claim:

> Sable notes that leases issued by the State Lands Commission require that the pipelines be kept 'in good order and repair and safe condition'" and "also require that should inspections on the pipeline 'show bridging…then further detailed inspections shall be made and corrective action taken, if necessary.'"
>
> -Statement of Defense at page 52

Response:

One agency's requirement to take corrective action does not create immunity from other regulatory requirements. In fact, the current leases specifically require compliance with all other regulatory requirements.

VIII. CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The Commission finds that imposition and implementation of this Cease and Desist Order, to compel Sable Offshore Corporation to apply for Coastal Development Permits for, both, work undertaken at onshore locations along the Pipelines, as well as offshore locations of the pipeline located in state, coastal waters; as well as application for future, proposed work, among other things, is exempt from the requirements of the California Environmental Quality Act of 1970 (CEQA), Cal. Pub. Res. Code §§ 21000 *et seq*., for the following reasons. First, the CEQA statue (section 21084) provides for the identification of "classes of projects that have been determined not to have a significant effect on the environment and that shall be exempt from [CEQA]." The CEQA Guidelines (which, like the Commission's regulations, are codified in 14 CCR) provide the list of such projects, which are known as "categorical exemptions," in Article 19 (14 CCR §§15300 *et seq.*). Because this is an enforcement action and because the Commission's process, as demonstrated above, involves ensuring that the environment is protected throughout the process, the exemption covering enforcement actions by regulatory agencies (14 CCR § 15321) applies here.

Secondly although the CEQA Guidelines provide for exceptions to the application of these categorical exemptions (14 CCR § 15300.2), the Commission finds that none of those exceptions applies here. Section 15300.2(c), in particular, states that:

> *A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.*

CEQA defines the phrase "significant effect on the environment" (in Section 21068) to mean "a substantial, or potentially substantial, adverse change in the environment." This Cease and Desist Order is designed to protect and enhance the coastal resources, and contain provisions to ensure, and to allow the Executive Director to ensure, that they are implemented in a manner that will protect the environment. Thus, this action will not have any significant effect on the environment, within the meaning of CEQA, and the exception to the categorical exemptions listed in 14 CCR § 15300.2(c) does not apply. An independent but equally sufficient reason why that exception in Section 15300.2(c) does not apply is that this case does not involve any "unusual circumstances" within the meaning of that section, in that it has not significant feature that would distinguish it from other activities in the exempt classes listed above. This case is a typical Commission enforcement action to protect and restore coastal resources.

Finally, it is not even clear that this order will not result in a physical change in the environment, as that concept is used in CEQA, rending the project exempt pursuant to 14

CCR § 15060(c)(2), and it may not constitute a project within the meaning of CEQA, rendering it exempt pursuant to 14 CCR § 15060(c)(3).

In sum, given the nature of this matter as an enforcement action to protect and restore coastal resources and the environment, and since there is no reasonable possibility that it will result in any significant adverse change in the environment, it is exempt and also categorically exempt for CEQA.

IX. SUMMARY OF FINDINGS OF FACT

1. Sable Offshore Corp. ("Sable") is the owner and operator of the Santa Ynez Unit, and associated assets, consisting of three offshore platforms (Hondo, Harmony and Heritage), the Las Flores Canyon processing facility, and associated electrical transmission and onshore and offshore oil and gas transport pipelines including Las Flores Pipelines CA-324 and CA-325 (Formerly lies 901 and 903, respectively)
2. On February 14, 2024, Sable finalized a purchase agreement with ExxonMobil Corporation, to which Sable purchased the entire Santa Ynez Unit ("SYU"), including the Las Flores Pipelines, and all associated assets (the three offshore platforms, subsea pipelines and infrastructure, and Las Flores Canyon processing facility).
3. Coastal Act Section 30810 authorizes the Commission to issue a cease and desist order when the Commission determines that any person has undertaken, or is threatening to undertake, any activity that (1) requires a permit from the Commission without securing a permit, or (2) is inconsistent with a permit previously issued by the Commission. It may also be issued to enforce any requirements of a certified local coastal program or port master plan.
4. Coastal Act Section 30811 authorizes the Commission to issue a cease and desist order when the Commission determines that development has (1) occurred without a coastal development permit from the Commission or local government (2) is inconsistent with this division, and (3) and the development is causing continuing resource damage.
5. Coastal Act Section 30921.3 provides for administrative civil penalties for violations of any provision of the Coastal Act other than public access.

APPENDICES

Appendix A – Cease and Desist Order No. CCC-25-CD-01; Restoration Order CCC-25-RO-01; Civil Administrative Penalty No. CCC-25-AP3-01

Sable Offshore Slammed with $18 Million Fine at Marathon Coastal Commission Meeting in Santa Barbara

independent.com/2025/04/10/sable-offshore-slammed-with-18-million-fine-at-marathon-coastal-commission-meeting-in-santa-barbara

Margaux Lovely April 10, 2025

If Texas Oil Company Complies with Orders and Applies for Coastal Development Permits, Fine Will Be Reduced to Original Amount of Nearly $15 Million

By Margaux Lovely
Thu Apr 10, 2025 | 3:57pm

Environmental activists raised their hands in approval throughout Thursday's five-hour Coastal Commission meeting, where the commission approved a more than $18 million fine on Sable Offshore for their alleged unpermitted work on pipelines along the Santa Barbara coast. | Credit: Ingrid Bostrom

After multiple notices of violation, two cease-and-desist orders, and countless attempts to resolve the situation amicably, the California Coastal Commission voted on April 10 to impose a more than $18 million fine on oil company Sable Offshore, which was originally facing a nearly $15 million fine based on commission staff's recommendation. The commission also unanimously voted to approve a third cease-and-desist order for Sable's alleged unpermitted construction work on oil pipelines along the Gaviota Coast and an environmental restoration order.

Commission Chair Justin Cummings proposed increasing the administrative penalty to $18,022,500 during staff deliberations after the nearly five-hour enforcement report and public comment period. If Sable complies with all aspects of the orders and applies for coastal development permits, it will be able to discount its fine to the original amount of $14,987,250.

Commissioner Susan Lowenberg — one of three commissioners who voted against the fine increase — said she was “very disappointed with my colleagues” for pulling a surprise escalator in the 10th inning.

“Sable’s refusal to comply is violating the law,” said Commissioner and Santa Barbara City Councilmember Meagan Harmon.

Sable, in its work to restart the previously corroded oil pipelines involved in the 2015 Refugio Oil Spill, has long contended that the work being conducted is authorized under permits issued to the pipeline’s original owner in the 1980s. Santa Barbara County appears to have sided with Sable in the matter, asserting in a February 12 letter that Sable’s work is authorized under their current permits.

“Sable’s refusal to comply is violating the law,” said Commissioner and Santa Barbara City Councilmember Meagan Harmon (center). | Credit: Ingrid Bostrom

A detail of an environmental activist's mixed-media protest sculpture at Thursday's Coastal Commission meeting. | Credit: Ingrid Bostrom

"The Sable Offshore team has decades of experience in successfully collaborating with government agencies," said Steve Rusch, Sable's vice president of environmental and governmental affairs, in a statement. "Despite having worked with Coastal Commission staff for many months, the Commission and Sable disagree regarding whether Coastal Act authorization

exists for the work and whether the Commission has the authority to order our maintenance and repair work to stop. That's a fundamental disagreement that the parties have not been able to resolve."

The commission received more than 2,600 letters from California residents supporting Sable's stance.

The Coastal Commission fundamentally disagrees with both Santa Barbara County and Sable, and has taken the February 12 letter as a refusal by the county to enforce the Coastal Act. The county's settlement following litigation brought about by Sable has preempted them from having any permitting jurisdiction — a decision that the commission disagrees with.

"Clearly, we haven't gotten a foothold with Sable, and we haven't gotten a foothold with Santa Barbara County," said Commissioner Harmon. "I remain utterly confused."

At Thursday's meeting, multiple commissioners weighed in on the county's August 2024 settlement agreement with Sable that preempted them from having permitting jurisdiction over the matter, expressing frustration at the county's alleged lack of legal basis.

"I have never seen a county cave this way," said Commissioner Dayna Bochco. As such, the Coastal Commission has stepped in as the enforcement authority, as they say is legally allowed under the Coastal Act. California Attorney General Rob Bonta has also received letters from the commission and state legislators, asking him to step in.

Steve Rusch, Sable's vice president of environmental and governmental affairs, described the permitting dispute before the California Coastal Commission as "protracted and arbitrary." | Credit: Ingrid Bostrom

The commission issued its first cease-and-desist order in November 2024 after becoming aware of Sable's work on some 130 pipeline anomalies in the coastal zone without coastal development permits. Initially, it was also believed that Sable was constructing safety valves on the pipelines at that time, although Sable's April 4 response to the commission's staff report asserted that safety valve construction had been completed months prior.

While compliant with the first stop-work order, Sable did not apply for coastal development permits from the commission. They continue to claim that all work completed on the pipeline is routine maintenance and repair, not "development," which necessitates a new permit.

"We're not overstepping our authority," said Commissioner Linda Escalante. "This is our only lane." | Credit: Ingrid Bostrom

The commission also alleges that Santa Barbara County has failed to provide them with requested information on Sable's project at least seven times. County planner Lisa Plowman disputed this claim in an April 9 letter to the commission, saying, "Commission staff has all of the information that the county considered prior to concluding that the pipeline anomaly work … is authorized by the existing permits."

Sable sued the commission after it issued a second cease-and-desist order in February, alleging the commission of overreaching its jurisdiction. Sable continues to conduct work in the coastal zone, citing the county's February 12 letter as proof of its legality.

"We're not overstepping our authority," said Commissioner Linda Escalante. "This is our only lane."

The Central Coast Regional Water Quality Control Board also issued a notice of violation to Sable last year for alleged unauthorized discharge into waterways. An enforcement hearing is scheduled for April 17 on the matter, and the board will consider adopting a resolution to ask Attorney General Bonta for additional assistance with enforcement.

"Sable is dedicated to restarting project operations in a safe and efficient manner," Rusch added. "No California business should be forced to go through a protracted and arbitrary permitting process when it already has valid permits for the work it performed."

Editor's Note: Alice Walton, a spokesperson for Sable Offshore, issued a statement on April 10 saying, "California residents submitted more than 2,600 letters to the Coastal Commission supporting Sable." Sable provides a form on their secondary website (https://sablecaliforniaenergy.com/take-action/) to attach your name to four pre-written letters per person "that will be sent at the optimal moment for the campaign." Joshua Smith, a spokesperson for the California Coastal Commission, said 2,658 "form letters" were received between April 3-4. Some people sent multiple letters, Smith added.

CALIFORNIA COASTAL COMMISSION
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VIA CERTIFIED AND ELECTRONIC MAIL

February 18, 2025

Steve Rusch
Sable Offshore Corp.
12000 Calle Real
Goleta, CA 93117

DJ Moore
Latham & Watkins, LLP
355 South Grand Avenue, Suite 100
Los Angeles, California 90071

Subject:	**Executive Director Cease and Desist Order No. ED-25-CD-01 and Notice of Intent to Commence Proceedings for a Commission Cease and Desist Order, Restoration Order, and Administrative Penalty Order**
Date Issued:	02/18/2025
Expiration Date:	05/19/2025
Violation Nos.:	V-9-25-0013 and V-9-24-0152
Location:	The properties that are subject to this order are at various locations along the existing Las Flores Pipelines CA-324 and CA-325 within the Coastal Zone, between the Gaviota coast and the Las Padres National Forest, and areas surrounding the pipelines that are being or could be impacted by the development activities at issue here, in which the parties subject to this order are performing or intend to perform any of the activities described below, all within Santa Barbara County. The properties that are subject to the Notice of Intent to commence further enforcement proceedings are those same properties as well as areas previously impacted by similar work and offshore locations along the larger Santa Ynez Unit pipeline, in state waters, where the parties subject to this notice have undertaken unpermitted development in placing sand/cement bags

and pallets on the seafloor below and adjacent to Sable's out-of-service offshore oil and water pipelines as part of an effort to restart SYU oil production operations and bring the pipelines back into use.

Violation Description: Activities onshore including, but not limited to, excavation with heavy equipment; removal of major vegetation; grading and widening of roads; installation of metal plates over water courses; dewatering and discharge of water; pipeline removal, replacement, and reinforcement; installation of shutoff valves; and other development associated with the Las Flores Pipelines CA-324 and CA-325; as well as offshore development including, but not necessarily limited to, placing sand/cement bags and pallets on the seafloor below and adjacent to Sable's out-of-service offshore oil and water pipelines; all without the requisite Coastal Act authorization, as part of an effort to restart Santa Ynez Unit oil production operations and bring the pipelines back into use [1]

Dear Sirs,

This is in furtherance of our discussions regarding the recent activities of Sable. I want to note that we are not taking a position regarding the underlying merits of the pipeline and of Sable's recent activities here, but want to work with you to ensure that any actions taken here, in this iconic area, are done in a way that protects the fragile ecosystem, and the humans and animals in the area. We remain more than willing to work with you to ensure that any work contains any necessary protections and conforms with applicable laws. We again offer to work with you and the County on a consolidated permit to move forward in the most efficient and streamlined manner possible and are available to discuss options with you going forward.

I. Order

Pursuant to my authority under California Public Resources Code ("PRC") Section 30809, as the Executive Director of the California Coastal Commission ("Commission"), I hereby issue this Executive Director Cease and Desist Order ("EDCDO" or "this Order"), which orders you, Sable Offshore Corp. ("Sable"), as the owner and operator of Las Flores Pipelines CA-324 and CA-325 ("Pipeline"), to cease further work along the Pipeline and immediately surrounding areas unless and until authorized by a new, final coastal development permit ("CDP").[2]

[1] Please note that the description herein of the violations at issue is not necessarily a complete list of all unpermitted development on the properties in violation of the Coastal Act.
[2] A "final" coastal development permit as used here means one that is: (a) no longer subject to appeal, either within the County system or to the Commission, and whether because the time period for such appeals has elapsed or because all such appeals have been completed.

Compliance with the following terms is intended to ensure that all development described in Section E, below, remains halted, ensuring that further unnecessary damaging effects to coastal resources are avoided, while Sable obtains the legally necessary authorization for future, proposed development, and/or for any steps needed restore the site, as follows.

Pursuant to my authority under PRC Section 30809, I hereby order Sable:

1. To cease and desist from conducting any further development at the onshore locations described above unless you have submitted evidence, for my review and approval, demonstrating that you possess the necessary Coastal Act authorization for the work and have received my written approval to proceed.

2. If you decide you wish to proceed, either: (a) demonstrate, to my satisfaction, that Sable already possesses the necessary Coastal Act authorization for the work, which Sable has not yet demonstrated;[3] or (b) obtain a new, final, operative CDP or other valid Coastal Act authorization specifically covering the work at issue and comply with the terms of any final, validly issued CDPs.

A. ENTITITES SUBJECT TO THE ORDER

The parties whose actions or inactions are subject to this Order are Sable Offshore Corp; all employees, agents, and contractors of the foregoing; and any other person or entity acting in concert with the foregoing.

B. IDENTIFICATION OF THE PROPERTIES

The properties that are subject to this are various locations along the existing Las Flores Pipelines CA-324 and CA-325 within the Coastal Zone, between the Gaviota coast and the Las Padres National Forest, areas surrounding the Pipeline and impacted by the development activities at issue here, all within Santa Barbara County.

C. DESCRIPTION OF THE VIOLATIONS

The Coastal Act violations and threatened violations addressed by this Order involve development that has occurred in the Coastal Zone without the requisite Coastal act authorization, including, but not necessarily limited to, excavation with heavy equipment; removal of major vegetation; grading and widening of roads; installation of metal plates over water courses; placement of fill in wetlands and coastal waters; dewatering and discharge of water; pipeline removal, replacement, and reinforcement; any installation of shutoff valves; and other development associated with Pipeline.

D. COMMISSION AUTHORITY TO ACT

The Executive Director is issuing this Order pursuant to her authority under PRC Section 30809, including, but not necessarily limited to, subdivision (a)(2) thereof. The County has

[3] We offer this option as an accommodation and remain willing to review and consider any additional permit language Sable may provide at any time, including after issuance of this EDCDO.

indicated that it believes the work at issue is authorized by prior permits, and thus, it does not agree with Commission staff's conclusion that the recently completed, ongoing and threatened, future work constitutes a violation of the Coastal Act and LCP. Commission staff has explained its contrary position to the County on multiple occasions, most recently in a letter dated February 14, 2025. In addition, on February 17, 2025, after a representative of Sable responded to my request that Sable forestall further activities and instead indicated that "Sable intends to proceed,"[4] Commission staff specifically requested that the County either take enforcement action or confirm that they were, in fact, not willing to take action to address the alleged violations noted above, pursuant to PRC Section 30809(a)(2). Having received no response from the County by 12pm February 18, 2025, I am moving forward with issuing this EDCDO.

E. EXECUTIVE DIRECTOR'S FINDINGS

As the Executive Director of the Commission, I am issuing this Order pursuant to my authority under PRC Sections 30809(a) to prevent further significant damage to coastal resources that, without this order, would be likely to occur. As noted in our Notice, Sable's continued work on the Pipeline would be likely to contribute to environmental impacts that could have been avoided, including the destabilization of rain-soaked hillsides and habitat areas, discharge of mud and debris into watercourses and wetlands, disturbance to nesting birds that could lead to nest and habitat abandonment, and declines in breeding success. Further, the history of this site has made it clear that the utmost caution, and safety, must be taken to avoid catastrophic damage to coastal resources such as those seen after the 2015 pipeline failure and resulting Refugio Oil Spill.

Commission enforcement staff informed Sable of the violations of the Coastal Act in an initial Notice of Violation letter sent to Sable on September 27, 2024, a follow-up letter sent October 4, 2024, and continued to discuss the violations in multiple virtual meetings over the course of the following weeks. On November 12, 2024, an EDCDO was issued directing Sable to immediately cease and desist from conducting any further unpermitted development along the Pipeline, submit an interim restoration plan to safely secure those sites where unpermitted development had occurred, and apply for a CDP for any proposed future work to be undertaken along the Pipeline, as well as for after-the-fact (ATF) authorization for unpermitted development that had already occurred. On February 11, 2025, Commission staff additionally issued a Notice of Violation letter for unpermitted development undertaken by Sable at locations offshore, in state waters. A more detailed recitation of the history is provided below.

With limited exceptions not applicable here, PRC Section 30600(a) states that, in addition to obtaining any other permit required by law, any person wishing to perform or undertake any development in the coastal zone must obtain a CDP. "Development" is defined by Section 30106 of the Coastal Act as follows:

> *"'Development' means, on land, in or under water, the placement or erection of any solid material or structure; discharge or disposal of any dredged material or of any gaseous, liquid, solid, or thermal waste; grading, removing, dredging, mining, or*

[4] February 17, 2025, letter from DJ Moore, of Latham & Watkins LLP, writing on behalf of Sable.

> *extraction of any materials; change in the density or intensity of use of land, including, but not limited to, subdivision pursuant to the Subdivision Map Act (commencing with Section 66410 of the Government Code), and any other division of land, including lot splits, except where the land division is brought about in connection with the purchase of such land by a public agency for public recreational use; change in the intensity of use of water, or of access thereto; construction, reconstruction, demolition, or alteration of the size of any structure, including any facility of any private, public, or municipal utility…" (emphasis added)*

The Development described herein clearly constitutes "development" within the meaning of the above-quoted definition and therefore requires a CDP. Sable has not submitted an application for a CDP for any of its proposed future work at either onshore, or offshore locations, as described above, nor has Sable submitted any ATF application for work previously undertaken along the Pipeline and within the Coastal Zone.

On September 27, 2024, Commission staff sent a "Notice of Violation" letter informing Sable that the Commission had become aware of unpermitted development activities taking place within the Coastal Zone, including excavation with heavy machinery, grading, and other activities at various locations along the Pipeline, apparently in connection with a proposed restart of the Santa Ynez Unit, consisting of three offshore platforms, Las Flores Canyon processing facility, and associated electrical transmission and onshore and offshore oil and gas transport pipelines. Commission staff requested Sable immediately cease all unpermitted development within the Coastal Zone, including all activities associated with Lines 324 and 325, as well as any potential development activities taking place along the offshore platforms and Pipeline. Commission staff further detailed the need for Coastal Act authorization for any development in the Coastal Zone, which should be sought through the submittal of an application(s) for the required CDP(s).

On October 1, 2024, Sable met with Commission staff to discuss the above-mentioned Coastal Act violations. In this conversation, Commission staff conveyed to Sable that all unpermitted development activities, along the Pipeline, must cease immediately. Immediate cessation of all work would result in several open pit sites, where excavation activities had already begun. Because of this, Commission staff and Sable discussed steps necessary to ensure the open pit sites could be temporarily secured. However, my staff made it clear to Sable that all work must stop immediately. Nonetheless, Commission staff received an email from Sable on October 2, 2025, stating that work had been suspended, "subject to taking interim measures". Commission staff met with Sable on October 3, 2025, to reiterate that all work must fully cease, and including any such "interim measures" which still amounted to development requiring Coastal Act authorization.

Despite these conversations, Commission staff received notice that Sable had yet to cease all work. Thus, on October 4, 2024, Commission staff sent a letter to Sable providing formal notice of the Executive Director's intent to issue an order, if necessary, to halt the ongoing project work, and requested written assurances by 2:00 pm that day, that Sable had, in fact ceased work entirely. Though Sable did send an email to Commission staff before this deadline to state that all work, including the actions in which Sable characterized as interim work measures, had ceased, Commission staff continued to

receive messages that work had not ceased and therefore, again, requested Sable provide written assurances that all work had, in fact, ceased. In response, Sable, confirmed all work, including any such interim measures, had ceased.

In addition to the cessation of all work, the October 4, 2024 letter required Sable provide information as to work undertaken along the Pipeline, specific plans as to future, proposed work, and written confirmation of intent to apply for a CDP(s) for ATF authorization for any work that had already occurred in the Coastal Zone and prospective authorization for any proposed future work.

Because Sable did not satisfactorily provide, as required by PRC Section 30809, detailed information as requested in Commission staff's October 4 letter, and further, failed to provide written confirmation as to its commitment to apply for an ATF CDP for work previously undertaken within the Coastal Zone, I issued a EDCDO on November 12, 2024. In this EDCDO, I directed Sable to complete an Interim Restoration Plan to safely secure the sites in the interim period necessary for Sable to apply for both an ATF CDP for all work previously undertaken along the Pipeline as well as CDP for future, proposed work. As an accommodation, I granted 120 days from the issuance of the EDCDO for Sable to apply for requisite CDPs. On December 20, 2024, Sable successfully completed the Interim Restoration Plan. However, to date, Sable has not submitted any application for an ATF CDP for work previously undertaken, or for a CDP for any future, proposed work to be taken along the Pipeline. Commission staff had repeatedly asked for greater information, including any full-scale workplans, so as to better understand the overall project. Without detailed information as to these plans, it is difficult for Commission staff to fully understand the scope of the work Sable has undertaken, as well as any proposed future plans and it is further difficult for Commission staff to provide a fully analysis as to what, if any, work has been authorized under applicable law.

Instead, Sable shifted operations offshore and carried out additional development activities without the benefit of a CDP including, but not limited to, the deployment of an unspecified number of "tea-bag pallets," sand-to-concrete bags, and soft-concrete bags, as part of an effort to restart oil production operations and bring the Santa Ynez Unit pipeline back into use. Specifically, the project deployed a remotely operated vehicle ("ROV") to place concrete bags and pallets along more than 750 linear feet of the pipelines to create support piers along 14 identified spans of between 41 and 70 feet. These activities took place over three days from November 29, 2024, to December 1, 2024.

Sable also sought authorization for the onshore violations described in the EDCDO through the County's zoning clearance process. On November 22, 2024, and December 5, 2024, Sable submitted applications to the County requesting authorization for pipeline "anomaly repair work" conducted along the Las Flores Pipelines, CA-324 and CA-325.

On January 10, 2025, the Commission held a conference call with the Santa Barbabra County Planning and Development Department ("County") to discuss Sable's pending Zoning Clearance applications, as well as the potential for a consolidated coastal development permit covering both onshore and offshore development activities. During this conversation, the County agreed to follow up with information, including the citations

and provisions within existing County issued permit(s) that the County believed might have pre-authorized the recently completed and proposed Pipeline work, as well as any other evidence Sable provided that the County found to be compelling. The parties to the call further confirmed that they would have a follow-up discussion before any County approval of Sable's Zoning Clearance applications. Despite this, however, no such information was received, and the Commission, therefore, followed up on this conversation through email, on February 7, 2025, again requesting this information.

On February 12, 2025, Commission staff received a letter from the County, in response to the prior request made by Commission staff that the County agree to the Commission's review of a consolidated permit application, pursuant to California Public Resources Code section 30601.3(a)(2). In this letter, the County stated that it had concluded that the "anomaly repair work" addressed in Sable's zoning clearance applications "is authorized by existing permits" and therefore no further application to, or action by, the County is required. However, the County expressed its support for the Commission's review of a consolidated permit application, if submitted by Sable.

In addition to this letter, the County provided the Commission with copy of an additional letter, which the County sent to Sable, notifying Sable that work addressed in Sable's zoning clearance permits "is covered by prior permits," though neither letter provided any citation to or quotation of any language in any such permits to support this assertion.

In response to these two letters and a February 14 request from the Environmental Defense Center, on February 16, 2025, I issued a letter to the County initiating a review of the County's determination, pursuant to Section 13569 of the Commission's regulations, and requesting a complete copy of any coastal development permit applications submitted by Sable and/or its predecessor(s) for the shutoff valve installation work on the Pipeline and Sable's application for the zoning clearance(s) for the repair anomaly work along the Pipeline.

Additionally, on February 16, 2025, I provided Sable with notice of my intention to issue a new EDCDO to Sable. In this letter, I responded to arguments that Sable submitted on February 14, purporting to support the position the County had taken, and I explained why, despite those argument, based on the information I had received to date, I continued to believe that Sable's proposed activities lacked the necessary Coastal Act authorization. I therefore directed Sable to confirm in writing by February 17, 2025, that Sable would cease all development as described in, and subject of, that letter unless and until Sable either: (a) demonstrates, to my satisfaction, that it already possesses the necessary Coastal Act authorization for the work, which Sable has not yet demonstrated.[5] On February 17, 2025, I received a letter from Sable reiterating their position that Sable's work "does not constitute a violation of the Coastal Act or the County's LCP because it is authorized under the pipelines' existing CDPs and other approvals,".

As a jurisdictional requirement to issue this Order, I have determined that Sable is undertaking or is threatening to undertake development that may require a CDP, without

[5] We offer this option as an accommodation and remain willing to review and consider any additional permit language Sable may provide either before, or after, issuance of Coastal Act authorization.

first securing a CDP and further determined Santa Barbara County has declined to act in a timely manner regarding the coastal act violations as detailed in the EDCDO, and this failure to act will cause damage to coastal resources.

Thus, as of the issuance of this Order, I have concluded that Sable has yet to apply for any CDP, or other valid Coastal Act authorization, covering the work at issue, nor has Sable demonstrated that it possesses the necessary Coastal Act authorization for this work. As such, I am issuing this EDCDO pursuant to my authority under PRC Sections 30809(a)(2).

F. COMPLIANCE OBLIGATION

Respondent's strict compliance with this Consent Order is required. Failure to comply with any term or condition of this Consent Order, including any deadline contained herein, unless the Executive Director grants an extension under Section I.5, above, will constitute a violation of this Consent Order and shall result in Respondent being liable for stipulated penalties in the amount of $1,000 per day per violation. Respondent shall pay stipulated penalties within 10 days of receipt of written demand by the Executive Director, regardless of whether Respondent subsequently complies. If Respondent violates this Consent Order, nothing in this agreement shall be construed as prohibiting, altering, or in any way limiting the ability of the Commission to seek any other remedies available, including the imposition of civil penalties and other remedies pursuant to PRC Sections 30820, 30821, 30821.6, and 30822, as a result of the lack of compliance with this Consent Order.

G. CHALLENGE

Pursuant to PRC Section 30803(b), any person or entity to whom this Consent Order is issued may file a petition with the Superior Court and seek a stay of this Consent Order. Also pursuant to PRC Section 30803(a), any person may maintain an action for declaratory and equitable relief to restrain any violation of this division, including of any orders issued pursuant to Section 30809, 30810 or 30811.

H. EFFECTIVE DATE

This Order shall be effective upon its issuance and shall expire 90 days from the date issued on 02/18/2025 unless extended consistent with the applicable regulations.

II. NOTICE OF INTENT TO COMMENCE A CEASE AND DESIST ORDER, RESTORATION ORDER, AND ADMINISTRATIVE CIVIL PENALTY PROCEEDINGS

While we hope that these matters can be addressed quickly via the EDCDO and that a Commission-issued order may not be necessary, I am also notifying you, as is provided for in Section 13187(B) and Section 13191(a) of the Commission's regulations (Title 14, Division 5.5 of the California Code of Regulations), of my intent to commence proceedings for issuance by the Commission of a Cease and Desist Restoration Order and Administrative Penalty Proceeding, which would include a direction to cease and desist from undertaking further unpermitted development, should such an order be required.

The EDCDO provides an interim solution to safeguard against damage to coastal resources immediately, and an interim period needed for Sable to obtain necessary CDPs. However, it does not address the work that has already been completed without the necessary authorization, including the additional work described below which will require a future order.

In addition to the above actions regarding Sable's unpermitted development activities undertaken onshore, Commission staff were additionally made aware of unpermitted activities undertaken offshore, at locations along the Santa Ynez Unit pipeline, and in state waters. On February 11, 2025, Commission staff provided a Notice of Violation letter to Sable regarding unpermitted development including, but not limited to, deploying sand/cement fill materials and pallets on the seafloor adjacent to and below Sable's out-of-service offshore oil and water pipelines as part of an effort to restart SYU oil production operations and bring the Pipeline back into use.

In an email sent on November 21, 2024, from Cassidy Teufel, Deputy Director of the Commission, to Steve Rusch of Sable, Mr. Teufel stated that it was his understanding, based on previous email correspondence, that Sable was not proceeding with any work associated with the offshore pipeline until Commission staff had an opportunity to discuss it and work through any authorizations that may be required. He noted that Mr. Rusch had indicated via email that a recent ROV survey had identified pipeline spans that Sable identified as needing to be addressed, and Mr. Teufel asked for clarification as to when this work was carried out, and for a description of its scope, including equipment and vessels used and the location, timing, and duration of that work. Mr. Teufel also reiterated that Sable needed to submit to the Commission a complete CDP application for the proposed span remediation work. Mr. Rusch never disputed or contested anything in this email from Mr. Teufel. Nevertheless, without having received any such application, circa mid-December 2024, the Commission received reports that span remediation work was underway.

On January 10, 2025, Mr. Teufel sent a follow up message informing Sable that the Commission had yet to receive the aforementioned permit application, and requesting a status update. The January email also asked Sable to clarify if Sable did in fact carry out activities and reemphasized the Coastal Act permitting requirements as previously explained.

In a letter dated January 15, 2025, from DJ Moore of Latham & Watkins, LLC (representing Sable) to Mr. Teufel, Mr. Moore acknowledged that the span remediation activities had occurred, specifically the placement of concrete fill material across 14 separate areas totaling over 750 linear feet adjacent to and below two seafloor pipelines, but claimed those activities did not require a new CDP or Consistency Certification ("CC") under the Coastal Act and the Coastal Zone Management Act, 16 U.S.C. §§ 1541 *et seq.* ("CZMA"), respectively. He asserted that these activities were already authorized by the existing Development and Production Plan ("DPP") previously authorized by the Department of the Interior's Minerals Management Service ("MMS"); the Coastal Commission-approved CDP No. E-88-1, which originally authorized the SYU pipeline in 1988; and the Coastal

Commission's concurrence in CC No. CC-64-87, all of which occurred more than 30 years ago and did not address the work undertaken in 2024-2025. Thus, on February 11, 2025, Commission staff issued a Notice of Violation letter directing Sable to immediately cease from performing any unpermitted development activities in state coastal waters (or elsewhere in the Coastal Zone) until and unless proper authorization is obtained.

Contrary to these claims, and as individually answered and described in greater detail in the Notice of Violation letter, the span remediation work conducted was not, and could not have been, pre-authorized by the permit in which the Commission issued for the original installation of the SYU Pipeline, nor was this work otherwise pre-authorized by the Commission. While the Commission has, on occasion in the past, specifically authorized future maintenance activities for certain projects it has approved, when it has done so, it is explicit about that, and it has not done so here. Further, Mr. Moore's claim that the DPP requires the pipeline to be in "good working condition" or that the Pipeline must meet federal standards has no bearing on the question as to whether pre-authorization of specific work was granted. The Pipeline in question is not currently in service, have been purged off all oil and does not pose a risk of oil spill if not addressed. Mr. Moore's letter additionally asserts that inclusion of Commission staff on an email, sent from Exxon to a third party, 13 years ago, evidences the Commission's agreement with Sable's position that no further coastal act authorization is needed for this work. Again, this bears no evidence to support that the Commission pre-authorized future work or span remediation activities on the site.

In order to resolve this violation, Sable must complete a CDP application seeking ATF authorization for the unpermitted span remediation activities that have already taken place in state coastal waters, and which addresses any necessary restoration, and payment of administrative penalties to resolve civil liability.

I am hopeful that Sable will work with my staff to reach a consensual resolution of the entirety of this matter through a future Consent Cease and Desist Order and Restoration Order and Consent Administrative Penalty ("Consent Agreement"), which would then be taken to the California Coastal Commission ("Commission") for its approval in a formal public hearing. We are available to assist you in this process.

Prior to bringing an order to the Commission, including a consent order, unless the requirement is waived, our regulations require notification of the initiation of formal proceedings. Therefore, in accordance with those regulations, this letter notifies you of my intent, as the Executive Director of the Commission, to commence formal enforcement proceedings to address the Coastal Act violations noted above by bringing to the Commission a recommendation for a Cease and Desist Order, Restoration Order, and assessment of an Administrative Penalty. The intent of this letter is not to discourage or supersede productive settlement discussions; rather it is to provide formal notice of our intent, consistent with our regulations, to resolve these issues through the order process, which in no way precludes a consensual resolution. However, please note that should we be unable to reach an amicable resolution in a timely manner this letter also lays the foundation for Commission staff to initiate a hearing before the Commission unilaterally, during which a proposed order or orders, including an assessment of administrative

penalties against you, would be presented for the Commission's consideration and possible adoption.

Again, if we are to settle this matter, such actions still must be addressed through this formal order process. This letter is intended to facilitate the resolution here, whether we address this matter through a consent or unilateral action, in providing you with the notice required under the Commission's Regulations; it in no way is intended to subvert the possibility of resolving this matter collaboratively.

The Commission's authority to issue Cease and Desist Orders is set forth in Section 30810(a) of the Coastal Act, which states, in part:

> **If the commission, after public hearing, determines that any person … has undertaken, or is threatening to undertake, any activity that (1) requires a permit from the commission without securing the permit or (2) is inconsistent with any permit previously issued by the commission, the commission may issue an order directing that person … to cease and desist. The order may also be issued to enforce any requirements of a certified local coastal program or port master plan, or any requirements of this division which are subject to the jurisdiction of the certified program or plan, under any of the following circumstances:**
>
> **(1) The local government or port governing body requests the commission to assist with, or assume primary responsibility for, issuing a cease and desist order.**
>
> **(2) The commission requests and the local government or port governing body declines to act, or does not take action within a timely manner, regarding an alleged violation which could cause significant damage to coastal resources.**

Section 30810(b) of the Coastal Act states that the cease and desist order may be subject to such terms and conditions that the Commission determines are necessary to ensure compliance with the Coastal Act, including removal of any items of unpermitted development.

Section 30600(a) of the Coastal Act states that, in addition to obtaining any other permit required by law, any person wishing to perform or undertake any development in the Coastal Zone must obtain a CDP through Section 35-169.2 of the County's certified LCP. As stated above, "Development" is defined by Section 30106 of the Coastal Act and Section 35-58 of the City's LCP.

The various instances of unpermitted development at issue here clearly constitute "development" within the meaning of the above-quoted definition and therefore are subject to the permit requirement of Section 30600(a) and Section 312-3.1.5 of the County's certified LCP. A CDP has not been issued to authorize the unpermitted development, thus

independent criteria for issuance of a cease and desist order under Section 30810(a) of the Coastal Act are thus satisfied.

In addition to the aforementioned items, any resolution of this matter via Consent Agreement would also include settlement of monetary claims associated with your civil liability under the Coastal Act for these violations. If a consensual resolution is not reached, resolution of penalties under Section 30821.3 of the Coastal Act would be addressed unilaterally via an Administrative Penalty Action, as described below.

Restoration Order

The Commission's authority to issue Restoration Orders is set forth in Section 30811 of the Coastal Act, which states, in part:

> **In addition to any other authority to order restoration, the commission…may, after a public hearing, order restoration of a site if it finds that the development has occurred without a coastal development permit from the commission…, the development is inconsistent with this division, and the development is causing continuing resource damage.**

Pursuant to Section 13191 of the Commission's regulations, I have determined that the activities specified in this letter meet the criteria of Section 30811 of the Coastal Act, based on the following:

1) "Development" as that term is defined by section 30106 of the Coastal Act, has occurred without a CDP from the Commission.

2) This unpermitted development is inconsistent with the resource protection policies of the Coastal Act including, but not necessarily limited to Coastal Act Section 30240 (protection of environmentally sensitive habitat areas), Section 30233 (protection of wetlands from filling), Section 30230 (protection of marine resources) and Section 30231 (protecting biological productivity).

3) The unpermitted development remains in place and/or unaddressed and therefore continues to cause resource damage, which is defined by Section 13190 of the Commission's regulations as: "any degradation or other reduction in quality, abundance, or other quantitative or qualitative characteristic of the resource as compared to the condition the resource was in before it was disturbed by unpermitted development." The unpermitted development continues to exist and therefore, it continues to cause damage to resources and prevent the Coastal Act resources that were displaced from re-establishing, and it continues to cause degradation and reduction in quality of surrounding resources as compared to their condition before the unpermitted development occurred.

For the reasons stated above, I am therefore issuing this "Notice of Intent" letter to commence proceedings for a Restoration Order before the Commission in order to require the restoration of the Property. The procedures for the issuance of Restoration Orders are

described in Sections 13190 through 13197 of the Commission's regulations, which are codified in Title 14 of the California Code of Regulations.

Administrative Civil Penalties, Civil Liability, and Exemplary Damages

Under Section 30821.3 of the Coastal Act, in cases involving violations of the Coastal Act, the Commission is authorized to impose administrative civil penalties by a majority vote of the Commissioners present at a public hearing. In this case, as described above, there are multiple violations of the resource protection provisions of the Coastal Act; and therefore, the criteria of Section 30821.3 have been satisfied. The penalties imposed may be in an amount up to $11,250, for each violation, for each day each violation has persisted or is persisting, for up to five (5) years. In addition, the 60-day time period to correct a violation that is allowed under the statute does not apply to violations of a CDP. If a person fails to pay an administrative penalty imposed by the Commission, under 30821.3(e) the Commission may record a lien on that person's property in the amount of the assessed penalty. This lien shall be equal in force, effect, and priority to a judgment lien.

The Coastal Act also includes several other penalty provisions that may be applicable as well. Section 30820(a)(1) provides for civil liability to be imposed on any person who performs or undertakes development without a CDP and/or that is inconsistent with any CDP previously issued by the Commission in an amount that shall not exceed $30,000 and shall not be less than $500 for each instance of development that is in violation of the Coastal Act. Section 30820(b) provides that additional civil liability may be imposed on any person who performs or undertakes development without a CDP and/or that is inconsistent with any CDP previously issued by the Commission when the person intentionally and knowingly performs or undertakes such development. Civil liability under Section 30820(b) shall be imposed in an amount not less than $1,000 per day and not more than $15,000 per day, for each violation and for each day in which each violation persists. Section 30821.6 also provides that a violation of a Cease and Desist Order of the Commission can result in civil liabilities of up to $6,000 for each day in which each violation persists. Lastly, Section 30822 provides for additional exemplary damages for intentional and knowing violations of the Coastal Act or a Commission Cease and Desist Order.

Response Procedure

In accordance with Sections 13181(a) and 13191 of the Commission's regulations, you have the opportunity to respond to the Commission staff's allegations as set forth in this notice of intent to commence Cease and Desist and Restoration Order proceedings by completing the enclosed statement of defense ("SOD") form. The SOD form would be directed to the attention of Stephanie Cook, no later than March 10, 2025.

We remain hopeful that we can reach an agreeable solution and that a Consent Order will fully address this matter so that we will not have to resort to bringing a formal action before our Commission. This additional notice to commence Commission proceedings is to give us options for the possibility that Sable fails to comply with the Consent Order or that the actions required in the Consent Order do not completely resolve the violations. Therefore, should this matter be resolved via the Consent Order (or if we do have to proceed with a

Commission action and we are able to still resolve this matter via a Consent Commission Order), an SOD form would not be necessary. In any case and in the interim, staff would be happy to accept any information you wish to share regarding this matter and staff can extend deadlines for submittal of the SOD form to account for the goal of resolving this via this Consent Order and specifically allow additional time to discuss terms of Commission consent orders if that is necessary. If it is necessary, Commission staff would schedule the hearings for the Cease and Desist and Restoration Order for the Commission's April or May 2025 hearing. Again, we are hopeful that this matter can be fully resolved by compliance with this Consent Order and there will not be a need to commence a formal proceeding before the Commission.

For additional information you may contact Stephanie Cook at (415) 904-5220, Stephanie.Cook@Coastal.ca.gov, or at our Headquarters Enforcement Office at:

California Coastal Commission
Attn: Stephanie Cook
455 Market Street, Suite 300
San Francisco, CA 94105

Again, we remain willing and available to work with you to resolve these matters quickly and amicably and look forward to hearing from you.

Signed,

Kate Huckelbridge
Executive Director
California Coastal Commission

Enclosure: Notice of Intent to Issue an Executive Director's Cease and Desist Order, dated February 16, 2025
Statement of Defense Form

Cc:

Lauren Paull, Latham & Watkins, LLP
Cassidy Teufel, CCC, Deputy Director
Lisa Haage, CCC, Chief of Enforcement
Aaron McLendon, Deputy Chief of Enforcement
Alex Helperin, CCC, Deputy Chief Counsel
Sarah Esmaili, CCC, Senior Staff Attorney
Wesley Horn, CCC, Environmental Scientist
Stephanie Cook, CCC, Enforcement Counsel

CALIFORNIA COASTAL COMMISSION
455 MARKET STREET, SUITE 300
SAN FRANCISCO, CA 94105-2421
VOICE (415) 904-5200
FAX (415) 904-5400

NOTICE OF VIOLATION

Sent by Electronic Mail

February 11, 2025

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DJ.Moore@lw.com

Sable Offshore Corporation
12000 Calle Real
Goleta, CA 93117

Violation File No.: **V-9-25-0013** (Sable Offshore Corporation)

Location: Santa Ynez Unit ("SYU") pipeline located in state waters offshore of the Gaviota Coast in Santa Barbara County

Violation[1] description: Unpermitted offshore development including, but not necessarily limited to, deploying sand/cement bags on the seafloor and positioning them to provide support to Sable's out-of-service offshore oil and water pipelines as part of an effort to restart SYU oil production operations and bring the pipelines back into use

Dear Ms. Bertrand, Mr. Alcock, and Mr. Moore:

[1] Please note that the description herein of the violation at issue is not necessarily a complete list of all unpermitted development in state coastal waters that is in violation of the Coastal Act. Accordingly, you should not treat the Commission's silence regarding (or failure to address) other unpermitted development in state coastal waters as indicative of Commission acceptance of, or acquiescence in, any such development. Please further note that the term "violation" as used throughout this letter refers to alleged violations of the Coastal Act.

As you know, California Coastal Commission ("Commission") Enforcement staff has previously sent a Notice of Violation ("NOV") letter to Sable Offshore Corp. ("Sable"), and the Commission's Executive Director has issued to Sable a Cease and Desist Order ("EDCDO"), ED-24-CD-02, concerning unpermitted development including, but not limited to, excavation, removal of major vegetation, grading, widening of roads, replacement and reinforcement of corroded sections of pipeline, and installation of safety valves, at various locations along the existing Lines 324/325 (formerly known as Lines 901/903) associated with a proposed restart of SYU operations. As we stated, the unpermitted performance of these activities constituted violations of the Coastal Act[2] and Santa Barbara County's Local Coastal Program ("LCP"). In the EDCDO, Sable, which owns Lines 324/325, was directed to apply for a Coastal Development Permit ("CDP") for any proposed future work to be undertaken along the pipelines, as well as for after-the-fact ("ATF") authorization for unpermitted development that has already occurred.

More recently, it has come to our attention that unpermitted activities associated with SYU pipelines have also taken place offshore in state coastal waters, including, but not limited to, the deployment of an unspecified number of "tea-bag pallets," sand-to-concrete bags, and soft-concrete bags, as well as positioning them to provide support to out-of-service offshore oil and water pipelines as part of an effort to restart SYU oil production operations and bring the pipelines back into use. Specifically, the project deployed a remotely operated vehicle ("ROV") to place concrete bags and pallets along more than 750 linear feet of the pipelines to create support piers along 14 identified spans of between 41 and 70 feet. These activities took place over three days from November 29, 2024, to December 1, 2024.

In an email sent on November 21, 2024, from Cassidy Teufel, Deputy Director of the Commission, to Steve Rusch of Sable, Mr. Teufel stated that it was his understanding, based on previous email correspondence, that Sable was not proceeding with any work associated with the offshore pipeline until Commission staff had an opportunity to discuss it and work through any authorizations that may be required. He noted that Mr. Rusch had indicated via email that a recent ROV survey had identified pipeline spans that Sable identified as needing to be addressed, and Mr. Teufel asked for clarification as to when this work was carried out, and for a description of its scope, including equipment and vessels used and the location, timing, and duration of that work. Mr. Teufel also stated that Sable needed to submit to the Commission a complete CDP application for the proposed span remediation work. Mr. Rusch never disputed or contested anything in this email from Mr. Teufel. Nevertheless, without having received any such application, circa mid-December 2024, the Commission received reports that span remediation work was underway.

[2] The Coastal Act is codified in the California Public Resources Code, sections 30000 to 30900. Unless otherwise indicated, references to section numbers in this letter are to that code, and thus, to the Coastal Act.

On January 10, 2025, Mr. Teufel sent a follow up message informing Sable that the Commission had yet to receive the aforementioned permit application, and requesting a status update. The January email also asked Sable to clarify if Sable did in fact carry out activities and emphasized the Coastal Act permitting requirements previously explained. In a letter dated January 15, 2025, from Duncan Joseph Moore of Latham & Watkins, LLC (representing Sable) to Mr. Teufel, Mr. Moore acknowledged that the span remediation activities had occurred, specifically the placement of concrete fill material across 14 separate areas totaling over 750 linear feet in order to maintain and support the existing offshore pipeline, but claimed those activities did not require a new CDP or Consistency Certification ("CC") under the Coastal Act and the Coastal Zone Management Act, 16 U.S.C. §§ 1541 *et seq.* ("CZMA"), respectively. He asserted that these activities were already authorized by the existing Development and Production Plan ("DPP") previously authorized by the Department of the Interior's Minerals Management Service ("MMS"); the Coastal Commission-approved CDP No. E-88-1, which authorized the SYU pipeline; and the Coastal Commission's concurrence in CC No. CC-64-87, all of which occurred more than 30 years ago.

While Commission staff supports the thorough remediation of any problems that have the potential to adversely affect the structural integrity of active oil and gas pipelines and has a variety of regulatory review mechanisms to help ensure such efforts can be expedited and carried out in a timely manner, it is also critical for the protection of coastal resources that such regulatory review occur in advance. For example, certain methods of pipeline inspection and stability support carry enhanced risks of disturbance and displacement of commercial and recreational fishing activities and gear, marine mammal entanglement, sensitive habitat damage and disturbance, and marine debris generation and release. Given the extended out-of-service status of the Sable pipelines and repeated efforts by Commission permitting staff to engage with Sable regarding advance and expedited permitting options, it is perplexing that Sable disregarded those efforts and instead waited over a month to contend, after-the-fact, that no such regulatory review by the Commission was required.

We discuss below why these activities are not already authorized and instead constitute a violation of the Coastal Act for which ATF Commission authorization is required.

Violations

As indicated by Mr. Moore in the letter described above, in late November and early December of 2024, without first obtaining Commission authorization, Sable placed bags and pallets of concrete fill material in coastal waters below 14 sections of two seafloor pipelines totaling over 750 linear feet, constituting unpermitted fill of coastal waters. As noted above, prior to placing this fill material, Sable had been informed by Coastal Commission staff that such placement would require a permit from the Commission. Additionally, the California State Lands Commission ("SLC") informed Sable several times

in late November 2024 and by letter dated December 5, 2024, regarding the SYU Pipelines Span Remediation Project that it must obtain all necessary permits and approvals from the Coastal Commission and other Federal, State, and local agencies having authority and jurisdiction over the pipelines within the SLC lease premises before commencing the span remediation activities.

Pursuant to Section 30106 of the Coastal Act:

> *"Development" means, on land, **in or under water**, **the placement or erection of any solid material or structure**; discharge or disposal of any dredged material or of any gaseous, liquid, solid, or thermal waste; grading, removing, dredging, mining, or extraction of any materials**;** change in the density or intensity of use of land, including, but not limited to, subdivision pursuant to the Subdivision Map Act...change in the intensity of use of water, or of access thereto; **construction, reconstruction, demolition, or alteration of the size of any structure**…*
> (emphasis added)

The placement of bags of concrete and pallets within 14 pipeline sites across roughly 750 linear feet, as described above, clearly constitutes "development" under the Coastal Act. Coastal Act Section 30600(a) requires Sable to obtain a CDP prior to performing or undertaking any development activity in the Coastal Zone, in addition to obtaining any other permit required by law. No such CDP was obtained, and therefore the unpermitted development activities described above constitute Coastal Act violations.

Contrary to Mr. Moore's claims, the above-referenced span remediation work was not pre-authorized by the permit the Commission issued for the original installation of the SYU pipeline (CDP No. E-88-1) or otherwise previously authorized by the Commission:

1. Mr. Moore asserts that the Commission's approval of Exxon Company, U.S.A.'s 1987 DPP, through CC No. CC-64-87 and CDP No. E-88-1, authorizes the span remediation activities. However, nowhere in either of those approvals is there any language that expressly pre-authorizes such future activities under the Coastal Act. Moreover, the fact that the DPP requires the pipelines to be maintained in "good operating condition at all times"[3] or that the pipelines meet design standards does not confer any pre-authorization under the Coastal Act for the placement of bags of concrete or any other pipeline span remediation activities constituting development in state coastal waters. The DPP specifies these standards for the *condition* of the pipeline, and not for pre-authorizing pipeline span remediation work and associated activities.

2. Mr. Moore states that because federal, engineering, and industry standards (e.g., American Petroleum Institute) require pipelines to be designed to withstand various

[3] DPP, VIII-24.

conditions within marine environments, span remediation activities do not require authorization. However, these standards may specify the required condition of pipelines in service, but that does not obviate Sable's need to obtain Commission authorization to conduct pipeline span remediation work or other development activities to achieve those conditions, in particular because the pipelines are not currently in-service and have not been in-service for nearly a decade.

3. Mr. Moore also states that the 1984 EIR/EIS includes a mitigation measure that required a pipeline monitoring and maintenance plan to address any geologic hazards. However, the inclusion of such a mitigation measure in an EIR/EIS does not obviate the need for Sable to obtain Commission authorization to conduct pipeline span remediation work or other development activities.

4. Additionally, the span remediation activities do not constitute CDP-exempt repair and maintenance, due, at least in part, to their location within coastal waters. First, it's not clear that the work constitutes repair or maintenance at all. However, even if the span remediation project were determined to be a repair and maintenance project, a CDP or other authorization under the Coastal Act was required because the work involved "placement or removal, whether temporary or permanent," of "any forms of solid materials" "within 20 feet of coastal waters" (which includes work in coastal waters) under Section 13252(a)(3)(B) of the Commission's regulations.

5. Mr. Moore asserts that the span remediation activities have been pre-authorized by CDP No. E-88-1/CC-64-87. This is incorrect. That CDP authorized Exxon "to develop oil and gas reserves within the Santa Ynez Unit" and to "construct onshore processing, storage and transportation facilities in Las Flores Canyon" and to "construct a marine terminal in state waters" (the latter of which did not occur), as conditioned by the Commission.[4] Thus, the CDP authorized the initial construction of the pipelines, but did not pre-authorize future maintenance activities that qualify as development under the Coastal Act. The February 23, 1988 Adopted Findings for the CDP does not reference the type of work recently completed, and nothing in the project description or conditions includes approval of future repair and maintenance work. Therefore, the span remediation work, which was performed 35 years after the 1988 CDP was issued, is a separate project constituting development that requires a Commission authorization under the Coastal Act.

   We note that the Commission has, on occasion in the past, specifically authorized future maintenance activities for certain projects it has approved, but when it has done so, it is explicit about that, and it has not done so here. We also note that in the recent past, the Commission has issued permits or permit waivers for other

[4] CCC Adopted Findings for CDP No. E-88-1 and CC No. E-64-87 (2/23/88), Section I ("Project Description"), p. 1.

span remediation work, and we conclude that such Commission authorization is likewise needed here.

6. Mr. Moore notes that in 2012, the SLC and the federal Bureau of Safety and Environmental Enforcement ("BSEE") issued approvals to ExxonMobil to conduct maintenance on the active, in-service SYU pipelines, and that this work involved installing the same type of concrete bags using the same methodology employed by Sable in its current activities to reduce free span lengths on the SYU's oil emulsion and water pipelines, addressing recurring spans caused by high currents. He asserts that CCC staff was "copied and aware" of the proposed maintenance activities and did not require any new CDP or CC[5].

   Sable suggests that because Commission staff was copied on a letter sent by Exxon 13 years ago to a third party, and the Commission did not take action on the letter, this evidences the Commission's agreement with Sable's position that no Coastal Act authorization was required for that work. There is no merit to this argument. Based on the facts and the law, Sable was required to obtain Commission authorization under the Coastal Act before conducting the span remediation activities in state waters, and this violation is actionable.

7. Finally, in his letter, Mr. Moore notes that CZMA may not apply to span remediation work in federal waters, so the work is not subject to the Commission's consistency review authority. This NOV pertains only to violations under the Coastal Act; we do not address any CZMA matters in this letter.[6]

Resolution

To begin resolution of the outstanding violation discussed above, please immediately cease from performing any unpermitted development activities in state coastal waters (or elsewhere in the Coastal Zone) until and unless proper authorization is obtained.

Please submit to Wesley Horn at Wesley.Horn@coastal.ca.gov by February 18, 2025, a complete CDP application seeking ATF authorization for the unpermitted span remediation activities that have already taken place in state coastal waters.

Please note that a process exists by which a "consolidated permit" may be processed by the Commission to authorize development that is located in both the Commission's retained jurisdiction and the permit/LCP jurisdiction of a local government (in this case, Santa Barbara County), should all three parties agree. In this way, one CDP (rather than

[5] If indeed non-exempt repair and maintenance activities took place in 2012 without proper authorization, that would constitute a Coastal Act violation that our staff will need to investigate.
[6] The Commission's investigation of this matter is continuing, and it reserves its right to review this matter further and other matters pertaining to the pipelines.

two separate ones) might be processed that would address all proposed offshore and onshore development relating to the pipeline. Commission staff would support such permit consolidation in this case, and you may discuss this option with Wesley Horn, if that is of interest to your client.

Enforcement Remedies

Whenever possible, Commission enforcement staff prefers to work cooperatively with alleged violators to resolve Coastal Act violations administratively. We are hopeful that we can resolve this matter without resorting to formal action. However, should we be unable to resolve this matter through this process, please be advised that the Coastal Act has a number of potential remedies to address violations of the Coastal Act, including the following:

Section 30809 states that if the Executive Director of the Commission determines that any person has undertaken, or is threatening to undertake, any activity that may require a permit from the Coastal Commission without first securing a permit, the Executive Director may issue an order directing that person to cease and desist. Section 30810 states that the Coastal Commission may also issue a cease and desist order. A cease and desist order may be subject to terms and conditions that are necessary to avoid irreparable injury to the area or to ensure compliance with the Coastal Act. Section 30811 also provides the Coastal Commission the authority to issue a restoration order to address violations at a site. A violation of a cease and desist order or restoration order can result in civil fines of up to $6,000 for each day in which each violation persists.

Additionally, Sections 30803 and 30805 authorize the Commission to initiate litigation to seek injunctive relief and an award of civil fines in response to any violation of the Coastal Act. Section 30820(a)(1) provides that any person who undertakes development in violation of the Coastal Act may be subject to a penalty amount that shall not exceed $30,000 and shall not be less than $500 per violation. Section 30820(b) states that, in addition to any other penalties, any person who “knowingly and intentionally” performs or undertakes any development in violation of the Coastal Act can be subject to a civil penalty of not less than $1,000 nor more than $15,000 per violation for each day in which each violation persists.

Finally, as of January 1, 2022, the Commission’s administrative penalty authority was expanded, allowing the Commission to administratively impose penalties for all violations of the Coastal Act. Section 30821 and Section 30821.3 collectively authorize the Commission to impose administrative civil penalties in an amount of up to $11,250 per day for each violation.

Failure to resolve the violations noted above, or to respond by the deadline, could result in formal action under the Coastal Act. As explained above, said formal action could include a civil lawsuit, the issuance of an Executive Director Cease and Desist Order or

Commission Cease and Desist and/or Restoration Order, and/or imposition of monetary penalties, as described above, including imposition of administrative penalties. As we have said to you on several occasions, we would prefer not to go this route and believe that the opportunity exists for us to work collaboratively on the permitting for the work already undertaken, and any other work you would like to undertake in the future. Our energy group is more than willing to meet with you to work with you on this, and to provide some pre-filing assistance.

If you have questions about any Enforcement issues, you may contact me by telephone at **415-795-9949** or by email at jo.ginsberg@coastal.ca.gov. Also, you may contact Wesley Horn at Wesley.Horn@coastal.ca.gov to discuss any permitting or planning issues associated with the pipeline.

Thank you for your cooperation and prompt attention to this matter.

Sincerely,

Jo Ginsberg

Jo Ginsberg,
Enforcement Analyst

cc: Steve Rusch, Sable, srusch@sableoffshore.com
DJ Moore, dj.moore@lw.com
Lauren Paull, lauren.paull@lw.com
Kate Huckelbridge, CCC, Executive Director
Cassidy Teufel, CCC, Deputy Director
Lisa Haage, CCC, Chief of Enforcement
Sarah Esmaili, CCC, Senior Attorney
Ellie Oliver, CCC, Enforcement Supervisor
Aaron McLendon, CCC, Deputy Chief of Enforcement
Alex Helperin, CCC, Assistant Chief Counsel
Joseph Street, CCC, EORFC Program Manager
Jonathan Bishop, CCC, Oil Spill Program Coordinator
Wesley Horn, CCC, Environmental Scientist
Stephanie Cook, CCC, Enforcement Counsel
Errin Briggs, Deputy Director, Santa Barbara County Planning & Development, ebriggs@countyofsb.org

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SENT VIA REGULAR, CERTIFIED, AND ELECTRONIC MAIL

11/12/2024

Sable Offshore Corp.
12000 Calle Real
Goleta, CA 93117

Subject:	**Executive Director Cease and Desist Order No. ED-24-CD-02**
Date Issued:	11/12/2024
Expiration Date:	02/10/2024
Violation File No:	V-9-24-0152
Property Location:	Various open pit locations located along the existing Las Flores Pipelines CA-324 and CA-325[1] (previously known as Lines 901 and 903), where portions of the pipeline have been exposed, within the Coastal Zone between the Gaviota coast and the Las Padres National Forest, in Santa Barbara County, as well as areas surrounding those open pit locations, and any other areas impacted by the development activities at issue here.
Violations:	Unpermitted development in the Coastal Zone including, but not necessarily limited to, excavation with heavy equipment; removal of major vegetation; grading and widening of roads; installation of metal plates over water courses; dewatering and discharge or water; pipeline removal, replacement, and reinforcement; installation of safety valves; and other development associated with Las Flores Pipelines CA-324 and CA-325 [2]

[1] The Las Flores Pipeline spans multiple properties, including those designated with the following Assessor's Parcel Numbers, all of which have open pits with exposed pipe in them: 081-230-021; 081-150-006; 081-150-007; 081-150-032; 081-150-033; 081-150-002; 081-150-028; 081-140-019; 081-140-025.

[2] Please note that the description herein of the violations at issue is not necessarily a complete list of all unpermitted development on the properties in violation of the Coastal Act.

I. ORDER

Pursuant to my authority under California Public Resources Code ("PRC") Section 30809, as the Executive Director of the California Coastal Commission ("Commission"), I hereby issue this Executive Director Cease and Desist Order ("EDCDO" or "this Order"), which orders you, Sable Offshore Corp. ("Sable"), as the owner and operator of Las Flores Pipelines CA-324 and CA-325, to cease and desist from undertaking any further unpermitted development and immediately undertake steps necessary to avoid irreparable injury to the properties at issue in this order until formal Commission action can occur. Those steps include, among other things, safely securing and stabilizing open pits ("Open Sites") along the existing Las Flores Pipelines CA-324 and CA-325 within the Coastal Zone ("Pipelines") and the immediately surrounding areas so as to prevent potentially significant damage to coastal resources until you have received a final coastal development permit[3] for further development or the Commission issues an order to restore the site or otherwise takes action to bring the site into a state that is safe and consistent with the law.

Compliance with the following terms is intended to ensure that all unpermitted development described in Section IV, below, remains halted, ensuring that further damaging effects to coastal resources are avoided, while Sable secures the sites and seeks authorization from the Commission for past and future (proposed) development, and/or for any steps needed restore the site. A future Commission action will likely be needed on a longer-term enforceable document addressing any remaining unpermitted development, any further or longer term remedial steps needed to be taken along the Pipelines, and potentially addressing other enforcement-related matters such as penalties, but this Order provides a more immediate and enforceable mechanism and framework for ensuring the Open Sites are safely secured in the interim.[4]

In addition, and more specifically, I hereby order you to comply with the following terms and conditions to avoid irreparable injury to the Open Sites and surrounding areas, pending any possible action by the Commission under PRC Sections 30810 and 30811 of the Coastal Act[5]:

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[3] A "final" coastal development permit as used here means one that is: (a) no longer subject to appeal, either within the County system or to the Commission, and whether because the time period for such appeals has elapsed or because all such appeals have been completed; and also (b) no longer subject to judicial review, again whether because the statute of limitations for such a challenge has elapsed or because all such challenges have proceeded to completion.

[4] Please note that the description herein of the violation at issue is not necessarily a complete list of all development on the subject property that is in violation of the Coastal Act that may be of concern to the Commission. Accordingly, you should not treat the Commission's silence regarding (or failure to address) other development on the subject property as indicative of Commission acceptance of, or acquiescence in, any such development. Please further note that the term "violation," as used throughout this letter, refers to alleged violations of the Coastal Act.

[5] The Coastal Act is codified in PRC sections 30,000 *et seq.*

1. Cease and desist from conducting any further unpermitted development at the Open Sites with the exception of conducting remedial measures, to ensure intermediate securing of the Open Sites, as authorized and required by this Order.

2. Within 3 days of the effective date of this EDCDO, submit an Interim Restoration Plan ("Interim Plan") for the review and approval of the Executive Director of the Commission (the "Executive Director"), that will provide for steps for the interim securing of the Open Sites, including backfilling of the Open Sites, pending the securing of Coastal Act authorization for further development. Implement to completion, and consistent with its terms, the approved version of the Interim Plan, which shall include the following components, and a schedule for setting forth the time frame for commencing and completing each of the following:

    a. Interim Erosion Control Plan

        i. Within 3 days of the Effective Date of this EDCDO, Sable shall submit an Interim Erosion Control Plan.

            1. The Interim Erosion Control Plan shall be prepared by a qualified Restoration Specialist to address ground disturbance and prevent erosion during and after activities undertaken to safely secure the Pipelines under this Interim Plan, and shall include: 1) a narrative report describing all temporary run- off and erosion control measures to be used including replacement and/or recompaction of any excavated materials, and restorative grading to be done during and after removal/restoration activities; and 2) a site plan identifying and delineating the locations of all temporary erosion control measures that will be installed pursuant to this plan, including seeding of location-appropriate plant species to assist in erosion control.

            2. The Interim Erosion Control Plan will include a proposal that will provide a detailed work plan as to the steps to be taken to secure Open Sites, including backfilling the Open Sites with native soil from their respective excavations and compacting the soil, as needed, to achieve a level grade.

            3. The Interim Erosion Control Plan shall indicate that all erosion control measures are required to be installed and fully functional in the area impacted by the unpermitted development prior to, or concurrent with, the initial activities required by this EDCDO and maintained at all times throughout the term of the EDCDO, to minimize erosion across the site.

4. The Interim Erosion Control Plan shall demonstrate that Sable will strategically place and maintain security fencing to ensure that the Open Sites are safely secured, thereby preventing any potential access to the sites, and further disturbance to biological and coastal resources as well as to protect against adverse impacts to humans, wildlife and other animals.

5. The Interim Erosion Control Plan shall also include installation of appropriate erosion control BMPs in, and around, areas where vegetation was mowed or removed, and applying a hydroseed mix comprised of appropriate native plant species.

6. The Interim Control Erosion Plan shall include the following deadlines:

    a. Implement and complete the approved version of the Interim Plan within 7 days of its approval by the Executive Director

    b. Submit, within 5 days from completion of the work required under the Interim Plan, a report, including photographic evidence, documenting the completion of the work authorized by this EDCDO. If, after reviewing the report required by this EDCDO, the Executive Director determines that the work required by this EDCDO failed in whole or in part, Sable shall undertake any work that is required to ensure compliance with the approved plans or the requirements of this EDCDO.

3. Use of Equipment

    a. The Interim Plan shall include a detailed description of all equipment to be used. It is understood that mechanized equipment will likely need to be used to complete the activities required to implement the Interim Plan. The Interim Plan shall prohibit mechanized equipment that adversely impacts coastal resources, including wetlands and ESHA, protected under the Coastal Act. The Interim Plan shall include limitations on the hours of operations for all equipment.

    b. The Interim Plan shall provide for BMPs to govern the work required in the plan and include a contingency plan that addresses, at a minimum: 1)

impacts from equipment use; 2) potential spills of fuel or other hazardous releases that may result from the use of mechanized equipment and responses thereto; 3) impacts from equipment and worksite lighting, 4) impacts from equipment sound; and 5) all water quality concerns. The Interim Plan shall designate areas for staging of any construction equipment and materials including receptacles and temporary stockpiles of materials. All stockpiles and construction materials shall be covered, enclosed on all sides, located as far away as possible from drain inlets and any waterway, and shall not be stored in contact with the soil.

c. The Interim Plan shall specify that no demolition or construction materials, debris, or waste shall be placed or stored where they may enter sensitive habitat including wetlands, receiving waters, or a storm drain, or be subject to wind or runoff erosion and dispersion.

4. Within 120 days from effective date of this EDCDO, apply for a CDP for any proposed future work to be undertaken along the Pipelines, as well as for after-the-fact ("ATF") authorization for unpermitted development that has already occurred, by submitting a complete CDP application to Santa Barbara County for any development in its Coastal Act permitting jurisdiction and to the California Coastal Commission for any development in its retained permitting jurisdiction, or by submitting a consolidated permit application to the California Coastal Commission for all such development, if consistent with PRC section 30601.3. The CDP application(s) must include, at minimum, detailed site plans, information on the amount of grading (cut, fill, export) involved, Best Management Practices ("BMPs") to govern the work, wetland and environmentally sensitive habitat area ("ESHA") delineations for any wetlands or ESHA within 100 feet of any of the work, and results of both biological and cultural resource surveys of all areas potentially affected by the unpermitted and proposed development activities.

5. Any submittal to be provided to the Executive Director pursuant to this Order shall be provided by mail to the attention of Stephanie Cook at 455 Market Street, Suite 300, San Francisco CA 94107, with a copy sent via email to Stephanie Cook at Stephanie.Cook@Coastal.ca.gov and Wesley Horn at Wesley.Horn@Coastal.Ca.gov.

II. ENTITIES SUBJECT TO THE ORDER

The parties whose actions or inactions are subject to this Order are Sable Offshore Corp; all employees, agents, and contractors of the foregoing; and any other person or entity acting in concert with the foregoing.

III. IDENTIFICATION OF THE PROPERTIES

The properties[6] that are the subject of this Order, including the various Open Sites, areas surrounded by the Open Sites, and any other areas impacted by the development activities at issue here, are located along the Coastal Zone portion of existing Las Flores Pipeline CA-324 and CA-325 (previously known as Lines 901 and 903), which extends from the Gaviota coast to the Las Padres National Forest within Santa Barbara County.

IV. DESCRIPTION OF THE VIOLATIONS

The Coastal Act violations addressed by this Order[7] involve development that has occurred in the Coastal Zone without the requisite Coastal act authorization, including, but not necessarily limited to, excavation with heavy equipment; removal of major vegetation; grading and widening of roads; installation of metal plates over water courses; dewatering and discharge of water; pipeline removal, replacement, and reinforcement; installation of safety valves; and other development associated with the Las Flores Pipelines CA-324 and CA-325.

V. COMMISSION AUTHORITY TO ACT

The Executive Director is issuing this Order pursuant to her authority under PRC Section 30809, including, but not necessarily limited to, subdivision (a)(2) thereof.

VI. EXECUTIVE DIRECTOR'S FINDINGS

As the Executive Director of the Commission, I am issuing this Order pursuant to my authority under PRC Sections 30809(a) to prevent further significant damage to coastal resources that, without this order, would be likely to occur as a result of the current state of the Open Sites, and likely to be exacerbated by the upcoming rainy season. As such, this order requires Sable to take immediate steps to secure the Open Sites and submit a complete CDP application seeking Coastal Act authorization for all proposed future development along the Pipelines, as well as ATF authorization for any work that has already occurred.

Commission enforcement staff informed Sable of the violations of the Coastal Act in an initial Notice of Violation letter sent to Sable on September 27, 2024, in a follow-up letter sent October 4, 2024, and in multiple virtual meetings over the course of the following weeks. A more detailed recitation of the history is provided below.

With limited exceptions not applicable here, PRC Section 30600(a) states that, in addition to obtaining any other permit required by law, any person wishing to perform or undertake any development in the coastal zone must obtain a CDP. "Development" is defined by Section 30106 of the Coastal Act as follows:

[6] See footnote 1

[7] See footnote 2.

> *"'Development' means, on land, in or under water, the placement or erection of any solid material or structure; discharge or disposal of any dredged material or of any gaseous, liquid, solid, or thermal waste; grading, removing, dredging, mining, or extraction of any materials; change in the density or intensity of use of land, including, but not limited to, subdivision pursuant to the Subdivision Map Act (commencing with Section 66410 of the Government Code), and any other division of land, including lot splits, except where the land division is brought about in connection with the purchase of such land by a public agency for public recreational use; change in the intensity of use of water, or of access thereto; construction, reconstruction, demolition, or alteration of the size of any structure, including any facility of any private, public, or municipal utility…" (emphasis added)*

The Development described herein clearly constitutes "development" within the meaning of the above-quoted definition and therefore requires a CDP. Sable has not submitted an application for a CDP for any proposed future work, nor has Sable submitted any ATF application for work previously undertaken along the Pipelines and within the Coastal Zone. Because of the potential for significant damage to coastal resources, and inherent danger in leaving the Open Sites in their current state, particularly in light of the upcoming rainy season, this Order is necessary to ensure the Open Sites are quickly and safely secured.

As a jurisdictional requirement to issue this Order, I have determined that Sable has undertaken or is threatening to undertake development that may require a CDP, without first securing a CDP.

On October 4, 2024, I notified Sable of my intent to issue an Executive Director CDO pursuant to PRC section 30809 if certain information and assurances were not provided in a satisfactory manner. More specifically, in that letter, I requested detailed information as to the work that Sable has undertaken at the site, as well as proposed measures to temporarily secure the site, specific project plans, and written confirmation of their commitment to apply for an ATF CDP. Sable has failed to satisfactorily provide the information requested and has further failed to provide written confirmation of such intent.

On September 27, 2024, Commission staff sent a "Notice of Violation" letter informing Sable that the Commission had become aware of unpermitted activities taking place within the Coastal Zone, including excavation with heavy machinery, grading, and other activities at various locations along the Pipelines, apparently in connection with a proposed restart of the Santa Ynez Unit, consisting of three offshore platforms, Las Flores Canyon processing facility, and associated electrical transmission and onshore and offshore oil and gas transport pipelines. Commission staff requested Sable immediately cease all unpermitted development within the Coastal Zone, including all activities associated with Lines 324 and 325, as well as any potential development activities taking place along the offshore platforms and pipelines. Commission staff

further detailed the need for Coastal Act authorization for any development in the Coastal Zone, which should be sought through the submittal of an application(s) for the required CDP(s). On October 1, 2024, Sable met with Commission staff to further discuss the Coastal Act violations, and steps necessary to secure the Open Sites. In this conversation, Commission staff emphasized the need for additional information before any further work, including interim steps to secure the site, could be taken, and that legal authorization was needed. Nonetheless, on October 2, 2024, Sable emailed Commission staff and said work on Pipelines CA-324 and CA-325 within the Coastal Zone had been suspended, “subject to taking interim measures” they characterized as “necessary to stabilize the sites”. In response, Commission staff met with Sable, on October 3, 2024, to, again, discuss the Open Sites and reiterate that whatever they apparently were calling interim measures was also development needing Coastal Act authorization, and that work must stop entirely, pending some legal authorization and offered to work with Sable to reach such agreement on interim authorization. On October 4, 2024, Commission staff sent a letter to Sable providing formal notice of the Executive Director’s intent to issue an order, if necessary, to halt the ongoing project work and also to provide for a plan for site stabilization, and requested written assurances, by 2:00 pm that day, that Sable had, in fact ceased work entirely. Before this deadline, Sable emailed Commission staff confirming that all work, including what they were calling interim measures, had ceased. Unfortunately, Commission staff were subsequently informed that work along the Pipelines had not ceased. In response, Commission staff sent an additional email at 3pm on October 4, 2024, informing Sable that staff continued to receive reports stating that work was ongoing and asked that Sable confirm that work had fully stopped to which Sable responded to say they had “confirmed with field that all work has stopped.”

Our October 4, 2024, letter additionally requested that information relating to the work being conducted along the Pipelines be submitted by 5:00 pm on October 7, 2024, and further requested that Sable provide written confirmation of intent to apply for a CDP(s) seeking ATF authorization for any work that had already occurred in the Coastal Zone and prospective authorization for any proposed future work. On October 7, 2024, Commission staff received an email from Sable providing a spreadsheet detailing the location of current open pit sites, but that stated that a full response to the information request could not be completed and that more time was needed. On October 8, 2024, Sable sent Commission staff a follow-up document which provided additional information as to work that had been undertaken at the Open Sites and steps required to fully complete the work at each site. However, no information was provided as to potential steps that could be taken to secure the sites temporarily but, instead, only information as to steps necessary to fully complete the project were given. In this document, Sable provided that project plans were in process, however Commission staff have yet to receive any full-scale work plans.

In the following weeks, Commission staff have had multiple virtual meetings and phone calls with Sable and their representatives to discuss the additional requested information, the existing state of the Open Sites, and potential paths forward. Much of these conversations have focused on the current state of the Open Sites and potential

interim steps to be taken to mitigate further damage to the coastal zone during the period of time needed for Sable to apply for CDPs, as detailed above. However, Sable has yet to satisfactorily provide, as required by PRC Section 30809, detailed information as requested in our October 4 letter, and remains unwilling to provide written confirmation as to commitment to apply for an ATF CDP for work previously undertaken within the Coastal Zone. During these conversations, Commission staff discussed with Sable a potential path forward, to ensure the sites could be safely, and legally, secured during the period of time needed for Sable to apply for CDPs as detailed above, through issuance of a Consent Cease and Desist Order. Unfortunately, Commission staff and Sable were unable to reach mutually agreeable terms.

VII. COMPLIANCE OBLIGATION

Strict compliance by the parties subject to this Order is required. Failure to comply with any term or condition of this Order, including any deadline contained herein will constitute a violation of this Order and subject the parties to exposure for penalties under section 30821.6. However, pursuant to PRC Section 30803(b), any person or entity to whom this Order is issued may file a petition with the Superior Court and seek a stay of this Order.

VIII. EFFECTIVE DATE

This Order shall be effective upon its issuance and shall expire 90 days from the date issued on 11/12/2024 unless extended consistent with the applicable regulations.

Should you have any questions regarding this matter, please contact Stephanie Cook at Stephanie.Cook@Coastal.ca.gov or Wesley Horn at Wesley.Horn@Coastal.ca.gov.

Signed,

Kate Huckelbridge
Executive Director
California Coastal Commission

Date: 11/12/2024

Enclosure:

Cc: Lisa Haage, Chief of Enforcement
Aaron McLendon, Deputy Chief of Enforcement

Alex Helperin, Deputy Chief Counsel
Wesley Horn, Environmental Scientist
Stephanie Cook, Enforcement Counsel

CALIFORNIA COASTAL COMMISSION
455 MARKET STREET, SUITE 300
SAN FRANCISCO, CA 94105-2421
VOICE (415) 904-5200
FAX (415) 904-5400

NOTICE OF VIOLATION

Sent by Electronic Mail

September 27, 2024

Steve Rusch
VP Environmental & Regulatory Affairs
Sable Offshore Corp.
srusch@sableoffshore.com

Violation File No.: **V-9-24-0152** (Sable Offshore Corporation)

Location: At various locations along the existing Las Flores Pipelines CA-324 and CA-325 (previously known as Lines 901 and 903), which are part of the pipeline system originally constructed by Plains All American in 1988, spanning from the Gaviota coast to the Los Padres National Forest within Santa Barbara County, on 16 different properties.

Violation[1] description: Unpermitted development in the Coastal Zone, including, but not necessarily limited to, excavation with heavy equipment and other activities associated with the Line 324 and 325.

Dear Mr. Rusch:

As you have recently discussed with Cassidy Teufel and Wesley Horn of our staff, it has come to our attention that unpermitted activities are currently taking place in the Coastal Zone, including excavation and other activities at various locations along the existing Lines 324/325 (formerly known as Lines 901/903) now owned by Sable Offshore Corp. ("Sable")

[1] Please note that the description herein of the violation at issue is not necessarily a complete list of all unpermitted development on the subject property that is in violation of the Coastal Act and the Santa Barbara County LCP. Accordingly, you should not treat the Commission's silence regarding (or failure to address) other unpermitted development on the subject property as indicative of Commission acceptance of, or acquiescence in, any such development. Please further note that the term "violation" as used throughout this letter refers to alleged violations of the Coastal Act/County LCP.

associated with a proposed restart of the Santa Ynez Unit. These activities constitute violations of the Coastal Act[2] and Santa Barbara County's Local Coastal Program ("LCP").

As you may know, the California Coastal Act was enacted by the State Legislature in 1976 to provide long-term protection of California's 1,250-mile coastline through implementation of a comprehensive planning and regulatory program designed to manage conservation and development of coastal resources. The California Coastal Commission ("Commission") is the state agency created by, and charged with administering, the Coastal Act of 1976. In making its permit and land use planning decisions, the Commission carries out Coastal Act policies, which, amongst other goals, seek to protect and restore sensitive habitats; protect natural landforms; protect scenic landscapes and views of the sea; protect the marine environment and its inhabitants; protect against loss of life and property from coastal hazards; and provide maximum public access to the sea. The Commission plans and regulates development and natural resource use in the coastal zone in keeping with the requirements of the Coastal Act.

Violations

It has been confirmed that Sable is currently performing various unpermitted construction activities in the Coastal Zone associated with upgrades to Lines 324/325 in connection with Sable's proposed restart of that pipeline.[3] As part of that proposed restart, Sable is currently undertaking work including a pipeline upgrade project to address pipeline corrosion in locations within the Coastal Zone and to install new safety valves in portions of the pipeline in the Coastal Zone. These activities constitute development and are not exempt from coastal development permit ("CDP") requirements.

Pursuant to Section 30106 of the Coastal Act and Section 35-58 the Santa Barbara County Local Coastal Program ("LCP"):

> *"Development" means, on land,* ***in or under water****,* ***the placement or erection of any solid material or structure****;* discharge or disposal of any dredged material or of any gaseous, liquid, solid, or thermal waste*;* ***grading, removing, dredging, mining, or extraction of any materials;*** *change in the density or intensity of use of land, including, but not limited to, subdivision pursuant to the Subdivision Map Act...change in the intensity of use of water, or of access thereto;* ***construction, reconstruction, demolition, or alteration of the size of any structure****…* (emphasis added)

[2] The Coastal Act is codified in the California Public Resources Code, sections 30000 to 30900. Unless otherwise indicated, references to section numbers in this letter are to that code, and thus, to the Coastal Act.

[3] The California Office of the State Fire Marshall has not reviewed or approved the proposed restart of the pipeline, which includes a review of a proposed State Waiver and a final Restart Plan, among other required materials. The Commission's investigation of this matter is continuing, and it reserves its right to review the proposed restart and other associated activities or other matters concerning the pipeline.

Under this definition, the unpermitted development activities, as described above, constitute "development" under the Coastal Act and the County's LCP. Coastal Act Section 30600(a), and Section 35-58 of the Santa Barbara County LCP, require Sable to obtain authorization under the Coastal Act and/or the LCP prior to performing or undertaking any development activity in the Coastal Zone, in addition to obtaining any other permit required by law. Any non-exempt development activity conducted in the Coastal Zone without such authorization constitutes a violation of the Coastal Act/LCP. Thus, the unpermitted development activities described above constitute Coastal Act and LCP violations.

In addition, the upgrade project does not qualify as CDP-exempt repair and maintenance work. Activities that "result in addition to, or enlargement or expansion of, the object" of the activities require a CDP under the Coastal Act and the LCP. (Public Resources Code § 30610(d); Coastal Zoning Ordinance § 35-169.2; Appendix C, Section I.) At a minimum, because the project involves the installation of safety valves, this is an addition to the pipeline that does not qualify as "repair and maintenance." Even if the project could be considered repair and maintenance (which it cannot), Section 30610(d) of the Coastal Act and the Appendix C, Section III of the LCP nonetheless require a CDP for categories of repair and maintenance activities that are designated as presenting a "risk of substantial adverse environmental impact." These include the following:

> (3) Any repair or maintenance to facilities or structures or work located in an environmentally sensitive habitat area, any sand area, within 50 feet of the edge of a coastal bluff or environmentally sensitive habitat area, or within 20 feet of coastal waters or streams that include: . . .
>
> (B) The presence, whether temporary or permanent, of mechanized equipment or construction materials.

Title 14, California Code of Regulations § 13252(a)(3); Coastal Zoning Ordinance § 35-169.2; Appendix C, Section III(a)(3).)

Furthermore, although Sable appears to have taken the position that the upgrade project involves work for which the Coastal Act requirement for a CDP is entirely preempted, this is incorrect. Although the California Office of the State Fire Marshall has authority over certain aspects of pipeline safety under the federal Pipeline Safety Act (49 U.S.C § 60101 *et seq.*), any resulting preemption is limited in scope. Other state agencies, as well as local governments, may review and impose requirements related to other issues. Thus, the Commission and the County have jurisdiction to review and impose requirements relating to consistency with the Coastal Act and the LCP that do not pertain directly to pipeline safety. For example, a CDP review for construction impacts to environmentally sensitive habitat areas, cultural resources, water quality, or public access (to name a few) are not preempted. Finally, the 1988 settlement between the County and Celeron Pipeline Company does not affect the preemption analysis because the settlement cannot contractually limit the County's duties under the law or the applicability of the law. Thus, a CDP is required for the upgrade project.

Resolution

To begin resolution of the Coastal Act/LCP violations, please cease Immediately any unpermitted activities/development in the Coastal Zone associated with Lines 324/325.[4] At this time, we have no information that any development activities are currently taking place related to the three offshore platforms and offshore pipelines owned by Sable. However, if any such activities are taking place, please cease those as well. These are all activities that require a CDP and/or federal consistency review from the Commission.

Please note that in certain cases when unpermitted development takes place, but Commission staff believe that some version of the work could have been found to be consistent with the applicable standard of review and authorized accordingly, staff recommends that the party undertaking the development submit a CDP application to the regulating authority (in this case, Santa Barbara County), seeking after-the-fact ("ATF") authorization for the previously undertaken unpermitted development within the County's LCP jurisdiction. In other cases, when staff has determined that the unpermitted development is not something for which staff would recommend approval due its inconsistency with the Coastal Act/certified LCP, staff advises the alleged violator to seek resolution through removal, mitigation, restoration, and/or payment of penalties, etc., and not to seek a CDP to authorize such development.

In this case, we are uncertain at this time whether Santa Barbara County would be able to approve a CDP application from Sable that was seeking ATF authorization for the unpermitted construction activities that have already taken place, as well as authorization going forward for continued construction or other development activities related to the pipeline, such as the installation of safety valves. More information regarding the project would be necessary to come to any such conclusion at this time; however, since such an application might be found approvable by the County, we recommend that you submit a CDP application to the County as soon as possible. Please note that should the County grant approval of such a CDP application, those portions of the project that are located within the Coastal Commission's appeals jurisdiction would be appealable to the Commission and those portions of the project, if any, that are located within the Commission's original jurisdiction would require a CDP from the Commission.

To help us evaluate the project, it would be helpful if you could submit to us a complete description of all development activities currently taking place, as well as those activities that are being contemplated (e.g., installation of safety valves; any work to the platforms or offshore pipeline) prior to the anticipated restart of the pipeline, including scope of the project; exact locations of where the development activities are taking place/will take place; project schedule, etc.

Enforcement Remedies

[4] Please note that interim measures to stabilize the site may also be necessary to avoid damages to coastal resources, and any such measures should be coordinated with Commission and County staff to avoid additional harm and to ensure consistency with Coastal Act/LCP requirements.

Santa Barbara County has declined to enforce the above-noted Coastal Act/LCP violations, and thus, pursuant to Section 30810 of the Coastal Act, the Coastal Commission is pursuing enforcement regarding the Coastal Act/LCP violations described above.

Please note that the recent Settlement Agreement between Sable and the County does not preempt the Coastal Act or the LCP, and does not obviate the need for Sable to seek authorization for development activities in the Coastal Zone.

Whenever possible, Commission enforcement staff prefers to work cooperatively with alleged violators to resolve Coastal Act violations administratively. We are hopeful that we can resolve this matter without resorting to formal action. However, should we be unable to resolve this matter through this process, please be advised that the Coastal Act has a number of potential remedies to address violations of the Coastal Act, including the following:

Section 30809 states that if the Executive Director of the Commission determines that any person has undertaken, or is threatening to undertake, any activity that may require a permit from the Coastal Commission without first securing a permit, the Executive Director may issue an order directing that person to cease and desist. Section 30810 states that the Coastal Commission may also issue a cease and desist order. A cease and desist order may be subject to terms and conditions that are necessary to avoid irreparable injury to the area or to ensure compliance with the Coastal Act. Section 30811 also provides the Coastal Commission the authority to issue a restoration order to address violations at a site. A violation of a cease and desist order or restoration order can result in civil fines of up to $6,000 for each day in which each violation persists.

Additionally, Sections 30803 and 30805 authorize the Commission to initiate litigation to seek injunctive relief and an award of civil fines in response to any violation of the Coastal Act. Section 30820(a)(1) provides that any person who undertakes development in violation of the Coastal Act may be subject to a penalty amount that shall not exceed $30,000 and shall not be less than $500 per violation. Section 30820(b) states that, in addition to any other penalties, any person who “knowingly and intentionally” performs or undertakes any development in violation of the Coastal Act can be subject to a civil penalty of not less than $1,000 nor more than $15,000 per violation for each day in which each violation persists.

Finally, as of January 1, 2022, the Commission’s administrative penalty authority was expanded, allowing the Commission to administratively impose penalties for all violations of the Coastal Act. Section 30821 and Section 30821.3 collectively authorize the Commission to impose administrative civil penalties in an amount of up to $11,250 per day for each violation.

Failure to resolve the violations noted above could result in formal action under the Coastal Act. Said formal action could include a civil lawsuit, the issuance of an Executive Director

Cease and Desist Order or Commission Cease and Desist and/or Restoration Order, and/or imposition of monetary penalties, as described above, including imposition of administrative penalties.

We understand that you will be meeting soon with our staff to discuss the pipeline situation. Please contact me by telephone at **415-904-5269** or by email at jo.ginsberg@coastal.ca.gov within a week of that meeting, or by October 21, 2024, whichever is earlier, to discuss how you intend to resolve the Coastal Act/LCP violations associated with the pipeline. Also, you may contact Wesley Horn at Wesley.Horn@coastal.ca.gov to discuss any permitting or planning issues associated with the pipeline.

Failure to meet the deadline noted above may result in formal action by the Commission to resolve this Coastal Act violation, including initiation of the enforcement remedies discussed above.

Thank you for your cooperation and prompt attention to this matter. I look forward to speaking with you soon.

Sincerely,

Jo Ginsberg

Jo Ginsberg,
Enforcement Analyst

cc: Kate Huckelbridge, CCC, Executive Director
Cassidy Teufel, CCC, Deputy Director
Lisa Haage, CCC, Chief of Enforcement
Sarah Esmaili, CCC, Senior Attorney
Pat Veesart, CCC, Enforcement Supervisor
Aaron McLendon, CCC, Deputy Chief of Enforcement
Alex Helperin, CCC, Assistant Chief Counsel
Joseph Street, CCC, EORFC Program Manager
Jonathan Bishop, CCC, Oil Spill Program Coordinator
Wesley Horn, CCC, Environmental Scientist
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EXEMPT FROM FILING FEES
GOV. CODE § 6103

Attorneys for People of the State of California ex rel. California Regional Water Quality Control Board, Central Coast Region

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SANTA BARBARA

PEOPLE OF THE STATE OF CALIFORNIA *EX REL.* CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD, CENTRAL COAST REGION, Plaintiff, **v.** **SABLE OFFSHORE CORP., a Delaware Corporation; and DOES 1 through 10, inclusive,** Defendants.	Case No. **COMPLAINT FOR CIVIL LIABILITIES AND INJUNCTIVE RELIEF** **(1) FAILURE TO COMPLY WITH INVESTIGATIVE ORDER (Wat. Code, §§ 13267, 13268);** **(2) FAILURE TO REPORT WASTE DISCHARGES (Wat. Code, §§ 13260, 13261); and** **(3) DISCHARGE OF WASTE WITHOUT PERMIT REQUIREMENTS (Wat. Code, §§ 13264, 13265).**

INTRODUCTION

1. This complaint addresses numerous instances wherein defendant Sable Offshore Corp. (Defendant or Sable) excavated and discharged material that could affect water quality in the rich aquatic and riparian habitat of Santa Barbara and San Luis Obispo Counties without notice to the California Regional Water Quality Control Board, Central Coast Region (Regional Water Board). Rushing to meet a July 1, 2025 deadline imposed by the California Office of State Fire Marshal for restarting its onshore crude oil pipeline network, Sable intentionally ignored its

obligations under California Water Code (Water Code) sections 13260, et seq. to apply to the Regional Water Board for permits *before* it proposes to discharge waste that could affect the water quality of the state. By avoiding the imposition of waste discharge requirements and associated regulatory oversight of its activities until after the work was completed, Sable placed profits over environmental protection in its rush to get oil on the market.

2. Sable reports that there are 646 million barrels of oil as the "remaining total net estimated resources" in offshore oil deposits known as the Santa Ynez Unit. Between this cache of petroleum that lies beneath three oil platforms off the coast of Santa Barbara and the oil refineries in Bakersfield, Los Angeles and the Bay Area are several segments of underground insulated pipeline running along the coast and through stretches of sensitive aquatic and riparian habitat. Sable recently acquired these pipelines from ExxonMobil and commencing operation is mission critical for the success of its planned development of the Santa Ynez Unit.

3. The configuration of Sable's onshore pipeline network, now operated as Lines 324 and 325, poses unique operational integrity management challenges. The former operator of these pipelines failed to meet these challenges and on May 19, 2015 the segment that is now Line 324 failed, releasing at least 3,000 barrels of crude oil into Refugio Beach State Park and then into the Pacific Ocean. Thereafter, operation of Line 324 and the section of Line 325 which runs through Santa Barbara County were shut down, and the remaining section of Line 325 was ordered to operate at a lower pressure. After years of litigation, a Consent Decree was entered in United States District Court, Central District of California Case No. 2-20-CV-02415 (Consent Decree) imposing stringent obligations for re-starting operation of Line 324 and Line 325 from the Gaviota pumping station at the coast to the Sisquoc station about 40 miles inland.

4. To meet the conditions imposed by the Consent Decree, Sable needed to retrofit the lines by installing safety check valves and make 144 anomaly repairs over what is a relatively short span of pipeline. The latter activity, colloquially referred to as a "pig and dig" operation, requires excavation to expose sections of pipe identified for repair by "smart pigs" run through the pipeline to identify metal loss. Both the valve installation and the repair excavations would typically require road and vegetation clearance for access. A number of these repair sites were at

or within streambeds and channels that are designated as "Waters of the State" (WOTS) and, in some cases, are also "Waters of the United States" (WOTUS). Accordingly, Sable is required to identify and permit excavation activity that "could affect the quality of waters of the state" *before* commencing work. When Sable's integrity and environmental management teams developed what should have been a comprehensive "Repair Plan" for Lines 324 and 325 (Repair Plan) as required by pipeline regulations, they knew waste discharge requirements were necessary for excavation activity that could affect water quality but chose to ignore Sable's obligation to obtain them at the fourteen sites identified below.

5. With this action, Plaintiff People of the State of California, for and on behalf of the California Regional Water Quality Control Board, Central Coast Region (Plaintiff or Regional Water Board), seeks to impose civil liability on Sable as the operators and owners of Lines 324 and 325 for numerous violations of its obligation to notify the Regional Water Board of proposed waste discharges and obtain the appropriate regulatory requirements, thereby preventing the Regional Water Board from assuring best management practices are employed to avoid, minimize and mitigate impacts to water quality.

PARTIES

6. Plaintiff REGIONAL WATER BOARD is a state agency created by the Legislature and granted duties and authorities in the Porter-Cologne Water Quality Control Act. (Wat. Code, § 13000 et seq.) With this Act the Legislature directed the State Water Resources Control Board (State Water Board) to formulate statewide water quality policy and established nine regional water quality control boards to establish and enforce statutes and regulations, water quality control plans and policies, and waste discharge permits to ensure the protection of beneficial uses of waters of the state within nine designated regions in California. The Regional Water Board encompasses most of Santa Barbara County and San Luis Obispo County, where the subject sections of Sable Lines 324 and 325 are located.

7. Defendant SABLE OFFSHORE CORPORATION was and is a Delaware corporation designating its principal place of business as Houston, Texas. Sable is a person as that term is defined in Water Code section 19. Sable's sole business activity is to own and operate offshore oil

production and associated processing and transportation facilities within California. Accordingly, its operation of Lines 324 and 325 are under the jurisdiction of the California State Fire Marshal as opposed to federal agencies within the Department of Interior.

8. With regard to defendants Does 1 through 10, inclusive, the true names and capacities of which, whether corporate, individual or otherwise, are currently unknown to Plaintiff, who therefore sues each of these defendants by such fictitious names. Plaintiff is informed and believes that each of defendants Does 1 through 10 is responsible in some manner for the events, occurrences, and circumstances that form the basis of this lawsuit, and is thereby liable for the relief sought herein, and Plaintiff will request the Court's leave to amend this Complaint to show the true names and capacities of said defendants when the same have been ascertained.

VENUE

9. Venue is appropriate in Santa Barbara County because the events giving rise to the causes of action alleged herein occurred in Santa Barbara County.

STATUTORY BACKGROUND

10. The Porter-Cologne Water Quality Control Act, Water Code section 13000 et seq., is a pillar of California's exemplary environmental protection regulatory framework. The Legislature demands that "the quality of all the waters of the state shall be protected for use and enjoyment by the people of the state" and that "the quality of the waters of the state shall be regulated to attain the highest water quality which is reasonable." (Wat. Code, § 13000.)

11. An important tool in achieving the objectives of the Porter-Cologne Water Quality Control Act is Water Code section 13260 which provides in relevant part: "Each of the following persons shall file with the appropriate regional board a report of the discharge, containing the information that may be required by the regional board: (1) A person discharging waste, or proposing to discharge waste, within any region *that could affect the quality of the waters of the state*, other than into a community sewer system." (Wat. Code, § 13260, subd. (a), italics added.) Failure to furnish the required report of waste discharge when so requested by a regional board subjects the violator to a civil liability of up to $5,000 for each day the violation occurs. (Wat. Code, § 13261, subds. (a) and (b)(2).)

12. Water Code section 13264 provides that "no person shall initiate a new discharge of waste … prior to the filing of the report required by Section 13260." (Wat. Code, § 13264, subd. (a).) Persons who are violating or threaten to violate this requirement may be enjoined from doing so by the superior court. (*Id*., subd. (b).) Additionally, any person discharging waste in violation of Section 13264, after such violation has been called to their attention in writing by the regional board is civilly liable for up to $5,000 for each day in which the violation occurs. (Wat. Code, § 13265, subd (a) and (b)(2).)

13. Sable's earthen excavations done as part of its Repair Plan for Lines 324 and 325, which can impact water quality by flow and temperature variations, increased turbidity, siltation, and increased nutrients, may be authorized through enrollment in two general Water Quality Orders issued by State Water Board, one for WOTS and another relating to waters in the state that are subject to federal oversight, commonly referred to as WOTUS. General orders are issued for specific categories of discharges that share common characteristics or criteria, allowing dischargers within these categories to enroll in them. Alternatively, depending upon the cumulative size or characteristics of the discharges, and at the discretion of Regional Water Board staff, Sable may need to pursue an individual waste discharge permit.

14. The general Water Quality Order applicable to WOTS impacted by Sable's Repair Plan for Lines 324 and 325 that is not subject to regulation under the federal Clean Water Act is Statewide General Waste Discharge Requirements for Dredge or Fill Discharges to Waters Deemed by the U.S. Army Corps of Engineers to be Outside Federal Jurisdiction (WQO 2004-0004).

15. The general Water Quality Order applicable to WOTS impacted by Sable's Repair Plan for Lines 324 and 325 which is also WOTUS and therefore subject to regulation under the federal Clean Water Act is State Water Board Order No. 2020-0039-EXEC for the 2021 U.S. Army Corps' Nationwide Permits (Order 2020-0039-EXEC). The Nationwide Permit applicable here is NWP-12 for oil or natural gas pipeline activities. Water Code section 13376 provides that "any person who discharges pollutants or proposes to discharge pollutants to the navigable waters of the United States within the jurisdiction of this state or a person who discharges dredged or fill

material or proposes to discharge dredged or fill material into the navigable waters of the United States within the jurisdiction of this state shall file a report of the discharge in compliance with the procedures set forth in [Water Code] Section 13260."

16. Both WQO 2004-0004 and Order 2020-0039-EXEC provide a comprehensive system for a person proposing to discharge waste that could affect water quality to comply with Section 13260 when planning excavation activities such as those carried out by Sable during its Repair Plan for Lines 324 and 325. The process begins with submission to the Regional Water Board of a Notice of Intent to discharge waste which identifies the specific location of the affected WOTS or WOTUS, provides a meaningful description of the work involved, and sets out a plan to mitigate effects to water quality using best management practices. This provides Regional Water Board with the opportunity to assess the impact of the planned excavation and provide input regarding the mitigation and restoration techniques to be employed. Also, once the project is enrolled into the regulatory program the Regional Water Board may review the progress and success of site restoration to assure no permanent impact to water quality.

17. Water Code section 13267 provides the Regional Water Board with authority to "investigate the quality of any waters of the state within its region." (Wat. Code, § 13267, subd. (a).) In conducting such investigation, the Regional Water Board may "require that any person … who proposes to discharge waste within its region … shall furnish, under penalty of perjury, technical or monitoring program reports which the regional board requires." (*Id*., subd. (b).) Failure to furnish technical reports required by section 13267 subjects the violator to civil penalties for up to $5,000 for each day the violation occurs. (Wat. Code, § 13268, subds. (a)(1) and (b)(2).)

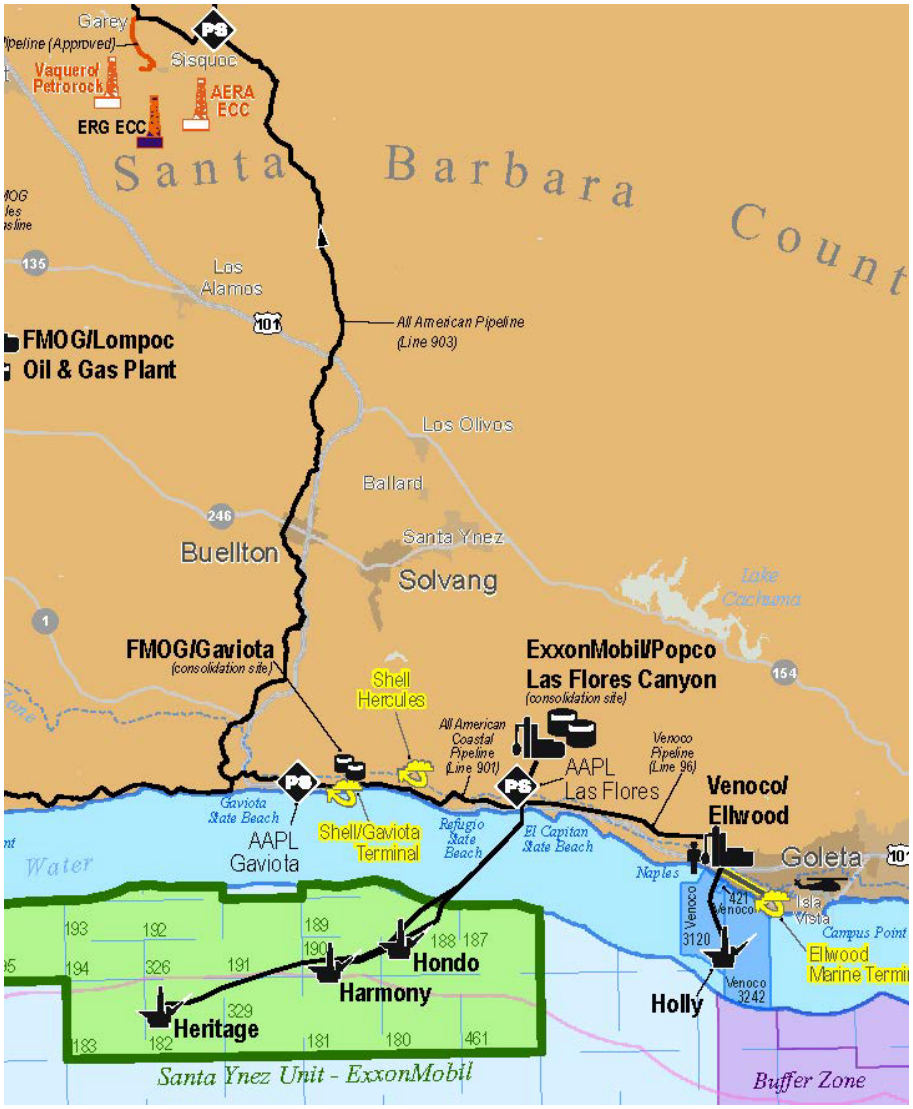
GENERAL ALLEGATIONS

18. The events and facts alleged herein are stated on information and belief, unless explicitly stated otherwise.

A. Sable's Repair Plan for Lines 324 and 325

19. Sable touts the Santa Ynez Unit to investors as a highly profitable integrated oil exploration, production and transportation unit involving 112 offshore oil wells, an associated

offshore pipeline network, the Las Flores Canyon Processing Plant, and an onshore underground pipeline network that spans 10.6 miles along the Gaviota Coast, and then another 113 miles over the Tehachapi range to Bakersfield. The graphic below depicts that portion of the Santa Ynez Unit within Santa Barbara County:



The short section of pipeline running east to west from the Las Flores Plant to the Gaviota pumping station (PS on the above graphic) is Line 324, the section that failed in 2015 causing the Refugio Beach oil spill. The section running south to north from the Gaviota pumping station to the Sisquoc station is the section of Line 325 that, along with Line 324, is subject to the Consent Decreee.

20. Under applicable federal pipeline regulations, Sable Line 324 and the Gaviota-Sisquoc segment of Line 325 run through "high consequence areas" (HCA) for purposes of pipeline integrity management for obvious reasons. (49 CFR § 194.452 (2025) [hazardous materials regulations].) Line 324 is immediately adjacent to the coast and Line 325 runs through Gaviota State Park. This HCA designation imposes high-level integrity management obligations to protect, among other things, environmental quality along the pipeline routes. Accordingly, Sable knew or should have known that their extensive Repair Plan for these lines involves excavation work and associated waste discharges that could affect water quality in this sensitive aquatic and riparian habitat well before it was so advised by Regional Water Board staff in early August of 2024.

21. Sable's "pig and dig" operation on Line 324 and the Gaviota-Sisquoc segment of Line 325 is a regular pipeline maintenance procedure typically done every 3 to 5 years to check for corrosion and damage. It begins with device known as a "smart pig" that is run through the length of the pipe that provides data regarding the extent of corrosion using electromagnetic or ultrasound imagery. Corrosion thins the walls of the pipeline and, if not timely repaired, can cause the line to rupture as occurred on Line 324 in 2015. Once this "pigging" is complete, operators typically prepare a Repair Plan to address corrosion and damage in need of repair in the field. This involves a number of separate "digs" to expose damaged sections of pipeline for repair and reinforcement. A typical Sable dig looks like this:

22. The "digging" aspect of Sable's integrity management operation began in October 2024 and wrapped up some time in mid-May 2025. Sable reportedly conducted 144 repairs involving dozens of dig sites. Fourteen of these excavations involved activity where Sable was required to obtain waste discharge permits from the Regional Water Board, yet not one was sought until well after the work was completed.

23. Excavation work such as that depicted in the image included in Paragraph 21 above requires heavy equipment. Movement of that equipment involves vegetation clearance and road

work that could also affect water quality such that a discharge permit is required. Vegetation removal, such as that depicted in the streambed below, can create harmful silting within streams and creeks when it rains and the streambed fills with water. Also, loss of vegetation cover can elevate water temperature impacting fish and wildlife development when streams are flowing.

B. Regional Water Board's Initial Efforts to Obtain Regulatory Compliance

24. In August 2024, Regional Water Board staff learned that Sable would be conducting pipeline excavation and repair work on Line 324 and the Gaviota-Sisquoc segment of Line 325. Staff contacted Sable management to inform them that the project could affect the water quality of streams along the pipeline route and determine what the company would do to assure such impacts would be addressed. Sable Vice-President Steve Rusch informed Regional Water Board staff on August 8, 2024 that "Sable conducts environmental surveys for all work locations as part

of its site evaluation and understands the regulatory requirements and processes for water qualification certificates involving both U.S. and state waters."

25. In early October 2024, Regional Water Board staff received a citizen complaint addressing multiple land disturbances by Sable and its contractors across what was identified as WOTS along the Gaviota Coast. Thereafter, Regional Water Board staff followed up several times with Sable employees to request access to these sites to conduct an inspection following up on the concerns expressed to Mr. Rusch in August.

26. On November 4, 2024, Sable finally allowed Regional Water Board staff access to investigate Sable's pipeline excavation and maintenance activities on a small section of Line 324. During this investigation, Regional Water Board staff observed an excavation site within and adjacent to state waters that would have required a permit under the statutory and regulatory scheme before proceeding with such activity. At that time staff once again advised Sable personnel of their statutory obligation to obtain waste discharge permits before conducting excavation activities that could affect water quality.

27. Having received no response to their efforts to persuade Sable to meet its statutory and regulatory requirements for execution of its Repair Plan, on December 13, 2024 the Regional Water Board issued its Directive to Obtain Regulatory Coverage attached hereto as Exhibit A (2024 Directive). While the 2024 Directive identified a specific site in need of regulatory compliance, it also provided Sable management with a clear request to commence regulatory compliance for all of its Repair Plan operations going forward. The 2024 Directive further provided Sable with all the information needed to meet its regulatory requirements and allow the Regional Water Board team the opportunity to assure Sable is using best management practices for protection of the environment. Sable did not seek administrative review of the 2024 Directive by filing a petition to the State Water Board.

28. Also on December 13, 2024, Regional Water Board issued its Notice of Violation for Unauthorized Discharge of Waste to Waters of the State regarding an ephemeral stream impacted by an excavation project near Baron Ranch Trailhead in Santa Barbara County at lat. 34.46834, long. 120.10623 (Baron Ranch Trailhead Site) which is attached hereto as Exhibit B (2024 Notice

of Violation). This comprehensive Notice of Violation provided Sable with an assessment of all streambed and waste discharge activity that could affect water quality of which Regional Water Board staff was aware at the time. In the 2024 Notice of Violation, the Regional Water Board sets out a thorough description of the streambed features that demonstrate regular surface water flow, the scour and detritus observed within the streambed, and the available references delineating the streambed as "Riverine Wetlands." The Regional Water Board further provided a complete description of Sable activity that could affect water quality at and downstream from the identified waterway, including: (a) the construction of an access road across the bed and bank of the stream; (b) pit excavation across the bed and bank to obtain access to the underground pipe; (c) mounded cut and fill adjacent to the banks; and (d) vegetation clearance.

C. The Regional Water Board's Efforts to Obtain a Technical Report

29. After the Regional Water Board issued the 2024 Directive and the 2024 Notice of Violation to Sable on December 13, 2024, Regional Water Board staff continued to follow up with Sable management in an effort to obtain the company's compliance. Heading into late January 2025 no response from Sable to either the 2024 Directive or the 2024 Notice of Violation was received or appeared to be forthcoming. Moreover, based on the November 4, 2024 site investigation and continuing citizen complaints it was evident Sable's August 2024 representation that it would conduct environmental assessments as part of the Repair Plan and comply with waste discharge requirements where needed was patently false. The Regional Water Board had identified at least one site where repair activities resulted in waste discharge to WOTS that affected water quality and was receiving credible evidence of ongoing violations at other locations.

30. Water Code section 13267 authorizes the Regional Water Board to investigate the quality of waters and, in so doing, requires a person such as Sable who is discharging waste, or proposing to discharge waste, to provide a technical report detailing how that activity impacts the quality of any waters within the state. Because Sable was not identifying and reporting waste discharges that could affect water quality as required under Section 13260, the Regional Water Board applied this important regulatory tool to get Sable to perform the analysis it should have

done before commencing work in August of 2024, at which time it blithely represented its work would have no impact on water quality.

31. On January 22, 2025, pursuant to its authority under Water Code section 13267, the Regional Water Board issued its Requirement to Submit a Technical Report Associated with Discharge of Earthen Material to Waters of the State, attached hereto as Exhibit C (Section 13267 Order). In large part, this Section 13267 Order formalized the inquiry put to Sable by the Regional Water Board in August 2024 by requiring "a detailed assessment" of Sable's excavation work and how it could affect the quality of WOTS or WOTUS, and a further "detailed assessment of waste discharge to surface waters resulting from Sable's . . . work activities."

32. By its own admission, Sable claims to well understand its fundamental obligations when excavating and discharging earthen waste materials within and adjacent to creeks and streambeds flowing through riparian habitat. With the 2024 Directive, 2024 Notice of Violation, and the Section 13267 Order in hand by January 2025, Sable was also provided with Regional Water Board guidance regarding: (a) the scope of its regulatory requirement; (b) references of what to look for when discerning within that regulatory scheme whether WOTS and/or WOTUS is implicated by the work they are doing; (c) a description of the types of activity that could affect water quality within those waterways; and (d) input from the November 4, 2024 site visit and an offer to provide continued assistance working through the obligations imposed by Section 13260.

33. Knowing full well what the Regional Water Board team was seeking and having been provided with substantial guidance in that regard, Sable nevertheless provided piecemeal and belated responses to the Section 13267 Order on March 7 and April 15, 2025. These responses provided incomplete information with little meaningful detail regarding the extensive excavation, repair and backfilling conducted as part of the Repair Plan. The inadequacy of Sable's initial response to the Section 13267 Order made clear it did not perform meaningful assessment of the environmental impact of its excavation campaign through Santa Barbara's rich and unique landscape before despoiling it.

34. In simple terms, the Section 13267 Order required Sable to provide critical information regarding the presence of streams, channels, drainages and wetlands at or adjacent to

planned or completed repair excavations. One would expect a responsible oil production company running 125 miles of underground pipeline with unique integrity challenges through the high consequence areas of Santa Barbara and San Luis Obispo Counties would have that information readily available in a database for use by its integrity and environmental management teams. Not so. All Sable could come up with in response was a one sentence reference to a Biological Resource Assessment prepared in 2020 by the former pipeline operator as part of its eventually abandoned plan to replace Line 324 and Gaviota-Sisquoc segment of Line 325. Not developed or tailored to Sable's plan for restarting the lines, the subject assessment provides little meaningful information regarding the potential impact of Sable's 144 anomaly Repair Plan on water quality of the numerous streams, channels and drainage within the planned excavations.

35. Sable's failure to specify its intended waste discharge locations and obtain essential permits prior to commencing work led to the Regional Water Board mandating under the Section 13267 Order that Sable conduct an investigation and submit a thorough assessment of proposed waste discharges that could affect water quality. Instead, Sable provided a bare outline of the steps taken to expose and repair the underground pipeline which was useless to the Regional Water Board in assessing the impact of the discharge. It should not have been difficult for Sable to respond more completely to Regional Water Board's requirement to set out the scope of the discharge as everything sought should be in the Repair Plan and associated reports Sable is required to maintain regarding each dig and repair and is well within Sable's environmental management expertise and experience.

36. Sable's belated response to the Section 13267 Order submitted on April 15, 2025 was not only limited by its failure to adequately identify WOTS and WOTUS, Sable provided little meaningful information regarding the four sites identified as potentially impacting water quality. Sable simply stated that the sites were excavated, shored, backfilled and compacted with no detail regarding the volume removed, where it was placed, or the impact on the riparian and aquatic habitats involved, which were all required elements of the technical report required under the Section 13267 Order.

37. Sable also chose to unreasonably limit the temporal scope of its response to the Section 13267 Order. At the time of its inadequate submissions in March and April of 2025, Sable management knew full well additional excavation and repair work would be ongoing. However, instead of identifying sites where Sable was planning to carry out activities resulting in earthen waste discharges that could affect water quality as required by the Section 13267 Order, Sable chose to limit its response to work done as of the March 10, 2025 due date of the Technical Report (which ironically was not met). This cynical approach to the Regional Water Board's regulatory permitting requirements was obviously taken to avoid any potential delay in getting the sites permitted and any associated Regional Water Board review that might impact the July 1, 2025 deadline for Sable's completion of repairs imposed by the Fire Marshal.

D. The Regional Water Board's Continuing Efforts to Obtain Compliance

38. The Regional Water Board's months-long effort to obtain compliance from Sable notwithstanding, Sable continued work at the Baron Ranch Trailhead Site without a permit and staff continued to receive complaints from area residents regarding Sable's impact to state water quality. Accordingly, the Regional Water Board conducted a second on-site investigation of Sable's Repair Plan activities on February 28, 2025. Staff once again observed excavation, roadwork, and vegetation clearance within and adjacent to streams and channels that could affect water quality. Sable was advised to permit these operations and assure that further work was assessed and reviewed before excavation operations commence. As set forth in greater detail below, throughout the entire 10-month execution of its Repair Plan for Lines 324 and 325 Sable did not identify and permit a single excavation site before putting shovel to dirt.

39. Because the Regional Water Board did not receive any permit applications for the waste discharge sites identified during the February 2025 inspection, it issued a Notice of Violation for Unauthorized Discharges of Waste to Waters of the State and United States which is attached hereto as Exhibit D (April 2025 Notice of Violation) on April 15, 2025. As with the 2024 Notice of Violation, the Regional Water Board specifically identified each of the five sites and the activity conducted that could affect water quality. In the April 2025 Notice of Violation

the Regional Water Board also specified which items were missing from Sable's response to the Section 13267 Order.

40. On April 16, 2025, the Regional Water Board followed up on its April 2025 Notice of Violation by issuing its Directive to Submit a Report of Waste Discharge for Unauthorized Discharges of Waste and Future Discharges of Waste, Santa Barbara, San Luis Obispo, and Kern Counties attached hereto as Exhibit E (the 2025 Directive). This 2025 Directive not only covered the sites identified in the April 2025 Notice of Violation, but further directed Sable to "submit a report of waste discharge for regulatory coverage for all discharges of waste that could affect the quality of waters of the state associated with its work related to Sable's pipeline remediation and planned restart of Lines 324 and 325. This applies to discharges that have already occurred *as well as potential future discharges*." (Emphasis added.) It bears repeating that Sable continued to ignore its obligation to permit ongoing discharges of waste before commencing work; as alleged in more detail below, the Regional Water Board has identified sites excavated after the 2025 Directive which required a report of waste discharge before commencing work. Sable did not seek administrative review of the 2025 Directive by filing a petition for review with the State Water Board.

E. Sable's Continuing Failure to Permit Discharge Sites Affecting Water Quality

41. On January 31, 2025, Sable finally took a very modest step towards regulatory compliance by submitting its Notice of Intent to discharge waste at the Baron Ranch Trailhead Site under WQO 2004-0004. At the time of this submission, Sable had already performed work and was still continuing to unlawfully discharge waste at the site in the manner detailed in the December 13, 2024 Notice of Violation. On March 20, 2025 the Regional Water Board issued its Notice of Assignment for that site approving Sable's proposed mitigation plan. It is important to note that Sable's belated submission is not a golden ticket to continue discharging waste during the permitting process; only after the Regional Water Board enrolls the site under the general permit may Sable lawfully proceed with its excavation and associated discharge. This did not occur at any of the fourteen sites identified in this Complaint until after the excavation causing the discharge that could affect water quality was completed.

42. On March 13, 2025, having received the 2024 Directive and Section 13267 Order focusing attention on the permitting and waste discharge concerns, Sable belatedly submitted Notices of Intent to discharge waste at the four sites identified below:

a. A repair excavation at the Carrizo Tributary to the Cayama River, lat. 35.05946, long. 119.93314 (Cayama River Tributary Site) pursuant to the general permit established under WQO 2004-0004.

b. A repair excavation on the Buellton Ranch at a tributary to Peterson Creek, lat. 34.62761, long. 120.20012 (Peterson Creek Tributary Site) pursuant to the general permit established under WQO 2004-0004.

c. A repair excavation at a tributary to Nojoqui Creek, lat. 34.57379, long. 120.19591 (Nojoqui Creek Tributary Site) pursuant to the general permit established under Order 2020-0039-EXEC.

d. A repair excavation at a tributary to Asphaltum Creek, also known as Foxen Canyon, at lat. 35.05946, long. 119.93314 (Foxen Canyon Tributary Site) pursuant to the general permit established under Order 2020-0039-EXEC.

Notices of Applicability enrolling Sable's projects in the identified general permits were provided to Sable by the Regional Water Board at each of these four sites on June 2, 2025.

43. As Sable's belated Notices of Intent did not cover all the sites identified in the 2024 and April 2025 Directives, and Regional Water Board staff suspected Sable had made additional excavations that could affect water quality, staff conducted a third site investigation on May 27, 2025. At this time, the Regional Water Board learned that the Repair Plan for Lines 324 and 325 was complete and understood Sable's position to be that only the five sites for which Notices of Intent had been submitted were subject to the requirements of Section 13260. During the May 27, 2025 inspection, Regional Water Board identified additional excavation sites that had disturbed WOTS and therefore should have been permitted prior to commencing work.

44. On August 19, 2025, four months after the Regional Water Board issued its April 16, 2025 Directive specifically ordering it to do so, Sable submitted Notices of Intent to discharge waste at the following five sites:

a. A repair excavation at Venadito Canyon Creek, a tributary to the Pacific Ocean, lat. 34.46490, long. 120.05230 (Venadito Canyon Site) pursuant to the general permit established under WQO 2004-0004.

b. A repair excavation in the Arroyo Quemado, a tributary to the Pacific Ocean, lat. 34.47340, long. 111910 (Arroyo Quemado Site) pursuant to the general permit established under WQO 2004-0004.

c. A repair excavation at the Cañada del Leon (Sable Site F10), a tributary to the Pacific Ocean, lat. 34.47580, long. 120.19640 (Cañada del Leon Site) pursuant to the general permit established under WQO 2004-0004.

d. A repair excavation in the Cañada de las Zorillas East Branch (Sable Site F7), a tributary to the Pacific Ocean, lat. 34.47340, long. 120.17620 (Zorillas Drainage F7 Site) pursuant to the general permit established under WQO 2004-0004

e. A repair excavation in the Cañada de las Zorillas East Branch (Sable Site F8), a tributary to the Pacific Ocean, lat. 34.47340, long. 120.17620 (Zorillas Drainage F8 Site) pursuant to the general permit established under WQO 2004-0004.

45. Also on August 19, 2025, Sable identified four additional repair sites which, after finally doing the biological assessment it should have done before implementing the Repair Plan, were determined to be excavations that could affect water quality. Several of these sites were identified during the Regional Water Board site investigation on May 27, 2025. They are:

a. A repair excavation in Tajiguas Beach Creek at Grey Fox Ranch (Sable Dig No. 0324-2022-0023097.83), lat. 34.46220, long. 120.09200 (Grey Fox Ranch Site) pursuant to the general permit established under WQO 2004-0004.

b. A repair excavation in the Cañada de la Gallina at a tributary to the Pacific Ocean, lat. 34.47490, long. 120.14560 (Cañada de la Gallina Site) pursuant to the general permit established under Order 2020-0039-EXEC.

c. An access route in Gaviota State Park cut through a tributary to the Cañada de la Gaviota, lat. 34.47930, long. 120.22850 (Cañada de la Gaviota Site) pursuant to the general permit established under WQO 2004-0004.

d. A repair excavation in the Arroyo Hondo, a tributary to the Pacific Ocean, lat. 34.47550, long. 120.14170 (Arroyo Hondo Site) pursuant to the general permit established under WQO 2004-0004.

46. Because Sable deliberately avoided its obligation to obtain waste discharge requirements before commencing work at each of the sites identified above and took no action until directed by the Regional Water Board, the Baron Ranch Trailhead Site, Cayuma River Tributary Site, Peterson Creek Tributary Site, Nojoqui Creek Tributary Site, Foxen Canyon Tributary Site, Venadito Canyon Site, Arroyo Quemado Site, Cañada de Leon Site, Zorillas Drainage F7 Site, Zorillas Drainage F8 Site, Grey Fox Ranch Site, Cañada de la Gallina Site, Cañada de la Gaviota Site, and Arroyo Hondo Site shall be collectively referred to as the "Directed Submission Sites."

47. In summary, from August of 2024 through May of 2025 the Regional Water Board continuously attempted to bring Sable's Repair Plan for Lines 324 and 325 into regulatory compliance under Section 13260. Throughout this period, the Regional Water Board identified six locations where water quality impacts were evident, and the California Department of Fish and Wildlife identified four additional sites where excavations could affect water quality. By April 16, 2025, Sable had been directed to comply with waste discharge requirements at all ten of these sites. In late May, the Regional Water Board identified additional sites where work required permitting yet was completed without regulatory oversite. Nevertheless, it was not until August 19, 2025, a full year after Sable began implementation of its Repair Plan for Lines 324 and 325, that Sable finally completed the assessment of water quality impacts from its numerous excavations within the sensitive and important aquatic and riparian habitats within Santa Barbara and San Luis Obispo Counties. Accordingly, the Regional Water Board brings this action on behalf of the People for civil penalties associated with Sable's blatant and knowing failure to first

obtain waste discharge requirements at any of the Directed Submission Sites before commencing excavation work that could affect water quality.

F. Sable's Continuing Refusal to Provide a Meaningful Technical Report

48. Sable has continuously failed to meet its obligations under Section 13260 to identify and permit excavations that could affect water quality. At each of the three site investigations describe above, the Regional Water Board found excavations and associated activities that were impacting or had impacted water quality. Accordingly, the Section 13267 Order was issued in part to prompt Sable to perform the assessment necessary to identify other areas of concern and provide information regarding the scope of waste discharge activity. Having been provided with a detailed game plan for execution of this task in the Section 13267 Order, the 2025 Directive and the follow-up April 2025 Notice of Violation, Sable's cursory and incomplete submissions still missed the mark. Nevertheless, on June 11, 2025 Sable management took the position that its obligation to provide a meaningful Technical Report was fulfilled.

49. Since Sable was unwilling to put in the work necessary to assess the environmental impact of its Repair Plan for Lines 324 and 325, the Regional Water Board took on the task of analyzing the information Sable provided and thereafter issued the July 24, 2025 Notice of Violation for Failure to Report, Santa Barbara and San Luis Obispo County attached hereto as Exhibit F (July 2025 Notice of Violation). This comprehensive order identified twenty-seven sites where Sable's excavation and repair activities could affect water quality not previously addressed in the Regional Water Board's previous investigations and associated Directives and Notices of Violation. Once again, this work should have been done by Sable before commencing work in August 2024; there is no excuse for Sable's failure to timely provide a Technical Report with this information in response to the Section 13267 Order.

50. In the July 2025 Notice of Violation, the Regional Water Board provided further detail on what information was necessary for each excavation site where work within and/or adjacent to WOTS or WOTUS could affect water quality, including the specific location of WOTS or WOTUS impacted, the quantity of earthen materials discharged and the sediment remaining after backfilling, and a biological assessment of the WOTS or WOTUS identified as

within the zone of impact. Since Sable failed to provide this information before and as they were doing the work, it was critical that Sable provide detailed historical information regarding the excavation and repair so the Regional Water Board can provide adequate oversite regarding the path forward to address continuing impacts to water quality. Sable cannot be allowed to avoid regulatory oversight on the front-end of the Repair Plan for Lines 324 and 325 and then simply assert the sites were backfilled, re-contoured, re-planted and all is now fine, despite continuing impacts to water quality.

51. On August 13, 2025 Sable responded to the Regional Water Board's carefully crafted directives in the July 2025 Notice of Violation. As alleged above, in the course of assessing the Repair Plan for Lines 324 and 325 in retrospect, Sable identified nine sites requiring waste discharge requirements that it had previously either overlooked or made incorrect determinations regarding the impact of the excavations on water quality. Had Sable put in the effort by March 10, 2025 when the Technical Report required under the Section 13267 Order was first due, five months of discharge to WOTS could have been identified and addressed. Even though the majority of excavation was completed by March 10, 2025, Sable's delay identifying and assessing the impact of its activities evaded regulatory oversight, delayed restoration work and therefore warrants substantial penalties. More significantly, Sable's delay in responding to the Section 13267 Order was another cynical move to avoid waste discharge requirements and associated involvement by the Regional Water Board that might delay meeting the July 1, 2025 deadline imposed by the Fire Marshal.

FIRST CAUSE OF ACTION

(Against all Defendants)

Failure to Timely Comply with Section 13267

(Wat. Code §§ 13267, 13268)

52. Plaintiff re-alleges and incorporates herein by reference the allegations in paragraphs 1 through 51 inclusive of this Complaint.

53. The Section 13267 Order has five general components. First, it requires a description of the repair work for Lines 324 and 325. Second, it requires Sable to locate and describe the

excavation activities to be undertaken as part of the that Repair Plan and whether they are proximate to WOTS and WOTUS. Third, the Regional Water Board required Sable to assess the scope and impact of discharges to WOTS and WOTUS, including a biological assessment needed to fulfill the fourth requirement to identify actions to mitigate impacts to WOTS and WOTUS. Finally, Sable was required to provide a plan to enhance its procedures for identifying sites where waste discharge requirements must be implemented prior to executing the repair work.

54. The Regional Water Board's requirement that Sable describe its work and locate and identify the WOTS and WOTUS within the Repair Plan for Lines 324 and 325, is fundamental and straightforward. This task should have been done well before the August 2024 start date. To the extent it was not, the location of streams, channels and drainage along Sable's pipeline route is something any responsible operator should have at their fingertips. Nevertheless, it took months after the Section 13267 Order deadline of March 10, 2025 and two detailed Notices of Violation for Sable to adequately identify areas disturbed by its excavation activities that could affect the quality of WOTS or WOTUS.

55. The Regional Water Board's requirements that Sable provide a detailed assessment of waste discharges that could affect water quality and a plan to address the impacts of such discharges are two more directives that never should have been necessary components of the Section 13267 Order. However, given Sable's ongoing evasion of regulation, the Regional Board required the issues be addressed in a technical report. To the extent these requirements came to the attention of any responsible environmental management, the response should have been swift and comprehensive. Not so with Sable. Its March 7, 2025 response only revealed just how uninformed and unprepared Sable had been regarding environmental compliance when executing its Repair Plan. The belated response of April 15, 2025 insufficiently addressed only four sites with only a cursory assessment of impacts when, in fact, at least ten more impacted sites remained unidentified.

56. Sable's failure to take the information at hand – the location and nature of its excavation work – and assess the potential impact to water quality put the Regional Water Board in the position of having to do Sable's work for it. After performing additional investigation, the

Regional Water Board issued its July 24, 2025 Notice of Violation giving Sable notice of those locations for which the Regional Water Board suspected required assessment in line with the directives of the Section 13267 Order yet was missing from Sable's insufficient response. It was only after receiving the Regional Water Board's analysis, which Sable should have performed in the first instance, that Sable disclosed nine more sites where its work could affect water quality. Importantly, mitigation at those sites has yet to be implemented. Sable's cynical and unwarranted delay prevented the Regional Water Board from identifying and addressing water quality impacts at these sites and assuring Sable used best management practices to timely mitigate impacts. Accordingly, the imposition of civil liability under Water Code section 13268 is warranted for each day Sable failed to adequately respond to the Section 13267 Order for Technical Report when due on March 10, 2025.

SECOND CAUSE OF ACTION

(Against all Defendants)

Failure to File Report of Proposed Waste Discharge

(Wat. Code §§ 13260, 13261)

57. Plaintiff re-alleges and incorporates herein by reference the allegations in paragraphs 1 through 56 inclusive of this Complaint.

58. As alleged in detail above, Sable cynically refused to obtain waste discharge requirements at the Directed Submission Sites until the excavation work was completed so as to avoid delay and impede the Regional Water Board's ability to provide input into the application of best management practices to address impacts to water quality. Indeed, prior to commencing work on the Repair Plan for Lines 324 and 325, Sable management misinformed the Regional Water Board by assuring staff that Sable had assessed how its excavation work could affect water quality. Sable's response to the Section 13267 Order demonstrated Sable's V.P. of Environmental Management was at best misinformed, incompetent and incorrect. At worst, Sable was simply bamboozling the Regional Water Board to meet a critical deadline. Either way, substantial penalties are warranted for Sable's egregious conduct.

59. The Regional Water Board alleges that it provided Sable with adequate notice under Water Code section 13260 when: (a) staff advised Mr. Rusch of the need to obtain waste discharge requirements for any excavation in its Repair Plan for Lines 324 and 325 that could affect water quality and Sable management Mr. Rusch acknowledged such in writing; and, (b) Regional Water Board followed up with the 2024 Directive identifying the process it expected Sable to follow at any site where excavation could affect water quality.

60. The Regional Water Board is unaware of the dates upon which Sable first proposed to discharge excavated fill and/or remove vegetation at the Directed Submission Sites identified above. The Regional Water Board alleges that at the time Sable planned its excavation and repair activity at each Directed Submission Site, it knew or should have known that a Section 13260 permit was required yet decided not to apply for coverage under the Water Quality Orders identified above. As set forth in paragraph 59 above, on the date of the 2024 Directive Sable was notified by the Regional Water Board of the need to comply with Section 13260 and associated regulations. Accordingly, penalties should be assessed according to proof at each Directed Submission Site from that date, or from the date when Sable's work was first proposed thereafter, until a complete Notice of Intent was submitted to the Regional Water Board as set forth above.

THIRD CAUSE OF ACTION

(Against all Defendants)

Ongoing Unlawful Waste Discharges

(Wat. Code §§ 13264, 13265)

61. Plaintiff re-alleges and incorporates herein by reference the allegations in paragraphs 1 through 60 inclusive of this Complaint.

62. As alleged in Paragraph 12 above, Water Code section 13264 prohibits Sable from initiating any new discharge of waste or making any material changes in any discharge *prior to* the filing of the report required by Section 13260. That statute also prohibits such action *after* filing the report as follows: "no person shall take any of these actions after filing the report but before whichever of the following occurs first: (1) The issuance of waste discharge requirements pursuant to Section 13263; (2) The expiration of 140 days after compliance with Section

13260 . . . ; (3) The issuance of a waiver pursuant to Section 13269." As alleged herein, while Sable provided Notices of Intent proposing to discharge waste, it continued its disruptive activities before receiving waste discharge requirements in violation of Section 13264.

63. Water Code section 13265 subdivision (a) provides: "Any person discharging waste in violation of Section 13264, after such violation has been called to his attention in writing by the regional board, is guilty of a misdemeanor and may be liable civilly in accordance with subdivision (b). Each day of such discharge shall constitute a separate offense." As alleged herein, the Regional Water Board began "calling to Sable's attention in writing" its concerns over discharges emanating from the planned repairs to Lines 324 and 325 as early as August of 2024, and Sable acknowledged such in writing at that time. The Regional Water Board continued diligently calling its concerns over proposed and actual discharges to Sable in writing over the ensuing months, including two specific directives and notices of violation. Having satisfied the notice requirements of Section 13265 on multiple occasions, the Regional Water Board is entitled to recover civil penalties from the date each of the discharges identified below began following notice to Sable as alleged herein.

64. A new discharge of waste was initiated by Sable at each of the Directed Submission Sites identified in this Third Cause of Action as of the date excavation activities commenced. For the Baron Ranch Trailhead Site, such unlawful discharge was ongoing from the date excavation commenced until March 20, 2025 when the Regional Water Board issued a Notice of Applicability establishing waste discharge requirements. The Regional Water Board is unaware of the date such discharge commenced and reserves the right to amend this Complaint according to proof.

65. Unlawful discharges at the Cayuma River Tributary Site, Peterson Creek Tributary Site, Nojoqui Creek Tributary Site, and Foxen Canyon Tributary Site began at the time Sable commence excavation at each of these sites and continued until June 2, 2025 when the Regional Water Board issued Notices of Applicability for these sites establishing waste discharge requirements. The Regional Water Board is unaware of the dates such discharges commenced and reserves the right to amend this Complaint according to proof.

66. The unlawful discharges at the Arroyo Quemado Site, Cañada de Leon Site, Zorillas Drainage F7 Site, Zorillas Drainage F8 Site, Grey Fox Ranch Site, Cañada de la Gallina Site, and Cañada de la Gaviota Site began at the time Sable commenced excavation at each of these sites and remain unpermitted and are ongoing as of the date of this Complaint. The Regional Water Board is unaware of the dates such discharges commenced and reserves the right to amend this Complaint to allege the period of unlawful discharges at each of these sites according to proof.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff requests that the Court enter judgment in favor of Plaintiff and against Defendants as follows:

i. For and award of civil penalties according to proof for the multiple violations of the Porter-Cologne Water Quality Act set forth in the First, Second and Third Causes of Action;

ii. For the award of investigative and litigation costs, expert fees, attorney fees and all other expenditures incurred by Plaintiff in the prosecution of this action recoverable pursuant to Code of Civil Procedure section 1028.1; and

iii. For such other and further relief according to proof that the Court deems just and proper.

Dated: October 3, 2025

Respectfully submitted,

ROB BONTA
Attorney General of California

MICHAEL T. ZARRO
Deputy Attorney General
Attorneys for Plaintiff People of the State of California ex rel. Regional Water Quality Control Board, Central Coast Region

EXHIBIT A

Central Coast Regional Water Quality Control Board

December 13, 2024

Sable Offshore Corp
Steven Rusch, Vice President
845 Texas Avenue, Ste 2920
Houston, Texas 77002
Email: SRusch@sableoffshore.com

VIA CERTIFIED MAIL AND EMAIL
RETURN RECEIPT REQUESTED
7019 1640 0000 7902 1384

Sable Offshore Corp
Amanda Garcia
Agent for Service of Process
330 N Brand Blvd
Glendale, CA 91203

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED
7019 1640 0000 7902 2381

Dear Steven Rusch:

ENFORCEMENT PROGRAM: SABLE OFFSHORE CORP, SANTA BARBARA COUNTY - DIRECTIVE TO OBTAIN REGULATORY COVERAGE FOR UNAUTHORIZED DISCHARGE OF WASTE TO WATERS OF THE STATE, SANTA BARBARA COUNTY

This letter contains legal directives that must be followed. Failure to respond may result in fines.

Sable Offshore Corp is receiving this letter because the Central Coast Regional Water Quality Control Board (Central Coast Water Board) has evidence of unauthorized discharge of waste to waters of the state at an ephemeral stream in Santa Barbara County located at approximately 34° 28' 6.4" N, 120° 06' 22.5" W, upstream of Hwy 101 at postmile 39, just east of Baron Ranch Trailhead. The evidence of unauthorized discharge of waste to waters of the state is described in our December 13, 2024 notice of violation.

Discharge of waste to waters of the state requires submittal of a report of waste discharge and receipt of waste discharge requirements prior to discharge. California Water Code section 13260 requires any person discharging waste, or proposing to discharge waste, within any region that could affect the quality of waters of the state, to file with the appropriate regional board a report of the discharge. California Water Code section 13264 states in part that no person shall initiate any new discharge of waste or make any material changes in any discharge prior to the filing of the report required by California Water Code section 13260.

The Central Coast Water Board requires that Sable obtain regulatory coverage for its discharge of waste **within 30 calendar days of the date this letter**. The discharge of sediment directly to the ephemeral stream constitutes a discharge of fill material to waters of the state and is therefore subject to regulation by the *Statewide General Waste Discharge Requirements for Dredge or Fill Discharges to Waters Deemed by the U.S. Army Corps of Engineers to be Outside Federal Jurisdiction (WQO 2004-0004)*.[1]

To obtain regulatory coverage Sable must:

1. Submit a completed Notice of Intent (Attachment 1 of WQO 2004-0004).
2. Comply with the requirements of WQO 2004-0004, including monitoring and reporting.

Failure to take these actions may subject Sable Offshore Corp to enforcement action by the Central Coast Water Board, including administrative civil liability of up to $1,000 per day for each day the violation occurs, pursuant to California Water Code section 13261. Administrative civil liability may be imposed by the superior court up to $5,000 per day for each day the violation occurs, pursuant to California Water Code section 13261. Pursuant to California Water Code section 13265, civil liability may be imposed by the Central Coast Water Board in an amount of up $1,000 per day for violation of California Water Code section 13264. Pursuant to California Water Code section 13265, civil liability may be imposed by the superior court in an amount of up $5,000 per day for violation of California Water Code section 13264. If penalties are imposed, the regulatory coverage is still required.

Central Coast Water Board staff's recommendations for further enforcement will depend on Sable's response to this letter. The Central Coast Water Board may also require cleanup and abatement of the effects of the unauthorized activities pursuant to California Water Code section 13304, or that Sable immediately cease and desist from the activities pursuant to California Water Code section 13301. The Central Coast Water Board reserves the right to take any enforcement action authorized by law.

Any person aggrieved by this action of the Central Coast Water Board may petition the State Water Resources Control Board to review the action in accordance with California Water Code section 13320 and California Code of Regulations, title 23, sections 2050 and following. The State Water Resources Control Board must receive the petition by 5:00pm, 30 days after the date of this directive, except that if the thirtieth day following the date of this Order falls on a Saturday, Sunday, or state holiday (including mandatory furlough days), the petition must be received by the State Water Resources Control Board by 5:00pm on the next business day. Copies of the law and regulations applicable to filing petitions may be found on the Internet at: https://www.waterboards.ca.gov/public_notices/petitions/water_quality/ or will be provided upon request.

[1] https://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2004/wqo/wqo2004-0004.pdf

If you have questions about this letter, please contact April Woods at April.Woods@waterboards.ca.gov or Phil Hammer at Phillip.Hammer@waterboards.ca.gov.

Sincerely,

Thea S. Tryon Digitally signed by Thea S. Tryon
Date: 2024.12.13 10:42:51 -08'00'
Water Boards

Thea S. Tryon
Assistant Executive Officer

cc:

Stephanie Cook, California Coastal Commission, Stephanie.Cook@coastal.ca.gov
Wesley Horn, California Coastal Commission, Wesley.Horn@coastal.ca.gov
Errin Briggs, Santa Barbara County Planning & Development, EBriggs@countyofsb.org
Jim Hosler, CAL FIRE, Jim.Hosler@fire.ca.gov
Julie Vance, California Department of Fish and Wildlife, Julie.Vance@wildlife.ca.gov
Linda Connolly, California Department of Fish and Wildlife, Linda.Connolly@wildlife.ca.gov
Naomi Rubin, State Water Resources Control Board, Naomi.Rubin@waterboards.ca.gov
Thea Tryon, Central Coast Water Board, Thea.Tryon@waterboards.ca.gov
Todd Stanley, Central Coast Water Board, Todd.Stanley@waterboards.ca.gov
Harvey Packard, Central Coast Water Board, Harvey.Packard@waterboards.ca.gov
Phil Hammer, Central Coast Water Board, Phillip.Hammer@waterboards.ca.gov
Tamara Anderson, Central Coast Water Board, Tamara.Anderson@waterboards.ca.gov
Leah Lemoine, Central Coast Water Board, Leah.Lemoine@Waterboards.ca.gov
April Woods, Central Coast Water Board, April.Woods@waterboards.ca.gov
Jesse Woodard, Central Coast Water Board, Jesse.Woodard@waterboards.ca.gov
Jacqueline Tkac, Central Coast Water Board, Jacqueline.Tkac@waterboards.ca.gov

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EXHIBIT B

Central Coast Regional Water Quality Control Board

December 13, 2024

Sable Offshore Corp
Steven Rusch, Vice President
845 Texas Avenue, Ste 2920
Houston, Texas 77002
Email: SRusch@sableoffshore.com

VIA CERTIFIED MAIL AND EMAIL
RETURN RECEIPT REQUESTED
7020 1810 0002 0768 8031

Sable Offshore Corp
Amanda Garcia
Agent for Service of Process
330 N Brand Blvd
Glendale, CA 91203

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED
7019 1640 0000 7902 2374

Dear Steven Rusch:

ENFORCEMENT PROGRAM: SABLE OFFSHORE CORP, SANTA BARBARA COUNTY - NOTICE OF VIOLATION FOR UNAUTHORIZED DISCHARGE OF WASTE TO WATERS OF THE STATE, SANTA BARBARA COUNTY

The California Regional Water Quality Control Board, Central Coast Region (Central Coast Water Board) is a state regulatory agency with responsibility for protecting the quality of the waters of the state within its area of jurisdiction. The Central Coast Water Board has authority to require submission of information, direct action, establish regulations, levy penalties, and bring legal action when necessary to protect water quality.

The Central Coast Water Board has evidence of unauthorized discharge of waste to waters of the state at an ephemeral stream in Santa Barbara County located at approximately 34° 28' 6.4" N, 120° 06' 22.5" W, upstream of Hwy 101 at postmile 39, just east of Baron Ranch Trailhead. The unauthorized discharge of waste is a potential violation of the California Water Code. This notice of violation describes the alleged violation, summarizes potential monetary liability, and provides direction on corrective actions.

Summary

In August 2024, Central Coast Water Board staff were made aware of pipeline remediation work along Sable Offshore Corp.'s (Sable) Line 324 (formerly Line 901) and Line 325 (formerly Line 903) along the Gaviota Coast in Santa Barbara County. At that time, Central Coast Water Board staff April Woods contacted Sable representative Steve Rusch to inquire about the potential for project impacts to waters of the state.

Central Coast Water Board staff informed Steve Rusch that intermittent and ephemeral streams are waters of the state. Mr. Rusch confirmed his knowledge of the regulatory requirements and confirmed Sable had surveyed all work locations and found no project impacts to waters of the state.

In early October 2024, the Central Coast Water Board received a citizen complaint of multiple land disturbances across what appeared to be waters of the state on the Gaviota Coast at various Sable pipeline remediation project sites. April Woods again contacted Mr. Rusch and requested access to the project site to conduct an inspection.

California Water Code section 13050 defines waters of the state as "any surface water or groundwater, including saline waters, within the boundaries of the state." Surface waters of the state include but are not limited to wetlands; perennial, intermittent, and ephemeral streams; rivers; lakes; bays; and coastal ocean waters. Ephemeral streams collect, contain, and transport water on the surface of the landscape and are therefore surface waters of the state. As an example, the Statewide General Waste Discharge Requirements for Dredged or Fill Discharges to Waters Deemed by the U.S. Army Corps of Engineers to be Outside of Federal Jurisdiction (General WDRs WQO 2004-0004) determines that headwaters, defined as intermittent and ephemeral drainages, constitute waters of the state.[1]

On November 4, 2024, Central Coast Water Board staff inspected various project work locations. During this inspection, Central Coast Water Board staff observed and documented the following evidence demonstrating the drainage feature located at approximately 34° 28' 6.4" N, 120° 06' 22.5" W is an ephemeral stream and a water of the state:

1. Fluvial geomorphological features, including a visibly identifiable bed and bank, were observed in the drainage feature. The bed was composed of stone and pebbles, while a bench of stone, cobble, and sediment distinguished the bank from the bed. The stone and cobble in the bed were deposited and distributed in a manner that results from hydrologic flows. These characteristics indicate the drainage feature regularly transports surface water, demonstrating it is an ephemeral stream and surface water of the state.
2. Scour and detritus were observed in the drainage feature. These conditions indicate repeated and regular flow and are characteristic of an ephemeral stream and surface water of the state.
3. Dry vegetation, concentrated in the channel and on the banks of the tributary, was in greater abundance than surrounding uplands. The reed grass *Arundo donax* was abundant on the banks and headwaters of the channel. While not an obligate wetland species, *Arundo donax* is a species that thrives in streams. Its distribution here, concentrated at the top of the ephemeral stream and within the channel, indicates regular saturation of the drainage feature, further

[1] https://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2004/wqo/wqo2004-0004.pdf

demonstrating the drainage feature is an ephemeral stream and surface water of the state.

In addition to field observations, Central Coast Water Board staff identified the following information indicating the drainage feature is an ephemeral stream and surface water of the state:

1. Historic aerial imagery confirms the presence of a sinuous channel bed path along the length of the drainage. In addition, the imagery shows diverse, robust, and green vegetation within the drainage feature when surrounding areas are dry and brown.
2. The drainage is identified as “Riverine Wetland” on the U.S. Fish and Wildlife Wetland Mapper.

During the site inspection, Central Coast Water Board staff observed and documented the following activities at the ephemeral stream located at approximately 34° 28' 6.4" N, 120° 06' 22.5" W:

1. A temporary access road had been constructed across the bed and bank of the ephemeral stream. The construction of the earthen road discharged sediment to the ephemeral stream. The discharge of sediment to the ephemeral stream constitutes a discharge of waste to waters of the state.
2. A pit had been excavated across the bed and bank of the ephemeral stream to access an underground pipeline. Excavation and grading appeared to have occurred on the ephemeral stream’s slopes and in the streambed. The excavation and grading discharged sediment to the ephemeral stream. The discharge of sediment to the ephemeral stream constitutes a discharge of waste to waters of the state.
3. Cut and fill from excavation was mounded in contoured slopes adjacent to the banks of the ephemeral stream without implementation of erosion or sediment controls. Uncontrolled sediment is a discharge of waste that could affect the quality of waters of the state.
4. Vegetation had been cleared from the bed and banks of the ephemeral stream without implementation of erosion or sediment controls. Areas of cleared vegetation have the potential to result in the discharge of waste that could affect the quality of waters of the state.

Alleged Violations

1. <u>Violation of California Water Code Section 13260</u>

   California Water Code section 13260 requires any person discharging waste, or proposing to discharge waste, within any region that could affect the quality of waters of the state, to file with the appropriate regional board a report of the discharge. The conditions at the project represent a violation of California Water Code section 13260, because Sable cleared vegetation and excavated and

graded sediment in the unnamed tributary, constituting a discharge of waste to waters of the state, without having filed the required report of waste discharge.

2. Violation of California Water Code Section 13264

   California Water Code section 13264 states in part that no person shall initiate any new discharge of waste or make any material changes in any discharge prior to the filing of the report required by California Water Code section 13260. The conditions at the Site represent a violation of California Water Code section 13264, because Sable discharged waste that could affect the quality of waters of the state without obtaining waste discharge requirements from the Central Coast Water Board.

Required Corrective Actions

To address the alleged violations, Sable can obtain all required authorizations for work conducted and any corrective restoration and compensatory mitigation activities. Sable must take action to correct the alleged violations as soon as possible to avoid formal enforcement.

The Central Coast Water Board will be sending Sable a separate directive pursuant to California Water Code section 13260 requiring Sable to submit a report of waste discharge for the discharges of waste identified above. In addition, also under separate cover, the Central Coast Water Board will be sending Sable a directive pursuant to California Water Code section 13267 requiring Sable to submit a technical report describing the work Sable has conducted and/or is conducting for Line 324 (formerly Line 901) and Line 325 (formerly Line 903). The Central Coast Water Board also finds that Sable's work is likely subject to regulation under the *National Pollutant Discharge Elimination System General Permit for Stormwater Discharges Associated with Construction and Land Disturbance Activities Order WQ 2022-0057-DWQ*[2] and expects to send Sable additional communication on that issue.

To avoid further unauthorized discharges during any restoration and compensatory mitigation implementation in waters of the state or waters of the United States, pursuant to California Water Code sections 13260 and 13376, Sable must apply for and obtain waste discharge requirements from the Central Coast Water Board prior to any material removal, new disturbance, or restoration activity.

Potential Enforcement Actions

The alleged violation cited above may subject Sable to enforcement by the Central Coast Water Board for every day the violations continue. Sable must correct the violation as soon as possible. Sable's receipt of this notice of violation does not

[2] https://www.waterboards.ca.gov/water_issues/programs/stormwater/construction/general_permit_reissuance.html

preclude the Central Coast Water Board from taking further enforcement action for the alleged violations cited in this notice of violation, and the Central Coast Water Board reserves the right to take any enforcement action authorized by law. In making its determination of whether and how to proceed with further enforcement action, the Central Coast Water Board will consider the information submitted in response to this notice of violation, the time it takes to correct the identified violations, and the adequacy of the corrections and actions taken.

Central Coast Water Board staff's recommendations for further enforcement will depend on Sable's response to this notice of violation. The Central Coast Water Board may also require cleanup or abatement of the effects of the unauthorized activities pursuant to California Water Code section 13304, or that Sable immediately cease and desist from the activities pursuant to California Water Code section 13301. The Central Coast Water Board reserves the right to take any enforcement action authorized by law.

If you have questions about this letter, please contact April Woods at April.Woods@waterboards.ca.gov or Phil Hammer at Phillip.Hammer@waterboards.ca.gov.

Sincerely,

Thea S. Tryon Digitally signed by Thea S. Tryon
Date: 2024.12.13 10:45:05 -08'00'
Water Boards

Thea S. Tryon
Assistant Executive Officer

cc:

Stephanie Cook, California Coastal Commission, Stephanie.Cook@coastal.ca.gov
Wesley Horn, California Coastal Commission, Wesley.Horn@coastal.ca.gov
Errin Briggs, Santa Barbara County Planning & Development, EBriggs@countyofsb.org
Jim Hosler, CAL FIRE, Jim.Hosler@fire.ca.gov
Julie Vance, California Department of Fish and Wildlife, Julie.Vance@wildlife.ca.gov
Linda Connolly, California Department of Fish and Wildlife, Linda.Connolly@wildlife.ca.gov
Naomi Rubin, State Water Resources Control Board, Naomi.Rubin@waterboards.ca.gov
Thea Tryon, Central Coast Water Board, Thea.Tryon@waterboards.ca.gov
Todd Stanley, Central Coast Water Board, Todd.Stanley@waterboards.ca.gov
Harvey Packard, Central Coast Water Board, Harvey.Packard@waterboards.ca.gov
Phil Hammer, Central Coast Water Board, Phillip.Hammer@waterboards.ca.gov
Tamara Anderson, Central Coast Water Board, Tamara.Anderson@waterboards.ca.gov
Leah Lemoine, Central Coast Water Board, Leah.Lemoine@Waterboards.ca.gov
April Woods, Central Coast Water Board, April.Woods@waterboards.ca.gov
Jesse Woodard, Central Coast Water Board, Jesse.Woodard@waterboards.ca.gov
Jacqueline Tkac, Central Coast Water Board, Jacqueline.Tkac@waterboards.ca.gov

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EXHIBIT C

Central Coast Regional Water Quality Control Board

January 22, 2025

Sable Offshore Corp.
Steven Rusch, Vice President
845 Texas Avenue, Ste 2920
Houston, Texas 77002
Email: SRusch@sableoffshore.com

VIA CERTIFIED MAIL AND EMAIL
RETURN RECEIPT REQUESTED
7020 1810 0002 0767 9350

Sable Offshore Corp.
Amanda Garcia
Agent for Service of Process
330 N Brand Blvd
Glendale, CA 91203

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED
7020 1810 0002 0767 9367

ENFORCEMENT PROGRAM: SABLE OFFSHORE CORP., LAS FLORES PIPELINE SYSTEM REMEDIATION OPERATIONS, SANTA BARBARA, SAN LUIS OBISPO, AND KERN COUNTIES – CALIFORNIA WATER CODE SECTION 13267 REQUIREMENT TO SUBMIT A TECHNICAL REPORT ASSOCIATED WITH DISCHARGE OF EARTHEN MATERIAL TO WATERS OF THE STATE

Dear Steven Rusch:

The California Regional Water Quality Control Board, Central Coast Region (Central Coast Water Board) is a state regulatory agency with responsibility for protecting the quality of the waters of the state within its area of jurisdiction. The Central Coast Water Board has authority to require submission of information, direct action, establish regulations, levy penalties, and bring legal action when necessary to protect water quality.

The Central Coast Water Board has evidence of unauthorized discharges of waste to waters of the state by Sable Offshore Corp. (Sable) associated with Las Flores Pipeline System Lines 324 (formerly Line 901) and 325 (formerly Line 903) remediation activities. The notice of violation (NOV), notice of non-compliance (NNC), and directive to obtain regulatory coverage for unauthorized discharge of waste to waters of the state issued to Sable on December 13, 2024, include descriptions of the alleged violations associated with the unauthorized discharges of waste to waters of the state. Pursuant to California Water Code section 13267, this order requires Sable to submit a technical report as described in further detail below.

California Water Code Section 13267 Order for Technical Report

California Water Code section 13267 authorizes the Central Coast Water Board to require any person who has discharged, discharges, or is suspected of having discharged or discharging, or who proposes to discharge waste within the region to furnish, under penalty of perjury, technical or monitoring reports to investigate the quality of any waters of the state.

Required Technical Report

For the purposes of investigating the alleged violations identified in the December 13, 2024 NOV, NNC, and directive and assessing the threat to water quality resulting from suspected ongoing discharges, the Central Coast Water Board requires Sable to submit a technical report describing Sable's discharges and associated impacts to waters of the state and plans for correcting the alleged violations, preventing future violations, and remediating impacts from the discharges. Within **45 days** of the date of this letter, Sable must submit a technical report that contains, at a minimum, the following:

1. A detailed description of the scope and purpose of work Sable has performed, is performing, or is planning to perform on lines 324 and 325.
2. An inventory of all Sable land disturbance activities that were or are currently active in the Central Coast region pertaining to remediation of the Las Flores Pipeline System lines.[1] The inventory must include the following information:
    a. Location of each land disturbance activity, including geographic coordinates.
    b. Area of land, in acres, disturbed by each land disturbance activity, including access roads, laydown yards, construction corridors, and staging areas, including any vegetation management or tree removal in support of the development of these facilities or construction of new facilities resulting from compliance with applicable codes, standards, and regulations.
    c. Description of each land disturbance activity conducted.
    d. Location of each land disturbance activity, including geographic coordinates, in relation to boundaries of the existing right-of-way, franchise, easements, or agreements. Area of land, in acres, disturbed by each land disturbance activity outside of existing right-of-way, franchise, easements, or agreements.
    e. A description of any citations, notices of noncompliance, notices of violation, or similar enforcement actions issued by regulatory agencies for violations related to any land disturbing activities.
    f. For each land disturbance activity, a detailed assessment of the presence of any of the following in or adjacent to the disturbed area: wetlands; perennial, intermittent, or ephemeral streams; rivers; lakes; swales; drainages; ditches; or any other depressional features with evidence of bed, bank, or channel.

[1] Remediation of the Las Flores Pipeline System lines includes work by Sable Offshore Corp. begun in 2024 on Lines 324/325 (previously 901/903) along the entirety of the 124-mile pipeline conducted in anticipation of restarting use of the line.

3. A detailed assessment of waste discharge to surface waters resulting from Sable's Las Flores Pipeline System line remediation work activities, including:
   a. An identification of the locations and sizes of the areas of waters of the state and waters of the U.S. affected by the unauthorized waste discharges.
      (1) Quantify areas of disturbance in units of acres and linear feet.
      (2) Quantify discharges to waters of the state in cubic yards.
   b. An estimate of the amount of waste discharged, in gallons or cubic yards as applicable, to waters of the state resulting from Sable's Las Flores Pipeline System line remediation activities, including an estimate of the amount of sediment remaining in sediment stockpile areas and ephemeral drainages that have the potential to be discharged to downstream reaches.
   c. A biological assessment of the areas of the waters of the state impacted by the waste discharges resulting from Sables's pipeline remediation activities, including a description of impacted riparian and aquatic habitats and an assessment of their quality.
4. A detailed description of actions Sable can take to mitigate impacts to water quality and beneficial uses of waters of the state caused by the discharge of waste resulting from Sable's pipeline remediation activities, including onsite restoration and offsite compensatory mitigation options.
5. A plan for how Sable will update and enhance its policies and procedures to identify waters of the state in proposed work areas and avoid discharging waste to waters of the state without proper authorization. Include the following information in the plan:
   a. Steps Sable will take to assess if a proposed activity has the potential to discharge waste to waters of the state.
   b. Steps Sable will take to identify if a proposed activity requires authorization from the Central Coast Water Board.
   c. Steps Sable will take to contact the Central Coast Water Board if a proposed activity has the potential to require authorization from the Central Coast Water Board.
   d. Steps Sable will take to obtain all required authorizations for future discharges of waste to waters of the state, such as programmatic waste discharge requirements for discharges occurring at multiple locations or individual waste discharge requirements for each discharge occurring at an individual location.
6. Pursuant to California Water Code section 13267(b)(1), the following perjury statement, signed by a duly authorized representative: "I, [NAME], certify under penalty of law that this document and all attachments were prepared by me, or under my direction or supervision, and the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant civil penalties for submitting false information."

The Central Coast Water Board is requiring Sable to submit the technical report because Sable is suspected of having discharged and continuing to discharge waste to waters of the state in the Central Coast region. The evidence supporting the need for this technical report is discussed in the December 13, 2024 NOV, NNC, and directive. The technical report is necessary to obtain information to fully delineate the extent of

actual and potential adverse impacts to water quality and beneficial uses caused by the discharges, determine compliance with water quality objectives and prohibitions in the Water Quality Control Plan for the Central Coastal Basin (Basin Plan),[2] and identify corrective actions.

Based on information available to Central Coast Water Board staff, which includes relevant professional experience, preparation of the technical report will require a combination of professionals including registered professional geologists and engineers. It is estimated that the preparation of the technical report will take approximately 60-80 hours to complete, and, using an average hourly rate of $190, the estimated cost to prepare the technical report is $11,400-$15,200. For additional details on the calculation of these costs, see Attachment 1.

As identified in the October 5, 2020 Biological Resources Assessment (2nd Revised) prepared by SCS Engineers[3] for the since-abandoned Line 901 & Line 903 Replacement Project, the 124-mile-long pipeline is crossed by at least 141 identified waters of the state. As reported in the above referenced assessment, water crossings within the potentially impacted project area include "coastal creeks with well-established riparian habitat, drainages and swales with herbaceous vegetation through rolling coastal and Sierra Madre hillsides, [and] alluvial fans with braided channels of riverwash in the Sisquoc River and in the Cuyama Valley to the San Joaquin Valley." Additionally, creeks and drainages within the project footprint act as tributaries to three large river systems—the Santa Ynez, Sisquoc, and Cuyama Rivers. Special status botanical resources and wildlife, protected as beneficial uses in the Basin Plan, have the potential to exist throughout the project footprint. After consideration of these factors, staff has determined that the burden, including costs, of submitting the technical report bears a reasonable relationship to the need for the report and the benefits to be obtained from the report because of the potential for harm to water quality and beneficial uses resulting from the suspected unauthorized discharges and other potential discharges.

Process for Submitting Required Technical Report

Sable must submit the technical report in a searchable Portable Document Format (PDF) to April Woods at April.Woods@Waterboards.ca.gov and centralcoast@waterboards.ca.gov.

Documents less than 50 MB must be sent via electronic mail and include "Submittal of Required Documents" in the subject line of the e-mail. Documents that are 50 MB or larger must be transferred to a disk and mailed to:

Central Coast Water Board

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[2] https://www.waterboards.ca.gov/centralcoast/water_issues/programs/basin_plan/

[3] Biological Assessment available at https://www.countyofsb.org/3801/901903-Replacement-Pipeline-Project

Attention: April Woods
895 Aerovista Place, Suite 101
San Luis Obispo, CA 93401-7906

Liabilities

California Water Code section 13268 provides that failure to submit the information required by subdivision (b) of section 13267 by the specified compliance date, or falsifying any information provided therein, is a misdemeanor and may result in civil liability. Noncompliance may subject you to civil liability in the amount of up to $1,000 for each day of violation. If the Central Coast Water Board elects to refer the matter to the Attorney General, the superior court may impose civil liability for up to $5,000 per day for each violation. Compliance with this order is not a substitute for compliance with other applicable laws. The Central Coast Water Board reserves the right to take any enforcement action authorized by law.

Petitioning this Order

Any person aggrieved by this action of the Central Coast Water Board may petition the State Water Resources Control Board (State Water Board) to review the action in accordance with California Water Code section 13320 and California Code of Regulations, title 23, sections 2050 et seq. The State Water Board must receive the petition by 5:00 p.m., 30 days after the date that this Order becomes final, except that if the thirtieth day following the date that this Order becomes final falls on a Saturday, Sunday, or state holiday (including mandatory furlough days), the petition must be received by the State Water Board by 5:00 p.m. on the next business day. Copies of the law and regulations applicable to filing petitions may be found at the following address or will be provided upon request:
http://www.waterboards.ca.gov/public_notices/petitions/water_quality

If you have questions about this letter please contact April Woods at (805) 549-3332 or April.Woods@waterboards.ca.gov, or Phil Hammer at Phillip.Hammer@waterboards.ca.gov.

Sincerely,

Thea S. Tryon
Digitally signed by Thea S. Tryon
Date: 2025.01.22 08:09:57 -08'00'
Water Boards

Thea S. Tryon
Assistant Executive Officer

cc:

Stephanie Cook, California Coastal Commission, Stephanie.Cook@coastal.ca.gov
Wesley Horn, California Coastal Commission, Wesley.Horn@coastal.ca.gov

Errin Briggs, Santa Barbara County Planning & Development, EBriggs@countyofsb.org
Jim Hosler, CAL FIRE, Jim.Hosler@fire.ca.gov
Julie Vance, California Department of Fish and Wildlife, Julie.Vance@wildlife.ca.gov
Linda Connolly, California Department of Fish and Wildlife, Linda.Connolly@wildlife.ca.gov
Morgan Lucas, Santa Barbara County District Attorney's Office, mlucas@countyofsb.org
Christopher Dalbey, Santa Barbara County District Attorney's Office, cdalbey@countyofsb.org
Robert Parmelee, Santa Barbara County District Attorney's Office, rparmelee@countyofsb.org
Naomi Rubin, State Water Resources Control Board, Naomi.Rubin@waterboards.ca.gov
Thea Tryon, Central Coast Water Board, Thea.Tryon@waterboards.ca.gov
Todd Stanley, Central Coast Water Board, Todd.Stanley@waterboards.ca.gov
Harvey Packard, Central Coast Water Board, Harvey.Packard@waterboards.ca.gov
Phil Hammer, Central Coast Water Board, Phillip.Hammer@waterboards.ca.gov
Tamara Anderson, Central Coast Water Board, Tamara.Anderson@waterboards.ca.gov
Leah Lemoine, Central Coast Water Board, Leah.Lemoine@Waterboards.ca.gov
April Woods, Central Coast Water Board, April.Woods@waterboards.ca.gov
Jesse Woodard, Central Coast Water Board, Jesse.Woodard@waterboards.ca.gov
Jacqueline Tkac, Central Coast Water Board, Jacqueline.Tkac@waterboards.ca.gov

\\ca.epa.local\RB\RB3\Shared\401\Enforcement Actions&Violations_Santa Barbara Co\Sable Offshore Corp\13267_Requirement for Technical Report\Final\SablePipelineCorps_13267_final_clean.docx

Estimated Cost to Prepare Technical Report
Sable Offshore Corp

Required Technical Report Cost Analysis

The cost estimates provided in the January 22, 2025 order for technical report were calculated by estimating the approximate hours required to complete the technical report and multiplying by an average hourly rate for professional services. Professional services required for the technical report would likely vary and include a range of registered professional engineers and geologists, surveyors, and other technical persons. Taking into consideration the variety of professionals involved and based upon research into publicly available rate charge data (references below), staff determined an average hourly charge rate of $135-190.

Hourly Charge Rate Calculation

See references below for sources of hourly rates. While the sourced hourly rates are not local to the Central Coast, they are representative of statewide costs based on Central Coast Water Board staff experience and professional judgement.
Senior/Principal Engineer/Engineering Geologist/Hydrogeologist Range: $150 - $240
Staff Geologist/Engineer/Environmental Scientist Range: $90 - $180
Other Technician Range: $80 - $250
Considering the range of professionals and hourly rates associated with their specialty and experience, and given the terrain and technical nature of the requested technical report, an average hourly rate of $190 was selected for generating the technical report.

Technical Report

Based on staff experience, completion of report is estimated to take 60-80 hrs.
Hourly rate: $190
60-80 hrs x $190 = $11,400-$15,200

Fee Schedule Sources

https://www.mendocinocounty.org/home/showpublisheddocument/41862/637526191532870000

http://www.mountaingeology.com/feeSchedule.html

EXHIBIT D

Central Coast Regional Water Quality Control Board

April 15, 2025

Sable Offshore Corp.
Steven Rusch, Vice President
845 Texas Avenue, Ste 2920
Houston, Texas 77002
Email: SRusch@sableoffshore.com

VIA CERTIFIED MAIL AND EMAIL
RETURN RECEIPT REQUESTED
9589 0710 5270 0883 4147 17

Sable Offshore Corp.
Amanda Garcia
Agent for Service of Process
330 N Brand Blvd
Glendale, CA 91203

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED
9589 0710 5270 0883 4146 70

Dear Steven Rusch and Amanda Garcia:

ENFORCEMENT PROGRAM: SABLE OFFSHORE CORP. - NOTICE OF VIOLATION FOR UNAUTHORIZED DISCHARGES OF WASTE TO WATERS OF THE STATE AND UNITED STATES AND FAILURE TO REPORT, SANTA BARBARA AND SAN LUIS OBISPO COUNTIES

The California Regional Water Quality Control Board, Central Coast Region (Central Coast Water Board) is a state regulatory agency with responsibility for protecting the quality of the waters of the state within its area of jurisdiction. The Central Coast Water Board has authority to require submission of information, direct action, establish regulations, levy penalties, and bring legal action when necessary to protect water quality.

The Central Coast Water Board has evidence of a series of unauthorized discharges of waste by Sable Offshore Corp. (Sable) to waters of the state and United States related to Sable's pipeline remediation and planned restart of Line 324 (formerly Line 901) and Line 325 (formerly Line 903). In addition, Sable has not reported all of the information required by the Central Coast Water Board's January 22, 2025 investigative order issued pursuant to California Water Code section 13267. The unauthorized discharges of waste and failure to submit the information required by the investigative order are potential violations of the California Water Code. This notice of violation describes the alleged violations, summarizes potential monetary liability, and provides direction on corrective actions.

Background

In August 2024, Central Coast Water Board staff were made aware by the public of Sable's pipeline remediation work along the Gaviota Coast in Santa Barbara County. When contacted by Central Coast Water Board staff, Sable representative Steve Rusch confirmed his knowledge of the regulatory requirements and confirmed Sable had surveyed all work locations and found no project impacts to waters of the state, which he confirmed to understand includes intermittent and ephemeral streams. In October 2024, the Central Coast Water Board received a complaint from the public of multiple land disturbances across what appeared to be waters of the state on the Gaviota Coast at various Sable pipeline remediation project sites. On November 4, 2024, Central Coast Water Board staff inspected various project work locations along the Gaviota Coast which led to the positive identification of unauthorized discharges to waters of the state.

On December 13, 2024, the Central Coast Water Board issued a notice of violation to Sable notifying it that any person discharging waste, or proposing to discharge waste, that could affect the quality of waters of the state is required to file a report of discharge prior to initiating the discharge; that Sable's activities observed at the November 4, 2024 inspection constituted a violation of the California Water Code; and that Sable's activities were likely also subject to stormwater permitting. On December 13, 2024, the Central Coast Water Board also issued a California Water Code section 13260 directive to Sable to submit a report of waste discharge for the unauthorized discharges of waste and a Notice of Non-Compliance notifying Sable that it had been identified as requiring a stormwater permit. On January 22, 2025, the Central Coast Water Board issued a second Notice of Non-Compliance for failure to apply for stormwater permitting.

Since the issuance of the December 13, 2024 notice of violation, Sable has continued to commit alleged violations of the California Water Code. For example, while Sable submitted an after-the-fact notice of intent to obtain coverage for work in waters of the state at the location cited in the December 13, 2024 notice of violation, it resumed unauthorized work at the subject site in mid-February prior to obtaining the permit and authorization for the work.

On January 22, 2025, the Central Coast Water Board issued an order, pursuant to California Water Code section 13267, requiring Sable to submit a technical report addressing discharges of waste to waters of the state (13267 Technical Report Order). Among other things, Sable was required to include in the technical report an inventory of all Sable land disturbance activities that were or are currently active in the Central Coast region pertaining to remediation of the Las Flores Pipeline System lines, a detailed assessment of the presence of waters of the state at inventoried land disturbance locations, and a detailed assessment of all waste discharges to waters of the state. While Sable submitted a report in response to the 13267 Technical Report Order on March 8, 2025, its report was deficient, lacking information in response to 13267 Technical Report Order item numbers 2.f and 3.

a. 13267 Technical Report Order number 2.f required submittal of a detailed assessment of the presence of any of the following in or adjacent to areas disturbed by Sable pipeline remediation activities: wetlands; perennial, intermittent, or ephemeral streams; rivers; lakes; swales; drainages; ditches; or any other depressional features with evidence of bed, bank, or channel. Sable's response refers to the October 5, 2020 Biological Resources Assessment (2nd Revised) prepared by SCS Engineers for Pacific Pipeline Company. This document does not include the required assessment. While the document identifies some waters of the state in the project area, it does not identify all of the waters of the state, nor does it assess the proximity of all waters of the state to areas disturbed by Sable's pipeline remediation activities. For example, the unnamed ephemeral drainage at approximately 34° 28' 6.4" N, 120° 06' 22.5" W, upstream of Hwy 101 at postmile 39, just east of Baron Ranch Trailhead, that was subject to the Central Coast Water Board's December 13, 2024 notice of violation, is not identified in the document.

b. 13267 Technical Report Order numbers 3.a-c required Sable to identify the locations and sizes of the areas of waters of the state and United States affected by the unauthorized waste discharges; estimate the amount of waste discharged to waters of the state; and assess the biology of areas of the waters of the state impacted by the waste discharges. Sable's response states this information will be submitted late, by April 15, 2025. Sable's response does not provide an explanation for the late submittal.

On February 21, 2025, in response to the December 13, 2024 Notice of Noncompliance, Pacific Pipeline Company submitted an application for construction stormwater general permit (CGP) enrollment for coverage under a facilty/site name of Sable Land Base, however the documents submitted as part of this application were incomplete. State Water Resources Control Board staff notified Pacific Pipeline Company that the application was deficient and instructed it to resubmit the application with a complete Stormwater Pollution Prevention Plan on March 12, 2025. Through phone conversation (on February 22, 2025) and via email (on March 18, 2025) with Central Coast Water Board staff, Sable representatives communicated that Sable intends to complete the CGP enrollment only if land disturbance activities outside the existing right-of-way exceed the permit applicability threshold of one acre.

In response to ongoing public complaints, on February 28, 2025, Central Coast Water Board staff made a second site visit to Sable pipeline remediation sites along the Gaviota Coast. Central Coast Water Board staff observed and documented unauthorized discharges of waste at various locations that could affect the quality of waters of the state and Untied States.

a. Site 1, Venadito Canyon Road (34.4649° N, -120.052° W) – Riparian vegetation at this location had been cleared and grubbed, with loose bare soil and slash at the site. The loose bare soil and slash at the site are unauthorized discharges of waste that could affect the quality of waters of the state.

b. Site 7, Arroyo Quemado (34.4734° N, -120.119° W) – An access road had been graded, leaving bare loose soil without erosion and sediment control in several locations. Riparian vegetation at this location had also been cleared and grubbed, with loose bare soil and slash at the site. Freshly cut tree branches and other vegetation, which appeared to have been generated from work conducted by Sable in the riparian area, was observed as dumped waste in the flowing stream. The loose bare soil and slash at the site are unauthorized discharges of waste that could affect the quality of waters of the state and waters of the United States. The cut tree branches and other vegetation into the flowing stream are unauthorized discharges of waste and pollutants to waters of the state and waters of the United States.

c. Site F7/F8, unnamed drainage (34.4737° N, -120.176° W) – At this location, the bed and banks of an unnamed drainage had been graded, with loose bare soil in the drainage bed. The disturbance of soil on the drainage bed and banks and loose bare soil left in the drainage bed are unauthorized discharges of waste that could affect the quality of waters of the state.

d. Site F10, unnamed drainage (34.4758° N, -120.196° W) – At this location, a slope had been graded, without erosion and sediment controls. Loose sediment was also discharged into the bank and bed of the unnamed drainage. Riparian vegetation had also been cleared. The loose bare soil and discharge of loose sediment into the drainage at the site are unauthorized discharges of waste that could affect the quality of waters of the state.

On March 12 and 13, 2025, Padre Associates, Inc., on behalf of Sable, submitted a series of after-the-fact notices of intent to obtain authorization for previously conducted unauthorized discharges of waste to waters of the state and waters of the United States and restoration at various locations. Sites R5-1 and R5-3 are within waters of the United States.

a. R4-1, tributary to Cuyama River (35.059463° N, -119.933144° W)

b. R5-2, tributary to Peterson Creek (34.627952° N, -120.200412° W)

c. R5-1, tributary to Nojoqui Creek (34.573883° N, -120.19567° W)

d. R5-3, tributary to Foxen Canyon (34.80723° N, -120.192° W)

On April 10, 2025, at a California Coastal Commission hearing, Sable confirmed it had placed sand and cement filled bags on the ocean floor below and adjacent to Sable’s out-of-service offshore oil and water pipelines.

Alleged Violations

1. Violation of California Water Code Section 13260
   California Water Code section 13260 requires any person discharging waste, or proposing to discharge waste, within any region that could affect the quality of waters of the state, to file with the appropriate regional board a report of the discharge. The conditions at Sites 1, 7, F7/F8, F10, R4-1, R5-1, R5-2, and R5-3 represent violations of California Water Code section 13260, because Sable cleared vegetation and excavated and graded sediment at the sites within waters of the state, resulting in discharges of waste that could affect the quality of waters of the state, without having filed reports of waste discharge. Sable's discharge of waste by placing sand and cement filled bags on the ocean floor below and adjacent to Sable's out-of-service offshore oil and water pipelines without having filed a report of waste discharge is also a violation of California Water Code section 13260.

2. Violation of California Water Code Section 13264
   California Water Code section 13264 states in part that no person shall initiate any new discharge of waste or make any material changes in any discharge prior to the filing of the report required by California Water Code section 13260. The conditions at the various sites represent violations of California Water Code section 13264, because Sable discharged waste that could affect the quality of waters of the state without obtaining waste discharge requirements from the Central Coast Water Board.

3. Violation of California Water Code Section 13267
   California Water Code section 13267 authorizes the regional boards to require that any person who has discharged, discharges, or is suspected of having discharged or discharging, or who proposes to discharge waste within its region shall furnish, under penalty of perjury, technical or monitoring program reports which the regional board requires. Sable was required to submit a technical report to the Central Coast Water Board by March 10, 2025. Sable's submitted technical report did not include the information required by items 2.f and 3.a-c of the Central Coast Water Board's March 10, 2025 13267 Technical Report Order. Sable's failure to include the required information is a violation of California Water Code section 13267.

4. Violation of California Water Code Section 13376
   Section 13376 of the California Water Code requires any person discharging pollutants or fill material, or proposing to discharge pollutants fill material, to waters of the United States to file a report of waste discharge. In addition, California Water Code section 13376 prohibits the discharge of pollutants or fill material to waters of the United States except as authorized by waste discharge requirements. Federal Clean Water Action section 301 also prohibits the discharge of pollutants or fill material to waters of the United States without a permit. Sable did not submit a report of waste discharge or obtain waste discharge requirements from the Central Coast Water Board for the discharge of pollutants at Site 7. Sable also did not submit a report of waste discharge or obtain waste discharge requirements from the

Central Coast Water Board prior to discharging fill material to waters of the United States at Sites R5-1 and R5-3. In addition, Sable did not submit a report of waste discharge or obtain waste discharge requirements from the Central Coast Water Board prior to discharging fill material (sand and cement filled bags) to waters of the United States (Pacific Ocean) on the ocean floor below and adjacent to Sable's out-of-service offshore oil and water pipelines. Conducting these activities in waters of the United States without submittal of a report of waste discharge and issuance of waste discharge requirements are violations of California Water Code section 13376 and Clean Water Act section 301.

5. Violations of Prohibitions in Water Quality Control Plan for the Central Coastal Basin (Basin Plan), June 2019 Edition

   The Basin Plan prohibits, pursuant to California Water Code section 13243, the following:

   1) the discharge or threatened discharge of earthen and organic materials into any stream in the basin in quantities deleterious to beneficial uses; and,

   2) unless otherwise authorized, waste discharges to all coastal surface streams and natural drainageways that flow directly to the ocean within the South Coast Hydrologic Units 1 except where discharge is associated with an approved wastewater reclamation program.

   Sable may have violated one or both of these Basin Plan prohibitions as a result of its unauthorized work.

Required Corrective Actions

Sable must obtain all required authorizations for corrective restoration and compensatory mitigation activities and submit the missing information from the required technical report. Sable must control all threatened discharges of earthen and organic materials to prevent their discharge to waters of the state and United States. Sable must take action to correct the alleged violations as soon as possible.

To avoid further unauthorized discharges during any restoration and compensatory mitigation implementation in waters of the state or waters of the United States, pursuant to California Water Code sections 13260 and 13376, Sable must apply for and obtain waste discharge requirements from the Central Coast Water Board prior to discharging waste, or proposing to discharge waste, including prior to any material removal, new disturbance, or restoration activity, that could affect the quality of waters of the state or United States.

Potential Enforcement Actions

The alleged violations cited above may subject Sable to enforcement by the Central Coast Water Board for every day the violations continue. Sable must correct the violations as soon as possible. Sable's receipt of this notice of violation does not preclude the Central Coast Water Board from taking further enforcement action for the

alleged violations cited in this notice of violation, and the Central Coast Water Board reserves the right to take any enforcement action authorized by law. In making its determination of whether and how to proceed with further enforcement action regarding the alleged violations in this letter, the Central Coast Water Board will consider the information submitted in response to this notice of violation, the time it takes to correct the identified violations, and the adequacy of the corrections and actions taken.

California Water Code section 13268 provides that failure to submit technical or monitoring program reports required by subdivision (b) of California Water Code section 13267 by the specified compliance date, or falsifying any information provided therein, is a misdemeanor and may result in administrative civil liability of up to $1,000 for each day of violation. California Water Code section 13385 provides that any person who violates Clean Water Act section 301 and/or California Water Code section 13376, and/or a prohibition issued pursuant to 13243, is subject to administrative civil liability of up to $10,000 per day of violation, and up to $10 per gallon of waste discharged but not cleaned up over 1,000 gallons. If the Central Coast Water Board elects to refer the matter to the Attorney General, the superior court may impose civil liability for up to $25,000 per day for each violation, and up to $25 per gallon of waste discharged but not cleaned up over 1,000 gallons. California Water Code sections 13261, 13265, and 13350 also provide for per day administrative liabilities or liability per gallon discharged, as specified in the California Water Code.

The Central Coast Water Board may also require cleanup or abatement of the effects of the unauthorized activities pursuant to California Water Code section 13304, that Sable immediately cease and desist from the activities pursuant to California Water Code section 13301, or may require other actions pursuant to other injunctive authorities. The Central Coast Water Board reserves the right to take any enforcement action authorized by law.

If you have questions about this letter, please contact April Woods at April.Woods@waterboards.ca.gov or Phil Hammer at Phillip.Hammer@waterboards.ca.gov.

Sincerely,

Angela Schroeter
Digitally signed by Angela Schroeter
Date: 2025.04.15 00:25:40 -07'00'
Water Boards

Angela V. Schroeter
Assistant Executive Officer

cc:

Nicole Granquist, Counsel for Sable, Nicole.Granquist@Stoel.com
Stephanie Cook, California Coastal Commission, Stephanie.Cook@coastal.ca.gov
Wesley Horn, California Coastal Commission, Wesley.Horn@coastal.ca.gov
Errin Briggs, Santa Barbara County Planning & Development, EBriggs@countyofsb.org

Jim Hosler, CAL FIRE, Jim.Hosler@fire.ca.gov
Julie Vance, California Department of Fish and Wildlife, Julie.Vance@wildlife.ca.gov
Linda Connolly, California Department of Fish and Wildlife, Linda.Connolly@wildlife.ca.gov
Naomi Rubin, State Water Resources Control Board, Naomi.Rubin@waterboards.ca.gov
Ryan Lodge, Central Coast Water Board, Ryan.Lodge@waterboards.ca.gov
Angela Schroeter, Central Coast Water Board, Angela.Schroeter@waterboards.ca.gov
Todd Stanley, Central Coast Water Board, Todd.Stanley@waterboards.ca.gov
Harvey Packard, Central Coast Water Board, Harvey.Packard@waterboards.ca.gov
Phil Hammer, Central Coast Water Board, Phillip.Hammer@waterboards.ca.gov
Tamara Anderson, Central Coast Water Board, Tamara.Anderson@waterboards.ca.gov
Leah Lemoine, Central Coast Water Board, Leah.Lemoine@Waterboards.ca.gov
April Woods, Central Coast Water Board, April.Woods@waterboards.ca.gov
Jesse Woodard, Central Coast Water Board, Jesse.Woodard@waterboards.ca.gov
Jacqueline Tkac, Central Coast Water Board, Jacqueline.Tkac@waterboards.ca.gov

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EXHIBIT E

Central Coast Regional Water Quality Control Board

April 16, 2025

Sable Offshore Corp.
Steven Rusch, Vice President
845 Texas Avenue, Ste 2920
Houston, Texas 77002
Email: SRusch@sableoffshore.com

VIA CERTIFIED MAIL AND EMAIL
RETURN RECEIPT REQUESTED
9589 0710 5270 0883 4146 87

Sable Offshore Corp.
Amanda Garcia
Agent for Service of Process
330 N Brand Blvd
Glendale, CA 91203

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED
9589 0710 5270 0883 4146 25

Dear Steven Rusch:

ENFORCEMENT PROGRAM: SABLE OFFSHORE CORP. – DIRECTIVE TO SUBMIT A REPORT OF WASTE DISCHARGE FOR UNAUTHORIZED DISCHARGES OF WASTE AND FUTURE PROPOSED DISCHARGES OF WASTE, SANTA BARBARA, SAN LUIS OBISPO, AND KERN COUNTIES

This letter contains legal directives that must be followed. Failure to respond may result in fines.

Sable Offshore Corp. (Sable) is receiving this letter because the Central Coast Regional Water Quality Control Board (Central Coast Water Board) has evidence of continued unauthorized discharges of waste to waters of the state at various locations related to Sable's pipeline remediation and planned restart of Line 324 (formerly Line 901) and Line 325 (formerly Line 903). The evidence of unauthorized discharges of waste that could affect the quality of waters of the state is described in the April 15, 2025 notice of violation that the Central Coast Water Board transmitted to Sable.

Discharge of waste that could affect the quality of waters of the state requires submittal of a report of waste discharge and receipt of waste discharge requirements prior to discharge. California Water Code section 13260 requires any person discharging waste, or proposing to discharge waste, within any region that could affect the quality of waters of the state, to file with the appropriate regional board a report of the discharge. California Water Code section 13264 states in part that no person shall initiate any new discharge of waste or make any material changes in any discharge prior to the filing of the report required by California Water Code section 13260.

The Central Coast Water Board requires that Sable submit a report of waste discharge for regulatory coverage for all discharges of waste that could affect the quality of waters of the state associated with its work related to Sable's pipeline remediation and planned restart of Lines 324 and 325. This applies to discharges that have already occurred as well as potential future discharges. To obtain regulatory coverage Sable must submit the appropriate report of waste discharge (e.g., notice of intent) applicable to the category of waste discharge. Central Coast Water Board staff is available to assist Sable in identifying the appropriate reports of waste discharge to submit for its waste discharges.

A report of waste discharge must contain information and data required by the Central Coast Water Board. Dischargers with discharges of dredged or fill material to waters of the state, meeting the eligibility criteria in the *Statewide General Waste Discharge Requirements for Dredge or Fill Discharges to Waters Deemed by the U.S. Army Corps of Engineers to be Outside Federal Jurisdiction (WQO 2004-0004),*[1] are required to submit a complete report of waste discharge containing the information and data in the Notice of Intent included in Attachment 1 of WQO 2004-0004, or a written report of waste discharge confirming existing regulatory coverage, or a written report of waste discharge demonstrating that regulatory coverage may not be required.

Failure to take these actions may subject Sable to enforcement action by the Central Coast Water Board, including administrative civil liability of up to $1,000 per day for each day the violation occurs, pursuant to California Water Code section 13261. Administrative civil liability may be imposed by the superior court up to $5,000 per day for each day the violation occurs, pursuant to California Water Code section 13261. Pursuant to California Water Code section 13265, civil liability may be imposed by the Central Coast Water Board in an amount of up $1,000 per day for violation of California Water Code section 13264. Pursuant to California Water Code section 13265, civil liability may be imposed by the superior court in an amount of up $5,000 per day for violation of California Water Code section 13264. Regulatory coverage is required regardless of whether civil liabilities are imposed.

Central Coast Water Board staff's recommendations for further enforcement will depend on Sable's response to this letter. The Central Coast Water Board may also require cleanup and abatement of the effects of the unauthorized activities pursuant to California Water Code section 13304, or that Sable immediately cease and desist from the activities pursuant to California Water Code section 13301. The Central Coast Water Board reserves the right to take any enforcement action authorized by law.

Any person aggrieved by this action of the Central Coast Water Board may petition the State Water Resources Control Board to review the action in accordance with California Water Code section 13320 and California Code of Regulations, title 23, sections 2050 and following. The State Water Resources Control Board must receive the petition by

[1] https://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2004/wqo/wqo2004-0004.pdf

5:00pm, 30 days after the date of this directive, except that if the thirtieth day following the date of this Order falls on a Saturday, Sunday, or state holiday (including mandatory furlough days), the petition must be received by the State Water Resources Control Board by 5:00pm on the next business day. Copies of the law and regulations applicable to filing petitions may be found on the Internet at: https://www.waterboards.ca.gov/public_notices/petitions/water_quality/ or will be provided upon request.

If you have questions about this letter, please contact April Woods at April.Woods@waterboards.ca.gov or Phil Hammer at Phillip.Hammer@waterboards.ca.gov.

Sincerely,

Angela Schroeter

Digitally signed by Angela Schroeter
Date: 2025.04.16 11:17:00 -07'00'

Water Boards

Angela V. Schroeter
Assistant Executive Officer

cc:

Nicole Granquist, Counsel for Sable, Nicole.Granquist@Stoel.com
Stephanie Cook, California Coastal Commission, Stephanie.Cook@coastal.ca.gov
Wesley Horn, California Coastal Commission, Wesley.Horn@coastal.ca.gov
Errin Briggs, Santa Barbara County Planning & Development, EBriggs@countyofsb.org
Jim Hosler, CAL FIRE, Jim.Hosler@fire.ca.gov
Julie Vance, California Department of Fish and Wildlife, Julie.Vance@wildlife.ca.gov
Linda Connolly, California Department of Fish and Wildlife, Linda.Connolly@wildlife.ca.gov
Naomi Rubin, State Water Resources Control Board, Naomi.Rubin@waterboards.ca.gov
Ryan Lodge, Central Coast Water Board, Ryan.Lodge@waterboards.ca.gov
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Leah Lemoine, Central Coast Water Board, Leah.Lemoine@Waterboards.ca.gov
April Woods, Central Coast Water Board, April.Woods@waterboards.ca.gov
Jesse Woodard, Central Coast Water Board, Jesse.Woodard@waterboards.ca.gov
Jacqueline Tkac, Central Coast Water Board, Jacqueline.Tkac@waterboards.ca.gov

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EXHIBIT F

Central Coast Regional Water Quality Control Board

July 24, 2025

Sable Offshore Corp
Steven Rusch, Vice President
845 Texas Avenue, Ste 2920
Houston, Texas 77002
Email: SRusch@sableoffshore.com

VIA CERTIFIED MAIL AND EMAIL
RETURN RECEIPT REQUESTED
9589 0710 5270 0883 4161 62

Sable Offshore Corp
Amanda Garcia
Agent for Service of Process
330 N. Brand Blvd.
Glendale, CA 91203

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED
9589 0710 5270 0883 4161 79

Dear Steven Rusch:

ENFORCEMENT PROGRAM: SABLE OFFSHORE CORP - NOTICE OF VIOLATION FOR FAILURE TO REPORT, SANTA BARBARA AND SAN LUIS OBISPO COUNTY

The California Regional Water Quality Control Board, Central Coast Region (Central Coast Water Board) is a state regulatory agency with responsibility for protecting the quality of the waters of the state within its area of jurisdiction. The Central Coast Water Board has authority to require submission of information, direct action, establish regulations, levy penalties, and bring legal action when necessary to protect water quality.

We are in receipt of Sable Offshore Corp's (Sable) March 7, 2025 and April 15, 2025 submittals responding to the Central Coast Water Board's January 22, 2025 directive to submit a technical report (directive), issued pursuant to California Water Code section 13267. Sable's submittals do not include all the information required by the Central Coast Water Board's January 22, 2025 directive. Failures to report all required information are violations of the California Water Code. This notice of violation describes the alleged violations, summarizes potential monetary liability, and provides direction on corrective actions. This is the second notice of violation the Central Coast Water Board has issued to Sable for failure to submit the information required in the January 22, 2025 directive. The Central Coast Water Board previously issued Sable a notice of violation for failure to submit the January 22, 2025 directive's required information on April 15, 2025. The violations of California Water Code section 13267 cited in the April 15, 2025 notice of violation have not been adequately addressed by Sable and those violations remain uncorrected and in effect.

Alleged Violations

1. Violations of California Water Code Section 13267
   California Water Code section 13267 authorizes the regional boards to require that any person who has discharged, discharges, or is suspected of having discharged or discharging, or who proposes to discharge waste within its region shall furnish, under penalty of perjury, technical or monitoring program reports which the regional board requires. Sable was required to submit a technical report to the Central Coast Water Board by March 10, 2025. Sable's March 7, 2025 and April 15, 2025 submittals do not include all the information required by the Central Coast Water Board in its January 22, 2025 directive. Sable's failures to include the required information are violations of California Water Code section 13267. Information required by the Central Coast Water Board's January 22, 2025 directive that has not been provided by Sable includes the following:

   A. Item 2.f of the directive requires Sable to submit *"For each land disturbance activity, a detailed assessment of the presence of any of the following in or adjacent to the disturbed area: wetlands; perennial, intermittent, or ephemeral streams; rivers; lakes; swales; drainages; ditches; or any other depressional features with evidence of bed, bank, or channel."* Sable's response solely refers to the October 5, 2020 Biological Resources Assessment (2nd Revised) prepared for Pacific Pipeline Company and SCS Engineers (2020 Biological Resources Assessment). This document is a regional assessment of major watersheds along the length of the pipeline and is therefore overly broad and not specific to the actual land disturbance activities conducted by Sable in the field. The document does not include assessments of the presence of all waters relative to all land disturbance activity locations identified by Sable in response to directive item 2.a; nor does the document include adequate information in order to perform such assessments. Numerous land disturbance activity locations identified by Sable in its response to directive item 2.a appear to potentially be located within or adjacent to waters of the types listed in directive item 2.f, based on coordinates provided by Sable. However, many of those waters are not identified nor discussed in the 2020 Biological Resources Assessment. Since these waters are not mentioned in the 2020 Biological Resources Assessment, the 2020 Biological Resources Assessment does not satisfy the January 22, 2025 directive requirement to provide a detailed assessment of the presence of waters in or adjacent to all land disturbance activity locations. Examples of land disturbance activity locations potentially within or adjacent to waters, for which the 2020 Biological Resources Assessment provides no information on the presence of waters, include:

Sable ID	**Latitude**	**Longitude**
0324-2022-0023785.27	34.462931	-120.094125
0324-2022-0023727.57	34.462885	-120.094002

0324-2022-0029534.66	34.469233	-120.110945
0324-2022-0029566.37	34.469275	-120.111038
0324-2022-0033655	34.47309	-120.123312
324-MOV7	34.473112	-120.12373
0324-2022-0044111.96	34.474257	-120.156051
0324-2022-0044125.32	34.474248	-120.156093
0324-2022-0044140.39	34.474239	-120.15614
0324-2022-0044891.b	34.47377	-120.158562
0324-2022-0044830.73	34.473801	-120.158366
0324-2022-0044951.35	34.47377	-120.158662
0324-2022-0046848.73	34.472896	-120.164729
0324-2022-0046966.28	34.47287	-120.165099
0324-2022-0047470.3	34.472916	-120.166717
325A-2022-0049874.76	34.541078	-120.203609
325A-2022-0060280.35	34.562141	-120.194331
325A-2022-0112641.30	34.683775	-120.189346
325A-CHK17	34.689468	-120.187514
325A-2023-0117800.29	34.696125	-120.182573
325A-2022-0176208.70	34.833362	-120.221401
325A-2023-0179864.97	34.841481	-120.222209
325A-2022-0185869.01	34.880235	-120.249693
325A-2023-0187372.96	34.883063	-120.253233
Site 5/6	35.096451	-120.051266
Site 6/7	35.043303	-119.893327
325B-MOV39	35.007636	-119.423418

B. Item 3.a of the directive requires Sable to submit *"A detailed assessment of waste discharge to surface waters resulting from Sable's Las Flores Pipeline System line remediation work activities, including: a. An identification of the locations and sizes of the areas of waters of the state and waters of the U.S. affected by the unauthorized waste discharges. (1) Quantify areas of disturbance in units of acres and linear feet. (2) Quantify discharges to waters of the state in cubic yards."* Sable's response only identifies and assesses four locations of waste discharge to surface waters and for those locations Sable failed to quantify discharges to waters of the state in cubic yards. Instead, Sable attempted to quantify the net discharge of material to the drainage after Sable completed work at the locations – this is not the information Sable was directed to submit. In addition, Central Coast Water Board staff has identified other locations of waste discharge to surface waters that were not included in Sable's response, including but not limited to, Site ID 7 (Arroyo Quemada at 34.4734, -120.119) and Site ID F10 (Canada Del Leon at 34.4758, -120.196).
C. Item 3.b of the directive requires Sable to submit *"A detailed assessment of waste discharge to surface waters resulting from Sable's Las Flores Pipeline System line remediation work activities, including: […] b. An estimate of the amount of waste discharged, in gallons or cubic yards as applicable, to waters of the state resulting from Sable's Las Flores Pipeline System line remediation activities, including an estimate of the amount of sediment remaining in sediment stockpile areas and ephemeral drainages that have the potential to be discharged to downstream reaches."* As discussed above, Sable's response only identifies and assesses four locations of waste discharge to surface waters and for those locations Sable failed to quantify discharges to waters of the state in cubic yards. Instead, Sable attempted to quantify the net discharge of material to the drainage after Sable completed work at the locations – this is not the information Sable was directed to submit. In addition, Central Coast Water Board staff has identified other locations of waste discharge to surface waters that were not included in Sable's response, including but not limited to, Site ID 7 (Arroyo Quemada at 34.4734, -120.119) and Site ID F10 (Canada Del Leon at 34.4758, -120.196).
D. Item 3.c of the directive requires Sable to submit *"A detailed assessment of waste discharge to surface waters resulting from Sable's Las Flores Pipeline System line remediation work activities, including: […] c. A biological assessment of the areas of the waters of the state impacted by the waste discharges resulting from Sables's pipeline remediation activities, including a description of impacted riparian and aquatic habitats and an assessment of their quality."* As discussed above, Sable's response only identifies and assesses four locations of waste discharge to surface waters despite the fact that Central Coast Water Board staff has identified other locations of waste discharge to surface waters that were not included in Sable's response, including but not limited to, Site ID 7 (Arroyo Quemada at 34.4734, -120.119) and Site ID F10 (Canada Del Leon at 34.4758, -120.196). Sable's response also does not identify or assess impacts to riparian habitats, such as those at Site ID 7 (Arroyo Quemada at 34.4734, -120.119) and Site ID F10 (Canada Del Leon at 34.4758, -120.196).

E. Item 4 of the directive requires Sable to submit "*A detailed description of actions Sable can take to mitigate impacts to water quality and beneficial uses of waters of the state caused by the discharge of waste resulting from Sable's pipeline remediation activities, including onsite restoration and offsite compensatory mitigation options*." Sable's response refers to a restoration plan for one work location. Sable's response is inadequate, since a single restoration plan does not address the different conditions that exist at the numerous work locations.
F. It is worth noting that while Sable provided a checklist to address directive item 5, Sable has not been using it.

Required Corrective Actions

Sable must take action to correct the alleged violations as soon as possible. To correct the alleged violations, Sable must submit the missing information. Note that while the Central Coast Water Board has identified above examples of deficiencies in your response, the deficiencies cited are not exhaustive. Sable bears the responsibility to complete a full assessment of its work sites and fully comply with the January 22, 2025 directive. To date, this has not happened.

Potential Enforcement Actions

The alleged violations cited above may subject Sable to enforcement by the Central Coast Water Board for every day the violations continue. Sable's receipt of this notice of violation does not preclude the Central Coast Water Board from taking further enforcement action for the alleged violations cited in this notice of violation, and the Central Coast Water Board reserves the right to take any enforcement action authorized by law. In making its determination of whether and how to proceed with further enforcement action, the Central Coast Water Board will consider the information submitted in response to this notice of violation, the time it takes to correct the identified violations, and the adequacy of the corrections and actions taken.

California Water Code section 13268 provides that failure to submit technical or monitoring program reports required by subdivision (b) of California Water Code section13267 by the specified compliance date, or falsifying any information provided therein, is a misdemeanor and may result in administrative civil liability of up to $1,000 for each day of violation.

If you have questions about this letter, please contact April Woods at April.Woods@waterboards.ca.gov or Phil Hammer at Phillip.Hammer@waterboards.ca.gov.

Sincerely,
Angela Schroeter
Digitally signed by Angela Schroeter
Date: 2025.07.24 12:41:09 -07'00'
Water Boards

Angela V. Schroeter
Assistant Executive Officer

cc:

Nicole Granquist, Counsel for Sable, Nicole.Granquist@Stoel.com
Stephanie Cook, California Coastal Commission, Stephanie.Cook@coastal.ca.gov
Wesley Horn, California Coastal Commission, Wesley.Horn@coastal.ca.gov
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Ryan Lodge, Central Coast Water Board, Ryan.Lodge@waterboards.ca.gov

FILED
SUPERIOR COURT of CALIFORNIA
COUNTY of SANTA BARBARA
09/16/2025
Darrel E. Parker, Executive Officer
BY Ballinger, Ryan
Deputy Clerk

THE SUPERIOR COURT, STATE OF CALIFORNIA
For the County of Santa Barbara
Figueroa Division

THE PEOPLE OF THE STATE OF CALIFORNIA
Plaintiff,

vs.

SABLE OFFSHORE CORP.

Defendant.

DA No. 25-000333
Court No. 25CR07677

FELONY COMPLAINT

The undersigned is informed and believes that:

COUNT 1

Between or approximately between October 29, 2024 and November 11, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **WATER CODE SECTION 13387(c)**, a Felony, by knowingly discharging dredged or fill material into Waters of the United States, to wit: discharging excavated material into Asphaltum Creek, which is considered Waters of the United States, located at approximately 34.80753, -120.192297.

COUNT 2

Between or approximately between October 29, 2024 and November 11, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material on and near the bank of Asphaltum Creek, located at approximately 34.80753, -120.192297.

COUNT 3

Between or approximately between October 11, 2024 and November 14, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a tributary to Peterson Creek, located at approximately 34.627648, -120.200107.

COUNT 4

Between or approximately between October 11, 2024 and November 14, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 5650(a)(6)**, a Misdemeanor, by depositing in, permitting to pass into, or placing where it can pass into waters of the state, any substance or material deleterious to fish, plant life, mammals, or bird life, to wit: placing excavated materials in or where they could pass into a tributary to Peterson Creek, located at approximately 34.627648, -120.200107.

COUNT 5

Between or approximately between October 22, 2024 and November 8, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **WATER CODE SECTION 13387(c)**, a Felony, by knowingly discharging dredged or fill material into Waters of the United States, to wit: discharging excavated material into a tributary to Nojoqui Creek that is considered Waters of the United States, located at approximately 34.5738, -120.195932.

COUNT 6

Between or approximately between October 22, 2024 and November 8, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a tributary to Nojoqui Creek, located at approximately 34.5738, -120.195932.

COUNT 7

Between or approximately between September 13, 2024 and September 27, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a waterway located at approximately 34.467019, -120.103147.

COUNT 8

Between or approximately between September 16, 2024 and November 25, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a waterway located at approximately 34.46834, -120.106234.

COUNT 9

Between or approximately between September 16, 2024 and November 25, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 5650(a)(6)**, a Misdemeanor, by depositing in, permitting to pass into, or placing where it can pass into waters of the state, any substance or material deleterious to fish, plant life, mammals, or bird life, to wit: placing excavated materials in or where they could pass into Waters of the State located at located at approximately 34.46834, -120.106234.

COUNT 10

Between or approximately between February 12, 2025 and February 15, 2025, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a waterway located at approximately 34.46834, -120.106234.

COUNT 11

Between or approximately between February 12, 2025 and February 15, 2025, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 5650(a)(6)**, a Misdemeanor, by depositing in, permitting to pass into, or placing where it can pass into waters of the state, any substance or material deleterious to fish, plant life, mammals, or bird life, to wit: placing excavated materials in or where they could pass into Waters of the State located at located at approximately 34.46834, -120.106234.

COUNT 12

Between or approximately between September 4, 2024 and November 25, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a waterway located at approximately 34.469643, -120.111754.

COUNT 13

Between or approximately between September 4, 2024 and November 25, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 5650(a)(6)**, a Misdemeanor, by depositing in, permitting to pass into, or placing where it can pass into waters of the state, any substance or material deleterious to fish, plant life, mammals, or bird life, to wit: placing excavated materials in or where they could pass into Waters of the State located at located at approximately 34.469643, -120.111754.

COUNT 14

Between or approximately between February 19, 2025 and February 27, 2025, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a waterway located at approximately 34.469643, -120.111754.

COUNT 15

Between or approximately between February 19, 2025 and February 27, 2025, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 5650(a)(6)**, a Misdemeanor, by depositing in, permitting to pass into, or placing where it can pass into waters of the state, any substance or material deleterious to fish, plant life, mammals, or bird life, to wit: placing excavated materials in or where they could pass into Waters of the State located at located at approximately 34.469643, -120.111754.

COUNT 16

Between or approximately between September 17, 2024 and November 21, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **WATER CODE SECTION 13387(c)**, a Felony, by knowingly discharging dredged or fill material into Waters of the United States, to wit: discharging excavated material into Arroyo Quemado, which is considered Waters of the United States, located at approximately 34.473362, -120.119116.

COUNT 17

Between or approximately between February 14, 2025 and February 26, 2025, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **WATER CODE SECTION 13387(c)**, a Felony, by knowingly discharging dredged or fill material into Waters of the United States, to wit: discharging excavated material into Arroyo Quemado, which is considered Waters of the United States, located at approximately 34.473362, -120.119116.

COUNT 18

Between or approximately between February 19, 2025 and February 26, 2025, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a waterway located at approximately 34.473672, -120.176229.

COUNT 19

Between or approximately between February 24, 2025 and February 28, 2025, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a waterway located at approximately 34.475761, -120.196403.

COUNT 20

Between or approximately between April 20, 2025 and April 29, 2025, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **WATER CODE SECTION 13387(c)**, a Felony, by knowingly discharging dredged or fill material into Waters of the United States, to wit: discharging excavated material into Cañada de la Gallina, which is considered Waters of the United States, located at approximately 34.474904, -120.145592.

COUNT 21

Between or approximately between August 28, 2024 and September 23, 2024, in the County of Santa Barbara, Defendant, SABLE OFFSHORE CORP., violated **FISH AND GAME CODE SECTION 1602(a)**, a Misdemeanor, by substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or depositing or disposing of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake without first notifying the California Department of Fish and Wildlife, to wit: excavating and discharging excavated material into a waterway located at approximately 34.462249, -120.092009.

* * * * * * *

Pursuant to Penal Code Section 1054.5(b), the People are hereby informally requesting that defense counsel provide discovery to the People as required by Penal Code Section 1054.3.

I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT AND THAT THIS COMPLAINT CONSISTS OF 21 COUNT(S).

Executed at Santa Barbara, California, on September 16, 2025.

MORGAN S. LUCAS
SENIOR DEPUTY DISTRICT ATTORNEY

Agency: SBDA

DEFENDANT NAME	SEX	RACE	HGT	WGT	EYES	HAIR	DRIVER'S LICENSE	STS	COURT DATE
SABLE OFFSHORE CORP.								LTA	11/04/2025

CALIFORNIA STATE LANDS COMMISSION

EXECUTIVE OFFICE
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

GRACE KATO, *Acting Executive Officer*
916.574.1800
TTY CA Relay Service: **711** *or Phone* **800.735.2922**
from Voice Phone **800.735.2929**
or for Spanish **800.855.3000**

May 23, 2025

File Ref.: Leases 7163 and 4977

Steve Rusch (srusch@sableoffshore.com)
Vice President of Environmental & Governmental Affairs
Sable Offshore Corp.

Subject: Sable's Claims Regarding Resumption of Oil and Gas Operations

Dear Mr. Rusch:

I am writing to express my serious concerns regarding Sable Offshore Corp.'s press release dated May 19, 2025, entitled, "Sable Offshore Corp. Reports Restart of Oil Production at the Santa Ynez Unit and Anticipated Oil Sales from the Las Flores Pipeline System in July 2025," which you sent to Commission staff on the same day. The press release appears to mischaracterize the nature of recent activities, causing significant public confusion and raising questions regarding Sable's intentions.

Your press release also implies that Sable has restarted operations at the Santa Ynez Unit (SYU). However, Commission staff has informed me that the limited volume oil flows are the result of well-testing procedures required by the Bureau of Safety and Environmental Enforcement prior to restart. These activities do not constitute a resumption of commercial production or a full restart of the SYU. Characterizing testing activities as a restart of operations is not only misleading but also highly inappropriate – particularly given that Sable has not obtained the necessary regulatory approvals to fully resume operations at SYU.

I am also concerned that as Exxon's designated operator, Sable was required to communicate with Commission staff before initiating *any* oil flow through the offshore pipeline, even in this limited capacity. Sable's failure to clearly and timely communicate these activities to the Commission undermines trust of Sable's motives, demonstrates a lack of understanding of the significant concerns held by many regarding the resumption of activities, and raises serious questions about Sable's willingness to be a transparent operator.

Commission staff's letter dated May 9, 2025, made clear that failure to comply with applicable regulatory requirements or to resolve any outstanding regulatory issues could constitute a breach of the Commission's leases. Any attempt to restart commercial operations at the SYU without final regulatory approvals may place the company in violation of its lease terms and jeopardize the status of Sable's holdover lease.

As Chair of the State Lands Commission, it is my expectation that Sable will resolve all pending legal challenges and litigation with other state agencies prior to the full restart of operations. The willful disregard for the directives of regulatory agencies does not engender trust or confidence in Sable's willingness to serve as a responsible partner, and could weigh significantly into considerations on the future assignment of the SYU leases from Exxon to Sable.

As a reminder, in December 2023, the Commission authorized the preparation of an Analysis of Public Trust Resources and Values (APTR) to evaluate the risks and impacts to Public Trust resources of all 12 offshore oil and gas pipeline leases under the Commission's jurisdiction. Prior to the Commission's consideration of the APTR, no new offshore oil and gas pipeline leases will be considered, including leases 7163 and 4997, which will expire on January 31, 2029 and December 31, 2028, respectively.

Sincerely,

Eleni Kounalakis
Lieutenant Governor
Chair, California State Lands Commission

cc: The Honorable Malia Cohen, State Controller
Joe Stephenshaw, Director, Department of Finance
Michele Perrault, Chief Deputy Director of Policy, Department of Finance
Grace Kato, Acting Executive Officer, State Lands Commission
Seth Blackmon, Chief Counsel, State Lands Commission
Chris Workman, Counsel, State Lands Commission
Drew Simpkin, State Lands Commission
Nathan Franka, ExxonMobil

JS-6

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SABLE OFFSHORE CORP., *et al.*,

Petitioners/Plaintiffs,

v.

COUNTY OF SANTA BARBARA, *et al.*,

Respondents/Defendants,

and

ENVIRONMENTAL DEFENSE CENTER, *et al.*

Intervenors.

No. CV 25-4165-DMG (AGRx)

ORDER RE CROSS-MOTIONS FOR SUMMARY JUDGMENT [36] [43]

Petitioners/Plaintiffs Sable Offshore Corp. ("Sable Offshore"), Pacific Pipeline Company ("PPC"), and Pacific Offshore Pipeline Company ("POPCO") (collectively, "Sable") filed applications seeking the transfer of Final Development Permits ("FDP") to Sable from Petitioners/Plaintiffs Exxon Mobil Corporation ("ExxonMobil"), Mobil Pacific Pipeline Company ("MPPC"), and ExxonMobil Pipeline Company ("EMPCo") (collectively, "Exxon Mobil Affiliates"). Petitioners seek a writ of mandate following the Santa Barbara County Board of Supervisors' (the "Board") tie vote on the appeal of the Santa Barbara County Planning Commission's (the "Planning Commission") decision to approve the transfer of FDPs pursuant to Santa Barbara County Code Chapter 25B (hereinafter "Chapter 25B"). Respondents/Defendants are the Board and the County of Santa Barbara (the "County").

Before the Court are two cross-motions for summary judgment ("MSJ"), brought by Petitioners [Doc. # 36-1 ("Petitioners MSJ")] and by Intervenors Environmental Defense Center ("EDC"), Get Oil Out! ("GOO!"), Santa Barbara County Action Network ("SBCAN"), Sierra Club, and Santa Barbara Channelkeeper ("SBCK") [Doc. # 43-1 ("Intervenors MSJ")]. Both motions are fully briefed. [Doc. ## 40 ("County's Response"), 46 ("Petitioners Opp."), 47 ("Intervenors Reply").]

Pursuant to the Petitioners and Respondents' proposed bifurcated schedule which was ordered by the Court [Doc. ## 17, 24], these cross-motions for summary judgment solely address the Petition/Complaint's first and second claims for relief for writ of mandate pursuant to California Code of Civil Procedure section 1085 and third claim for relief for writ of administrative mandate pursuant to California Code of Civil Procedure section 1094.5. [Doc. ## 1, 17.] At the center of this dispute is the proper interpretation of Santa Barbara County Code Chapter 25B. The Court held a hearing on September 12, 2025. Having duly considered the parties' written submissions and oral argument, the Court **GRANTS in part and DENIES in part** Petitioners' MSJ and **GRANTS in part and DENIES in part** the Intervenors' MSJ for the following reasons.

I.

FACTUAL AND PROCEDURAL BACKGROUND[1]

A. The Facilities, Pipeline, and FDPs

The POPCO facility and Santa Ynez Unit (the "facilities") are onshore oil and gas production and transportation facilities located in Santa Barbara County and connected to offshore platforms Hondo, Harmony, and Heritage in the Santa Barbara Channel. County Staff Report Admin Record ("A.R.") 15–17 (Vol. 1 at 20–22) [Doc. # 13-1].[2] The POPCO facility is an onshore gas production facility located in Las Flores Canyon. County Staff Report A.R. 17 (Vol. 1 at 22). The Santa Ynez Unit ("SYU"), as referred to here, consists of the onshore oil processing facility also located in Las Flores Canyon. *Id.* The Las Flores Pipeline (the "pipeline"), formerly known as the Plains All American Pipeline, transports oil produced from the SYU to the Pentland Station in Kern County. *Id.*

FDPs can be transferred for change of owner, operator, or guarantor. County Code §§ 25B-2, 25B-4(e), (f), (g). The transfer applications at issue are: (1) the SYU (FDP No. 87-DP-32cz) from ExxonMobil to Sable (owner, operator, and guarantor; (2) the POPCO facility (FDP No. 93-FDP-015 and 74-CP-11) from ExxonMobil Corporation to Sable (operator and guarantor); and (3) the pipeline (FDP Nos. 88-DPF-033 (RV01)z, 88-CP-60 (RV01), 88-DPF-25cz, 85-DP-66cz, 83-DP-25cv) from EMPCo to Sable (operator) and ExxonMobil to Sable (guarantor). County Staff Report A.R. 16 (Vol. 1 at 21); A.R. 162 (Vol. 1 at 167).

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[1] The facts in this section are drawn from the Administrative Record, except where otherwise indicated. The Court has reviewed the entire record [Doc. ## 13, 28, 33] but only discusses the facts that are necessary to or affect its analysis.

[2] All citations to the A.R. herein will have the following format: Bates Citation (Volume Number at CM/ECF Page Number). All other citations to the docket will refer to the page numbers inserted by the CM/ECF system. Any citations to Volumes 12 and 13 refer to the Amended Volumes. *See* Doc. # 28 (noticing amendment due to document malformations).

B. The Refugio Spill and Sable

On May 19, 2015, a section of the Las Flores Pipeline ruptured and released oil on land, beaches, and into the ocean near Refugio State Beach (hereinafter the "Refugio Spill"). County Staff Report A.R. 19 (Vol. 1 at 24). Following the spill, the pipeline was shut down, purged, and isolated, and the facilities were shutdown. *Id.* A.R. 19–20 (Vol. 1 at 24–25). The FDPs remain active. *Id.* A.R. 17 (Vol. 1 at 22).

Sable Offshore, led by Chief Executive Officer Jim Flores, was initially formed as several special purpose entities for the purpose of evaluating the opportunity to acquire the SYU assets. Appellants Board Comment Letter A.R. 3203 (Vol. 11 at 1061) [Doc. # 13-11]. On February 14, 2024, Sable Offshore acquired the facilities and the pipeline from the Exxon Mobil Affiliates. County Staff Report A.R. 18 (Vol. 1 at 23); Appellants Board Comment Letter A.R. 3204 (Vol. 11 at 1062). It also acquired PPC, which owned the pipeline. *Id.* A.R. 3204 (Vol. 11 at 1062). To fund the $625,000,000 acquisition, Sable secured an approximately $622,000,000 loan from Exxon. *Id.* A.R. 3200 (Vol. 11 at 1058).

C. Chapter 25B

Chapter 25B governs the transfer of FDPs. County Code § 25B. The purpose of Chapter 25B is:

> to protect public health and safety, and safeguard the natural resources and environment of the county of Santa Barbara, by ensuring that safe operation, adequate financial responsibility, and compliance with all applicable county laws and permits are maintained during and after all changes of owner, operator or guarantor of certain oil and gas facilities.

County Code § 25B-1. Any change in owner, operator, or guarantor, requires application and approval by the County. County Code §§ 25B-2, 25B-4(e), (f), (g).[3]

[3] Applications for change of operator are under the jurisdiction of the Planning Commission. County Code § 25B-8(b). Applications for change of owner and guarantor are under the jurisdiction of

1. Operator

The Planning Commission "shall approve or deny any application to transfer a permit for change of operator." County Code § 25B-8(b)(1). A public hearing is required. County Code § 25B-8(b)(3). "Prior to approval," the Planning Commission "shall make all findings required . . . and shall take all actions necessary []." County Code § 25B-8(b)(2). County Code section 25B-10 states that the Planning Commission "shall approve an application for change of operator only if the [Planning Commission] makes the following findings." The section lists nine findings: (1) fees and exactions, (2) financial guarantees, (3) acceptance of permit, (4) facility safety audit, (5) compliance with existing requirements, (6) compliance plans, (7) transitional plan, (8) emergency response plan drills, (9) operator capability. County Code §§ 25B-10(a)(1)–(9).

2. Owner

The Planning Commission[4] "shall approve or deny any application to transfer a permit for . . . change of ownership." County Code § 25B-8(a)(1)(a). "Prior to approval of such application, the [Planning Commission] shall make all findings required . . . and shall take all actions necessary . . . ." County Code § 25B-8(a)(2). The Planning Commission "shall approve an application for a change of owner only if the [Planning Commission] makes the following findings:" (1) fees and exactions, (2) financial guarantees, (3) acceptance of permit, (4) facility safety audit, and (5) compliance with existing requirements. County Code §§ 25B-9(a), (a)(1)-(5). The financial guarantees

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the Santa Barbara County Director. County Code §§ 25B-3, 25B-8(a). Where, as here, an application includes components under both the Planning Commission and the Santa Barbara County Director's jurisdiction, the application may be processed with a combined application and decided by the Planning Commission. County Code § 25B-8(c). The Court will therefore refer to the Planning Commission as the decisionmaker for changes of owner and guarantor in the combined application at hand.

[4] Changes of owner and guarantor do not require a public hearing. County Code § 25B-8(a)(3). But because Sable made a combined application and the Planning Commission handled all three components, the Planning Commission was required to hold a public hearing. *See* County Code § 25B-8(b)(3).

finding for change of owner is identical to the financial guarantees finding for change of operator. *Compare* County Code §§ 25B-9(a)(2) *with* 25B-10(a)(2).

3. Guarantor

The Planning Commission "shall approve an application . . . for a change in guarantor only if the [Planning Commission] makes the following finding" with regard to financial guarantees: "[t]he proposed guarantor has provided all necessary instruments or methods of financial responsibility approved by the county and necessary to comply with the permit and any county ordinance." County Code §§ 25B-9(e), (e)(1).

4. Appeals

Decisions by the Planning Commission may be appealed to the Board by the applicant or any interested person adversely affected by such decision. County Code § 25B-12(b)(1). In the appeal, the appellant must "state specifically" how the Planning Commission's decision is "inconsistent with the provisions or purposes of this chapter" or "there was an error or abuse of direction" by the Planning Commission. County Code § 25B-12(b)(2). The Planning Commission transmits to the Board copies of the application and "a statement of findings setting forth the reasons for the planning commission's decision." County Code § 25B-12(b)(3). The Board's hearing "shall be de novo" and the Board "shall affirm, reverse, or modify the planning commission's decision at a public hearing." County Code § 25B-12(b)(4). The hearing must be noticed. *Id.*

D. Sable's Applications to the Planning Commission

On March 14, 2024, Sable submitted a combined application to the Planning Commission for change of owner, operator, and guarantor of the FDPs. SYU Application A.R. 240 (Vol. 1 at 245); POPCO Facility Application A.R. 254 (Vol. 1 at 259); Pipeline Application A.R. 269 (Vol. 1 at 274). Under Chapter 25B, if an application is found

incomplete, County Staff[5] issue a notice of incompleteness and the applicant shall provide "any additional information" required through an incompleteness letter. County Code § 25B-8(d). Sable was required to supplement its applications in response to notices of incompleteness three times. A.R. 284 (Vol. 1 at 289); A.R. 294 (Vol. 1 at 299); A.R. 307 (Vol. 1 at 312).

The County Staff deemed Sable's application complete on July 30, 2024. County Staff Report A.R. 18 (Vol. 1 at 23). The County Staff found that Sable had satisfied the requirements under Chapter 25B and recommended the Planning Commission approve Sable's applications. County Staff Presentation A.R. 1985 (Vol. 10 at 234) [Doc. # 13-10]. The Planning Commission held a public hearing on October 30, 2024. A.R. 2170 (Vol. 11 at 28). The Planning Commission, by a vote of three to one, made the required findings for approval under Chapter 25B and approved the change of owner, operator, and guarantor for the facilities and pipeline. A.R. 2170 – 2171 (Vol. 11 at 28-29). In a letter to Sable, the Planning Commission attached its findings of approval. A.R. 2172 – 2184 (Vol. 11 at 30–42).

E. The Appeal to the Board

On November 7, 2024, Intervenors EDC, GOO!, and SBCAN (hereinafter "Appellants"),[6] filed an appeal of the Planning Commission's approval.[7] Appeal Letter A.R. 2058 (Vol. 10 at 307). They previously submitted a comment letter with the same concerns to the Planning Commission. Planning Commission Comment Letter A.R. 1867

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[5] Although Chapter 25B states the Director will issue the notice of incompleteness, the County Staff Report states the County Staff were responsible for deeming the application complete. County Staff Report A.R. 18 (Vol. 1 at 23). In Sable's incompleteness letters, it also refers to the County as the notice issuer. *See, e.g.*, A.R. 284 (Vol. 1 at 289).

[6] Appellants did not include Intervenors Sierra Club and SBCK. A.R. 2058 (Vol. 10 at 307). The Sierra Club and SBCK retained EDC to represent them following the appeal. A.R. 3200 (Vol. 11 at 1058).

[7] The Center for Biological Diversity and the Wishtoyo Foundation filed a separate appeal. A.R. 2050 (Vol. 10 at 299). Because that appeal is not at issue in this action, the Court will not address it.

(Vol. 10 at 116). Appellants argued the Planning Commission made findings unsupported by evidence, plainly controverted by evidence, and/or inconsistent with Chapter 25B. Appeal Letter A.R. 2059 (Vol. 10 at 308).

F. The Board Hearing and Tie Vote

The Board held a public hearing on February 25, 2025. A.R. 2949 (Vol. 11 at 807). County Staff recommended the Board deny the appeal. Board Agenda Letter A.R. 2953 (Vol. 11 at 811). The Board has five members, one for each district: Roy Lee, Laura Capps, Joan Hartmann, Bob Nelson, and Steve Lavagnino. A.R. 2927 (Vol. 11 at 785). Hartmann recused herself. Board Hearing Minute Order A.R. 6755 (Vol. 21 at 11) [Doc. # 13-21]. The hearing lasted over five hours with almost 100 public comments. Board Hearing Minute Order A.R. 6753 – 6754 (Vol. 21 at 9–10). County Staff (Hearing Transcript A.R. 6965 – A.R. 6975 (Vol. 21 at 221–231)), EDC for Appellants (Hearing Transcript A.R. 6987 – A.R. 6992 (Vol. 21 at 243–248)), and Sable (Hearing Transcript A.R. 7013 – A.R. 7023 (Vol. 21 at 269–279)) each spoke and answered questions from the Board.

As documented in the Minute Order following the Board Hearing, Lavagnino made a motion, seconded by Nelson, to: (1) deny the appeals; (2) "[make] the required findings for approval" for change of owner, operator, and guarantor; (3) approve, and (4) "grant[] de novo approval" of the change of owner, operator, and guarantor. Board Hearing Minute Order A.R. 6755 (Vol. 21 at 11). The motion "failed" at the first stage, with Nelson and Lavagnino voting in favor of denying the appeals and Lee and Capps voting to uphold the appeals. Board Hearing Minute Order A.R. 6755 (Vol. 21 at 11); Hearing Transcript A.R. 7140 (Vol. 21 at 396) (Nelson), A.R. 7137 (Vol. 21 at 393) (Lavagnino), A.R. 7138 (Vol. 21 at 394) (Lee), A.R. 7142 (Vol. 21 at 398) (Capps), A.R. 7143 (Vol. 21 at 399) ("Motion fails two to two").

As the Supervisors voted, they articulated the basis behind their votes. Lee remarked the "restart" of the pipeline was an "insane" and "very bad" idea and voted to uphold the appeals "because that's the right thing to do." Hearing Transcript A.R. 7137 –

7138 (Vol. 21 at 393–394). Capps, "within the narrow confines" of the FDP transfer, and related to the Board's "fiscal oversight" and "fiscal responsibility" to the County's budget, concluded she lacked the "reassurance of fiscal stability" in evaluating the FDP transfers. A.R. 7140 – 7142 (Vol. 21 at 396–398). Capps identified three "red flags," or reasons, in support of her position: Sable had to obtain a loan from Exxon in order to purchase the facilities and pipeline, Sable did not show the Board the insurance policy, and the California Coastal Commission issued notices of violation against Sable around five to six months after Sable filed their applications at issue here. *Id.* A.R. 7140 – 7142 (Vol. 21 at 396–398); *see* Planning Commission Comment Letter A.R. 1889 – 1890 (Vol. 10 at 138–139), A.R. 1908 (Vol. 10 at 157), A.R. 1969 (Vol. 10 at 218).

Once the first motion failed, County Counsel advised the Board members that they did not need to reach the next step of making factual findings or granting *de novo* approval of the transfers of the FDPs. Hearing Transcript A.R. 7143 (Vol. 21 at 399); *see also* Board Agenda Letter A.R. 2953 (Vol. 11 at 811) (recommending findings of fact and *de novo* approval as subsections "b" and "d" following subsection "a" denial of the appeal). County Counsel recommended the Board make a conceptual motion to uphold the appeals. Hearing Transcript A.R. 7143 (Vol. 21 at 399). A conceptual motion was made by Capps, seconded by Lee, to uphold the appeals. A.R. 6755 (Vol. 21 at 11). The motion again "failed," as Nelson and Lavagnino voted against it. A.R. 6755 (Vol. 21 at 11); Hearing Transcript A.R. 7144 (Vol. 21 at 400) ("Motion fails two to two").

G. Sable's Letters Following the Vote

On February 26, 2025, one day after the Board hearing, Sable sent the Director a letter requesting the County transfer the FDPs. A.R. 6771 – 6773 (Vol. 21 at 27–29). Sable asserted the legal outcome of the tie vote was that it let the Planning Commission's approval stand, and therefore the County should transfer the FDPs. A.R. 6772 (Vol. 21 at 28). On March 1, 2025, EDC sent a letter to the Board in opposition. A.R. 6774 – A.R. 6778 (Vol. 21 at 30–34). EDC argued the tie vote constituted "no action," which effectively resulted in denial of the FDP applications. A.R. 6775 (Vol. 21 at 31). On

April 11, 2025, Sable sent a second letter with a request that the County transfer the FDPs and accompanied it with a threat to commence litigation for a writ of mandate. A.R. 6768 – 6770 (Vol. 21 at 24–26).

At the time of the vote during the public hearing, Capps asked County Counsel what the "potentially odd result" of the tie vote was. A.R. 7144 (Vol. 21 at 400). County Staff answered that "in order for the board to take any action, the board needs a majority vote. . . . So, on a tie vote, that's no action of the board." Hearing Transcript A.R. 7144 (Vol. 21 at 400). Following Sable's second letter, the Board went into closed session on April 16, 2025 to discuss the County's exposure to litigation regarding the FDPs. A.R. 6783 (Vol. 21 at 39). The action summary reflects the Board did not take any reportable action following the closed session. A.R. 6783 (Vol. 21 at 39). To date, the County has not taken any relevant subsequent action such as transferring the FDPs or holding a second public hearing and vote. *See also* Response at 10.

H. Petitioners File Suit

On May 8, 2025, Petitioners filed the instant lawsuit against Respondents. [Doc. # 1.] On July 25, 2025, the Court granted the Intervenors' Motion to Intervene. [Doc. # 39.] The cross-MSJs seek summary adjudication of the Complaint's first and second claim for relief for writ of mandate pursuant to California Code of Civil Procedure section 1085 and third claim for relief for writ of administrative mandate pursuant to California Code of Civil Procedure section 1094.5.

I. Requests for Judicial Notice ("RJNs")

Petitioners and Intervenors filed Requests for Judicial Notice ("RJN"). Petitioners request notice of: (1) a transcript of the Board's hearing on September 19, 2023 regarding the transfer of these FDPs to the Exxon Mobile Affiliates; (2) the County's agenda for the September 19, 2023 hearing; (3) the minute order following the September 19, 2023 hearing. [Doc. # 36-3 ("Petitioners RJN").] The transcript is a record of an agency's public hearing and the agenda and minute order are public records of agency action. *Coal. for a Sustainable Delta v. Fed. Emergency Mgmt. Agency*, 812 F. Supp. 2d

1089, 1093 (E.D. Cal. 2011); Fed. R. Evid. 201(b). The Court therefore **GRANTS** Petitioners' RJN.

Intervenors request notice of : (1) a 2025 letter from the California Fair Political Practices Commission ("FPPC") regarding Board Supervisor Hartmann; (2) Santa Barbara County Code Chapter 25B; (3) Santa Barbara County Planning and Development Department's Land Use Appeal Application Form; and (4) a transcript of the Board's hearing on August 22, 2023. [Doc. ## 43-6 ("Intervenors RJN"), 46-1, 47-2.]

The Court can take judicial notice of regulations and therefore **GRANTS in part** Intervenors' RJN as to Chapter 25B. *See Roemer v. Board of Public Works of Maryland*, 426 U.S. 736, 743 n.2 (1976) (taking judicial notice of state regulations); Fed. R. Evid. 201. The FPPC letter is a public record posted on a public agency's official website and is not subject to reasonable dispute. *Coal. for a Sustainable Delta*, 812 F. Supp. 2d at 1093; Fed. R. Evid. 201(b). Intervenors' RJN is **GRANTED in part** as to the letter. Judicial notice is taken to prove the public record's existence and content, but not for the truth of the matters asserted therein. *Coal. for a Sustainable Delta*, 812 F. Supp. 2d at 1093. The remainder of Intervenors' RJN is **DENIED as moot** as the Court did not rely upon this evidence. Because the Court grants Intervenors' RJN as to the 2025 letter, Petitioners' Alternative RJN for a 2016 letter from the FPPC regarding Hartmann is **GRANTED** for the same reasons. [Doc. # 46-4 ("Alternative RJN").]

The Court also takes *sua sponte* judicial notice of the Procedural Rules Governing Planning, Zoning and Subdivision Hearings Before the Board of Supervisors and Planning Commission (Santa Barbara County Res. No. 91-333) (hereinafter "Governing Procedural Rules"). Resolution 91-333 is posted on the Santa Barbara County website and is a public record. *See Coal. for a Sustainable Delta*, 812 F. Supp. 2d at 1093; Fed. R. Evid. 201(b).

II.

LEGAL STANDARD

Summary judgment should be granted "if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a); *accord Wash. Mut. Inc. v. United States*, 636 F.3d 1207, 1216 (9th Cir. 2011). Material facts are those that may affect the outcome of the case. *Nat'l Ass'n of Optometrists & Opticians v. Harris*, 682 F.3d 1144, 1147 (9th Cir. 2012) (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)). Where the issues before the Court are questions of law, the case is particularly "well suited" for summary judgment. *Del Real, LLC v. Harris*, 966 F. Supp. 2d 1047, 1051 (E.D. Cal. 2013); *see also Asuncion v. Dist. Dir. of U.S. Immigration & Naturalization Serv.*, 427 F.2d 523, 524 (9th Cir. 1970).

A. California Code of Civil Procedure Section 1085

A traditional writ of mandate under California Code of Civil Procedure section 1085 "is used to compel a public entity to perform a legal and usually ministerial duty." *Move Eden Hous. v. City of Livermore*, 100 Cal. App. 5th 263, 272 (2024) (quoting *Schmid v. City & Cnty. of San Francisco*, 60 Cal. App. 5th 470, 484–485 (2021); Cal. Civ. Proc. Code § 1085.[8] A writ of mandate under Code 1085 is available "where the petitioner has no plain, speedy and adequate alternative remedy; the respondent has a clear, present and usually ministerial duty to perform; and the petitioner has a clear, present and beneficial right to performance." *Conlan v. Bonta*, 102 Cal. App. 4th 745, 752 (2002).

[8] Section 1085(a) states: "A writ of mandate may be issued by any court to any inferior tribunal, corporation, board, or person, to compel the performance of an act which the law specially enjoins, as a duty resulting from an office, trust, or station, or to compel the admission of a party to the use and enjoyment of a right or office to which the party is entitled, and from which the party is unlawfully precluded by that inferior tribunal, corporation, board, or person." Cal. Civ. Proc. Code § 1085(a).

B. California Code of Civil Procedure Section 1094.5

California Code of Civil Procedure section 1094.5, writ for administrative mandamus, "provides the procedure for judicial review of adjudicatory decisions rendered by administrative agencies." *Schmid*, 60 Cal. App. 5th at 483. Section 1094.5 applies to decisions made by agencies resulting from proceedings where "a hearing is required to be given, evidence is required to be taken, and discretion in the determination of facts is vested in the inferior tribunal, corporation, board, or officer." Cal. Civ. Proc. Code § 1094.5(a). These administrative proceedings are quasi-judicial in character. *Bright Dev. v. City of Tracy*, 20 Cal. App. 4th 783, 793 (1993). The reviewing court looks to see whether the required findings are supported by the evidence. *Id.* The inquiry under section 1094.5 is "whether the respondent has proceeded without, or in excess of, jurisdiction; whether there was a fair trial; and whether there was any prejudicial abuse of discretion." Cal. Civ. Proc. Code § 1094.5(b).

III.
DISCUSSION

A. First Claim for Relief: Traditional Writ of Mandate Under Section 1085

Petitioners' first claim for relief turns on the legal effect of the Board's tie vote on the Planning Commission's approval of Sable's FDP applications. *See* Petitioners MSJ at 14; Intervenors MSJ at 12. Petitioners argue the Board was not required to issue its own findings or take direct action to approve the FDP transfers, and therefore the tie vote leaves the appealed Planning Commission decision intact, similar to a tie vote in an appellate court. Petitioners MSJ at 14. Intervenors contend that because the hearing before the Board was *de novo*, the tie vote constitutes "no action" and effectively functions as a denial. Intervenors MSJ at 12–13. Respondents decline to take a position on the tie vote. Response at 8. Instead, Respondents provide a general overview of applicable law, conclude the effect of the tie vote is unclear, and defers to the Court. Response at 16.

"As a general rule an even division among members of an administrative agency results in no action." *Lopez v. Imperial Cnty. Sheriff's Off.*, 165 Cal. App. 4th 1, 4 (2008) (quoting *Clark v. City of Hermosa Beach*, 48 Cal. App. 4th 1152, 1176 (1996) (quoting *Graves v. Comm'n On Pro. Competence*, 63 Cal. App. 3d 970, 976–977 (1976))). This general rule, however, is subject to an exception dependent upon the nature of the administrative agency's review. "Tie votes mean different things in different contexts." *Vedanta Soc. of S. California v. California Quartet, Ltd.* (hereinafter "*Vedanta*"), 84 Cal. App. 4th 517, 521 (2000).

1. California Law on the Effect of Tie Votes

In order to resolve this context-dependent question, the Court turns to cases where California courts considered the issue of a tie vote. In *Vedanta*, the elected board argued the "default" result of a deadlock vote was an adoption of the lower planning commission's findings and explanations. 84 Cal. App. 4th at 528. The Court of Appeal reasoned that a tie vote *can* result in an acquiescence, but not where it constitutes "an affirmative act de novo." *Id.* at 529. According to the Court of Appeal, the "very fact" that findings "must be made *at all* is incompatible with the nature of a tie vote" and findings "are by nature affirmative acts" which inherently require the fact-finder to take "unambiguous" action." *Id.* In support of this, the Court of Appeal pointed to the requirements that the board at issue in *Vedanta* provide brief explanations of their rationale of any findings or state in writing the specific reasons to support its action. *Id.* The regulation required *de novo* review and *de novo* fact finding. *Id.* Although the Court of Appeal in *Vedanta* declined to rule on the effects of tie votes outside of the regulation at issue, its reasoning is persuasive in the case at hand. *Id.* at 534–5.

Similarly, in *Clark*, the Court of Appeal analyzed the effect of a tie vote on a planning commission's decision. *Clark,* 48 Cal. App. 4th at 1175. Petitioners argued one member of the council should have recused himself and, if he did, the resulting tie vote post-recusal would have affirmed the planning commission's decision. *Id.* at 1175. The Court of Appeal rejected this argument. Instead, the Court of Appeal ruled that a

theoretical tie vote would have affirmed one type of appeal provision (the parcel map) but would not have affirmed another (the conditional use permit). *Id.* This result was dictated by the differences between the applicable provisions. *Id.* The conditional use permit provision in *Clark*, presumably unlike the parcel map provision, required the council to hear the matter *de novo*, take additional evidence at a public hearing, and decide whether it should grant or deny the permit. *Id.* The Court of Appeal based this conclusion on language from the municipal code, which stated the council "shall order that the conditional use permit be granted, denied, or modified" and the action by the council shall be by three affirmative votes. *Id.* (internal quotations removed). This language dictated "[a] tie vote would not suffice." *Id.* at 1176. The municipal code in *Clark* was "virtually identical" to the one in *Anderson*. *Id.* (citing *Anderson v. Pittenger*, 197 Cal. App. 2d 188, 194–5 (1961)).

In *Anderson*, the city council ended in a tie vote over an appeal of an application for a zoning variance. 197 Cal. App. 2d at 189. The Court of Appeal ruled the tie vote constituted "no action," and not an affirmance of the order of the lower commission's decision, because: (1) the council was required to hold a public hearing after publishing notice, and (2) the council did not merely review and "affirm, reverse, or modify" the order of the commission, but was required by ordinance to "act upon the appeal." *Id.* at 194, 195. Moreover, the council was not bound by the findings of the commission or the testimony before the commission, and there were no limitations on new or additional testimony. *Id.* If the council were bound by the findings of the commission, there would be "no point" in requiring the public hearing. *Id.* The *Anderson* Court of Appeal concluded the council heard the matter *de novo* and made its own determination as to the facts. *Id.*

The Court of Appeal in *Rea* considered a similar set of facts. *Rea Enters. v. California Coastal Zone Conservation Com.* (hereinafter "*Rea*"), 52 Cal. App. 3d 596 (1975). In *Rea*, the regional commission approved petitioners' application for a coastal zone development permit. *Id.* at 601. The decision was appealed to the state

commission, which conducted a public hearing that resulted in a six-to-six tie vote. *Id.* The state commission's review was a "new, unlimited look at the same request for a permit by a de novo public hearing" and a "redetermination" "of the merits of the application." *Id.* at 605 (quoting *Klitgaard & Jones, Inc. v. San Diego Coast Reg'l Com.*, 48 Cal. App. 3d 99, 108 (1975)). The petitioners argued the jurisdiction of the state commission was one "strictly of an appellate nature" and therefore the tie vote resulted in an affirmance of the regional commission's decision approving the permit. *Id.* at 606–607. In support, they contended the *de novo* public hearing referred only to the process by which the state commission is required to gather evidence and the state commission could only "affirm, reverse, or modify" the regional commission's decision. *Id.* at 607. The Court of Appeal disagreed, noting that the language of "affirm, modify, or reverse" was not dispositive—although "grant or "deny" would have been "clear[er]." *Id.* at 608–609. Rather, the Court of Appeal looked to the legislative intent and other rules of statutory interpretation and concluded the tie vote did not affirm the regional commission's approval. *Id.* at 606–611.

Petitioners rely upon *Grist Creek Aggregates*, but that case is distinguishable. *Grist Creek Aggregates, LLC v. Superior Ct.*, 12 Cal. App. 5th 979 (2017). The *Grist Creek* Court analyzed California case law to address whether the tie votes were subject to judicial review. 12 Cal. App. 5th at 990. Regarding the *effect* of the tie vote, the court relied on three of the parties' *agreement* that the effect of the tie vote was to deny the appeal. *Id.* Accordingly, most of the *Grist Creek Aggregates* opinion is inapplicable.[9]

[9] Petitioners' reliance on the unpublished decision in *Serv. Emps. Int'l Union Loc. 1021* is not particularly helpful to their cause. *Serv. Emps. Int'l Union Loc. 1021 v. Cnty. of Mendocino*, No. 20-CV-05423-RMI, 2021 WL 3471176, at *1 (N.D. Cal. Aug. 6, 2021). There, the district court did not perform a robust analysis of the legal effect of a tie vote. Rather, it addressed the plaintiffs' failure to state a claim that a tie vote amounted to a violation of his federal due process rights. *Id.* at *3. In the process of that analysis, the district court tersely found that the tie vote functioned like an appellate court vote and left the original termination decision intact—as alleged in the plaintiffs' complaint. *Id.* at *4.

2. The Board's Tie Vote Meant It Took No Action on the Planning Commission's Decision

Chapter 25B is not identical to any of the applicable regulations in the cases described above. On one hand, Chapter 25B's procedural rules share some similarities with a purely appellate review. Rather than "grant or deny" the permits, the Board shall "affirm, reverse, or modify" the Planning Commission's decision to approve the FDPs. County Code § 25B-12(b)(4). The Planning Commission is the entity that "approve[s] or "deni[es]" applications for change of operator, owner, or guarantor. County Code §§ 25B-8(b)(1), 25B-8(a)(1)(a), 25B-9(e). And, unlike in *Clark*, Chapter 25B does not require any specific number of affirmative votes.[10] 48 Cal. App. 4th at 1175. The absence of "grant, deny, or modify" language in Chapter 25B, however, is not dispositive, and the cases other than *Clark* do not turn on regulatory language mandating a certain number of affirmative votes. *See Rea*, 52 Cal. App. 3d at 607–608. All other aspects of Chapter 25B appear to be consistent with the Court of Appeal's reasoning in *Vedanta*, *Clark*, and *Anderson*.

Chapter 25B provides that the Board's hearing shall be *de novo* and the Board shall hold a public hearing. County Code § 25B-12(b)(4). This suggests that the Board has the authority to engage in affirmative acts that go beyond merely reviewing the administrative record and giving a thumbs up or down. Here, like in *Vedanta*, the Board has the authority to conduct *de novo* fact-finding. 84 Cal. App. 4th at 519. When appealed, the Planning Commission supplies copies of the application and a statement of

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[10] The majority vote requirement is instead sourced from separate procedural rules that govern hearings before the Board. Governing Procedural Rules, Sec. IV, 1 ("Any action taken by the Board of Supervisors must be by a majority of the Board of Supervisors. An abstention shall not be counted as an affirmative vote on the motion."); *see also* A.R. 6772 (Vol. 21 at 29).

The same rules state "[i]n the event the Board takes no action because a motion on the item failed to carry by the affirmative vote of a majority of the membership, the matter may be continued at the request of any party or any Board member." Governing Procedural Rules, Sec. IV, 2. This rule is consistent with the Court's conclusion that a failure to reach a majority vote does not constitute affirmance or denial.

its findings setting forth the reasons for its decision to the Board. County Code § 25B-12(b)(3). Chapter 25B does not limit the Board's review to these findings, impose any evidentiary constraints, or mandate deference to the Planning Commission's findings. *See, e.g., Anderson*, 197 Cal. App. 2d at 189; *Clark*, 48 Cal. App. 4th at 1175; *cf. Today's Fresh Start, Inc. v. Los Angeles Cnty. Off. of Educ.*, 128 Cal. Rptr. 3d 822, 839 (Ct. App. 2011), *review granted and opinion superseded*, 262 P.3d 854 (Cal. 2011), *and aff'd*, 57 Cal. 4th 197 (2013) (holding a tie vote upheld the lower decision where the review was limited to findings made by the lower body).[11] Instead, it simply states the public hearing "shall be de novo." County Code § 25B-12(b)(4). If the Board were bound by the findings of the Planning Commission, there would be "no point" to requiring the public hearing. *Anderson*, 197 Cal. App. 2d at 195.

Furthermore, the requirement that the Board make factual findings logically flows from its *de novo* review of the Planning Commission's decision. Chapter 25B requires the Planning Commission to make specific factual findings, and the applications for change of owner, guarantor, and operator, shall be approved "only if" those findings are met. *See* County Code §§ 25B-9(a), (e), 25B-10(a). The Board must look to the evidence supporting these required factual findings and determine whether those findings are supported.

Finally, it appears everyone throughout the entirety of the Board appeal and public hearing process agreed that the Board was required to make factual findings. County Staff recommended that the Board "make" the required findings for approval and "grant *de novo*" approval of the applications. Board Agenda Letter A.R. 2953 (Vol. 11 at 811). The failed motion, as reflected in the Board minutes following the hearing, was to deny

[11] Federal courts may consider unpublished California appellate decisions as persuasive authority. *Holt v. Noble House Hotels & Resort, Ltd*, 370 F. Supp. 3d 1158, 1165 (S.D. Cal. 2019) (citing California Rule of Court 8.1115(a)).

the appeal, make the required findings for approval, and grant *de novo* approval.[12] A.R. 6755 (Vol. 21 at 11). Sable's own response to the appeal is in accordance with this approach (A.R. 5240 (Vol. 14 at 495) [Doc. # 13-14] ("[T]he Planning Commission did not err in approving the Transfers, and [] the Board should *do the same*.") (emphasis added)) (A.R. 5257 (Vol. 14 at 512) ("We respectfully request that the Board . . . deny the Appeals, *make the required findings*, and grant *de novo* approval of the Transfers.") (emphasis added)).

In sum, although Chapter 25B is not a model of clarity, the *de novo* nature of the review and the Board's authority to do fact-finding, combined with the requirement of a public hearing and lack of evidentiary constraints, lead the Court to conclude the Board's review is not one "strictly of an appellate nature." *Rea*, 52 Cal. App. 3d at 606. Accordingly, the tie vote by the Board in an appeal under Chapter 25B was "no action," was not "acquiescence," and did not affirm or reverse the Planning Commission's approval of the FDPs. *Vedanta*, 84 Cal. App. 4th at 529. Petitioners' MSJ is **DENIED in part** and Intervenors' MSJ is **GRANTED in part** as to Petitioners' first claim for relief to the extent Intervenors assert the tie vote "did not affirm, reinstate, or otherwise leave in place" the Planning Commission's decision.

B. Second Claim for Relief: Traditional Writ of Mandate Under Section 1085

1. Ministerial Duty or Discretionary Duty

Under section 1085, the Court may issue a writ of mandate in two circumstances: (1) where the agency has a "mandatory" and "ministerial duty capable of direct enforcement" or (2) where the agency has a discretionary "quasi-legislative duty entitled to a considerable degree of deference" and that agency has abused its discretion. *CV*

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[12] The motion by the Board includes all proposed findings and execution of all actions recommended in the County Staff's report. *See* Governing Procedural Rules, Sec. VII, 1 ("In the case of final action by the Board of Supervisors on a motion to affirm the Planning Commission's action or recommendation . . . the motion shall be deemed to include all proposed findings and execution of all actions recommended in the staff report.").

Amalgamated LLC v. City of Chula Vista, 82 Cal. App. 5th 265, 279 (2022). Whether a duty is ministerial is generally a question of law, namely statutory interpretation. *Id.*; *see also Rodriguez v. Solis*, 1 Cal. App. 4th 495, 502 (1991).

Where the duty is mandatory and ministerial, a court may issue a writ of mandate to compel a public agency or officer to perform this duty. *CV Amalgamated LLC*, 82 Cal. App. 5th at 279. A "ministerial act" is an act the public officer "is required to perform in a prescribed manner in obedience to the mandate of legal authority and without regard to his own judgment or opinion concerning such act's propriety or impropriety, when a given state of facts exists." *Id.* (quoting *Kavanaugh v. W. Sonoma Cnty. Union High Sch. Dist.*, 29 Cal. 4th 911, 916 (2003)). "A public entity has a ministerial duty to comply with its own rules and regulations where they are valid and unambiguous." *Id.* (quoting *Gregory v. State Bd. of Control*, 73 Cal. App. 4th 584, 595, (1999)).

If a public agency has abused its discretion in carrying out a discretionary function, a court may issue a writ of mandate to correct this abuse of discretion. *CV Amalgamated LLC*, 82 Cal. App. 5th at 279. Discretion is "the power conferred on public functionaries to act officially according to the dictates of their own judgment." *AIDS Healthcare Found. v. Los Angeles Cnty. Dep't of Pub. Health*, 197 Cal. App. 4th 693, 700 (2011) (quoting *Rodriguez*, 1 Cal. App. 4th at 501–502. Discretionary agency action amounts to an abuse of discretion where it is "palpably unreasonable and arbitrary." *CV Amalgamated LLC*, 82 Cal. App. 5th at 280 (quoting *Ellena v. Dep't of Ins.*, 230 Cal. App. 4th 198, 205 (2014)).[13]

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[13] Petitioners cite to cases interpreting "discretionary projects" and "ministerial projects" within the meaning of the California Environmental Quality Act (CEQA). *See* Petitioners MSJ at 19 (citing *Prentiss v. City of S. Pasadena*, 15 Cal. App. 4th 85, 89 (1993), *Health First v. Mar. Joint Powers Auth.*, 174 Cal. App. 4th 1135, 1142 (2009) and *Friends of Juana Briones House v. City of Palo Alto*, 190 Cal. App. 4th 286, 299 (2010)), 20 (citing *Sierra Club v. Cnty. of Sonoma*, 11 Cal. App. 5th 11, 19 (2017) and *Sierra Club v. Napa Cnty. Bd. of Supervisors*, 205 Cal. App. 4th 162, 176 (2012)). Although CEQA uses the terms "discretionary" and "ministerial," these terms and the interpretations thereof are based upon CEQA regulatory definitions that are not binding in this case. *See* Cal. Code Regs. §§ 15268, 15369.

2. Duties Under Chapter 25B

Petitioners assert two theories of duty: (1) the Board had a mandatory ministerial duty to act on the appeal, *i.e.*, affirm, reverse, or modify the Planning Commission's decision, and (2) the Board had a mandatory ministerial duty to deny the appeals once the required findings were met. Petitioners MSJ at 18. The Court will first address the duty to act on the appeal.

Chapter 25B mandates that the Board "shall affirm, reverse, or modify the planning commission's decision at a public hearing." County Code § 25B-12(4). A cardinal rule of statutory interpretation is that the Court's inquiry "begins with the statutory text, and ends there as well if the text is unambiguous." *BedRoc Ltd., LLC v. United States*, 541 U.S. 176, 183 (2004); *see also California Priv. Prot. Agency v. Superior Ct.*, 99 Cal. App. 5th 705, 722 (2024) (same under California law); *Herrera v. Zumiez, Inc.*, 953 F.3d 1063, 1070 (9th Cir. 2020) (holding courts apply California rules of statutory interpretation to California regulations). Statutory interpretation begins with the "plain and commonsense meaning" of the words themselves. *Herrera*, 953 F.3d at 1070. The language here is unambiguous. The Board *shall* affirm, reverse, or modify the decision, but the Board's tie vote did not do any of these things. Because the language is unambiguous, the Court need not look to Chapter 25B's legislative history or other extrinsic aids. *BedRoc Ltd., LLC*, 541 U.S. at 183; *see also Herrera*, 953 F.3d at 1071.

The Board's duty to affirm, reverse, or modify the Planning Commission's decision is mandatory and ministerial. Chapter 25B does not provide the Board discretion to decline—if an eligible appellant appeals with the required specific statement, the Board must hear the appeal and act upon it to affirm, reverse, or modify the underlying decision. *See* County Code §§ 25B-12(b)(1), (2); *accord California Priv. Prot. Agency v. Superior Ct.*, 99 Cal. App. 5th 705, 723 (2024) (where the timeline to adopt final regulations "shall be" a certain date, the agency had a mandatory duty to adopt final regulations by that date); *Sustainability of Parks, Recycling & Wildlife Legal Def. Fund v. Cnty. of Solano Dep't of Res. Mgmt.*, 167 Cal. App. 4th 1350, 1359 (2008)

(agency's obligation to hold a hearing upon receipt of a petition was ministerial); *Lazan v. Cnty. of Riverside*, 140 Cal. App. 4th 453, 460 (2006) (where employer "shall apply for disability retirement" upon a certain condition, the employer has a mandatory and ministerial duty to apply because it "has no authority to do otherwise"). The Board has no option, for example, to remand the matter back to the Planning Commission for further consideration. *Cf. Woody's Grp., Inc. v. City of Newport Beach*, 233 Cal. App. 4th 1012, 1026 (2015) (the municipal code allows the reviewing body to remand).

The use of the word "shall" indicates a legislative intent to impose a mandatory duty. *California Priv. Prot. Agency*, 99 Cal. App. 5th at 723 (citing *In re Luis B.*, 142 Cal. App. 4th 1117, 1123 (2006)). Respondents and Intervenors claim the word "shall" does not *necessarily* create a mandatory duty under *AIDS Healthcare Found.*, 197 Cal. App. 4th at 693. *See* Response at 19, Intervenors MSJ at 24. Although *AIDS Healthcare Found.* may stand for this general proposition, the facts and reasoning undergirding it are inapplicable to the case at hand. In *AIDS Healthcare Found.,* the petitioners sought a writ of mandamus to compel the health department to issue a regulatory order requiring adult film industry performers to take certain specific actions. 197 Cal. App. 4th at 696. The applicable statute stated the health department "shall take measures as may be necessary to prevent the spread of the disease or occurrence of additional cases." *Id.* at 701. In this context, the Court of Appeal found the term "shall" did not necessarily create a mandatory duty, because "[e]ven if mandatory language appears in a statute creating a duty, the duty is discretionary if the public entity must exercise significant discretion to perform the duty." *Id.* (quoting *Sonoma Ag Art v. Dep't of Food & Agric.*, 125 Cal. App. 4th 122, 127 (2004) (internal punctuation removed)). The Court of Appeal concluded the statute left the "measures as may be necessary," or the prescribed course of action to address the spread of diseases, to the health department's discretion.[14]

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[14] Intervenors also rely on *Thompson* to claim the duty is not mandatory. Intervenors MSJ at 24 (citing *Thompson v. City of Lake Elsinore*, 18 Cal. App. 4th 49, 56 (1993)). In *Thompson*, although the

Here, the Board has no such discretion as to *what* courses of action it can take—it must affirm, reverse, or modify. Nor does it have the option *not* to take any of those three actions. It has discretion to decide *which* action of the three to take, and discretion within its *de novo* review process (*see supra* Part III(A)), but these discretionary actions are separate from the mandatory and ministerial process of hearing and affirmatively acting on the appeal. *See, e.g., CVG Amalgamated LLC*, 82 Cal. App. 5th at 221 (separating the ministerial procedural requirements of the ordinance from the discretionary merit-based scoring portion of the ordinance).

Although the Board's failure to act was not purposeful, as the tie vote presumably was unexpected and unplanned, the Board has yet to "affirm, reverse, or modify" the decision following Petitioners' demand letters and the Board's closed session. *See* Petitioners MSJ at 18. A traditional writ of mandamus is appropriate here to compel the Board to "affirm, reverse, or modify" the Planning Commission's decision where it essentially has failed to act following the tie vote. Moreover, "[m]andamus does not lie to compel a public agency to exercise discretionary powers in a particular manner, only to compel it to exercise its discretion in some manner." *AIDS Healthcare Found.*, 197 Cal. App. 4th at 700–701 (citing *Excelsior Coll. v. Bd. of Registered Nursing*, 136 Cal. App. 4th 1218, 1238 (2006)); *see also* Intervenors Reply at 12–13. In other words, having concluded that the Board's *de novo* review of the Planning Commission's decision is discretionary rather than purely appellate in nature, the Court may not compel the Board to affirm or reverse the Planning Commission's decision before the Board has made any decision at all. But the Court may compel the Board to *exercise* its discretion to affirm, reverse, or modify and essentially try again until it reaches a determination in compliance with the requirements of Chapter 25B—an affirmance, reversal, or

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ordinance stated the building official "shall" issue a permit if the application met all requirements, the Court of Appeal concluded the issuance of building permits is a historically discretionary function. *Id.* at 56 n.9, 57. This action does not concern building permits—the reasoning in *Thompson* is inapposite.

modification tethered to factual findings under Chapter 25B-8, 9, and 10 would satisfy the Board's mandatory duty to act.

Indeed, the Board has expressed its willingness to hold a new hearing. *See* Response at 24. The trial court in *Lopez* similarly remanded the matter back to the board to conduct another vote. *Lopez*, 165 Cal. App. 4th at 3. The Board here, like in *Lopez*, had five members "to foster decisions by majority votes and to avoid tie votes." *Id.* at 5. The fifth abstaining board member in *Lopez* abstained on an erroneous basis. *Id.* Accordingly, with the Court of Appeal's instruction, the remand restored the board to its intended odd number of members. *Id.* Here, Hartmann recused herself from the vote, but her presumed conflict of interest may not in fact exist.[15] On June 27, 2025, the FPPC sent a letter to County Counsel for Santa Barbara County, at County Counsel's request, regarding Hartmann's purported conflict of interest based upon her ownership of a real property parcel approximately 900 feet from the pipeline. Intervenors RJN, Ex. 1 [Doc. # 43-6 at 6–13.][16] The letter states that under certain conflict-of-interest provisions, Hartmann does not have a disqualifying financial interest in the County's decisions regarding Sable's Chapter 25B FDP applications. *Id.* at 8. That said, as Petitioners point out, Hartmann received a similar letter from the FPPC in 2016 but still recused herself in 2023. Alternative RJN, Ex. 1 [Doc. # 46-5 at 4–8]. Regardless, this factual development does not undermine the Court's ruling as the Court does not rely upon Hartman's recusal status. Whether or not Hartmann participates in the vote, the Board members must vote to "affirm, reverse, or modify" the Planning Commission's decision—which includes

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[15] Regarding the Sable FDP applications, Hartmann did not state on the record her reasons for recusal. In 2023, however, regarding the Exxon Mobil Affiliates application for FDP transfer of the pipeline, she stated "the pipeline runs directly adjacent to the northeastern corner of my property," so "due to conflict of interest potential" she recused herself. Petitioners RJN, Ex. 1 at 3 [Doc # 36-5]; *see also* Petitioners RJN, Ex. 3 at 2 [Doc. # 36-7].

[16] County Counsel originally made this request to the Attorney General's Office and the Santa Barbara County District Attorney's Office, who forwarded it to the FPPC. Intervenors RJN, Ex. 1 at 6.

upholding or denying the appeals and making the required factual findings under Chapter 25B-8, 9, and 10.[17]

C. Third Claim for Relief: Administrative Writ of Mandate Section 1094.5

Because the Court remands this matter back to the Board pursuant to Petitioners' second claim for relief under section 1085, it need not reach Petitioners' third claim for relief in the alternative for administrative writ of mandate under section 1094.5. *See* Petitioners MSJ at 26–28.

IV.
CONCLUSION

In light of the foregoing, as to the first claim for relief, the Court **DENIES in part and GRANTS in part** Petitioners' MSJ and **GRANTS in part** the Intervenors' MSJ insofar as it concludes that the Board's tie vote constitutes no action and does not affirm or reverse the Planning Commission's decision. Regarding the second claim for relief, and only as to the Board's ministerial duty to "affirm, reverse, or modify" the Planning Commission's decision, the Court **GRANTS in part** Petitioners' MSJ and **DENIES in part** Intervenors' MSJ.

Petitioners are entitled to issuance of a peremptory writ of mandate pursuant to California Code of Civil Procedure 1085 directing the Board to "affirm, reverse, or modify" the Planning Commission's decision in compliance with Santa Barbara County Code Chapter 25B. The Court will issue a peremptory writ of mandate forthwith.

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[17] In upholding or denying the appeals, Board members must comply with the requirements of Chapter 25B and Governing Procedural Rules. Lee's sparse remarks to the effect that restarting the facilities and pipeline was an "insane" and "bad" idea, and his vote was the "right thing to do," without a single mention of the findings required under Chapter 25B, would not exemplify compliance. *See* Governing Procedural Rules, Sec. VII, 1 (requiring any final action to be accompanied by written findings); *see also Topanga Assn. for a Scenic Cmty. v. Cnty. of Los Angeles*, 11 Cal. 3d 506 (1974) (agencies making decisions must render findings sufficient to allow the parties to determine whether and on what basis they should seek review and to apprise the reviewing court of the basis behind the Board's findings).

This action is **STAYED and administratively closed** pending the Board's compliance with the Court's peremptory writ of mandate. Any party may file a motion to lift the stay upon verification of the Board's compliance with the writ of mandate and, as appropriate, move to reopen the case or dismiss it.

IT IS SO ORDERED.

DATED: September 12, 2025

DOLLY M. GEE
CHIEF U.S. DISTRICT JUDGE

Katherine Douglas

From: Cynthia Elkins <CElkins@biologicaldiversity.org>
Sent: Wednesday, October 29, 2025 4:28 PM
To: sbcob; Jacquelyne Alexander
Cc: Rachel Mathews; Julie Teel Simmonds
Subject: References in support of appeal - SYU permit transfers (Vol C)
Attachments: Vol C - CBD Refs II.pdf

Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

References - Volume C (3 of 3)

Dear Supervisors and Clerk Alexander,

Please see the attached references submitted on behalf of the Center for Biological Diversity and Wishtoyo Foundation, which are submitted in support of our appeal of the Planning Commission's approval of Sable Offshore Corp.'s application to transfer the Final Development Permits for the Santa Ynez Unit, Pacific Offshore Pipeline Company Gas Plant, and Las Flores Pipeline System. Our comments were submitted under a separate cover, which also includes a list of supporting references.

Hard copies of the attached are being sent via FedEx, and they are also are available to download via Dropbox:

https://www.dropbox.com/scl/fo/ezfmsdytic6oceojc2rm7/AA9kSVPQXZ2TfXBwqvhMuMk?rlkey=suk7nr9ukk3a8e43356a294ld&st=ne78f7dg&dl=0

This Dropbox folder can also be accessed at the following shortened link:

https://tinyurl.com/CBD-Appeal-II

Please include these references as part of your administrative record for this matter, , as well as the references we submitted in February 2025, as part of the administrative record for this matter, and please contact me if there are any problems.

Thank you for your time and for considering our comments and concerns.

Sincerely,
Cynthia Elkins, Senior Paralegal
Center for Biological Diversity
celkins@biologicaldiversity.org
(707) 358 – 0430

REFERENCES

Volume C

Documents 23–38

Submitted on Behalf of the Center for Biological Diversity and Wishtoyo Foundation

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SABLE OFFSHORE CORP., *et al.*,

Petitioners/Plaintiffs,

v.

COUNTY OF SANTA BARBARA, *et al.*,

Respondents/Defendants,

and

ENVIRONMENTAL DEFENSE CENTER, *et al.*

Intervenors.

No. CV 25-4165-DMG (AGRx)

PEREMPTORY WRIT OF MANDATE

TO THE RESPONDENT SANTA BARBARA COUNTY BOARD OF SUPERVISORS (the "Board"):

An order having been entered in the above-captioned action requiring that a peremptory writ of mandate issue from this Court, the Board is hereby directed and commanded upon service of this writ of mandate on the Board, to do the following:

Within 60 days of service of the writ of mandate on the Board, hold a *de novo* public hearing to affirm, reverse, or modify the Planning Commission's decision regarding Petitioners/Plaintiffs' Final Development Permit applications in this action in compliance with Santa Barbara County Code Chapter 25B-8, 9, and 10. If the Board is unable to reach a vote that affirms, reverses, or modifies the Planning Commission's decision, the Board shall hold another *de novo* public hearing within 45 days, and if unable again, every 45 days thereafter. This writ of mandate shall not control in any way such discretion as is vested in the Board.

DATED: September 12, 2025

DOLLY M. GEE
CHIEF U.S. DISTRICT JUDGE

ELECTRONICALLY FILED
Superior Court of California
County of Santa Barbara
Darrel E. Parker, Executive Officer
6/2/2025 8:00 AM
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Attorneys for Petitioners Center for Biological Diversity and Wishtoyo Foundation

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SANTA BARBARA
SOUTH COUNTY REGION

CENTER FOR BIOLOGICAL DIVERSITY and WISHTOYO FOUNDATION,

Petitioners/Plaintiffs,

v.

CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION; OFFICE OF THE STATE FIRE MARSHAL; DANIEL BERLANT, in his official capacity as State Fire Marshal; and DOES 1 through 10, inclusive,

Respondents/Defendants.

SABLE OFFSHORE CORP., a Delaware Corporation, PACIFIC PIPELINE COMPANY, a Delaware Corporation, and DOES 11 through 20, inclusive,

Real Parties in Interest.

Case No.: 25CV02244

DECLARATION OF RICHARD B. KUPREWICZ IN SUPPORT OF PETITIONERS' *EX PARTE* APPLICATION FOR AN ADMINISTRATIVE STAY OR, IN THE ALTERNATIVE, AN ORDER TO SHOW CAUSE WHY A PRELIMINARY INJUNCTION SHOULD NOT BE GRANTED AND TEMPORARY RESTRAINING ORDER

Date: June 3, 2025
Time: 8:30 a.m.
Dept: 4
Judge: Hon. Donna D. Geck

[Action Filed: April 15, 2025]

I, Richard B. Kuprewicz, declare as follows:

1. I have personal knowledge of the matters set forth in this declaration and if called and sworn as a witness could competently testify thereto.

2. I am a chemical engineer with over fifty years of experience in the energy industry. For over twenty-five years, I have worked as the president of Accufacts, Inc., which provides independent expert consulting services to assist decision makers in making informed decisions concerning oil and gas pipelines. I provide pipeline safety expertise in areas including (but not limited to): pipeline failure investigation; risk management and risk analysis; pipeline siting, construction, design, operation, and maintenance, training, and control room management, including Supervisory Control and Data Acquisition (SCADA) approaches; leak/rupture detection; integrity management; emergency and spill response; and pipeline safety regulatory development and compliance. Much of my background is grounded in conducting numerous pipeline incident investigations following pipeline rupture tragedies spanning several decades.

3. I have developed and performed safety and risk management and analysis for chemical plants, liquefied natural gas facilities, refineries, and pipelines. I have also consulted for various local, state, and federal agencies, nonprofit organizations, and members of the public on pipeline regulation, operation, and design.

4. For the past two decades I have been involved as a representative of the public in advancing pipeline safety regulations at the federal and various state levels. From 2004 to 2018, I served on the Technical Hazardous Liquid Pipeline Safety Standards Committee, also referred to as the Liquid Pipeline Advisory Committee (LPAC), to advise the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) on improvements to pipeline safety regulations. After a brief hiatus, the Secretary of Transportation reappointed me in late 2024 to represent the public again on the LPAC. In the early 2000s while serving on the LPAC, I played a significant role representing the public in developing federal integrity management pipeline safety regulations for both liquid and gas transmission pipelines.[1] These regulatory approaches emulated safety process approaches that I instituted and developed for the City of Bellingham, Washington, to assure that a ruptured pipeline

[1] *See generally* 49 C.F.R. §§ 195.551-195.591, 192.901-192.951.

there could be restarted and operated safely. I also served for seven years as a member of the Washington State Citizens Committee on Pipeline Safety ("CCOPS"). Positions to CCOPS are appointed by the Governor.

5. I am an expert in oil and gas pipeline safety and risk management analysis based on my training, education, and experience. Attached as **Exhibit A** is my curriculum vitae.

6. I have investigative expertise in the topic of various forms of seam corrosion, such as selective seam corrosion, stress corrosion cracking, and am a recognized expert in early vintage cracking having investigated pipeline ruptures associated with these types of cracking threats.

7. I was asked by the Environmental Defense Center (EDC) and Center for Biological Diversity (CBD) to utilize my experience and expertise to evaluate safety and integrity issues regarding the proposal to restart the Las Flores Pipeline System, which includes CA-324 and CA-325A/B ("the Pipelines"). A true and correct copy of my report, titled *Evaluation of Las Flores Pipeline System Startup Proposal*, dated December 20, 2024, is attached to this declaration as **Exhibit B**.

8. The report sets forth my opinion, based on my review of the Consent Decree and other documents, references, and regulations related to the Pipelines, including: the "Failure Investigation Report, Plains Pipeline, LP, Line 901 Crude Oil Release, May 19, 2015 Santa Barbara County," prepared by the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (May 2016); DNV-G Final Report, "Line 901 Release (5/15/15) Mechanical and Metallurgical Testing – Report No.: OAPUS309DNOR (PP136049)" (September 18, 2015); PHMSA – In the Matter of Plains Pipeline, LP, Respondent, "Amendment No. 1 to the Corrective Action Order – CPF No. 5-2015-5011H;" CA Code CCR 19 § 2111 – Risk Analysis (2) Pipeline Description (A); 49 CFR § 195.304 Test Pressure; and Sable's website concerning, "Sable Offshore Corp. Provides Update on Pacific Pipeline Company Operations," October 28, 2024, at: https://www.sableoffshore.com/news/news-details/2024/Sable-Offshore-Corp.-Provides-Update-on-Pacific-Pipeline-Company-Operations/default.aspx. In summary, I identified the following technical issues concerning the proposed restart of the Pipelines:

a. The design of the Pipelines renders the federal mandated cathodic protection system, intended to help address pipeline external corrosion, ineffective.

b. Current inline inspection (ILI) technologies cannot adequately assess all forms of external corrosion threats that most likely exist on the Pipelines.

c. The high operating temperatures needed to reduce the viscosity of the heavy crude oil significantly accelerate all forms of external pipeline corrosion that will not be mitigated by the ineffective cathodic protection system once the Pipelines go into operation.

d. Segments at risk of corrosion related cracking (i.e., stress corrosion cracking or selective seam corrosion cracking) are at the highest risk of failure.

e. The poorly designed Pipelines cannot be made as safe as new pipelines.

9. Following the preliminary approval of the State Waivers for the pipelines, EDC and CBD asked me to review and evaluate the Letters of Decision on the State Waiver Request for Limited Effectiveness of Cathodic Protection on Thermally Insulated Pipeline and Corrosion of or Along a Longitudinal Seam Weld for CA-324 and CA-325A/B ("State Waivers"). A true and correct copy of my report, titled *Observations on OSFM Letters of Decision for State Waiver Requests on Line CA-324 and CA-325A/B Related to Possible Restart*, dated February 21, 2025, is attached to this declaration as **Exhibit C**.

10. The report sets forth my opinion based on my review of the State Waivers and related documents, references, and regulations, including: Pacific Pipeline Company (Aka now as Sable/PPC) letter to OSFM, "Subject Pacific Pipeline Company (OPID 40475) State Waiver Application for the Las Flores Pipeline CA-324 (OSFM #00115)," July 10, 2023, p. 5 related to MFL-C February 2020 ILI run; 49 CFR § 452(h)(4)(iii)(H); PHMSA website: https://www.phmsa.dot.gov/pipeline/special-permits-state-waivers/special-permits-and-state-waivers-overview; Plains Administrative Draft EIR, "Plains Replacement Pipeline Project," February 2022; and "Failure Investigation Report, Plains Pipeline, LP, Line 901 Crude Oil Release, May 19, 2015 Santa Barbara County," prepared by the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (May 2016). My opinion, as set forth in my report, is as follows:

a. The reliance on ILI technology to identify corrosion threats before failure is misplaced because such tools can miss a lot of cracks. There are multiple forms of corrosion on the Pipelines, and ILI is insufficient to detect some of them.

b. The proposed hydrotests are also insufficient to address certain types of corrosion or predict corrosion growth. For example, MOP hydrotests are not adequate to test for crack forming potential on the Pipelines.

c. The State Waivers do not assure adequate spike hydrotesting, which is a method to address various forms of crack forming potential. The values for the spike test on Line 324 are too low for corrosion cracking screening and evaluation. Hydrotesting for Lines 325 A and B must be conducted in segments given the elevation changes. It is unclear, however, whether the testing parameters are adequate for Line 325A due to missing information. In addition, the Waivers do not appear to require any hydrotesting for Line 325B.

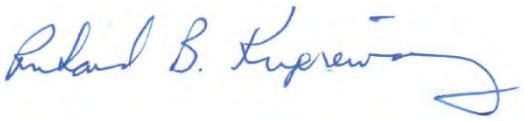
d. A key corrosion performance tracking process set in the State Waivers for the Pipelines is missing. This information, which helps identify possible corrosion "hot spots," is especially important given the history of extensive corrosion on the Pipelines.

e. The State Waivers will not provide an equal or greater level of safety as if the Pipelines were equipped with an effective cathodic protection system to avoid pipeline failure due to external corrosion. The current design of the Pipeline renders the cathodic protection system ineffective. External corrosion on the Pipelines is exacerbated by operation of the Pipelines at elevated temperatures, which seriously increases the corrosion rate.

11. Based on the facts I reviewed and my professional analysis, in my opinion the Las Flores Pipeline System is not safe to operate, even if the conditions in the Fire Marshal's State Waivers are fulfilled.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my personal knowledge, information, and belief.

Executed this 30th day of May 2025, in Nipomo, California.



Richard B. Kuprewicz
President, Accufacts, Inc.

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Declaration of Richard B. Kuprewicz

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EXHIBIT A

Attachment 1

Curriculum Vitae.

Richard B. Kuprewicz

8151 164th Ave NE
Redmond, WA 98052

Tel: 425-802-1200 (Office)
E-mail: kuprewicz@comcast.net

Profile:

As president of Accufacts Inc., I specialize in gas and liquid pipeline investigation, auditing, risk management, siting, construction, design, operation, maintenance, training, SCADA, leak detection, management review, emergency response, and regulatory development and compliance. I have consulted for various local, state and federal agencies, NGOs, the public, and pipeline industry members on pipeline regulation, operation and design, with particular emphasis on operation in unusually sensitive areas of high population density or environmental sensitivity.

Employment:

Accufacts Inc. **1999 – Present**

Pipeline regulatory advisor, incident investigator, and expert witness on all matters related to gas and liquid pipeline siting, design, operation, maintenance, risk analysis, and management.

Position: President
Duties:
> Full business responsibility
> Technical Expert

Alaska Anvil Inc. **1993 – 1999**

Engineering, procurement, and construction (EPC) oversight for various clients on oil production facilities, refining, and transportation pipeline design/operations in Alaska.

Position: Process Team Leader
Duties:
> Led process engineers group
> Review process designs
> Perform hazard analysis
> HAZOP Team leader
> Assure regulatory compliance in pipeline and process safety management

ARCO Transportation Alaska, Inc. **1991 - 1993**

Oversight of Trans Alaska Pipeline System (TAPS) and other Alaska pipeline assets for Arco after the Exxon Valdez event.

Position: Senior Technical Advisor
Duties:
> Access to all Alaska operations with partial Arco ownership
> Review, analysis of major Alaska pipeline projects

ARCO Transportation Co. **1989 – 1991**

Responsible for strategic planning, design, government interface, and construction of new gas pipeline projects, as well as gas pipeline acquisition/conversions.

Position: Manager Gas Pipeline Projects
Duties:
> Project management
> Oil pipeline conversion to gas transmission
> New distribution pipeline installation
> Full turnkey responsibility for new gas transmission pipeline, including FERC filing

Four Corners Pipeline Co. **1985 – 1989**

Managed operations of crude oil and product pipelines/terminals/berths/tank farms operating in western U.S., including regulatory compliance, emergency and spill response, and telecommunications and SCADA organizations supporting operations.

Position: Vice President and Manager of Operations
Duties:
> Full operational responsibility
> Major ship berth operations
> New acquisitions
> Several thousand miles of common carrier and private pipelines

Arco Product CQC Kiln **1985**

Operations manager of new plant acquisition, including major cogeneration power generation, with full profit center responsibility.

Position: Plant Manager
Duties:
> Team building of new facility that had been failing
> Plant design modifications and troubleshooting
> Setting expense and capital budgets, including key gas supply negotiations
> Modification of steam plant, power generation, and environmental controls

Arco Products Co. **1981 - 1985**

Operated Refined Product Blending, Storage and Handling Tank Farms, as well as Utility and Waste Water Treatment Operations for the third largest refinery on the west coast.

Position: Operations Manager of Process Services
Duties:
> Modernize refinery utilities and storage/blending operations
> Develop hydrocarbon product blends, including RFGs
> Modification of steam plants, power generation, and environmental controls
> Coordinate new major cogeneration installation, 400 MW plus

Arco Products Co. **1977 - 1981**

Coordinated short and long-range operational and capital planning, and major expansion for two west coast refineries.

Position: Manager of Refinery Planning and Evaluation
Duties:
> Establish monthly refinery volumetric plans
> Develop 5-year refinery long range plans
> Perform economic analysis for refinery enhancements
> Issue authorization for capital/expense major expenditures

Arco Products Co. **1973 - 1977**

Operating Supervisor and Process Engineer for various major refinery complexes.

Position: Operations Supervisor/Process Engineer
Duties:
> FCC Complex Supervisor
> Hydrocracker Complex Supervisor
> Process engineer throughout major integrated refinery improving process yield and energy efficiency

Qualifications:

Served for over fifteen years as a member representing the public on the federal Technical Hazardous Liquid Pipeline Safety Standards Committee (THLPSSC), a technical committee established by Congress to advise PHMSA on pipeline safety regulations.

Committee members are appointed by the Secretary of Transportation.

Served seven years, including position as its chairman, on the Washington State Citizens Committee on Pipeline Safety (CCOPS).

Positions are appointed by the governor of the state to advise federal, state, and local governments on regulatory matters related to pipeline safety, routing, construction, operation and maintenance.

Served on Executive subcommittee advising Congress and PHMSA on a report that culminated in new federal rules concerning Distribution Integrity Management Program (DIMP) gas distribution pipeline safety regulations.

As a representative of the public, advised the Office of Pipeline Safety on proposed new liquid and gas transmission pipeline integrity management rulemaking following the pipeline tragedies in Bellingham, Washington (1999) and Carlsbad, New Mexico (2000).

Member of Control Room Management committee assisting PHMSA on development of pipeline safety Control Room Management (CRM) regulations.

Certified and experienced HAZOP Team Leader associated with process safety management and application.

Education:

MBA (1976)	Pepperdine University, Los Angeles, CA
BS Chemical Engineering (1973)	University of California, Davis, CA
BS Chemistry (1973)	University of California, Davis, CA

Publications in the Public Domain:

1. "An Assessment of First Responder Readiness for Pipeline Emergencies in the State of Washington," prepared for the Office of the State Fire Marshall, by Hanson Engineers Inc., Elway Research Inc., and Accufacts Inc., and dated June 26, 2001.

2. "Preventing Pipeline Failures," prepared for the State of Washington Joint Legislative Audit and Review Committee ("JLARC"), by Richard B. Kuprewicz, President of Accufacts Inc., dated December 30, 2002.

3. "Pipelines - National Security and the Public's Right-to-Know," prepared for the Washington City and County Pipeline Safety Consortium, by Richard B. Kuprewicz, dated May 14, 2003.

4. "Preventing Pipeline Releases," prepared for the Washington City and County Pipeline Safety Consortium, by Richard B. Kuprewicz, dated July 22, 2003.

5. "Pipeline Integrity and Direct Assessment, A Layman's Perspective," prepared for the Pipeline Safety Trust by Richard B. Kuprewicz, dated November 18, 2004.

6. "Public Safety and FERC's LNG Spin, What Citizens Aren't Being Told," jointly authored by Richard B. Kuprewicz, President of Accufacts Inc., Clifford A. Goudey, Outreach Coordinator MIT Sea Grant College Program, and Carl M. Weimer, Executive Director Pipeline Safety Trust, dated May 14, 2005.

7. "A Simple Perspective on Excess Flow Valve Effectiveness in Gas Distribution System Service Lines," prepared for the Pipeline Safety Trust by Richard B. Kuprewicz, dated July 18, 2005.

8. "Observations on the Application of Smart Pigging on Transmission Pipelines," prepared for the Pipeline Safety Trust by Richard B. Kuprewicz, dated September 5, 2005.

9. "The Proposed Corrib Onshore System - An Independent Analysis," prepared for the Centre for Public Inquiry by Richard B. Kuprewicz, dated October 24, 2005.

10. "Observations on Sakhalin II Transmission Pipelines," prepared for The Wild Salmon Center by Richard B. Kuprewicz, dated February 24, 2006.

11. "Increasing MAOP on U.S. Gas Transmission Pipelines," prepared for the Pipeline Safety Trust by Richard B. Kuprewicz, dated March 31, 2006. This paper was also published in the June 26 and July 1, 2006 issues of the Oil & Gas Journal and in the December 2006 issue of the UK Global Pipeline Monthly magazines.

12. "An Independent Analysis of the Proposed Brunswick Pipeline Routes in Saint John, New Brunswick," prepared for the Friends of Rockwood Park, by Richard B. Kuprewicz, dated September 16, 2006.

13. "Commentary on the Risk Analysis for the Proposed Emera Brunswick Pipeline Through Saint John, NB," by Richard B. Kuprewicz, dated October 18, 2006.

14. "General Observations On the Myth of a Best International Pipeline Standard," prepared for the Pipeline Safety Trust by Richard B. Kuprewicz, dated March 31, 2007.

15. "Observations on Practical Leak Detection for Transmission Pipelines – An Experienced Perspective," prepared for the Pipeline Safety Trust by Richard B. Kuprewicz, dated August 30, 2007.

16. "Recommended Leak Detection Methods for the Keystone Pipeline in the Vicinity of the Fordville Aquifer," prepared for TransCanada Keystone L.P. by Richard B. Kuprewicz, President of Accufacts Inc., dated September 26, 2007.

17. "Increasing MOP on the Proposed Keystone XL 36-Inch Liquid Transmission Pipeline," prepared for the Pipeline Safety Trust by Richard B. Kuprewicz, dated February 6, 2009.

18. "Observations on Unified Command Drift River Fact Sheet No 1: Water Usage Options for the current Mt. Redoubt Volcano threat to the Drift River Oil Terminal," prepared for Cook Inletkeeper by Richard B. Kuprewicz, dated April 3, 2009.

19. “Observations on the Keystone XL Oil Pipeline DEIS,” prepared for Plains Justice by Richard B. Kuprewicz, dated April 10, 2010.

20. “PADD III & PADD II Refinery Options for Canadian Bitumen Oil and the Keystone XL Pipeline,” prepared for the Natural Resources Defense Council (NRDC), by Richard B. Kuprewicz, dated June 29, 2010.

21. “The State of Natural Gas Pipelines in Fort Worth,” prepared for the Fort Worth League of Neighborhoods by Richard B. Kuprewicz, President of Accufacts Inc., and Carl M. Weimer, Executive Director Pipeline Safety Trust, dated October, 2010.

22. “Accufacts’ Independent Observations on the Chevron No. 2 Crude Oil Pipeline,” prepared for the City of Salt Lake, Utah, by Richard B. Kuprewicz, dated January 30, 2011.

23. “Accufacts’ Independent Analysis of New Proposed School Sites and Risks Associated with a Nearby HVL Pipeline,” prepared for the Sylvania, Ohio School District, by Richard B. Kuprewicz, dated February 9, 2011.

24. “Accufacts’ Report Concerning Issues Related to the 36-inch Natural Gas Pipeline and the Application of Appleview, LLC Premises: 7009 and 7010 River Road, North Bergen, NJ,” prepared for the Galaxy Towers Condominium Association Inc., by Richard B. Kuprewicz, dated February 28, 2011.

25. “Prepared Testimony of Richard B. Kuprewicz Evaluating PG&E’s Pipeline Safety Enhancement Plan,” submitted on behalf of The Utility Reform Network (TURN), by Richard B. Kuprewicz, Accufacts Inc., dated January 31, 2012.

26. “Evaluation of the Valve Automation Component of PG&E’s Safety Enhancement Plan,” extracted from full testimony submitted on behalf of The Utility Reform Network (TURN), by Richard B.Kuprewicz, Accufacts Inc., dated January 31, 2012, Extracted Report issued February 20, 2012.

27. “Accufacts’ Perspective on Enbridge Filing to NEB for Modifications on Line 9 Reversal Phase I Project,” prepared for Equiterre Canada, by Richard B. Kuprewicz, Accufacts Inc., dated April 23, 2012.

28. “Accufacts’ Evaluation of Tennessee Gas Pipeline 300 Line Expansion Projects in PA & NJ,” prepared for the Delaware RiverKeeper Network, by Richard B. Kuprewicz, Accufacts Inc., dated June 27, 2012.

29. “Impact of an ONEOK NGL Pipeline Release in At-Risk Landslide and/or Sinkhole Karst Areas of Crook County, Wyoming,” prepared for landowners, by Richard B. Kuprewicz, Accufacts Inc., and submitted to Crook County Commissioners, dated July 16, 2012.

30. “Impact of Processing Dilbit on the Proposed NPDES Permit for the BP Cherry Point Washington Refinery,” prepared for the Puget Soundkeeper Alliance, by Richard B. Kuprewicz, Accufacts Inc., dated July 31, 2012.

31. “Analysis of SWG’s Proposed Accelerated EVPP and P70VSP Replacement Plans, Public Utilities Commission of Nevada Docket Nos. 12-02019 and 12-04005,” prepared for the State of Nevada Bureau of Consumer Protection, by Richard B. Kuprewicz, Accufacts Inc., dated August 17, 2012.

32. “Accufacts Inc. Most Probable Cause Findings of Three Oil Spills in Nigeria,” prepared for Bohler Advocaten, by Richard B. Kuprewicz, Accufacts Inc., dated September 3, 2012.

33. “Observations on Proposed 12-inch NGL ONEOK Pipeline Route in Crook County Sensitive or Unstable Land Areas,” prepared by Richard B. Kuprewicz, Accufacts Inc., dated September 13, 2012.

34. “Findings from Analysis of CEII Confidential Data Supplied to Accufacts Concerning the Millennium Pipeline Company L.L.C. Minisink Compressor Project Application to FERC, Docket No. CP11-515-000,” prepared by Richard B. Kuprewicz, Accufacts Inc., for Minisink Residents for Environmental Preservation and Safety (MREPS), dated November 25, 2012.

35. “Supplemental Observations from Analysis of CEII Confidential Data Supplied to Accufacts Concerning Tennessee Gas Pipeline’s Northeast Upgrade Project,” prepared by Richard B. Kuprewicz, Accufacts Inc., for Delaware RiverKeeper Network, dated December 19, 2012.

36. "Report on Pipeline Safety for Enbridge's Line 9B Application to NEB," prepared by Richard B. Kuprewicz, Accufacts Inc., for Equiterre, dated August 5, 2013.

37. "Accufacts' Evaluation of Oil Spill Joint Investigation Visit Field Reporting Process for the Niger Delta Region of Nigeria," prepared by Richard B. Kuprewicz for Amnesty International, September 30, 2013.

38. "Accufacts' Expert Report on ExxonMobil Pipeline Company Silvertip Pipeline Rupture of July 1, 2011 into the Yellowstone River at the Laurel Crossing," prepared by Richard B. Kuprewicz, November 25, 2013.

39. "Accufacts Inc. Evaluation of Transco's 42-inch Skillman Loop submissions to FERC concerning the Princeton Ridge, NJ segment," prepared by Richard B. Kuprewicz for the Princeton Ridge Coalition, dated June 26, 2014, and submitted to FERC Docket No. CP13-551.

40. Accufacts report "DTI Myersville Compressor Station and Dominion Cove Point Project Interlinks," prepared by Richard B. Kuprewicz for Earthjustice, dated August 13, 2014, and submitted to FERC Docket No. CP13-113-000.

41. "Accufacts Inc. Report on EA Concerning the Princeton Ridge, NJ Segment of Transco's Leidy Southeast Expansion Project," prepared by Richard B. Kuprewicz for the Princeton Ridge Coalition, dated September 3, 2014, and submitted to FERC Docket No. CP13-551.

42. Accufacts' "Evaluation of Actual Velocity Critical Issues Related to Transco's Leidy Expansion Project," prepared by Richard B. Kuprewicz for Delaware Riverkeeper Network, dated September 8, 2014, and submitted to FERC Docket No. CP13-551.

43. "Accufacts' Report to Portland Water District on the Portland – Montreal Pipeline," with Appendix, prepared by Richard B. Kuprewicz for the Portland, ME Water District, dated July 28, 1014.

44. "Accufacts Inc. Report on EA Concerning the Princeton Ridge, NJ Segment of Transco's Leidy Southeast Expansion Project," prepared by Richard B. Kuprewicz and submitted to FERC Docket No. CP13-551.

45. Review of Algonquin Gas Transmission LLC's Algonquin Incremental Market ("AIM Project"), Impacting the Town of Cortlandt, NY, FERC Docket No. CP14-96-0000, Increasing System Capacity from 2.6 Billion Cubic Feet (Bcf/d) to 2.93 Bcf/d," prepared by Richard B. Kuprewicz, and dated Nov. 3, 2014.

46. Accufacts' Key Observations dated January 6, 2015 on Spectra's Recent Responses to FERC Staff's Data Request on the Algonquin Gas Transmission Proposal (aka "AIM Project"), FERC Docket No. CP 14-96-000) related to Accufacts' Nov. 3, 2014 Report and prepared by Richard B. Kuprewicz.

47. Accufacts' Report on Mariner East Project Affecting West Goshen Township, dated March 6, 2015, to Township Manager of West Goshen Township, PA, and prepared by Richard B. Kuprewicz.

48. Accufacts' Report on Atmos Energy Corporation ("Atmos") filing on the Proposed System Integrity Projects ("SIP") to the Mississippi Public Service Commission ("MPSC") under Docket No. 15-UN-049 ("Docket"), prepared by Richard B. Kuprewicz, dated June 12, 2015.

49. Accufacts' Report to the Shwx'owhamel First Nations and the Peters Band ("First Nations") on the Trans Mountain Expansion Project ("TMEP") filing to the Canadian NEB, prepared by Richard B. Kuprewicz, dated April 24, 2015.

50. Accufacts Report Concerning Review of Siting of Transco New Compressor and Metering Station, and Possible New Jersey Intrastate Transmission Pipeline Within the Township of Chesterfield, NJ ("Township"), to the Township of Chesterfield, NJ, dated February 18, 2016.

51. Accufacts Report, "Accufacts Expert Analysis of Humberplex Developments Inc. v. TransCanada Pipelines Limited and Enbridge Gas Distribution Inc.; Application under Section 112 of the National Energy Board Act, R.S.C. 1985, c. N-7," dated April 26, 2016, filed with the Canadian Nation Energy Board (NEB).

52. Accufacts Report, " A Review, Analysis and Comments on Engineering Critical Assessments as proposed in

PHMSA's Proposed Rule on Safety of Gas Transmission and Gathering Pipelines," prepared for Pipeline Safety Trust by Richard B. Kuprewicz, dated May 16, 2016.

53. Accufacts' Report on Atmos Energy Corporation ("Atmos") filing to the Mississippi Public Utilities Staff, "Accufacts Review of Atmos Spending Proposal 2017 – 2021 (Docket N. 2015-UN-049)," prepared by Richard B. Kuprewicz, dated August 15, 2016.

54. Accufacts Report, "Accufacts Review of the U.S. Army Corps of Engineers (USACE) Environmental Assessment (EA) for the Dakota Access Pipeline ("DAPL")," prepared for Earthjustice by Richard B. Kuprewicz, dated October 28, 2016.

55. Accufacts' Report on Mariner East 2 Expansion Project Affecting West Goshen Township, dated January 6, 2017, to Township Manager of West Goshen Township, PA, and prepared by Richard B. Kuprewicz.

56. Accufacts Review of Puget Sound Energy's Energize Eastside Transmission project along Olympic Pipe Line's two petroleum pipelines crossing the City of Newcastle, for the City of Newcastle, WA, June 20, 2017.

57. Accufacts Review of the Draft Environmental Impact Statement for the Line 3 Pipeline Project Prepared for the Minnesota Department of Commerce, July 9, 2017, filed on behalf of Friends of the Headwaters, to Minnesota State Department of Commerce for Docket Nos. CN-14-916 & PPL-15-137.

58. Testimony of Richard B. Kuprewicz, president of Accufacts Inc., in the matter West Goshen Township and Concerned Citizens of West Goshen Township v. Sunoco Pipelines, L.P. before the Pennsylvania Public Utilities Commission, Docket No. C-2017-2589346, on July 18, 2017, on Behalf of West Goshen Township and Concerned Citizens of West Goshen Township.

59. Direct Testimony of Richard B. Kuprewicz, president of Accufacts Inc., on Behalf of Friends of the Headwaters regarding Enbridge Energy, Limited Partnership proposal to replace and reroute an existing Line 3 to the Minnesota Office of Administrative Hearings for the Minnesota Public Utilities Commission (MPUC PL-9/CN-14-916 and MPUC PL-9/PPL-15-137), September 11, 2017 and October 23, 2017.

60. Direct Testimony of Richard B. Kuprewicz On Behalf of The District of Columbia Government, before the Public Service Commission of the District of Columbia, in the matter of the merger of AltaGas Ltd. and WGL Holdings, Inc., Formal Case No. 1142, September 29, 2017.

61. Report to Mississippi Public Utilities Staff ("MPUS"), "Accufacts Review on Atmos Energy Corporation's Proposed Capital Budget for Fiscal Year 2018 related to System Integrity Program Spending (Docket N. 2015-UN-049)," prepared by Richard B. Kuprewicz, dated December 4, 2017.

62. Report to Hugh A. Donaghue, Esquire, Concord Township Solicitor, "Accufacts Comments on Adelphia Project Application to FERC (Docket No. CP18-46-000) as it might impact Concord Township," dated May 30, 2018.

63. Report to Mississippi Public Utilities Staff ("MPUS"), "Accufacts Review on Atmos Energy Corporation's Proposed Capital Budget for Fiscal Year 2019 related to System Integrity Program Spending (Docket N. 2015-UN-049)," prepared by Richard B. Kuprewicz, dated August 20, 2018.

64. Report to West Goshen Township Manager, PA, "Accufacts report on the repurposing of an existing 12-inch Sunoco pipeline segment to interconnect with the Mariner East 2 and Mariner East 2X crossing West Goshen Township," dated November 8, 2018.

65. Report to West Whiteland Township Manager, PA, "Accufacts Observations on Possible Pennsylvania State Pipeline Safety Regulations," prepared by Richard B. Kuprewicz, dated March 22, 2019.

66. Accufacts Public Comments on the Proposed Joint Settlement, BI&E v. Sunoco Pipeline L.P. ("SPLP"), Docket No. C-2018-3006534 ("Proposed Settlement"), submitted on August 15, 2019 to the Pennsylvania Public Utility Commission on the behalf of West Goshen Township as an intervener.

67. Report to West Whiteland Township Manager, Ms. Mimi Gleason, "Accufacts Perspective on Two Questions from West Whiteland's Board of Supervisors on Proposed Changes to ME 2 and ME 2X Construction/Operational Activities within West Whiteland," dated September 5, 2019."

68. Report to West Goshen Township Manager, Mr. Casey LaLonde, "Accufacts Report on the episode on the evening of 8-5-19 at the Mariner East Boot Road Pump Station ("Event"), Boot Road, West Goshen Township, PA," dated September 16, 2019.

69. Provided direct testimony before the Arizona Corporation Commission, In the Matter of the Application of Southwest Gas Corporation for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on Fair Value of the Properties of Southwest Gas Corporation Devoted to its Arizona Operations (Docket No. G-01551A-19-0055), testified on behalf of Utilities Division Arizona Corporation Commission, February 19, 2020.

70. Report to West Goshen Township Manager, Mr. Casey LaLonde, "Accufacts Report on the Mariner East 2X Pipeline Affecting West Goshen Township," dated July 23, 2020.

71. Assisted the Commonwealth of Massachusetts, Office of the Attorney General in developing pipeline safety processes to be incorporated into the settlement agreement related to Columbia Gas' sale of Assets to Eversource following the Merrimack Valley, Massachusetts overpressure event of September 13, 2018.

72. Report to Natural Resources Defense Council, Inc., "Accufacts' Observations on the Use of Keystone XL Pipeline Pipe Exhibiting External Coating Deterioration Issues from Long Term Storage Exposure to the Elements," October 1, 2020.

73. Report to Pennsylvania Public Utilities Commission ("PAPUC"), "Accufacts Comments on Proposed Pennsylvania Intrastate Liquid Pipeline Safety Regulations," dated October 29, 2021, prepared for West Whiteland Township Board of Supervisors, West Whiteland Township, PA. Filed to PAPUC public web docket November 5, 2021 by West Whiteland Township under Reference Docket Number L-2019-3010267. Addresses suggested improvements in proposed pipeline safety rules for PA intrastate liquid transmission pipelines.

74. Submitted written testimony of Richard B. Kuprewicz on Behalf of Bay Mills Indian Community to ALJ Dennis Mack, dated December 14, 2021, in the matter of the Application of Enbridge Energy, Limited Partnership for Authority to Replace and Relocate the Segment of Line 5 Crossing the Straits of Mackinac into a Tunnel Beneath the Straits of Mackinac, before the State of Michigan Public Service Commission, U-20763.

75. Public presentation to New York State Indian Point Nuclear Facility Decommissioning Oversight Board on Holtec removal activities in proximity to Enbridge three Natural Gas Transmission Pipelines, March 17, 2022.

76. Report to Pipeline Safety Trust and Bold Alliance, "Accufacts' Perspectives on the State of Federal Carbon Dioxide Transmission Pipeline Safety Regulations as it Relates to Carbon Capture, Utilization, and Sequestration within the U.S.," March 23, 2022.

77. Accufacts Inc., Public Presentation for the National Academies of Science Engineering Medicine and The Transportation Research Board, "To Committee on Criteria for Installing Automatic and Remote-Controlled Shutoff Valves on Existing Gas and Hazardous Liquid Transmission Pipelines," 4/27/22.

78. Accufacts Inc, "6/13/22 Webinar to Illinois Emergency Responders, Healthcare Providers, & Local Officials on Responses to CO_2 Transmission Pipeline Releases," 6/13/22.

79. Accufacts Report for Pipeline Safety Trust, "Safety of Hydrogen Transportation by Gas Pipelines," 11/28/22.

80. Completed a series of testimonies related to Enbridge's Line 5 proposal to replace 2 – 20-inch diameter existing submerged pipelines currently lying across the bottom of the Straits of Mackinac with a 30-inch diameter grade X-70 pipeline, proposed to be installed in a 21-foot diameter concrete tunnel to be installed across the approximate 4-mile span of the Straits of Mackinac. Testified on Behalf of the Bay Mill Indian Community before the State of Michigan Public Service Commission, Docket U-20763, in opposition to this very poorly designed proposal/installation allowing for movement of the pipeline on rollers within the tunnel. Final testimony to the docket submitted May 19, 2023. This is the only pipeline proposal I am aware of in the world that would place a crude oil and liquid propane pipeline, especially a 30-inch diameter pipeline, within a tunnel.

81. Issued to Ms. Niroop Srivatsa, City Manager, "Accufacts Report for the City of Lafayette on the Status of the Tree Assessment Process with PG&E," indicating most of the trees identified for removal by PG&E risk management

approach have nothing to do with gas pipeline safety, June 15, 2023.

82. Issued Direct Testimony to Illinois Commerce Commission ("ICC") on the Navigator Heartland Greenway LLC Application for a Carbon Dioxide Transportation and Sequestration pipeline, under Docket 23-0161, on behalf of Citizens Against Heartland Pipeline ("CAHGP"), McDonough County, Christian County and Hancock County (the "Counties") (jointly, "Citizen and County Intervenors" of "CCI"), raising serious questions as to PHMSA's recent assertions of pipeline safety jurisdiction, and underscoring the ICC's authority for pipeline siting jurisdiction of said pipeline proposal in the State of Illinois, filed June15, 2023. Applicant has terminated their application.

83. Issued Direct Testimony to Illinois Commerce Commission ("ICC") on the WOLF Carbon Solutions US LLC Application for a Carbon Dioxide Transportation and Sequestration pipeline, under Docket 23-0475, for a certificate of authority to construct and operate a carbon dioxide pipeline and when necessary to take interest in property as provided by law of eminent domain, testifying on Behalf of Citizens Against Predatory Pipelines ("CAPP"): 1) identifying serious inadequacies in PHMSA's pipeline safety regulations, 2) explaining why the Commission should require pipeline temperature profiles 3) detailing why DNV-RP-F104 is not relevant to this filing and 4) underscoring the ICC's authority to require additional critical information from the Applicant in this matter, filed October 24, 2023. Applicant has withdrawn their submission to the Commission.

84. Provided general summary, main observations/concerns, on "Draft Environmental Impact Statement: Otter Tail to Wilkin Carbon Dioxide Pipeline Project" submitted to Minnesota Public Utilities Commission regarding Summit Carbon Solutions, LLC proposed 28 mile long 4-inch diameter CO_2 liquid transmission pipeline ("Otter Tail Pipeline") within Minnesota, PUC Docket No. IP-7093/PPL-22-422, provided to Clean Up the River Environment ("CURE") on 1/29/2024.

85. Issued to EarthJustice, "Observations concerning Kern County's Draft Environmental Impact Report ("DEIR") on the TerraVault I Carbon Capture and Storage Project ("Project")," dated February 26, 2024, "Observations concerning Kern County's Recent Recirculated Draft Environmental Impact Report ("RDEIR") on the TerraVault I Carbon Capture and Storage Project ("Project")," dated July 17, 2024, and "Evaluation of Kern County Response to Comments and Final Recirculated Environmental Impact Report on the TerraVault I Carbon Capture and Storage Project, dated October 15, 2024. The Project situated in Kern County is proposed by the California Resources Corporation to separate a portion of the pre-combustion Elk Hills field gas production, treat and inject via liquid transmission pipelines, CO_2 into two sequestration injection wells within the Elk Hill oil field. The reports identify many technical gaps in filings to Kern County.

86. Issued for the Tribal Partnerships Program, "Observations on the U.S. Army Corps of Engineers Draft Environmental Assessment, Clean Water Act Section 404(b)(1) Guidelines Evaluation, and Public Interest Review (collectively referenced as "DCDD") for the Enbridge Line 5 Wisconsin Segment Relocation Project ("Project"), dated May 2024," report dated July 31, 2024 affecting the Bad River Band of the Lake Superior Tribe of Chippewa Indians reservation.

EXHIBIT B

Accufacts Inc.

"Clear Knowledge in the Over Information Age"

Evaluation of Las Flores Pipeline System Startup Proposal

Prepared For

The Center for Biological Diversity
&
The Environmental Defense Center

December 20, 2024

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I. Executive summary and major findings

Accufacts Inc. ("Accufacts") was asked to review the documents related to the Las Flores Pipeline System ("Pipelines") for possible restart. A Consent Decree signed in March, 2020 places responsibility for approving processes related to the onshore pipeline system restart on the California Office of the State Fire Marshal, or OSFM, the agency responsible for intrastate hazardous liquid pipeline safety.[1] The Consent Decree replaces various Corrective Action Orders issued on the Pipelines by the Pipeline and Hazardous Materials Safety Administration, or PHMSA, the federal agency responsible for pipeline safety.[2] PHMSA is the federal agency responsible for establishing minimum pipeline safety regulations for many pipelines operating in the U.S., including intrastate hazardous liquid transmission pipelines. States meeting certain conditions can impose pipeline safety standards for intrastate pipelines beyond PHMSA regulations as long as such state regulations are not in conflict with PHMSA regulations. By agreement, the Consent Decree gives the OSFM main pipeline safety approval authority of the Pipelines if the OSFM's actions are not in conflict with PHMSA pipeline safety regulations, and if PHMSA decides the proposed wavier alternative measures "provide an equal or greater level of safety."[3, 4] The Consent Decree is inadequate, missing many corrosion threats to the Pipelines that can result in rupture.

Accufacts finds that the main technical issues concerning the restart of the Pipelines are:

1. **The poorly designed pipeline system renders required federal mandated cathodic protection ("CP"), intended to help address pipeline external corrosion, ineffective.**
2. **Current inline inspection ("ILI") technologies cannot adequately allow the assessment of all forms of external corrosion threats that most likely exist on the Pipelines.**
3. **The high operating temperatures needed to reduce the viscosity of the heavy crude oil significantly accelerate all forms of external pipeline corrosion that will not be mitigated by the ineffective CP system once the Pipelines go into operation.**
4. **Segments at risk of corrosion related cracking (i.e., stress corrosion cracking or selective seam corrosion cracking) are at the highest risk of failure. The poorly designed Pipelines cannot be made as safe as new pipelines.**

[1] Such state responsibility is dependent on whether the state agency meets certain qualifications required by PHMSA and whether the state Legislature has granted such state authority, as California has.

[2] UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA, UNITED STATES OF AMERICA, and the PEOPLE OF THE STATE OF CALIFORNIA, ex rel. DEPARTMENT OF FISH AND WILDLIFE, PEOPLE OF THE STATE OF CALIFORNIA, ex rel. CENTRAL COAST REGIONAL WATER QUALITY CONTROL BOARD, ex rel. CALIFORNIA DEPARTMENT OF PARKS AND RECREATION, ex rel. CALIFORNIA STATE LANDS COMMISSION, ex rel. CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION'S OFFICE OF STATE FIRE MARCHALL, and THE REGENTS OF THE UNIVERSITY OF CALIFORNIA (Plaintiffs) v. PLAINS ALL AMERICAN PIPELINE L.P. and PLAINS PIPELINE, L.P. (Defendants), Consent Decree, Civil Action No. 2:20-cv-20415 signed March 2020 ("Consent Decree").

[3] *Ibid.,* Appendix B & Appendix D, paragraph 1.

[4] PHMSA website, " Special Permits and State Waivers Overview," at https://www.phmsa.dot.gov/pipeline/special-permits-state-waivers/special-permits-and-state-waivers-overview.

Oil spills are catastrophic events, and operation of any pipeline carries a risk of spill. At best, good pipeline design and pipeline integrity management tools can reduce—but not eliminate—the risk. The Consent Decree is replacing incomplete integrity management ("IM") approaches implemented by Plains that failed to prevent a pipeline rupture from the poor design of the Pipelines, with another incomplete IM approach expecting a change in the outcome.

The Pipelines have been sitting shut down for over nine years at ambient temperatures without effective CP protection. While external corrosion rates in this shutdown mode are significantly reduced because of lower temperatures as discussed later in this report, **the risk of external corrosion is not eliminated**. The Consent Decree requires the OSFM to seek a waiver of the federal pipeline safety CP requirements defined under Subpart H, subject to the approval of PHMSA, to permit the Pipelines to restart.[5, 6] Complicating this matter is the incorporation of risk analysis by the state into the Consent Decree that is under the control of the pipeline operator and is not made fully public, but subject only to the "review and comment" of the OSFM. To be fair, the OSFM must meet certain state legislated risk analysis requirements that though well-meaning, are incomplete, such as, for example, how to define what a reasonable worst-case discharge is to prudently evaluate the risk of a pipeline failure.[7] This is a problem I often see abused in federal pipeline oil spill response plans that doesn't adequately capture pipeline rupture hydraulics.[8] One of the major problems with risk analysis, a determination of the likelihood of an event occurring, and why it is not codified into federal pipeline safety regulations, is that such approaches are usually not complete or representative of the true risks of a specific pipeline operation. The impacts of any pipeline failure are significant and long-lasting, causing destruction of habitats, death of wildlife, and even human fatalities. It is impossible to predict a pipeline failure, and decision-making based on the perceived probability of failure does not adequately account for the severe consequences that will ensue, particularly if those decisions fail to capture pipeline rupture hydraulics. I call this "Space Shuttle Syndrome," because, in the rush to launch the space shuttle program, NASA decisionmakers understated its true risks and dismissed well established safety culture protocols, resulting in the loss of two space shuttles and their crews and ending the space shuttle program.

The Consent Decree is placing undue responsibilities on the OSFM which might not appreciate the limits of current inline inspection technical capabilities. The Consent Decree overly relies on ILI technologies and their associated engineering critical assessments that are not capable of prudently addressing many forms of external corrosion, especially interactive forms such as Stress Corrosion Cracking, or SCC, whose time to failure is difficult, if not impossible, to predict as discussed later in this report. The current poorly designed Pipelines do not permit CP protection to mitigate external corrosion on the Pipelines that must operate at uniquely high temperatures. The required high temperatures accelerate all forms of external corrosion. New pipelines would incorporate proper design such as non-insulated pipe and newer forms of pipeline coating technology, that would permit CP to be effective in addressing external corrosion even at high temperatures to help assure pipeline safety. No pipeline waiver issued under the conditions addressed in the Consent Decree is consistent with pipeline safety nor can ensure the same level

[5] 49CFR§195 Subpart H - Corrosion Control.
[6] Consent Decree, Appendix B, "State Waivers for Line 901, 903 …..,".
[7] CA Code CCR 19§2111 – Risk Analysis.
[8] 49CFR§194 Response Plans for Onshore Oil Pipelines.

of safety as that associated with a prudently designed pipeline system. Neither Plains, the pipeline operator at the time of the May 19, 2015 failure, nor the new owner, Sable, designed or built the present Pipelines with their serious deficiencies, but as a pipeline operator Sable bears the ultimate responsibilities should the Pipelines fail.

II. Accufacts experience qualifying me as an expert in this matter.

Accufacts Inc. ("Accufacts") was asked to review the Line 901/903 pipelines, now renamed Lines CA-324/CA-325 ("Pipelines"), and related documents such as those produced by the OSFM on their website. A Consent Decree places responsibility for approving processes related to the onshore pipeline system restart first on the OSFM, then on PHMSA.[9] The Center for Biological Diversity and The Environmental Defense Center asked Accufacts to provide an independent evaluation of documents related to a possible restart of the Pipelines to safely move heavy oil production from offshore platforms in the Santa Barbara Channel into the Pipelines. It should be noted that the OSFM has recently issued a waiver on PHMSA's CP obligations for the Pipelines. I have not seen the details related to OSFM's decision on the granting of such a waiver.

I am a chemical engineer with over fifty years of experience in the energy industry, including over 25 years as president of Accufacts Inc. ("Accufacts"). Accufacts provides independent expert consulting services to assist decision makers in making informed decisions concerning pipelines. Pipeline safety expertise is provided in areas including, but not limited to: pipeline failure investigation, risk management/risk analysis, siting, construction, design, operation, maintenance, training, control room management including Supervisory Control and Data Acquisition ("SCADA") approaches, leak/rupture detection, integrity management, emergency and spill response, and pipeline safety regulatory development and compliance. Much of my background is grounded in pipeline incident investigations following numerous pipeline rupture tragedies spanning several decades.

For the past two decades I have been involved as a representative of the public, which carries special obligations to avoid a conflict of interest, in advancing pipeline safety regulations at the federal and various state levels as demonstrated by my CV that is included as Attachment 1. For example, I played a significant role representing the public in developing integrity management federal pipeline safety regulations in the early 2000s for both liquid and gas transmission pipelines. These regulatory approaches emulated safety process approaches that I instituted and developed for the City of Bellingham, WA to assure that a ruptured pipeline there could be restarted and operated safely. This safety process approach, identified as the Pipeline Safety Immediate Action Plan, or PSIAP, identified steps that the pipeline operator was to complete following the Bellingham rupture tragedy of June 10, 1999, before that pipeline could be permitted to safely return to service. The PSIAP is a matter of public record compliments of Washington State's Right-to-Know laws. PSIAP formed a template for the integrity management safety regulations developed by the Office of Pipeline Safety, which morphed into PHMSA in 2003.

[9] Consent Decree, Appendix B & Appendix D.

For approximately fifteen years, through the development of federal standards for Transmission Integrity Management Programs ("TIMP") for both liquid and gas integrity regulations, control room management ("CRM"), and Operator Qualification ("OQ") rulemaking efforts, to cite a few pipeline safety rulemaking efforts, I served on the Technical Hazardous Liquid Pipeline Safety Standards Committee, also referred to as the Liquid Pipeline Advisory Committee, or LPAC, to advise PHMSA on possible pipeline safety regulation advancement. After a brief hiatus of several years, I have recently been reappointed by the Secretary of Transportation to represent the public again on LPAC, which carries numerous obligations to avoid a conflict of interest. I believe I am more than qualified to comment as an expert on the various issues related to CA-324/CA-325 pipeline system possible restart.

III. A brief historical perspective

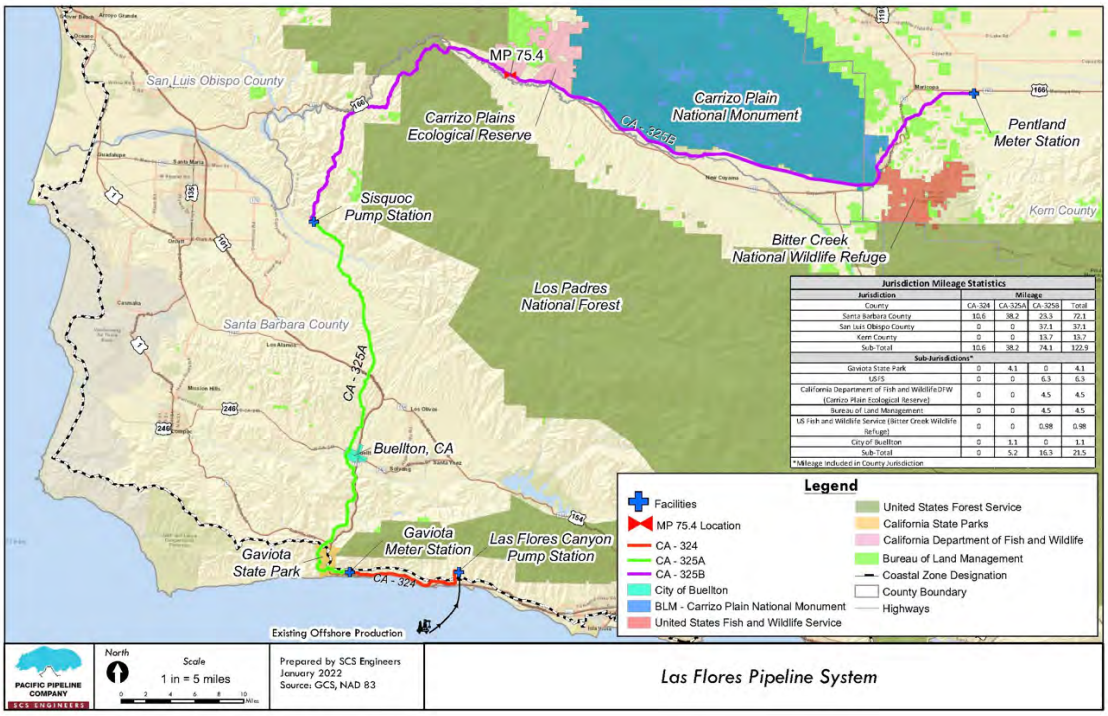


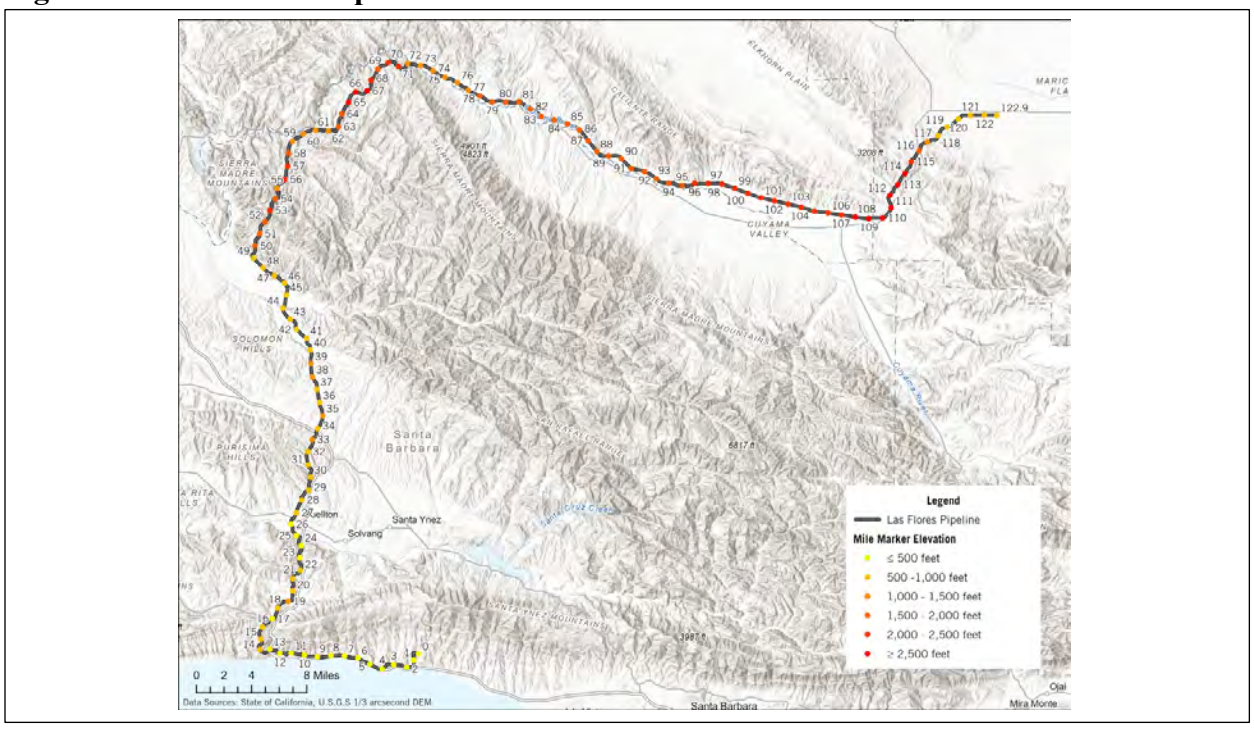
Figure 1 – Overview of Pipelines

Since the May 19, 2015 onshore pipeline rupture and oil release that spilled into the Santa Barbara Channel and beyond, the pipeline system known at the time as Lines 901/903, and offshore oil platforms feeding this system have been shut down. Lines 901/903 have recently been renumbered CA-324 and CA-325, respectively. These pipelines, which were classified as interstate pipelines at the time of the release, were ordered to be shut down and oil purged from the Pipelines and placed under nitrogen atmospheres under Corrective Action Orders instituted by PHMSA. Line 901 experienced an onshore pipeline rupture failure caused by massive external corrosion and released on the late morning of May 19, 2015 near Refugio State Beach that placed a considerable amount of oil into the sensitive waters of the Santa Barbara Channel and beyond. While the years since 2015 involved discussions for possible construction of new pipelines to replace the poorly

designed Lines 901/903, recent activities shifting ownership of the pipelines and associated infrastructure to Sable Offshore Corp. ("Sable"), are now focused on restarting the existing pipelines under new ownership and conditions stated under a Consent Decree.

The May 19, 2015 Line 901 rupture failure occurred at approximately 4 miles (MP 4) downstream of the Las Flores Canyon Pump Station due to extensive external corrosion. The Line 901 ruptured at approximately 56 % of the maximum operating pressure ("MOP") of 1341 pounds per square inch gauge ("psig") (which is 72 % specified minimum yield strength ("SMYS")).[10] In addition, further metallurgical forensic reports attached to the PHMSA Final Report, indicate that pipeline ruptured at a pressure of 737 psig, which was 39.6% of SMYS.[11] This pipeline failed at very low stress levels, not a surprise given that the depth of the corrosion failure was 89% of the measured wall thickness, and the ILI tools significantly mis indicated the size of the corrosion threats.[12]

Figure 2 – Overview of Pipelines route with MPs estimated



IV. The Las Flores Pipeline System.

The following is based on information readily in the public domain, as demonstrated by the footnote references. Because of many variations in MP numbers in various documents, MP numbers referenced in this report should be considered approximate with slight variations that don't really impact my findings/conclusions/recommendations.

[10] U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration, "Failure Investigation Report, Plains Pipeline, LP, Line 901 Crude Oil Release, May 19, 2015 Santa Barbara County, California," May 2016. p.14 of 23.
[11] DNV-G Final Report, "Line 901 Release (5/15/15) Mechanical and Metallurgical Testing, - Report No: OAPUS309DNOR (PP136049)," September 18, 2015, p. iii.
[12] *Ibid.,* "Summary of Observations," p. vi.

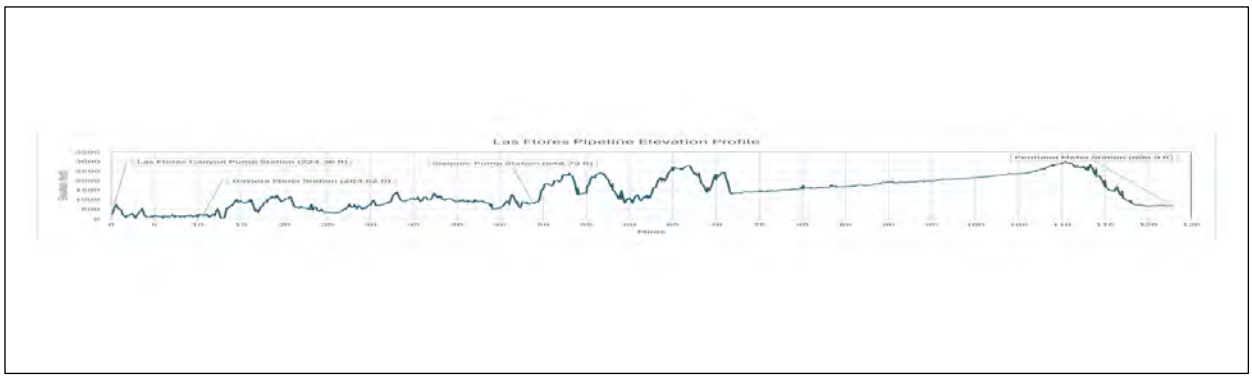
The Pipelines, formerly identified as Line 901/903 operated by Plains (aka Plains All American Pipeline L.P. and Plains Pipeline L.P.), represent a pipeline system of approximately 125 miles in length running from the Las Flores Canyon Pump Station (milepost 0) to the Pentland Metering (and Storage) facility (at Milepost 125.3). Figure 1 is a general overview of the Pipelines routing. CA-224 (old Line 901) that runs from the Las Flores Canyon Pump Station (Milepost 0) to the Gaviota Meter Station (Milepost 10.7). Note that I have reversed the Milepost reported in PHMSA's Final Report to follow more conventional milepost numbering, increasing from the pipeline inlet at the Las Flores Canyon Pump Station (MP 0), to the pipeline outlet of the 24-inch diameter Line 901/CA-224 pipeline, the Gaviota Metering Station (MP 10.7). CA-324 is the sole feed into the 30-inch pipeline, CA-325A. CA-325A runs from the Gaviota Metering Station to the Sisquoc pump station (MP 49.2). CA-325B, also a 30-inch diameter pipeline, runs from the Sisquoc pump station (MP 49.2) to the Pentland metering station (~MP 125.3). Figure 2 shows the general route adding approximate MP numbers following this similar MP increasing numbering all the way to Pentland.

According to the PHMSA Final Report on the 2015 rupture:

> Plains transports crude oil produced in federal and state waters off the coast of Santa Barbara, CA to inland refineries. Plains' pipeline is composed of two major pipeline sections: (1) Line 901, and (2) Line 903. Lines 901 and 903 were constructed in the late 1980s, hydrostatically tested in 1990, and went into crude oil service in 1992 and 1991, respectively. The pipelines are coated with coal tar urethane and covered with foam insulation which in turn is covered by a tape wrap over the insulation. Shrink wrap sleeves, which provide a barrier between the steel pipeline and soil for corrosion prevention, are present at all of the pipeline joints on Line 901 and multiple locations on Line 903. The pipelines carry high viscosity crude oil at a temperature of approximately 135 degrees Fahrenheit to facilitate transport. Lines 901 and 903 are controlled from the Plains Control Room's (PCR) California console in Midland, TX.
>
> Line 901 is a 24-inch diameter pipeline that extends approximately 10.7 miles in length from the Las Flores Pump Station to the Gaviota Pump Station; and (2) Line 903 is a 30-inch diameter pipeline that extends approximately 128 miles in length from the Gaviota Pump Station to the Emidio Pump Station, with intermediate stations at Sisquoc Mile Post (MP) 38.5 and Pentland (MP 114.57). There is a delivery point into Line 901 from Venoco's Line 96 located approximately 2 miles downstream of the Las Flores Station. All of Line 901 crude oil throughput enters Line 903. Line 901 was manufactured of low carbon steel by Nippon Steel in Japan in 1986. Line 901's pipe specifications are API 5L, Grade X-65 pipe, 0.344-inch wall thickness, with a high frequency-electric resistance welded (HF-ERW) long seam. The line was hydrotested to 1,686 pounds per square inch gauge (psig) on November 25, 1990. There are additional crude oil lines coming in and out of Pentland Station with numerous tanks at that station used to blend different crude oils for delivery further downstream. At Emidio Station crude oil is delivered to above-

ground storage tanks for future delivery to Los Angeles refineries in a separate pipeline system.[13]

Figure 3 - Approximate Elevation Profile - Las Flores Canyon Pump Station (MP 0) to Pentland Station (MP ~125.3)



PHMSA provided additional information related to Line 903:

> (2) Line 903 is a 30-inch diameter pipeline that extends approximately 128 miles in length from the Gaviota Pump station to the Emidio Pump Station, with intermediate stations at Sisquoc Mile Post (MP) 38.5 and Pentland (MP 114.57). [14]
>
> Plains has informed PHMSA that Line 903 has insulation and shrink wrap sleeves on the girth welds similar to the Affected Pipeline {Line 901}.[15]

It is not clear from the documents produced if Line 903 insulation is also tape wrapped like Line 901, that would further shield the CP system from the Pipelines, assuring that CP is ineffective.

Figure 3 is an approximate elevation profile (approximate elevation of pipeline in feet versus pipeline milepost) for the Las Flores Pipeline System developed by the Center for Biological Diversity's Geographic Information System, or GIS, specialist using information readily available in the public domain. Pipeline elevation profiles play a critical role in understanding liquid transmission pipeline operation and risks, such as evaluating ILI runs, valve placement/actuator decisions, emergency and oil spill actions, and spill response planning. In addition, if a pipeline hydraulic profile, also referred to as a hydraulic gradient, is superimposed on an elevation profile, much information about pipeline risk can be gained. A hydraulic gradient is required of the pipeline operator under California Risk Analysis regulation.[16] A pipeline hydraulic gradient includes a plot of operating pressure versus milepost for a specified crude oil gravity and flow rate, but for this unique system, a crude oil viscosity and temperature should also be included on the

[13] U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration, "Failure Investigation Report, Plains Pipeline, LP, Line 901 Crude Oil Release, May 19, 2015 Santa Barbara County, California," May 2016, pp. 4 & 5 of 21.
[14] *Ibid.,* p. 4 of 21.
[15] PHMSA – In the Matter of Plains Pipeline, LP, Respondent, "Amendment No. 1 to the Corrective Action Order – CPF No. 5-2015-5011H," p. 2.
[16] CA Code CCR 19§2111 – Risk Analysis (2) Pipeline Description (A).

hydraulic gradient as these parameters seriously impact the hydraulic gradient evaluation. Such hydraulic gradient information is important in evaluating the risks of a pipeline restart program, especially on the Pipelines given their highly unique elevation profile among other factors (See Figure 3). This information is probably not likely to be made public, though a competent experienced engineer can develop an approximate hydraulic profile for a pipeline system if they understand certain crude oil blended properties and temperatures.

V. TIMP regulations are not working to protect the public or the environment.

In the passage of the federal pipeline safety regulations setting standards for Transmission Integrity Management Programs, or TIMP, first for liquid, then gas, in 2002 and 2003, respectively, the use of performance-based approaches versus more prescriptive based regulations were agreed to as a compromise to advance important needed pipeline safety regulation in this area. Until the passage of TIMP regulations, pipeline operators were under no obligation to periodically assess the condition of their mainline pipelines. Performance-based regulation, in theory, allows a pipeline operator to choose between various alternatives that may work best for their pipeline. Prescriptive-based pipeline safety regulations historically have been imposed in federal pipeline safety regulatory efforts. Prescriptive regulations impose certain conditions that pipeline operators must, or shall, follow.

TIMP efforts for liquid pipelines define four basic approaches permitted in pipeline integrity assessment, depending on the pipeline threat that a pipeline segment might experience. Briefly, the major assessment methods most appropriate for this pipeline system are hydrostatic pressure testing ("hydrotesting") and inline inspection ("ILI") also known as smart pigging. As the Line 901 onshore oil release that flowed into sensitive waterway areas has clearly demonstrated, TIMP regulation is not working for many pipeline operators, even after the operator had run multiple ILI corrosion tool runs which I will expand on further below. Another unexpected outcome of TIMP performance-based regulation is that such less than clear regulation efforts are harder to enforce.

It's important to note that pipeline integrity management tools are not a substitute for proper pipeline design or effective cathodic protections. Their purpose is simply to monitor the condition of pipelines over time and identify threats to the pipeline's integrity.

1) Hydrotesting assessments.

Properly performed hydrotesting can be an important pipeline integrity assessment tool that proofs a pipeline's fitness for service to safely operate at MOP at the time of the hydrotest. Hydrotesting involves shutting down a pipeline and filling a pipeline segment with water. Proof of pipeline integrity or fitness for service testing is verified by carefully increasing water pressure with a water injection pump after air has been removed and the pipeline segment temperature stabilized. While federal pipeline safety regulations for liquid transmission pipelines define a "Subpart E" hydrotest to establish or verify maximum operating pressure, or MOP, a term having specific meaning in regulation, the regulations are not specific on important parameters to ensure a quality hydrotest that doesn't damage the pipe. Minimum hydrotest pressures are established to verify the MOP at the time of the hydrotest, with

sufficient pressure safety margin at the time of the hydrotest. A Subpart E hydrotest is a proof for fitness test that the pipeline, at the time of the test, can withstand pressures above the MOP with a certain margin of pressure safety.[17]

One important caveat is needed regarding Subpart E hydrotests, which are often called strength tests. For a pipeline experiencing certain cracking threats such as selective seam cracking (SSC) or stress corrosion cracking (SCC)—corrosion threats that likely exist along the Las Flores Pipeline System—**a subpart E hydrotest is inadequate**. Current ILI technology cannot reliably identify if such cracking threats are present. More importantly, nor can associated engineering critical assessments provide prudent evaluation of such threats due to the inability to reliably predict corrosion colonies that can interact or link together in unpredictable ways. SCC colonies can be associated with disbonded coatings such as that occurring on the Pipelines where CP current is prevented from reaching the outer pipewall steel. A much higher pressure (higher % Specified Minimum Yield Strength, or SMYS) hydrotest is warranted. A prudent risk analysis should clearly demonstrate if such external corrosion cracking threats from environmental factors are possible around the Pipelines**. I need to note that it is not clear whether hydrotesting, if performed, will be a Subpart E test or a higher % SMYS hydrotest intended to address cracking threats such as SCC**. The Consent Decree strangely makes no mention of corrosion cracking threats or hydrotesting.

While considerable discussion in the Consent Decree has focused on the use of ILI to identify possible general wall loss corrosion threats well before failure, this agreement makes no mention of other forms of corrosion related threats such as corrosion cracking SCC or SSC. These forms of corrosion cracking are very challenging to identify via ILI, and more importantly, engineering critical assessments associated with ILI to predict time to failure can be highly unreliable, given the inactive threat nature of these type of corrosion cracking threats. The corrosion cracking threats tend to fail as pipeline ruptures. It is important that the cracking threat potentials on the Pipelines be prudently addressed and proposed solution be made public and transparent.

For pipeline segments that undergo large elevation changes, like the Line 325A/B segments, the pipeline must be cut up into segments to assure hydrotesting pressure ranges do not permanently deform the pipe. Hydrotesting can be more expensive than other pipeline integrity assessments such as ILI, but there are no built-in assumptions about the quality and thoroughness of the assessment that can be mismanaged such as that which can and often does occur with ILI approaches resulting in numerous pipeline ruptures after ILI assessments, as the May 19, 2015 release has clearly demonstrated. Hydrotesting is much more reliable than other pipeline integrity assessment approaches, such as ILI, at verifying a pipeline's fitness for service at the time of the test. Hydrotesting is usually performed by contractor firms experienced and qualified to perform a proper hydrotest for specific types of threats. The Consent Decree requires certain threshold general corrosion threats if identified by ILI be remediated before restart.[18]

[17] 49CFR§195.304 Test pressure
[18] Consent Decree, Appendix B (4) Integrity Management.

Hydrotesting is warranted, justified, and vastly appropriate for the Pipelines which have been sitting for over nine years without effective CP. I also need to mention that the use of nitrogen gas to idle the pipeline was meant to avoid internal corrosion attack and plays no role in preventing external corrosion attacks to keep the Pipelines in a "corrosion-free state" as mentioned by Steve Rusch, Sable's vice president of environmental and regulatory affairs.[19] The external corrosion sites experience reduced corrosion rates from the lower ambient soil temperatures as no hot oil was passing through the system, but the corrosion sites are not inactive, especially if CP systems are ineffective, such as on the Pipelines.

2) ILI assessments.

In the U.S.**,** ILI or smart pig tool efforts started to develop in the early 1980s depending on the threat a pipeline operator was trying to address. ILI tools are usually multi-ton devices run inside a pipeline while the pipeline is operating to ascertain the condition of the pipeline depending on the type of threats trying to be analyzed. Given the advancements in technology including shrinking the equipment, ultrasonic, or UT, approaches that focus on direct anomaly measurement has historically proven superior for general wall thinning corrosion evaluation to approaches using inferred software-based algorithms, such as magnetic flux leakage ("MFL") testing. Some ILI tools are more suitable than others depending on the threat. There is a wide spectrum of ILI tools and different technological approaches to select from depending on the type of threat trying to be reviewed. Operators don't always select the ILI technology best suited to help identify threats on their system. Even with the advances in tool development and approaches there can still be a wide variation as to whether a specific ILI tool or vendor can properly identify a specific pipe threat and permit it to be further properly characterized after an ILI run. This is why pipeline operators will incorporate ILI tool tolerances and perform field verification digs to produce "unity plots" for a specific ILI run, to verify ILI vendor claims about their technology and its specific performance. This field verification data was not shared by Plains with the ILI vendor, a serious deficiency in ILI utilization. It is worth noting the PHMSA made it a point in their Failure Analysis of the Line 901 release, that the pipeline operator had not provided field dig verification feedback to the ILI vendor to confirm ILI capability.[20] For example, corrosion attacks can take on many forms such as general pipewall thinning (usually the easiest to determine depending on the ILI technology), various forms of corrosion cracking such as stress corrosion cracking ("SCC"), selective seam corrosion cracking ("SSC"), and pit corrosion. All such corrosion threats can lead to a pipeline failure and release. Based on my experience involving investigations of liquid transmission pipeline ruptures from SCC and SSC after ILI runs, some segments of the Pipelines exhibit the potential for SCC or SSC. Such external corrosion cracking threats are often found on pipelines with disbonded coating that are exposed to corrosion environments such as that introduced by the Pipeline's insulation. It is incumbent on the new Pipeline operator, Sable, to demonstrate to the OSFM, and to the public and various regulatory agencies that SCC/SSC external cracking environments do not exist.

[19] Los Angeles Times article by Tony Briscoe, "*Plan to restart pipeline sparks anger*," Front page, October 20, 2024.
[20] U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration, "Failure Investigation Report, Plains Pipeline, LP, Line 901 Crude Oil Release, May 19, 2015 Santa Barbara County, California," May 2016. p.13 of 21.

Some forms of ILI technology to identify certain pipeline threats, if properly managed, can be superior to hydrotesting as they may identify some threats well before they go to failure. As too clearly demonstrated, however, in the May19, 2015 Line 901 rupture, ILI cannot address all forms of external corrosion threat that are likely to exist on the Pipelines because of their poor design, their unique high temperature operation, and ineffectiveness of CP. If a corrosion ILI tool can be utilized within the limits of the pig vendor specification (i.e., such as maintaining pig speed within the operating pipeline), and if the ILI tool run is independently field verified, some ILI tools can be a superior form of assessment for many types of pipeline threats, such as general internal and external corrosion (i.e. wall-thinning) if prudently managed. The more specialized forms of corrosion, cracking and pitting, or corrosion within dents, however, can be much more challenging as ILI tools and their related engineering critical assessments still have technical limits. ILI tool vendors place specific limitations on their various tools, and it is important that the pipeline operator follow such restrictions that can easily invalidate an ILI tool run reading or result. ILI runs in hilly terrain, such as that which exist with the Pipelines (See Figure 3) can be quite challenging for ILI tools that can easily exceed multiple tons in weight as gravity never shuts off.

In investigating numerous pipeline rupture failures after ILI tool runs, I consistently see failures on the part of the pipeline operators to perform sufficient field verification digs to determine if bias is being introduced in a specific ILI tool approach on a specific pipeline segment, for a specific pipeline threat, and that the ILI tool selected is really appropriate to identify certain pipeline threats. Some pipeline operators repeatedly fail to recognize or even consider ILI tool capabilities and tolerances, especially as ILI vendors and pipeline engineers have tried to improve technologies and assessment techniques. It is worth noting that no one markets ILI tools claiming they don't work. An important consideration in integrity management approaches is whether the right ILI technology has been selected and is being prudently utilized by the pipeline operator. It is further worth noting that while running an ILI tool is not inexpensive, the cost of running such a tool is relatively less expensive compared to the overall quality of the field integrity verification program to assure the ILI tool is doing its job for a specific type of pipeline threat, on a specific pipeline segment.

Part of the problem is that many forms of interactive external corrosion pipeline cracking threats cannot be accurately characterized to allow meaningful engineering critical assessments that are reliable. Such assumptions or inability to properly engineer and predict interactive threats introduce significant margins of error to fitness for service predictions using ILI assessments. Just doing ILI reassessments when they really aren't capable of dealing with interactive corrosion threats is an illusion of safety. Basically, performing an inappropriate ILI assessment more often is not the solution as further explained below.

VI. The greatest threat on the Las Flores Pipeline System is from external corrosion.

It should not take a pipeline failure to identify that the greatest pipeline integrity threat on the Pipelines is from various forms of external corrosion due to poor design of these Pipelines rendering CP systems ineffective at reducing or preventing external corrosion failure.

The PHMSA Final Report stated:

> **Proximate or Direct Cause**
>
> PHMSA determined that the proximate or direct cause of the release was progressive external corrosion of the insulated 24-inch diameter steel pipeline. The corrosion occurred under the pipeline's coating system, which consisted of a urethane coal tar coating applied directly to the bare pipe, covered by foam thermal insulation with an overlying Polyken tape wrap. Water has been noted in the foam insulation at a number of digs, indicating that the integrity of the coating system had been compromised. The external corrosion was facilitated by the environment's wet/dry cycling, as determined by the PHMSA-approved, third-party metallurgical laboratory. The release was a single event caused at an area where external corrosion had thinned the pipeline wall. There is no evidence that the pipeline leaked before the rupture. There was a telltale "fish mouth" (a split due to over-pressurization) at the release site indicating the line failed in a single event.[21]

PHMSA goes on to list numerous contributory causes, among them a significant observation, "Corrosion under insulation (CUI) cannot be prevented on insulated lines where the coating system has been compromised."[22] This important fact should also play a major role into any decision to restart the Las Flores Pipeline System as explained in further detail in this report. This critically important PHMSA observation should not come as a surprise to any pipeline operator. Bottom line, Plains acquired a poorly designed set of Pipelines in the early 1990s that rendered the CP system ineffective at preventing or mitigating external corrosion on a pipeline system operating at high temperatures. Some years after acquiring the Pipelines and after TIMP regulations were promulgated in late 2002, Plains did not implement an appropriate integrity management program to prevent the pipeline failure from external corrosion attack. The question now is whether Sable's compliance with the Consent Decree under the approval of the OSFM relying on the capabilities of ILI tools can prevent another failure on the Pipelines? **Clearly, current ILI technology does not meet an obligation to reliably identify all forms of external corrosion most likely present on much of the Pipelines.** The CP systems required by PHMSA regulations will not be effective on most of the pipeline mileage in the Las Flores Pipeline System as previously discussed, and from my perspective there is serious doubt as to whether these poorly designed pipelines can be made as safe as new pipelines that have properly functioning cathodic protections.

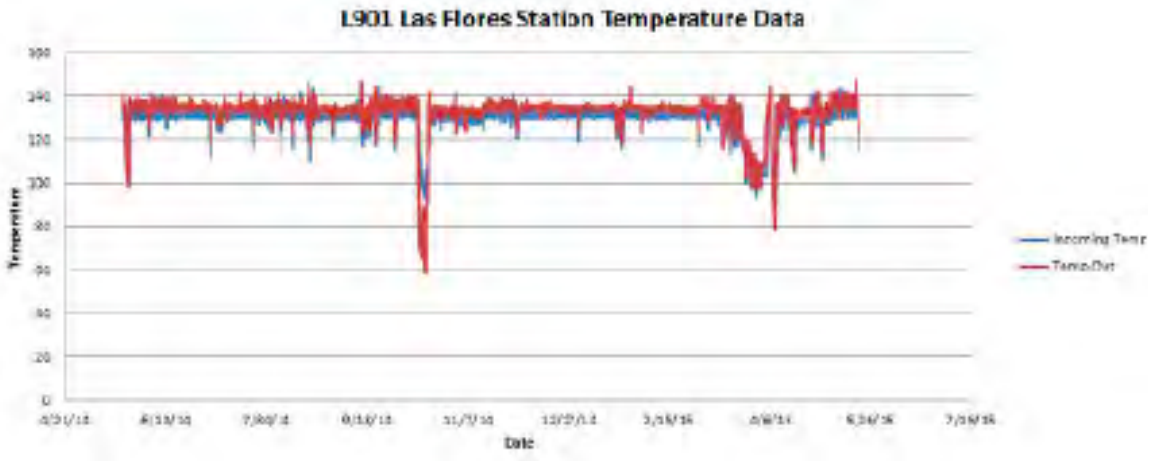
Regarding the Las Flores Pipeline restart decision and related integrity assessments, it is important to understand how CP systems are supposed to work. In layman's terms, a CP system impresses a weak current into a pipeline turning the pipeline into a cathode in an electrochemical corrosion cell on the outside of a buried pipeline, to control or reduce external corrosion. Older nonconducting pipeline coatings such as that which exists on the Pipelines do not allow for CP current to pass through them. The purpose of the CP system is thus to introduce current to the outer pipewall where the older coatings have been penetrated, such as with holes or tears in the outer coating. Unfortunately, older pipeline external coatings such as the urethane coal tar outer coatings, like those on the Pipelines, are also well known to not adhere tightly to a pipeline over time, causing coating separation or disbondment. Such disbondment can result in external

[21] *Ibid*, p. 14 of 21.
[22] *Ibid.,* p. 14 of 21.

pipewall corrosion cells under the coating, generating many different forms of corrosion, especially SCC and SSC cracking in the wrong environments, that are not protected by CP. To add to this threat of external corrosion, the Las Flores Pipeline System's external insulation traps and serves as a water conduit further increasing external corrosion as a water fed corrosion attack. And lastly, the Polyken tape wrap installed during pipeline installation around the outside of the insulation is also well known to not be conductive, further shielding and preventing CP current from reaching the outer pipe wall. **This is a perfect storm or combination of factors all working to render CP ineffective.** Without effective cathodic protections, the pipeline is at particularly high risk of spilling again. To further underscore the lack of a proper integrity management program, this pipeline operates at elevated temperature that accelerates external corrosion as explained further below. New types of pipeline coatings now allow the passage of CP current through such coating to mitigate external corrosion even if the coating disbonds from the pipeline.

VII. High pipeline operating temperatures accelerate all forms of corrosion.

Figure 4 Los Flores Temperature Data from DNV Line 901 Release (5/19/15) Technical Root Cause Analysis included in PHMSA Final Report.[23]



If one is experienced in handling/refining the heavy crude oils produced offshore that feed into the Las Flores Pipeline System, this crude oil not only needs to be diluted with natural gas liquids, or NGLs, but the pipeline must be operated at high pipeline temperatures, approximately 135 °F, that also is required to reduce the blended oil viscosity to get the fluid over the main hill beyond the Sisquoc Pump Station to Pentland. While the PHMSA Final Report mentions 135 °F as a pipeline operating temperature, Figure 4 represents a temperature graph indicting 135 °F was not unusual, but higher fluid temperature to improve the flow and capacity of the Pipelines did occur.

Chemical engineers experienced in reaction kinetics are familiar with the Arrhenius equation which indicates that chemical reaction rates, such as that for corrosion, essentially double for every 10 °C (18 °F) increase in temperature. This means that the rate of corrosion at 140 °F is about 32

[23] *Ibid.,* "Figure 23, L901 Las Flores Station Temperature Data," p. 375 of 510.

times that for a pipeline operating at 60 °F, a typical ambient soil condition. Because of the higher viscosity of unblended offshore oil there probably is little opportunity to reduce the Las Flores Pipeline System temperature to help reduce corrosion rates on a pipeline system where the CP system is ineffective. If the Pipelines are returned to operation, all forms of external corrosion will remain a primary threat of concern for pipeline failure.

VIII. The Consent Decree agreement fails to require adequate IM processes to prevent another rupture of the poorly designed Pipelines.

It is important to understand that the Consent Decree is just a compromise agreement between the signature parties and may be missing important technical matters related to the Pipelines. I find it odd that many of the technical issues discussed above were not identified or addressed in the Consent Decree. External corrosion cracking risk was well known for many decades to be a threat of concern for pipelines exhibiting disbonded external coating where CP systems are ineffective.

I find it especially strange that Plains the pipeline operator at the time of the Line 901 rupture got itself into serious trouble by failing to understand that the poor design of the Pipelines could not be adequately addressed by ILI. It appears that the Consent Decree continues to foster the illusion that ILI can adequately permit assessment of corrosion risks, especially cracking threats most likely to exist on major segments of the Pipelines (see Figure 3, for example). The Consent Decree doesn't even mention corrosion cracking threats for this system operating at high temperature that exacerbates all forms of external corrosion as previously discussed.

And lastly, I would caution that the Consent Decree gives authority to the OSFM on certain pipeline safety related decisions. These OSFM decisions, however, cannot violate federal pipeline safety regulations and that I believe require a public decision process for PHMSA approval to assure any waiver meets or exceeds the level of safety had the wavier not been requested.

IX. The poorly designed Pipelines cannot be made as safe as new pipelines.

Sable's website implies that the Pipelines will be repaired, stating "PPC undertook a comprehensive repair and maintenance program to restore the pipeline to "as-new" condition."[24] As referenced in footnote 19 above, this isn't the only time that a Sable representative has suggested the Pipelines will be restored to "as-new" condition or a "corrosion free" state. A new pipeline would be properly designed such that the federal pipeline safety regulations requiring a CP system would be effective and do its job, while allowing CP monitoring to assure the new pipelines were adequately protected from external corrosion attack by an effective CP design. A new pipeline would not be trying to utilize CP on a pipeline improperly coated, that seriously disbonds from the pipe, with a system insulated to assist in water reaching the outer pipe steel, while operating at higher temperature. All these poor design factors accelerate all forms of external corrosion including cracking. It is a misguided illusion that relying on ILI can attempt to stay ahead of pipeline failure on such a poorly designed system. A cursory review of the PHMSA Final

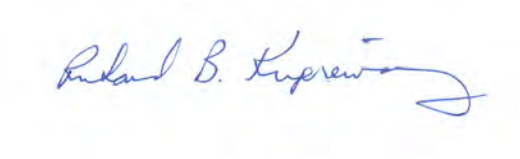
[24] See Sable's website concerning, "Sable Offshore Corp. Provides Update on Pacific Pipeline Company Operations," October 28, 2024, at: https://www.sableoffshore.com/news/news-details/2024/Sable-Offshore-Corp.-Provides-Update-on-Pacific-Pipeline-Company-Operations/default.aspx.

Report, Appendix G In-Line Inspection report will indicate that even running ILI tools, it is impossible to return Line 901 to an "as new" condition given the numerous corrosion anomalies.[25] The idea that running ILI tools should be sufficient to assure an "as-new" pipeline condition and safe operation of these poorly designed Pipelines with ineffective CP protection is a false premise, as the Pipelines are far from being in a new condition, with numerous anomalies, given their poor design approach and operating history.

X. Conclusion.

Given the ineffectiveness of the CP system to protect against external corrosion and the fact that the Pipelines have sat for over nine years without effective CP, and the failure of the Consent Decree to address these possible threats via proper hydrotesting and ILI, it is imprudent to expect that such limited assessment techniques can adequately protect against corrosion failure. Poor pipeline design and using the wrong set of integrity management tools (i.e., tools that do not adequately detect and permit the prudent evaluation of the type of corrosion threats specific to a given pipeline) can make the risk of an oil spill orders of magnitude worse. The Las Flores Pipeline System is unusually dangerous given its age and inherent design flaws.

The above represents my opinions based on experience with too many pipeline rupture investigations. I reserve the right to update this report if more relevant information is made available.



Richard B. Kuprewicz
President
Accufacts Inc.

[25] U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration, "Failure Investigation Report, Plains Pipeline, LP, Line 901 Crude Oil Release, May 19, 2015 Santa Barbara Country, California, - Appendix G In-Line Inspection Report by Lamontagne for the Oak Ridge National Laboratory" May 2016, pp. 44 – 138 of 510.

EXHIBIT C

Accufacts Inc.

"Clear Knowledge in the Over Information Age"

Observations on OSFM Letters of Decision for State Waiver Requests on Line CA-324 and CA-325A/B Related to Possible Restart

Prepared For

The Center for Biological Diversity
&
The Environmental Defense Center

February 21, 2025

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I. Summary.

Accufacts Inc. ("Accufacts") was asked to provide my expert opinion on the Letters of Decision on the State Waivers for the startup of Line CA-324, CA-325A, and CA-325B ("Pipelines") made public in mid-January 2025 by the Office of the State Fire Marshal ("OSFM").[1] This report builds on a previous Accufacts report issued on December 20, 2024."[2] By agreement, a Consent Decree gives the OSFM main pipeline safety approval authority of the Pipelines if the OSFM's actions are not in conflict with PHMSA pipeline safety regulations, and if PHMSA decides the proposed state waiver alternative measures "provide an equal or greater level of safety."[3] It is my understainding that PHMSA can choose to: 1) Not comment on this matter allowing the State Waiver to occur and startup to proceed, 2) Not approve the waiver preventing the startup, or 3) Impose additional requirements to assure an equal or greater level of safety to current minimum federal pipeline safety regulations occurs.

The current coating installations do not provide "limited effectiveness of the cathodic protection system," as mentioned by the Decision letters issued by the OSFM. This I believe is a poor choice of words that understates the fact that the CP system is ineffective on most of the Pipelines' mileage. The OSFM is thus being asked to grant a state waiver on federal pipeline safety minimum requirements intended to address external pipeline corrosion from an ineffective CP installation, while relying on hydrotesting and various forms of inline inspection, ILI or smart pigging, to avoid pipeline failure from the resulting external corrosion.

The waivers attempt to allow startup of the Pipelines relying mainly on ILI technology to identify corrosion threats before failure. In addition, the Application by the Pipeline's operator appears to be relying on a circumferential magnetic flux leakage (MFL-C tool) approach run in February 2022 to argue for the removal of federal regulation requiring the 180 day condition for scheduling remediation of "corrosion of or along a longitudinal seam weld."[4, 5] Our experience with MFL-C tools is that if certain parameters are not incorporated, such ILI tools can miss a lot of cracks. I see no mention of such important conditions in the referenced letter that would demonstrate that this ILI run is reliable. I do not see sufficient justification to waive 49CFR452(h)(4)(iii)(H) as such a waiver would not provide an equal or greater level of safety as no carbon steel pipeline, even new modern steel pipelines, are invincible to corrosion attack.

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[1] OSFM letter to Sable/PPC Offshore Corp, "Letter of Decision on the Sate Waiver Request for Limited Effectiveness of Cathodic Protection on Thermally Insulated Pipeline and Corrosion of or Along a Longitudinal Seam Weld (CA-324) ("Decision Letter 324") and Letter of Decision on the State Waiver Request for Limited Effectiveness of Cathodic Protection on Thermally Insulated Pipeline and Corrosion of or Along a Longitudinal Seam Weld (CA-325A/B) ("Decision Letter 325A/B")", dated 12/17/24.

[2] Accufacts, "Evaluation of Las Flores Pipeline System Startup Proposal," prepared for The Center for Biological Diversity & The Environmental Defense Center, December 20, 2024.

[3] PHMSA website: https://www.phmsa.dot.gov/pipeline/special-permits-state-waivers/special-permits-and-state-waivers-overview.

[4] Pacific Pipeline Company (Aka now as Sable/PPC) letter to OSFM, "Subject Pacific Pipeline Company (OPID 40475) State Waiver Application for the Las Flores Pipeline CA-324 (OSFM #00115)," July 10, 2023, p. 5 related to MFL-C February 2020 ILI run.

[5] 49CFR452(h)(4)(iii)(H).

A simple plot of the type and approximate milepost location of external corrosion such as wall loss or cracking, including field as well as ILI indications along the Pipelines, will underscore how challenging the operation of the present Pipelines will be without effective CP. Such a plot will clearly demonstrate that the Pipelines are not "like new" as indicated by some recent Sable/PPC representatives. Further explanation is also warranted as to why the pipeline operator assumes there is no SCC or SSC risks associated with water on the Pipelines.

A proposal to replace the Pipelines with a new smaller diameter heated pipeline that would be uninsulated and built with modern unshielding coatings was aborted.[6] This proposal would have permitted the CP system to do its job addressing external corrosion, while complying with federal pipeline regulation.

II. The current installation renders the CP system ineffective.

The construction of Line 324 in the late 1980s utilized coal tar urethane coating applied to the bare steel pipeline, covered by sprayed on insulation to assure the pipeline was operated at higher temperatures. The insulation was then wrapped with a non-conductive polyethylene tape coating.[7] While there may be some confusion as to the coating installation on what is now named 325A/B, information leads us to believe this coating installation is similar on these pipelines as that on Line 324. To anyone vaguely familiar with pipeline external corrosion protection and cathodic protection ("CP") intent, this approach is a fundamental failure of design/installation reflecting much inexperience in pipelines. The polyethylene tape shields and prevents CP current from getting to the external pipeline steel, and the insulation system works to shield while increasing the likelihood of water in close proximity to the pipe, especially in areas where the coal tar coating directly on the pipeline steel has separated, or disbonded, from the pipe.[8] With such heavy shielding there is thus no way for any CP system current to ever reach the pipeline to reduce/prevent external corrosion.

With the exception of a few feet of buried pipe that has undergone repairs, replacing the existing poor design and coating installations with a few feet of dual epoxy coatings, the shielded CP system is ineffective. The various threats of external corrosion on the Pipelines are exacerbated by the elevated temperature, the potential for water to accumulate along the Pipelines via the insulation, the application of non-conducting tape wrap around the insulation, and the use of older coal tar coating directly on the pipeline that exhibits separation (aka disbondment) from the pipe steel. Disbonded coating in the wrong environments is especially conducive to cracking threats, such as SCC or SSC as discussed in this report. I have seen no convincing arguments that water environments conducive to corrosion cracking are not around or under the coating on the Pipelines.

[6] Plains Administrative Draft EIR, "Plains Replacement Pipeline Project," February 2022.

[7] U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration ("PHMSA"), "Failure Investigation Report Plains Pipeline LP, Line 901 Crude Oil Release, May 19, 2015, Santa Barbara County, California, May 2016, Appendix E: Corrosion Control and Pipeline Conditions, page 1 of 4.

[8] *Ibid.,* Page 3 of 21, and Mechanical and Metallurgical Testing, Photos Figure 1 through 20.

III. Compliance with CP regulatory requirements is ineffective, making performance with this regulatory requirement meaningless.

The Pipelines thus have ineffective CP protection from external corrosion that is exacerbated by operation of the Pipelines at elevated temperatures, seriously increasing corrosion rate as discussed in my previous report.[9] Attempts to gauge the effectiveness of the CP system utilizing CP performance measures identified in PHMSA regulations are meaningless in such heavily shielded installations. Just operating the Pipeline with CP "on" to meet federal minimum regulatory requirements will not prevent external corrosion attacks that can take on various forms on the Pipelines. It should be noted that the OSFM has required "Where the operator discovers external corrosion in combination with coating deterioration, the operator must recoat with a two-part epoxy. Sable must recoat in accordance with their repair procedure." which does allow repair replacing with the existing installation approach, given its many shortcomings to prevent external corrosion.[10] This requirement places the responsibility on the pipeline operator to identify when or if any, field digs should occur to confirm coating degradation. The operator should be primarily focused on identifying environments around the pipeline that are precursors to various forms of external corrosion attack, given the many conditions related to the pipeline design/installation conducive to external corrosion attack.

It is on the limited repaired sections, measured in feet, that the CP should be effective as such short length repairs replace the poorly designed shielding original coating installations. For the vast majority of the Pipelines mileage, however, the CP remains ineffective. The requirements to measure CP performance stated in 49CFR§195.2 (NACE SP 0169 – 2007 edition, paragraph 6.2.2) are meaningless when heavy shielding, such as that which occurs on CA-324 and CA-325A/B, prevents CP current from reaching the pipeline.

IV. This is more than simple corrosion under installation (CUI) issue.

Considerable past discussions have suggested that this is a corrosion under installation (or CUI") problem implying that this is the only controlling issue. While CUI is certainly a contributing factor, the corrosion threats go well beyond CUI. As previously discussed, heavy shielding, the tape coating around the insulation, the vintage/type of coating directly on the Pipelines prone to disbondment, the operating temperature, and the environment around the Pipelines, work in concert to create external corrosion in its various forms. The Consent Decree is an agreement based on the premise that higher risks of external corrosion can be mainly addressed by ILI tools. The multiple forms of external corrosion which can occur on the Pipelines require various different approaches, beyond ILI, as discussed further in this report.

[9] Accufacts, "Evaluation of Las Flores Pipeline System Startup Proposal," prepared for The Center for Biological Diversity & The Environmental Defense Center, December 20, 2024, p. 13.
[10] OS OSFM letter to Sable/PPC Offshore Corp, "Decision Letter 324 and Decision Letter 325A/B")," dated 12/17/24, pp. 11 and 11 respectively.

V. External corrosion on buried pipelines falls into four major categories.

External corrosion on buried steel pipelines falls into four general categories: 1) wall loss or thinning of the pipe wall, 2) cracking or crack-like, 3) pitting, and 4) corrosion within dents.

1. **Pipe wall loss corrosion is generally understood to occur over larger areas of the pipe.**

   Internal or external corrosion can cause pipe wall thinning. Such thinning differs from pit corrosion discussed below, in that pipe wall loss thinning tends to occur over a wider area of the pipe. Despite previous multiple ILI runs, external corrosion pipe wall loss, or thinning, was the condition that resulted in the May 19, 2015 pipeline rupture failure. External corrosion on the shielded pipe allowed general corrosion thinning of the pipeline until the pipe failed under pressure. It should be worth noting that wall loss in excess of 0.8 wall thickness (actually 0.91) which occurred in the May 19, 2015 rupture, places the operator at great risks. Ironically, pipe wall loss is generally one pipeline failure threat that advances in the ILI technology over recent decades was intended to address, either with ILI mag flux or ultrasonic approaches which are different technical methods.

2. **Cracking or crack-like corrosion is usually an environmental threat difficult to assess.**

   This is associated with various forms of pipeline cracking, such as selective seam corrosion or stress corrosion cracking. While engineers like to think they can calculate time to failure, such time to failure estimates for these forms of corrosions are hard to reliably predict. Given the probability that such cracking, especially if in clusters, can interact with other cracks, or weaknesses in the pipe body near/at welds, makes prediction to failure highly unreliable. Such pipe weaknesses can occur at weld heat affected zones, at girth welds, or at manufacturing related pipe seams, in unpredictable ways that can quickly negate time to failure calculation/estimates, even if cracking potential is identified.

   Sable/PPC has requested an exemption from 49CFR452(h)(4)(iii)(H) explaining this is usually a SSC threat related to earlier vintage manufacturing processes such as LF-ERW which tends to exhibit lower pipe toughness. There are other related risks to the manufacturing process of modern steels such as DSAW and HF-ERW concerning cracking potential from poor coating/ineffective CP approaches. Because of the nature of disbonded coating in proximity to water, coating can tent at weld seams creating potential for cracking corrosion attack, such as SSC. Even modern pipe steels are not invincible to such cracking corrosion potential, especially on pipelines operating at elevated temperatures. Unless the operator can show why such environments don't exist, their request to be exempted from 49CFR452(h)(4)(iii)(H) should be denied. These explanations should go well beyond a MAG-C pig run the pipeline operator has provided.

3. **Pitting corrosion is a special form of wall loss that is difficult to identify via ILI.**

   This is the loss of pipe steel in concentrated small areas, forming localized small holes or pits, usually at girth welds, that can weaken the pipeline and cause a release. Pit corrosion identification via ILI, even newer generations of ILI tools, can be very challenging. Pit corrosion threats are usually verified via field digs or pipeline releases. While this threat can be a bona fide threat on the Pipelines that are heavily shielded rendering CP ineffective, there has been no mention that this threat has been identified.

4. **Corrosion within dents is a special form of dent threat.**

   Corrosion or cracking within a dent, also known as "dents with stress concentrators" are hard to identify via ILI, and almost impossible to reliably predict time to failure. Such threats are usually identified by high-definition geometric ILI dent tools, the location around the pipeline, and field dig verification assessments. The ILI determination using high resolution caliper or geo pigs, have proven reliable at identifying dents and their location on a pipeline.

VI. Types of ILI technology.

Given the possible types of external corrosion on the Pipelines, I now focus on a simple high-level discussion of corrosion ILI technical approaches.

1. **General wall loss corrosion.**

   After the advancement of geometric or deformation ILI technology, the next early phase of ILI use focused on general corrosion wall loss, or pipeline thinning along the axis or flow direction of the pipeline. In this field, technology split into two different approaches, magnetic flux leakage and ultrasonic. Magnetic flux leakage (or mag flux) approaches utilized software algorithms to characterize changes in magnetic flux to identify wall loss aligned in the axial, or direction of flow, usually the most insidious and common corrosion flaws for pipe. Mag flux ILIs fall into two general categories: low resolution (usually associated with earlier generation) and high resolution (usually more complex and more expensive). Mag flux technology shifted from low resolution to the more sophisticated high resolution approaches where corrosion is problematic. There are still pipelines that utilize low resolution mag flux because of cost, so care should be exercised in the application of this form of ILI on liquid pipelines. The waivers specifically require UT ILI the first two years of operation, but are moot, indicating magnetic flux ILI in the future could be allowed without clarification as to high res or low res ILI.

   Ultrasonic ILI approaches use beams of ultrasonic energy to identify both external and internal corrosion wall loss. While a simplification, ultrasonic approaches are analogous to radar, where reflected energy readings are utilized to measure changes in pipe wall thickness. Originally, ultrasonic approaches, focusing on wall loss evaluation, directed UT energy directly into the pipe in the radial direction for wall thickness and resulting wall loss corrosion sizing determinations.

2. Cracking corrosion.

Pipeline ruptures from cracking threats drove a need for ILI tool cracking development. Thus, a next generation of ultrasonic ILI approaches advanced by changing the angle of the UT beam from radial into the pipe to at an angle to help spot cracks that might be developing. This form of UT approach is identified as shear wave. As more pipeline failures from cracking were uncovered, additional advances known as phased array ultrasonic (PAUT) have recently developed, though such measurements are currently focused on field measurement of uncovered pipeline, as ILI in this area I would categorize as still under development.

I have investigated too many pipeline ruptures that occurred after an ILI run which indicates more regulatory work is needed in ILI regulations related to applications of ILI. No ILI vendor provides such tools claiming they will not work. It is the pipeline operator's responsibility to ensure ILI runs meet the restrictions placed by the tool vendor (such as speed) and to verify the tool vendor's claimed capability with a proper number of field verification digs.

VII. What is the purpose of hydrotesting?

There are basically two types of hydrotesting mentioned in federal pipeline safety: 1) What I call a subpart E, or proof of MOP test, and 2) a crack hydrotest, what is referred to as a "spike hydrotest" that is performed at much higher test pressures as a %SMYS. Both forms of hydrotesting are proof test, good at the time of the test, and don't characterize time dependent pipeline threats such as corrosion.

The purpose of an MOP hydrotest is to proof the fitness for service of a pipeline at the time of the test, with a certain margin of pressure safety that usually deteriorates with time. Subpart E MOP tests are not crack integrity test. If a pipeline system has crack forming potential an MOP test is not appropriate.

Spike hydrotests are meant to avoid pressure reversals associated with crack threats on pipelines. Pressure reversals are where cracks remaining after MOP hydrotest tests can enlarge for various reasons to result in possible failure during operation, usually at lower pressures. It is my experience that spike hydrotests are meant to deal with cracking threats if such a threat exists. The performance metric for the suitability of a spike hydrotest is the range of %SMYS for the specific test segment. For pipeline elevation changes like that associated with 325A/B, a spike hydrotest requires the pipeline be segmented to keep test pressures within reasonable ranges that don't produce permanent yielding of the pipe. The information made public to date indicates that the previous hydrotests performed in 1986, because of elevation changes, required Line 325A to undergo hydrotesting in 9 segments and in Line 325B in 11 segments. Unfortunately, the hydrotest segments in the public record application are identified by station number and not by approximate milepost. Since there is usually no correlation between station number and milepost, I thus cannot evaluate whether the Decision Letter 325A/B pressure testing parameters are adequate for Line 325A.[11] It is worth noting that the Decision Letter 325A/B makes no mention of a subpart E

[11] Decision Letter 325A/B, "Pressure Testing," page 5.

hydrotest or spike hydrotest on Line 325B. The proposed segments for hydrotests on 325A need to be identified by approximate milepost to permit evaluation as to whether the waiver requirements are appropriate. The reasons for hydrotesting exclusion on Line 325B need to be properly justified and made public by the OSFM.

VIII. The illusion that corrosion growth rate can be accurately predicted needs to be explained.

One of the critical parameters that I have observed in too many pipeline rupture investigations is that ILI can be utilized to accurately predict corrosion growth rates ("CGR") to help set a critical ILI run timing, for example. The Pipelines essentially have no effective CP, operate as a higher temperature system, contain disbonded coating, incorporate heavy shielding which prevents CP from reaching the Pipelines and operate with insulation that moves water on/near the outside of the pipe. Such a combination of factors can provide a wide variation in types of external corrosion as well as corrosion rate estimates. CGR estimates can be especially problematic if CGR approaches miss possible corrosion interaction threats that can considerably shorten time to failure estimates. I advise that CGR be utilized with extreme caution given this possible variation, especially for corrosion threats that can interact, such as SCC, whose time to failure can be highly unpredictable. Corrosion growth rate estimates can vary considerably given the various form of external corrosion, especially related to cracking in combination with its location near sensitive pipe locations such as seam or girth welds.

IX. Major state waiver deficiencies:

Key observation on the state waivers for the Pipelines:

1. **A key corrosion performance tracking process step in the state waivers for the Pipelines is missing.**

   While not specially required in minimum pipeline safety regulations or the waivers, a prudent pipeline operator on a pipeline system highly susceptible to corrosion will plot or graph corrosion indications by type and severity, by approximate milepost. This is especially important on the Pipelines given their history of extensive corrosion caused by the lack of CP effectiveness, poor coating types causing disbondment or shielding, increased temperature, insulation that tends to wick water, and poor performance of ILI. Such graphing aids a pipeline operator in understanding possible corrosion "hot spot" segments whose threats on a pipeline increase because of environmental factors that merit additional assessment, and maybe even pipeline segment replacement from a corrosion point of view.

   Care also needs to be taken that all corrosion sites are prudently evaluated for possible interactive threats, such as general wall loss in combination with cracking, or near pipe welds, such as that which can occur with cluster corrosion. I see no mention in the Letters of Decision and waivers requiring such important corrosion tracking on the Pipelines.

2. A major state waiver deficiency for Line 324.

Given the pipeline properties stated for Line 324 (a single grade X65, 0.344 in wall thickness, 24-inch diameter, HF-ERW), I can calculate the various % SMYS for the spike (minimum and maximum test pressures, and MOP hydrotests) based on an estimated approximate elevation profile by milepost as Line 324 can be hydrotested as one segment given its limited elevation profile.

A critical condition in the OSFM Decision letter 324 is:

> "12. Prior to placing the pipeline in operation, Sable must conduct a spike hydrostatic pressure test of the state waiver pipeline segments at a minimum pressure that is at least 1.5 times the MOP or 100% SMYS, for a minimum of 15 minutes after the spike hydrotest is stabilized. Sable must field evaluate and remediate the following anomalies before performing the spike hydrostatic test on CA-324:
>
> a. All metal loss anomalies that have an ILI reported depth of 40% and greater wall loss.
> b. All anomalies that have a predicted failure pressure less than or equal to 1.6 times MOP."[12]

For the 24-inch diameter pipe, wall thickness and grade stated in the Decision Letter 324, 100% SMYS calculates to 1863 psig. 1.5 times the stated MOP of 1003 psig calculates to 1504 psig, at the highest elevation point. Thus, the spike test at the highest elevation point as required above is likely to be the lower maximum test pressure of 1504 psig which calculates to about 81% SMYS**, a value I believe is too low for corrosion cracking screening and evaluation**. The OSFM needs to explain why the proposed spike hydrotest of Line 324 is so low.

The bottom line is that Sable/PPCs should demonstrate whether there are environmental conditions around Line 324 that are conducive to cracking either SCC or SSC, and these conditions should go well beyond a Mag-C tool run (such as sufficient field digs to verify the ILI tool's claimed capability). I see no such important conditions in Sable/PPCs application that instill confidence that Line 324 does not have environments favoring external cracking. While it is true that certain pipe manufactured before 1970 is more prone to SSC, or SSWC, for various reasons, there is no modern pipe, even HF-ERW located in Line 324 or DSAW located in 325 A/B, that is invincible to such corrosion cracking threats, especially if the coating directly applied to the pipe has "tented" on the weld seam, allowing water to enter between the coating and the pipe to create a corrosion cell. There is no carbon steel pipeline, even new modern manufactured steel pipelines, invincible to such corrosion attack.

[12] Decision Letter 324, "Pressure Testing," pages 4 – 5.

3. Major state waiver deficiencies for Line 325A/B.

Decision Letter 325 states that Line 325A and 325B is composed of 30-inch diameter of two pipe grades (X65 with a thickness of mainly 0.344 inch and X70 with a wall thickness mainly of 0.281 inches composed of DSAW, with one small segment of 0.03 miles containing HF-ERW). I used the term "mainly" as Sable's/PPC's application indicates these two lines are also largely composed of these grades with a small percentage of varying thicknesses.[13] For these two pipe grades, and thicknesses, 100 % SMYS calculates to 1490 psig for X65 and 1311 psig for X70. Since the location of the various pipe grades by approximate mileposts within CA-325A/B are not indicated, and given the dramatic elevation profiles for 325A/B the proposed hydrotest segments, if any, by milepost and elevation segments need to be made public. Without such information, I cannot calculate the % SMYS range for hydrotests given the OSFM conditions. Hydrotest segments are identified by station number which don't necessarily sync with milepost or MP.[14] **These important test segment parameters, by approximate MP, and elevation need to be made public to assure prudent hydrotesting is being required to address the possible general corrosion and cracking risks on Line 325A/B**.

It is worth noting that the OSFM does not require a MOP and spike hydrotest of 325B which has very significant elevation changes. This would suggest that Line 325B is not being evaluated by hydrotesting. The reason(s) for this decision needs to be made public.

X. Conclusions.

Hydrotest segments proposed for the Pipelines need to be made transparent and include approximate MP, given the major role that elevation change plays on this system. Critical parameters related to location by milepost of the varying grades and thicknesses of pipe on 325 A/B and their associated hydrotest segments need to be identified by approximate MP as well, to verify if the OSFM parameters are sufficient for the specific types of corrosion threat. The reason as to why a spike hydrotest on 324 and 325 A are limited needs to be explained, as well as to why 325B hydrotesting has not been included in either a subpart E or spike hydrotest,

The incompleteness of the waivers lead me to conclude that I cannot determine the waivers provide sufficient information to assure an equal or greater level of safety for the Pipelines had the operator had an unshielded coating design that complied with federal minimum pipeline CP protection intended to avoid pipeline failure from external corrosion.

Richard B. Kuprewicz
President
Accufacts Inc.

Richard B Kuprewicz

[13] Sable/PPC letter to OSFM, "Subject Pacific Pipeline Company (OPID 40475) State Waiver Application for the Las Flores Pipeline CA-324 (OSFM #00115). Pipeline System Background Data Attachment B of State Application Table B-3 Line Pipe Specifications," July 2023, p. 4.
[14] *Ibid*., "Table B-6 Historic Hydrotest Summary," p. 6.

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SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SANTA BARBARA
SOUTH COUNTY REGION

CENTER FOR BIOLOGICAL DIVERSITY and WISHTOYO FOUNDATION,

Petitioners/Plaintiffs,

v.

CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION; OFFICE OF THE STATE FIRE MARSHAL; DANIEL BERLANT, in his official capacity as State Fire Marshal; and DOES 1 through 10, inclusive,

Respondents/Defendants.

SABLE OFFSHORE CORP., a Delaware Corporation, PACIFIC PIPELINE COMPANY, a Delaware Corporation, and DOES 11 through 20, inclusive,

Real Parties in Interest.

Case No. 25CV02244

VERIFIED PETITION FOR WRIT OF MANDATE AND COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF

[Code Civ. Proc. §§ 1094.5, 1085; Pub. Resources Code § 21000 *et seq*. (California Environmental Quality Act); Gov. Code § 51010 *et seq*.; 49 U.S.C. § 60101 *et seq*. (Pipeline Safety Laws)]

Petitioners and Plaintiffs Center for Biological Diversity and Wishtoyo Foundation bring this action on their own behalf, on behalf of their members, on behalf of the general public, and in the public interest, and allege as follows:

INTRODUCTION

1. This Verified Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief challenges the December 17, 2024, decision of the California Department of Forestry and Fire Protection and its Office of the State Fire Marshal (collectively Cal Fire) to grant pipeline safety regulation waivers (State Waivers) that enable Sable Offshore Corp. to restart the Las Flores Pipeline System and its connected oil and gas production and transport infrastructure ten years after a catastrophic oil spill from the pipeline system shut down operations. Cal Fire approved the State Waivers without any environmental review, public notice, hearing, opportunity for public comment, or the required findings in violation of the California Environmental Quality Act (CEQA) and California and federal pipeline safety laws.

2. The onshore Las Flores Pipeline System carried oil from the Santa Ynez Unit off the coast of Santa Barbara until May 19, 2015, when Line 901 (now known as CA-324) ruptured after extensively corroding over time, causing one of the largest oil spills in California's history, known as the Refugio State Beach oil spill.

3. According to the Pipeline & Hazardous Materials Safety Administration's (PHMSA) failure investigation report, the direct and proximate cause of the rupture was "progressive external corrosion" that occurred due to the pipelines' ill-designed coating and insulation system and the inability of the pipeline system's "cathodic protection system" to effectively prevent corrosion as intended.

4. The spill had devastating environmental impacts: it damaged approximately 1,500 acres of shoreline habitat and 2,200 acres of subtidal and fish habitats; it killed at least 558 birds—across over 28 species—and 232 marine mammals; and it resulted in the loss of over 140,000 user days in Santa Barbara and Ventura counties—including opportunities to fish, harvest shellfish, camp, sunbathe, beach comb, exercise, swim, view wildlife, dive, boat, and surf.

5. After the spill, the then-owners and operators of the Santa Ynez Unit oil and gas assets did not attempt to restart the failed and defectively designed pipeline system, with its attendant risks to public health and safety. Instead, it pursued permits to truck oil across California highways in the short term, while seeking permits to build a new replacement pipeline system for the long term.

6. As described in more detail below, the previous owners abandoned the pipeline replacement plans and sold the Santa Ynez Unit assets to a newly formed Texas company, Sable Offshore Corp., which is now attempting to restart the corroded pipeline system without fixing the core problem that caused the 2015 rupture. This proposal comes with great risk. According to a draft Environmental Impact Report prepared by Santa Barbara County for the abandoned pipeline replacement project, restarting the existing pipeline could result in an oil spill *once a year* and a rupture *once every four years* even with the installation of additional valve stations intended to reduce spill volumes. According to the same document, the public safety and oil spill risks of a restart would be significant and unavoidable. The analysis also notes a Cal Fire report that indicates the risk of a spill from the pipeline system without effective cathodic protection system is a full five times greater than had previously been estimated.

7. To restart the heavily corroded and corrosion-prone Las Flores Pipeline System without effective cathodic protection and with its fundamental design flaws, Sable Offshore Corp.'s only option was to seek State Waivers from federal pipeline safety laws from Cal Fire. Without these waivers, restart is not an option. By taking this restart and State Waivers pathway, Sable is essentially abandoning a front-end, corrosion-preventing cathodic protection system and replacing it with an untested, kludged-together collection of risk management and monitoring procedures on the back end that are not consistent with public safety or protection of the environment or as safe as a properly designed pipeline.

8. Although Cal Fire initially made assurances that it would not issue the State Waivers before holding a public meeting, on information and belief, Cal Fire did not post any notice or hold any public comment period or hearing before granting the State Waivers. On information and belief, Cal Fire also did not post any notice after it approved the State Waivers

to indicate how it had fulfilled its CEQA responsibilities. Rather, nearly four weeks after approving the State Waivers, Cal Fire posted the State Waivers on its website *Pathways for Restarting CA-324 and CA-325,* https://osfm.fire.ca.gov/what-we-do/pipeline-safety-and-cupa/pathways-for-restarting-pipelines.

9. Forty years ago, state and federal agencies prepared a National Environmental Policy Act (NEPA)/CEQA review on the environmental impacts of what was called the Celeron/All American and Getty Pipeline Projects to transport heated crude oil 1,200 miles from the Santa Barbara and Santa Maria Basins to a pump station in Kern County (via what is now known as the Las Flores Pipeline System) and onward to McCamey, Texas. That NEPA/CEQA review contemplated a 30-year service life for the Las Flores Pipeline System, which came online in 1991–1992. The Environmental Impact Report (EIR)/Environmental Impact Statement (EIS) stated that the "entire pipeline system would be protected from corrosion" by proper coating and a functioning cathodic protection system, that it would not experience corrosion problems, and that it would have a low oil spill risk. It failed to address the environmental consequences of a pipeline system that failed catastrophically, whose primary pipeline integrity and spill prevention technology is defective, whose critically flawed anti-corrosion cathodic protection system cannot be fixed, and that now requires State Waivers from otherwise federally-mandated corrosion prevention and mitigation measures to restart—waivers that rely on alternative measures that have their own, never-analyzed impacts.

10. Cal Fire was required by law to initiate a new environmental review process, consult with all other responsible agencies, and provide public hearing and comment opportunities before granting State Waivers that enable Sable Offshore Corp. to restart the Santa Ynez Unit oil and gas operations and transport of oil through the Las Flores Pipeline System (Project).

11. Petitioners Center for Biological Diversity and Wishtoyo Foundation challenge Respondents' issuance of the State Waivers for this Project absent new environmental review and without a public hearing and public comment opportunities despite the pipeline system's inherent design flaws, history of failure, continued susceptibility to corrosion, and the extensive

environmental impacts associated with the waivers themselves and the Santa Ynez Unit restart as a whole.

12. Cal Fire's approval of the State Waivers for the Project violated CEQA and state and federal pipeline safety laws including, without limitation, failing to conduct full environmental review; failing to provide public notice and a public hearing; failing to demonstrate that the State Waivers are consistent with pipeline safety, that they are not a risk to public safety, and that the probability of injury or damage is remote; and failing to provide a statement of reasons and discussion of significant factors before issuing its decisions.

PARTIES

13. Petitioner and Plaintiff CENTER FOR BIOLOGICAL DIVERSITY (the Center) is a nonprofit conservation organization dedicated to the protection of native species and their habitats through science, policy, and environmental law. The Center has over 93,900 members worldwide, including over 18,000 members who live in California, and over 550 members who live in Santa Barbara, San Luis Obispo, and Kern counties. The Center has worked for many years to protect imperiled plants and wildlife, open space, air and water quality, and the overall quality of life for people in the region where the Project is proposed. Members of the Center will be directly and adversely affected by the approval and operation of the Project. Although there has been no formal public comment opportunity, the Center nonetheless submitted numerous written comments to Cal Fire objecting to and commenting on the Project.

14. Petitioner and Plaintiff WISHTOYO FOUNDATION was founded in 1997 to preserve and protect Chumash culture, the culture of first nations peoples; to protect natural cultural resources essential to Chumash lifeways and all people; and to educate and instill in youth environmental values, awareness, and stewardship. Wishtoyo is a place, organization, and movement inspiring people to live in harmony with our Earth again. Wishtoyo serves as a "rainbow bridge" linking Chumash and indigenous lifeways with the protection of natural and cultural resources, utilizing traditional ecological knowledge to provide environmental and cultural preservation, justice, education, research, and advocacy. Wishtoyo has a longstanding

record of protecting and restoring the coastal watersheds of Chumash homelands, the Santa Barbara Channel, and the Pacific Ocean.

15. Petitioners are organizations whose missions and work for decades have focused on combatting the negative impacts of oil development and transportation on human health and the environment and whose members both in and outside of Santa Barbara, San Luis Obispo, and Kern counties care about air quality, water quality, wildlife and their habitat, cultural and historic resources, and human health. Their members' very safety and enjoyment of this region will be directly affected by the outcome of this case. Petitioners and their members have been engaged in a years-long effort to ensure that after the Refugio State Beach oil spill disaster, no restart will occur without full compliance with the law, including CEQA and pipeline safety statutes and regulations. The Center and Wishtoyo Foundation represent members across the three directly implicated counties and have interests in protecting public health, cultural resources, and the environment from the environmental impacts of the Project. Petitioners' members include people who reside, go to school, recreate, and work in areas around the Las Flores Pipeline System and other Santa Ynez Unit infrastructure and would be impacted by the Project. The Project could jeopardize their health, safety, and enjoyment of the area.

16. On information and belief, Respondent and Defendant CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION is a political subdivision of the State of California, organized and existing under the laws of the State of California, with the capacity to sue and be sued. The California Department of Forestry and Fire Protection includes several organizational programs, including the Office of the State Fire Marshal.

17. On information and belief, Respondent and Defendant OFFICE OF THE STATE FIRE MARSHAL is a political subdivision of the State of California, organized and existing under the laws of the State of California, with the capacity to sue and be sued. The Office of the State Fire Marshal is the state agency responsible for ensuring the safety of intrastate hazardous liquid pipelines and their compliance with state and federal laws. In 2016, the Office of the State Fire Marshal assumed authority to regulate the Las Flores Pipeline System (Lines 901/CA-324

and 903/CA-325) from the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA).

18. On information and belief, Respondent and Defendant DANIEL BERLANT is the State Fire Marshal and is sued in his official capacity as head of the Office of the State Fire Marshal.

19. On information and belief, Real Party in Interest SABLE OFFSHORE CORP. (Sable) is a Project applicant for purposes of the State Waivers and CEQA, the operator of the Las Flores Pipeline System, and a recipient of the approvals challenged in this action.

20. On information and belief, Real Party in Interest PACIFIC PIPELINE COMPANY is a wholly owned subsidiary of Sable, the legal owner of the Las Flores Pipeline System, a Project applicant for purposes of the State Waivers and CEQA, and a recipient of the approvals challenged in this action.

21. Petitioners do not know the true names and capacities, whether individual, corporate, associate, or otherwise, of respondents DOES 1 through 10, inclusive, and therefore sue said respondents under fictitious names. Petitioners will amend this Petition to show their true names and capacities when they have been ascertained. Each of the respondents is the agent and/or employee of Respondents, and each performed acts on which this action is based within the course and scope of such respondents' agency and/or employment.

22. Petitioners do not know the true names and capacities, whether individual, corporate, associate, or otherwise, of real parties in interest DOES 11 through 20, inclusive, and therefore sue said real parties in interest under fictitious names. Petitioners will amend this Petition to show their true names and capacities when they have been ascertained.

JURISDICTION AND VENUE

23. This Court has jurisdiction under California Code of Civil Procedure section 1085 or, in the alternative, section 1094.5 and under Article VI, section 10 of the California Constitution to issue a writ of mandate setting aside the California Department of Forestry and Fire Protection and its Office of the State Fire Marshal's (collectively Cal Fire) decision to

approve the Project. Judicial review of Petitioners' CEQA claims is governed by Public Resources Code sections 21167, 21168, 21168.5, and/or 21168.9.

24. Venue for this action properly lies in the Superior Court of Santa Barbara County under Code of Civil Procedure sections 393, 395, and 401, subdivision (1), because a significant portion of the proposed site of the Project is in the County, many of the significant environmental impacts from the Project would occur in the County, and the Project affects the interests of County residents, including members of Petitioners.

25. Respondents have taken final agency action by approving the State Waivers for the Project and did not undertake any CEQA environmental review process when it did so. Respondents had a duty to comply with CEQA prior to issuing the discretionary approvals at issue in this lawsuit.

26. On information and belief, Cal Fire did not post any notice of exemption or notice of determination for this Project. This action is timely filed within 180 days of Cal Fire's decision to issue the State Waivers in accordance with Public Resources Code section 21167, subdivision (a), and California Code of Regulations, title 14, section 15112, subdivision (c)(5).[1]

27. Petitioners complied with the requirements of Public Resources Code section 21167.5 on April 12, 2025, by serving a written notice of Petitioners' intention to commence this action on Respondents. A copy of the written notice and proof of service is attached as **Exhibit A.**

28. Petitioners elected to prepare the record of proceedings in this proceeding or pursue an alternative method of record preparation pursuant to Public Resources Code section 21167.6, subdivision (b)(2). A copy of Petitioners' Election to Prepare Administrative Record of Proceedings is attached as **Exhibit B.**

29. Petitioners complied with Public Resources Code section 21167.7 and Code of Civil Procedure section 388 by providing the Attorney General of the State of California with a

[1] CEQA Guidelines are codified in title 14, section 15000 et seq. of the California Code of Regulations; all references to "CEQA Guidelines" refer to these sections in title 14.

copy of the Petition and notice of filing this action. A true and correct copy of the notice and proof of service to the Attorney General are attached as **Exhibit C**.

30. Petitioners complied with the requirements of CEQA Guidelines section 15232 by concurrently filing a request for a hearing. A copy of the Petitioners' Request for Hearing and Notice of Request is attached as **Exhibit D.**

31. Petitioners have satisfied all conditions precedent to filing this instant action and have exhausted any and all administrative remedies to the extent required by law. This Petition is timely filed in accordance with Public Resources Code section 21167 and California Code of Regulations, title 14, section 15112.

32. Petitioners do not have a plain, speedy, or adequate remedy at law because Petitioners and their members will be irreparably harmed by Cal Fire's issuance of the State Waivers in violation state and federal law and the environmental damage the Project will cause.

STATEMENT OF FACTS

A. The Las Flores Pipeline System and Environmental Setting

33. There are currently thirty active oil and gas leases on the Pacific Outer Continental Shelf (OCS) from which oil and gas drilling extraction activities occur or have occurred. Most of these leases are organized into units. The Santa Ynez Unit is in the Santa Barbara Channel and consists of sixteen leases issued between 1968 and 1982.

34. There are three offshore production platforms at the Santa Ynez Unit: Platform Harmony, Platform Heritage; and Platform Hondo. Platform Hondo was installed in June 1976, Platform Harmony in June 1989, and Platform Heritage in October 1989. Production began from these platforms between April 1981 and December 1993.

35. In 1986, Santa Barbara County approved the Celeron/All American Pipeline Projects to transport oil from the Santa Ynez Unit onshore under a Final Development Plan and Development Plan Conditions. The County relied on a 1984 Draft EIR/EIS and Final EIR/EIS for the Celeron/All American Pipeline and Getty Pipeline Projects that was prepared by the California State Lands Commission and the U.S. Department of the Interior's Bureau of Land Management and certified in January 1985.

36. Pipelines with effective coating and cathodic protection systems designed to prevent corrosion and minimize the risk of oil spills were fundamental to the 1985 pipeline system design, environmental analysis, and ultimate approvals. For example, the EIR/EIS contended, "[t]he entire pipeline would be protected from corrosion with cathodic protection systems." It specified that certain "design features" were proposed "to prevent the adverse impacts of an oil spill," with the first being a cathodic protection system. It noted that the pipeline system's coating and cathodic corrosion protection were "very effective in reducing the risk" of oil spills and the environmental harm they cause, thereby concluding that "it is unlikely that any spills would occur."

37. Pipelines like these corrode because of an electro-chemical reaction between the steel pipe and its environment. When metal is exposed to oxygen, water, and other elements, its surface loses ions, resulting in corrosion. Corrosion can cause general pipewall thinning and various forms of corrosion cracking, such as stress corrosion cracking, selective seam corrosion cracking, and pit corrosion. Each of these types of corrosion can lead to a pipeline failure.

38. Cathodic protection is the chief method required and relied upon to prevent and reduce external corrosion in buried, steel pipelines—like Line 901/CA-324 and Line 903/CA-325 that make up the Las Flores Pipeline System. It is intended to function by impressing a weak electrical current into the pipeline to stop the process of corrosion. So long as the current reaching the pipe's surface is sufficient, corrosion can be prevented or minimized.

39. The Las Flores Pipeline System's steel pipelines were constructed from 1988 to1991. Line 901/CA-324 is a buried, insulated, 24-inch diameter pipeline that extends just under eleven miles along the ecologically rich and undeveloped Gaviota coastline. When operational, the line transported heated crude oil from ExxonMobil's storage tanks in Las Flores Canyon to the Gaviota Pump Station. Line 901/CA-324 went into service in 1992.

40. Line 903/CA-325 is a 30-inch diameter pipeline that extends approximately 114 miles in length from the Gaviota Pump Station to the Emidio Pump Station, with intermediate stations at Sisquoc and Pentland. The crude oil was ultimately delivered to various inland refineries. Line 903/CA-325 became operational in 1991.

41. The pipelines are coated with coal tar urethane and covered with foam insulation covered by a tape wrap over the insulation. Shrink wrap sleeves intended to provide a barrier between the pipelines and soil to prevent corrosion are present at all of Line 901/CA-324's pipeline joints and "multiple locations" on Line 903/CA-325.

42. When operational, the pipelines carried high viscosity crude oil at a high temperature (approximately 135 degrees Fahrenheit) to facilitate transport.

43. The Las Flores Pipeline System starts at 150 feet of elevation and rises to close to 3,000 feet of elevation before dropping to approximately 690 feet of elevation at its Pentland Station terminus. The required operating temperatures to transport heavy crude oil across that elevation profile are uniquely high. These high operating temperatures accelerate external pipeline corrosion.

44. The approximately 125-mile pipeline system crosses three California counties: Santa Barbara County (over 72 miles), San Luis Obispo County (over 37 miles), and Kern County (over 13 miles).

45. The Las Flores Pipeline System travels along the coastline and across more than 20 miles of public lands, including Gaviota State Park (4.1 miles), the Los Padres National Forest (6.3 miles), Carrizo Plain Ecological Reserve (4.5 miles), Carrizo Plain National Monument (4.5 miles), and Bitter Creek National Wildlife Refuge (0.98 miles).

46. The Pipeline System crosses what are known as High Consequence Areas, including unusually sensitive areas. It crosses active faults; steep slopes; sensitive groundwater basins; drinking water aquifers; floodplains; and numerous streams, creeks, and rivers, including Gaviota Creek, the Santa Ynez River, Sisquoc River, and Cuyama River.

47. The Pipeline System also traverses the critical habitat of several threatened and endangered species, including the California red-legged frog, Gaviota tarplant, Southwestern willow flycatcher, and Southern California steelhead. It also crosses areas with documented occurrences of other special status, threatened, and endangered species, including but not limited to the California tiger salamander, California condor, Crotch's bumble bee, Kern mallow, Nelson's antelope squirrel, San Joaquin kit fox, San Joaquin woollythreads, blunt-nosed leopard

lizard, giant kangaroo rat, monarch butterfly, southwestern pond turtle, tidewater goby, and western spadefoot toad.

48. Finally, the Pipeline System also passes through a suburban neighborhood in the city of Buellton, California, close to schools, parks, and homes.

B. The 2015 Refugio State Beach Oil Spill

49. For decades, ExxonMobil Corporation owned and operated all three offshore oil and gas platforms and produced oil from the Santa Ynez Unit. The original owner and operator of the pipeline system was Celeron Pipeline Company, which in 1998 sold the pipelines to Plains Pipeline, L.P., a wholly owned subsidiary of Plains All American Pipeline, L.P.

50. In 2015, Line 901/CA-324, carrying oil from the Santa Ynez Unit, ruptured and caused one of the most disastrous oil spills in California history, devastating approximately 150 miles of the California coast.

51. The corroded pipeline spilled what is now believed to be over 450,000 gallons of oil, killing hundreds of birds and mammals and closing fisheries and beaches. A wide variety of nearshore fish species were impacted by the spill, including surfperch and grunion, which were spawning when the spill occurred. The spill also impacted a wide variety of coastal habitats, including that for kelp wrack, feather boa kelp, surfgrass, and eelgrass. Species protected under the Endangered Species Act (including humpback whales and Western snowy plovers) were observed swimming through oil or with oil on them.

52. On May 21, 2015, PHMSA issued a Corrective Action Order that ordered the operator to shut down Line 901/CA-324. PHMSA then conducted an investigation into what caused the rupture and a spill of this magnitude.

53. The PHMSA Failure Report, issued a year later, noted that while thankfully there were no human injuries or fatalities as a result of the rupture or spill, it "resulted in substantial damage to natural habitats and wildlife." The PHMSA Failure Report found that the pipeline wall had corroded to 1/16th of an inch before the spill occurred. Notably, the pipeline was only operating at approximately 55 percent of its maximum operating pressure at the time it failed.

The report documented pervasive corrosion and metal loss throughout the Las Flores Pipeline System.

54. The Failure Report concluded that the "proximate or direct cause" of the failure was "progressive external corrosion" that occurred under the pipeline's coating system, which consisted of a urethane coal tar coating applied to the bare pipe, which was then covered by foam thermal insulation and wrapped with Polyken tape. The Failure Report noted that water had been trapped inside the pipeline's foam insulation, "indicating that the integrity of the coating system had been compromised."

55. With the coating compromised, the pipeline system's cathodic protection system was rendered ineffective at "preventing corrosion from occurring beneath the pipeline's coating/insulation system." The Failure Report stated that "[i]ndustry practices recognize that the [cathodic protection] system like the one utilized on Line 901 cannot protect an insulated steel pipeline should the coating (tape wrap over insulation) become compromised." It is now well accepted that impressed cathodic protection systems cannot protect insulated pipelines like Line 901/CA-324 and Line 903/CA-325 from external corrosion.

56. In the Failure Report's "Cathodic Protection Findings," PHMSA noted that federal pipeline safety regulations (49 C.F.R. § 195.563) require cathodic protection to "prevent external corrosion of buried pipelines," which are generally more prone to corrosion. The report noted that historical cathodic protection records for Line 901/CA-324 reveal "protection levels that typically are sufficient to protect non-insulated, coated steel pipe. Line 901 and 903, however, are insulated." The findings conclude by stating, "[a]n increasing frequency and extent of corrosion anomalies were noted on both Line 901 and 903 in [In-Line Inspection] survey results, anomaly excavations and repairs" and that PHMSA inspectors "noted moisture entrained in the insulation at four excavations performed by Plains on Line 901" after the spill and before the pipelines were ordered purged.

57. In addition to ineffective cathodic protection, PHMSA's Failure Report found that the operator failed to detect and mitigate the corrosion, highlighting that the "in-line inspection

(ILI) tool and subsequent analysis of ILI data did not characterize the extent and depth of the external corrosion accurately."

58. While the Las Flores Pipeline System was classified as an interstate pipeline at the time of the spill and was therefore exclusively regulated by the federal government, PHMSA formally acknowledged in a May 2016 Memorandum of Understanding (MOU) that Lines 901/CA-324 and 903/CA-325 were no longer considered interstate hazardous liquid pipelines and are now classified as intrastate pipelines subject to the regulatory and enforcement jurisdiction of Cal Fire, pursuant to state certification from PHMSA.

59. In March 2020, the federal government and State of California sued Plains All American Pipeline, L.P., and Plains Pipeline, L.P., for the extensive natural resource and other damages the spill caused (*see United States v. Plains All American Pipeline*, Civil Action No. 2:20-cv-02415 (C.D. Cal.)) The case was resolved through a Consent Decree entered later that year, which incorporated elements of three post-spill Corrective Action Orders from PHMSA. The Consent Decree envisioned three possible pathways forward for the pipeline system: Plains All American could replace the pipeline, abandon the pipeline, or pursue restarting the pipeline if conducted in accordance with the Consent Decree's terms "and applicable law."

60. For any operating segments of the Las Flores Pipeline System, the Consent Decree required the operator to "remediate all internal or external metal loss anomalies that have an ILI reported depth of 40 [percent] or greater wall loss, within one year of discovery."

61. The Consent Decree also expressly required that prior to any restart, the operator "shall apply for a State Waiver through [Cal Fire] for the limited effectiveness of cathodic protection" and that it "must receive a State Waiver from [Cal Fire] prior to restarting." Cal Fire has described a State Waiver as "an order that modifies compliance with a regulatory requirement if an operator demonstrates that alternative measures are consistent with pipeline safety."

62. The Consent Decree stated that Cal Fire has the discretion to require additional terms and conditions if it grants any request for a State Waiver. The Consent Decree also noted

that "[n]othing in it shall be interpreted to limit" Cal Fire's authority to require additional terms and conditions in any State Waiver.

C. Sable's Pursuit of Restart and the Implications of Cal Fire's State Waivers

63. For almost ten years since the 2015 Refugio State Beach oil spill, the three offshore platforms, offshore pipelines, the two onshore processing facilities, and the onshore Las Flores Pipeline System have been shut down.

64. On February 14, 2024, Sable closed on a Purchase and Sale Agreement with ExxonMobil Corporation and Mobil Pacific Pipeline Company to acquire the Santa Ynez Unit assets as well as all outstanding shares of Pacific Offshore Pipeline Company and Pacific Pipeline Company. According to the terms of that acquisition, if production of oil and gas does not resume from the Santa Ynez Unit by early 2026, the assets revert to ExxonMobil Corporation, which loaned Sable the majority of the funding it needed to acquire the assets.

65. Sable is now the listed owner and operator of Platforms Harmony, Heritage, and Hondo and lessee on all sixteen federal oil and gas leases in the Santa Ynez Unit. Pacific Offshore Pipeline Company (POPCO) remains the legal owner of the POPCO Gas Plant, and Pacific Pipeline Company remains the legal owner of the Las Flores Pipelines.

66. While its predecessors once pursued building new, replacement pipelines for the Las Flores Pipeline System, Sable is instead taking the third path laid out in the 2020 Consent Decree and attempting to restart Santa Ynez Unit oil production and transport using the old, extensively corroded pipeline system that failed in 2015 and has exceeded its intended thirty-year lifespan.

67. Setting its sights on restart, Sable set out to complete the require anomaly repairs where it has found corrosion has reached an unacceptable level. Sable identified 121 anomalies requiring repairs, many of which it contends it has completed. To this end, the company has undertaken extensive development along the pipeline system, which the California Coastal Commission has determined was and is unauthorized. These activities are now the subject of a Commission cease-and-desist order, restoration order, and administrative penalty order. Other state and federal agencies have also issued notices of violation or potential violation to Sable for

this work on and along the pipeline, including the State Water Control Resource Board, Regional Water Quality Control Board, California Department of Fish and Wildlife, Department of Parks and Recreation, and U.S. Fish and Wildlife Service. As a second step of a possible restart, Sable has pursued State Waivers to address the ineffective cathodic protection system and consequent ongoing risk of corrosion under insulation.

68. Since learning of this restart plan, Petitioners have repeatedly put Cal Fire on notice of their concerns and urged the agency (through calls, emails, and letters) to conduct an analysis on the Project and provide opportunities for meaningful public participation under CEQA. For example, on September 24, 2024, Petitioners submitted a letter to Cal Fire about the agency's duty to conduct a CEQA review process and requesting that it prepare an environmental impact report for any approvals it issues enabling the restart of Lines 901/CA-324 and 901/CA-325 given the pipeline system's failure, the previous catastrophic rupture and spill, and the fact that it had been idle for almost ten years.

69. The comments documented how restarting this decades-old, post-failure Las Flores Pipeline System would have serious environmental impacts across multiple categories, including air, health, climate, water, and species. For example, the comments included information and references relating to the risks of oil spills in aging pipelines; the increased risks of oil spills in pipelines without effective cathodic protection systems; the restart's impacts on climate change; the human health impacts associated with oil and gas operations; and the impacts of restart on sensitive habitat and rare, threatened, and endangered species.

70. On April 24, 2024, Sable and Pacific Pipeline Company confirmed by letter to Cal Fire their intention to continue to pursue State Waiver applications submitted by their predecessors in July 2023. The applications request permission to restart the pipelines even though the thermally insulated pipeline's cathodic protection system has "limited effectiveness" and Sable would need "relief from the requirements to evaluate and remediate all corrosion of or along longitudinal seam welds per 49 C.F.R. § 195.452(h)(4)(iii)(H)."

71. Although Cal Fire previously assured the public and state legislators it would not issue any waiver absent a public meeting, Sable filed a Form 8-K with the U.S. Securities and

Exchange Commission on December 17, 2024, in which it announced that Cal Fire issued the State Waivers on that same day, unbeknownst to the public. Indeed, Petitioners only learned of the State Waivers from the December 17, 2024, filing, despite having submitted a California Public Records Act Request to Cal Fire on September 13, 2024, requesting records relating to Sable's application for and Cal Fire's consideration and issuance of any State Waivers (to which Cal Fire only responded in March 2025).

72. After Cal Fire issued the State Waivers in December, it was required by law to transmit them to PHMSA for a 60-day review period during which PMHSA could approve, object to, or remain silent on the waiver, in which case the waivers would take effect after the review period lapsed.

73. On December 23, 2024, the Center sent a letter to Cal Fire and PHMSA to communicate its concern that Sable had announced it received State Waivers on December 17, 2024, particularly given, that on and information and belief, Cal Fire had previously communicated that it would not issue any State Waivers until after holding a public meeting.

74. The Center's December 23, 2024, letter referenced and attached an *Evaluation of the Las Flores Pipeline System Startup Proposal* prepared by Accufacts Inc. for the Center for Biological Diversity and Environmental Defense Center. Accufacts Inc. reviewed the publicly available information on the pipeline system and conveyed serious technical concerns with the proposed pipeline system restart given the condition of the pipeline, its design flaws, and the risks associated with reliance on inspection tools in lieu of effective cathodic protection. Accufacts Inc.'s president who authored the evaluation, Richard Kuprewicz, is a chemical engineer with over fifty years of experience in the energy industry, including extensive experience conducting pipeline incident investigations after pipeline rupture tragedies.

75. On December 24, 2024, the Center sent an additional email inquiry to Cal Fire about the Center's Public Record Act Request, as it had not received any response or any responsive records from the agency. On January 15, 2025, the Center received an email from Cal Fire that the agency had posted the State Waivers on a webpage it developed for the proposed restart (after repeated requests from the public for more transparency), titled *Pathways for*

Restarting CA-324 and CA-325. It did not provide the application for the State Waivers or any further responsive records relating to its issuance of the State Waivers at that time.

76. The State Waiver issued for Line 901/CA-324 covers a 10.86-mile, 24-inch outside diameter pipeline segment along the coast in Santa Barbara County. It waives compliance with just one pipeline safety regulations, specifically relating to remediation measures for "[c]orrosion of or along a longitudinal seam weld." (49 C.F.R. § 195.452(h)(4)(iii)(H).) According to the State Waiver, "Sable explained that its goal is to appropriately manage the risk of corrosion under insulation that may occur as a result of inadequate cathodic protection due to the shielding effects of the polyurethane foam and the polyethylene tape wrap. Sable described the measures it has taken to address this risk and implemented and proposed a number of additional measures designed to mitigate the risk of corrosion under insulation that may result from potential ineffective cathodic protection (CP)."

77. The State Waiver issued for Line 903/CA-325A/B covers a 30-inch outside diameter pipeline segment that crosses 113.56 miles in Santa Barbara County, San Luis Obispo County, and Kern County (Gaviota to Pentland). As with the waiver issued for the coastal segment of the pipeline, it waives the requirement to remediate the "[c]orrosion of or along a longitudinal seam weld." (49 C.F.R. § 195.452(h)(4)(iii)(H).) It also includes the same explanation attributed to Sable: that its goal and plan is to try to mitigate the risks posed by corrosion under insulation resulting from the ineffective cathodic protection system.

78. On January 17, 2025, PHMSA Deputy Administrator Tristan Brown sent the Center a letter acknowledging receipt of its December 23, 2024, letter and conveying that PHMSA had received the State Waivers from Cal Fire on December 18, 2024, starting the federal agency's 60-day review period. PHMSA's letter noted that it might need more time for review, it had communicated that possibility to Cal Fire, and "[a]llowing for additional time for review is merited here as it has been in certain other instances involving similar highly technical waiver reviews by PHMSA." PHMSA also opened a non-rulemaking federal docket for each State Waiver (Docket ID PHMSA-2025-002 for CA-324 and Docket ID PHMSA-2025-003 for CA-325) on January 28, 2025, on the website, Regulations.gov.

79. In contrast to that communication, just fourteen days later, on February 11, 2025, PHMSA's Associate Administrator for Pipeline Safety issued two identical, brief letters concurring with Cal Fire's State Waivers, noting that the agency "does not object" to the granting of either waiver.

80. The State Waivers in essence allow Sable to supplant corrosion-*preventing* cathodic protection requirements with corrosion-*monitoring* and risk management measures; including pipeline testing; in-line inspections; verification digs; repairs; corrosion growth rate and predicted failure analyses; and various recordkeeping and reporting requirements.

81. If the Las Flores Pipeline System is allowed to restart using State Waivers from Cal Fire, external pipeline corrosion will not be prevented or even minimized by the ineffective cathodic protection system. Nor will the State Waivers address the years of accumulated corrosion that have not yet been identified as necessitating remediation. A 1994 Cal Fire report indicates that there is a five-fold increase in failure frequencies for pipelines that are not equipped with cathodic protection.

82. This is not a repair of the failed cathodic protection system—it is essentially abandonment of that legally-required system. Pipeline integrity management tools are not a substitute for proper pipeline design and effective coating and cathodic protections. Current in-line inspection technologies are not able to adequately detect and inform an adequate assessment of all types of external corrosion threats that are most likely present along the Las Flores Pipeline System. The pipeline segments at the highest risk of failure are those at risk of corrosion related to cracking, including stress corrosion cracking and selective seam corrosion cracking. A pipeline's time to failure from stress corrosion cracking is difficult if not impossible to predict.

83. Even if integrity management tools were a substitute for a properly designed and functioning pipeline (which they are not), the State Waivers contemplate over 190 digs and excavations over the next 10 years just to attempt to validate the results of the contemplated in-line inspections. There has been no environmental review of the impacts of such digs and excavations or any other aspects of this Project.

84. Given its coating and cathodic protection design flaws and failures, projected thirty-year lifespan, and the existing corrosion along the pipelines, the Las Flores Pipeline System cannot be made as safe as new pipelines. It is also well-understood that the risk of spills increases with the age of a pipeline. As the 1985 Celeron/All American and Getty Pipeline Projects EIR/EIS acknowledged, the risk of an oil spill *more than doubles* as pipelines age from twenty to forty years. These pipelines were constructed in the late 1980s and went into service in 1991 (Line 903/CA-325) and 1992 (Line 901/CA-324).

85. The Las Flores Pipeline System poses unique threats of environmental damage and future oil spills due to its age, design flaws, existing levels of corrosion, location, and necessary operating conditions, which Cal Fire has failed to meaningfully assess.

86. Nor has Cal Fire assessed the Project's other significant environmental impacts as required. For example, resuming drilling and oil production at the Santa Ynez Unit would increase vessel traffic, thereby increasing the risk of vessel strikes of various threatened and endangered animals. Restart would also resume pollution from an onshore processing facility, which was Santa Barbara County's largest source of greenhouse gas emissions prior to being shut down. It emitted 55 percent of the County's greenhouse gas emissions along with a significant number of other pollutants, including particulate matter and volatile organic compounds (VOCs), which are harmful to human health.

87. On March 2, 2025, the Center sent Cal Fire a letter requesting revocation of the State Waivers to ensure that (1) Cal Fire proceeds in full compliance with the procedural and substantive requirements of federal and state pipeline safety laws and CEQA, and (2) Sable's other noticed violations of law are remedied before the agency considers issuing any pipeline safety regulation waivers. The Center attached a second February 25, 2025, report prepared by Accufacts Inc. after it reviewed the State Waivers, which concludes that restarting the pipeline system continues to pose a high risk of dangerous corrosion and failure for reasons the State Waivers did not adequately address. A month later, Cal Fire responded to the Center's letter, communicating its position that revocation of the State Waivers is not appropriate at this time.

88. On March 13, 2025, Cal Fire, the State Water Control Resources Board, Regional Water Quality Control Board, California Department of Fish and Wildlife, Department of Parks and Recreation, California Department of Conservation, and California Coastal Commission participated in a Town Hall meeting organized by state lawmakers representing Santa Barbara County to discuss the agencies' respective roles in the Project and to answer questions from the public about the status of the restart of oil and gas operations from the Santa Ynez Unit, including use of the Las Flores Pipeline System to transport crude oil. There, it was confirmed that, to date, no CEQA process has been initiated or completed for the Project.

89. Sable announced in a March 17, 2025, Form 8-K filing that it intends to restart oil and gas production from the Santa Ynez Unit in the second quarter of 2025 (which we are now in) after completing the remaining anomaly repairs and hydrotesting the pipeline system.

LEGAL BACKGROUND

A. Oil and Gas Pipeline Safety Laws and Regulations

90. Cal Fire implements and enforces a Pipeline Safety Program that is certified by the U.S. Department of Transportation under section 60105 of title 40 of the United States Code.

91. California's Elder California Pipeline Safety Act of 1981 directed Cal Fire to "adopt hazardous liquid pipeline safety regulations in compliance with the federal law relating to hazardous liquid pipeline safety." (Gov. Code § 51011, subd. (a).) Cal Fire adopted the federal pipeline safety regulations (49 C.F.R. part 195) by reference as they relate to hazardous liquid pipelines. (Cal. Code Regs., tit. 19, § 2000.)

92. Pursuant to these federal pipeline safety regulations (49 C.F.R. § 195.557), buried pipelines constructed after a certain date, including Line 901/CA-324 and Line 903/CA-325, must have an external coating to prevent external corrosion. Specifically, the external coating must:

> (a) Be designed to mitigate corrosion of the buried or submerged pipeline; (b) Have sufficient adhesion to the metal surface to prevent under film migration of moisture; (c) Be sufficiently ductile to resist cracking; (d) Have enough strength to resist damage due to handling and soil stress; (e) Support any supplemental cathodic protection; and (f) If the coating is an insulating type, have low moisture absorption and provide high electrical resistance.

(49 C.F.R. § 195.559.)

93. Buried pipelines constructed after a certain date, including Line 901/CA-324 and Line 903/CA-325, must have cathodic protection. (49 C.F.R. § 195.563.)

94. The federal pipeline safety risk indicator table places pipelines greater than 25 years of age in the "High" risk category. (Guidance for Implementation of an Integrity Management Program, 49 C.F.R. part 195 Appendix C, § III.

95. Actions required to remediate pipeline integrity problems are defined in section 195.452(h). (49 C.F.R. § 195.452(h).) Despite the flaws and ineffectiveness of the pipeline system's coating and cathodic protection system, the sole regulation from which Sable sought State Waivers relates to "[c]orrosion of or along a longitudinal seam weld," which is considered a "180-day condition" for which an operator is required to schedule evaluation and remediation within 180 days of discovering the condition. (49 C.F.R. § 195.452(h)(4)(iii)(H).)

96. State authorities like Cal Fire that have been certified by PHMSA may "waive compliance with a safety standard to which the certification or agreement applies *in the same way and to the same extent* the Secretary [of Transportation] may waive compliance under subsection (c) of this section." (49 U.S.C. § 60118(d)), italics added.)

97. The Secretary of Transportation "by order may waiver compliance with any part of an applicable standard prescribed under this chapter [49 USCS §§ 60101 et seq.] with respect to such facility on terms the Secretary considers appropriate if the Secretary determines that the waiver is not inconsistent with pipeline safety." (49 U.S.C. § 60118(c); *see also* 49 C.F.R. § 190.341(a) (federal regulations relating to waivers the Department of Transportation issues.))

98. The Secretary of Transportation may issue a waiver "only after notice and an opportunity for a hearing." (49 U.S.C. § 60118(c)(1)(B).) The Secretary is also required to include a "statement of reasons" in an order granting the waiver. (*Id*. § 60118(c)(3).)

99. When it receives an application for a waiver, PHMSA provides a notice of intent to consider the application and "invite comment." (49 C.F.R. § 190.341(d)(1).). PHMSA also "may consult with other Federal agencies before granting or denying an application or renewal

on matters PHMSA believes may have significance for proceedings under their areas of responsibility." (*Id*.)

100. Applications to PHMSA for waivers must contain a "detailed description of the pipeline facilities" for which the waiver, also known as a special permit, is sought, including proximity to "unusually sensitive areas," an explanation of the "unique circumstances that the applicant believes make the applicability of that regulation or standard (or portion thereof) unnecessary or inappropriate for this facility," a description of alternative measures or activities proposed and "how such measures will mitigate any safety or environmental risks," a description of "any positive or negative impacts on affected stakeholders and a statement indicating how operating the pipeline pursuant to a [waiver] would be in the public interest," and any other information that the agency may need "to process the application including environmental analysis where necessary." (49 C.F.R. § 190.341(c).) "Conditions may be imposed on the grant [of a waiver] if the Associate Administrator concludes they are necessary to assure safety, environmental protection, or are otherwise in the public interest." (49 C.F.R. § 190.341(d)(2).)

101. The U.S. Department of Transportation conducts environmental review for waivers that it issues, consistent with governing legislation, Secretarial Order DOT 5610.1C, and PHMSA National Environmental Policy Act (NEPA) implementing procedures. Under its procedures, waivers are one of three general categories of PHMSA major federal actions that are subject to environmental review, along with regulatory actions and natural gas distribution grant actions. PHMSA's Pipeline and Hazardous Materials Safety Administration NEPA Implementing Procedures and Categorical Exclusions Report states:

> PHMSA's grant or denial of the special permit request is a major federal action under NEPA. Therefore, in addition to analyzing any potential risks to public safety, PHMSA also analyzes any potential risks to the environment that could result from such grant or denial. Specifically, PHMSA evaluates whether the special permit would significantly impact the likelihood of a pipeline spill or failure as compared to the environmental status quo in the absence of the special permit . . . issuance of special permits often prevents ground disturbance from excavation activities, thereby avoiding the associated environmental effects often associated with ground disturbance.

102. The Elder California Pipeline Safety Act of 1981 contains additional requirements relevant to any State Waiver. It authorizes Cal Fire to "exempt the application of regulations adopted pursuant to this section to any pipeline, or portion thereof, when it is determined that the *risk to public safety is slight and the probability of injury or damage remote*." (*See* Gov. Code § 51011, subd. (b), italics added.) Notifications of exemption "shall be written, and shall include a discussion of those factors that the State Fire Marshal considers significant to the granting of the exemption." (Gov. Code § 51011, subd. (c).)

B. CEQA's Environmental Review Requirements

103. CEQA is a comprehensive statute designed to provide for the long-term protection of the environment. (Pub. Resources Code §§ 21001, subd. (d), 21080, subd. (a); Cal. Code Regs., tit. 14, § 1681 *et seq*.)

104. One of the fundamental purposes of the CEQA process is to provide decisionmakers and the public with detailed information about the environmental impacts a proposed project is likely to have and to find feasible ways to avoid or significantly reduce those impacts. (CEQA Guidelines § 15002, subd. (a).) To that end, "[u]nder CEQA, an agency must solicit and respond to comments from the public and from other agencies concerned with the project" to ensure that the public and other agencies are informed and able to participate in the process. (*Id*. at subd. (j).)

105. CEQA is triggered by any "project," which is defined as an action subject to a public agency's discretionary funding or approval that has the potential to either (1) cause a direct physical change in the environment; or (2) cause a reasonably foreseeable indirect physical change in the environment. (Pub. Resources Code § 21065.) A "project" includes (1) an activity directly undertaken by any public agency; (2) an activity undertaken by a private party but supported in whole or in part by public agency assistance such as contracts or grants, and (3) an activity that involves an agency's issuance to a person of a lease, permit, license, or other entitlement for use. (Pub. Resources Code § 21065; *Rominger v. County of Colusa* (2014) 229 Cal.App.4th 690, 701 [overruled in part on other grounds].) "The key question is whether the public agency can use its subjective judgment to decide whether and how to carry out or approve

a project." (Cal. Code Regs., tit. 14, § 15357; *Protecting Our Water and Environmental Resources v. County of Stanislaus* (2020) 10 Cal.5th 479, 493.)

106. CEQA defines a lead agency as "the public agency which has the principal responsibility for carrying out or approving a project which may have a significant effect upon the environment." (Pub. Resources Code § 21067; CEQA Guidelines § 15367.) Conversely, a responsible agency is "a public agency, other than the lead agency, which has responsibility for carrying out or approving a project." (Pub. Resources Code § 21069; CEQA Guidelines § 15381.)

107. Where two or more public agencies are involved in a project and the project is to be carried out by a nongovernmental person or entity, the lead agency shall be the public agency with the greatest responsibility for supervising or approving the project. (CEQA Guidelines § 15051(b).) Where more than one public agency equally meets such criteria, the agency which acts first on the project is normally the lead agency. (*Id*. at subd. (c).)

108. Subject to certain limited statutory and categorical exemptions, CEQA requires lead agencies to, at minimum, conduct an initial study on any project that "may have a significant effect on the environment." (CEQA Guidelines § 15063(a).) This study must examine all significant direct, indirect, and cumulative impacts of the proposed project.

109. Where a lead agency determines after an initial study that the project may have a significant impact on the environment, the lead agency must prepare an Environmental Impact Report (EIR). (Pub. Res. Code § 21151; CEQA Guidelines § 15064(f) & (h).) The "heart" of CEQA's environmental review requirement is the EIR. (See *No Oil, Inc. v. City of Los Angeles* (1974) 529 P.2d 66, 76 (quoting *City of Inyo v. Yorty* (1973) 108 Cal.Rptr.3d 377, 388).) The EIR has been described as an environmental "alarm bell" whose purpose is to alert the public and decisionmakers to environmental changes "before they have reached ecological points of no return." (*City of Inyo v. Yorty*, *supra*, 108 Cal.Rptr.3d at page 388.)

110. An EIR must identify and describe "[d]irect and indirect significant effects of the project on the environment." (CEQA Guidelines § 15126.2(a).) The EIR must also describe feasible mitigation measures and alternatives to the project that could avoid or minimize

significant environmental impacts. (CEQA Guidelines §§ 15126.4, 15126.6.) Additionally, an EIR must identify and analyze cumulative effects when the "incremental effects of an individual project are significant when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects." (Cal. Code Regs., tit. 14, § 15065, subd. (a)(3); *see also id.* § 15130, subd. (a).)

111. Immediately following its decision to prepare an EIR, the lead agency must issue a notice of preparation to the public and responsible agencies to allow for input. (CEQA Guidelines § 15082.) Additionally, the lead agency must file a notice of completion and notice of public availability as soon as a draft EIR is completed. (CEQA Guidelines §§ 15085, 15087.) A public review period of no less than 30 days must be provided. (CEQA Guidelines §§ 15105, 15073, subd. (a), 15087, subd. (e).)

112. The lead agency must consider all comments received during the public review period. (CEQA Guidelines §§ 15074, subd. (b), 15132, subd. (c).) Additionally, the lead agency must consult with and request comments from all responsible agencies and respond to all comments that raise significant environmental issues. (CEQA Guidelines §§ 15086, 15132, subd. (d).)

113. Under CEQA, agencies can only approve projects if all feasible alternatives or mitigation measures that would substantially lessen a project's significant environmental effects have been imposed. (Pub. Res. Code, § 21002; CEQA Guidelines § 15091.)

FIRST CAUSE OF ACTION
(Violations of Federal Pipeline Safety Laws – 49 U.S.C. § 60118)

114. Petitioners reallege and incorporate the allegations contained in the foregoing paragraphs.

115. Cal Fire violated the requirement that it only "waive compliance with a safety standard to which the certification or agreement applies *in the same way and to the same extent* the Secretary [of Transportation] may waive compliance under subsection (c) of this section." (49 U.S.C. § 60118(d), italics added.) It did so by failing to demonstrate that the State Waivers are consistent with pipeline safety; provide public notice and a public hearing before issuing the

waivers; include a statement of reasons in its decisions to approve the waivers; and conduct environmental review before issuing its waiver decisions.

116. As discussed above, the risk to public safety and probability of environmental damage stemming from the Project—including restart of Line 901/CA-324 and Line 903/CA-325 with defective coating, ineffective cathodic protection, and serious ongoing corrosion threats—is significant. As a result, Cal Fire violated the federal requirement that waivers may only be issued if "not inconsistent with pipeline safety." (49 U.S.C. § 60118(c)(1)(A).)

117. Cal Fire failed to provide any public notice or hearing opportunity prior to issuing the State Waivers, and therefore violated the requirement that waivers may be issued "only after notice and an opportunity for a hearing." (49 U.S.C. § 60118(c)(1)(B).)

118. Cal Fire failed to provide an order containing "the reasons for granting the waiver(s)." 49 U.S.C. § 60118(c)(3).) The State Waivers merely recited Sable's request and included general conditions of approval.

119. Cal Fire also failed to conduct any environmental review for the State Waivers, as discussed below, despite the U.S. Department of Transportation's requirement to conduct environmental review for waivers it issues, consistent with governing legislation, Secretarial Order DOT 5610.1C, and the PHMSA National Environmental Policy Act Implementing Procedures.

120. Cal Fire committed a prejudicial abuse of discretion, violated mandatory duties under federal law, and failed to proceed in the manner required by law when it issued the State Waivers for the Project in violation of federal pipeline safety laws.

SECOND CAUSE OF ACTION
(Violations of State Pipeline Safety Laws – Gov. Code § 51011)

121. Petitioners reallege and incorporate the allegations contained in the foregoing paragraphs.

122. Cal Fire violated the requirement that it "may exempt the application of regulations adopted pursuant to this section to any pipeline, or portion thereof, when it is determined that the risk to public safety is slight and the probability of injury or damage remote."

(Gov. Code § 51011, subd. (b).) The State Waivers issued to Sable did not include any analysis or justifications for their issuance let alone findings related to risks to public safety or the probability of injury or damage.

123. Cal Fire violated the requirement that waivers or exemptions "include a discussion of those factors that the State Fire Marshal considers significant to the granting of the exemption." (Gov. Code § 51011, subd. (c).) Instead of providing any Project-specific findings, evidence, or analysis justifying the decisions, Cal Fire merely recounts that

> Sable provided the OSFM with its proposed measures to mitigate the risk of corrosion under insulation. Sable also provided the OSFM information from the completed in-line inspections and additional data requested by our office. The OSFM Pipeline Safety Engineers have reviewed the materials provided and have been in communication with the United States Department of Transportation (USDOT), Pipeline and Hazardous Materials Safety Administration (PHMSA) Engineering and Research Division to incorporate PHMSA's recommended conditions into the state waiver.

124. The waivers contain no discussion of the risks that restarting these aged pipelines with ineffective external coating and cathodic protections poses to the environment, public safety, and the public interest. Nor do the waivers address the environmental and safety impacts of their conditions of approval (which will require repeated verification digs and excavations, among other activities).

125. Cal Fire committed a prejudicial abuse of discretion, violated mandatory duties under state law, and failed to proceed in the manner required by law when it issued the State Waivers for the Project in violation of state pipeline safety laws.

THIRD CAUSE OF ACTION
(Violations of CEQA – Pub. Resources Section 21000, *et seq.*;
14 Cal. Code Regs. section 15000, *et seq*.)

126. Petitioners reallege and incorporate the allegations contained in the foregoing paragraphs.

127. Cal Fire is the lead agency principally responsible for approving the Project as it has provided the majority of state oversight for the Project to date, including issuing the State Waivers for the Project and reviewing and approving compliance with the requirements of the

Consent Decree, pipeline integrity management requirements, and Sable's startup plans for the pipelines, among other responsibilities. (CEQA Guidelines §§ 15367, 15051, subd. (b).)

128. Cal Fire violated CEQA by issuing the State Waivers without preparing any environmental documentation or providing any public notice or public comment opportunity. Cal Fire therefore failed CEQA's core objective to provide decisionmakers and the public with detailed information about the Project's environmental impacts, consider appropriate mitigation measures, and properly weigh Project alternatives. (CEQA Guidelines § 15002(a).)

129. Cal Fire's violations include, but are not limited to, the following:

A. Failure to prepare an Initial Study for the Project. (CEQA Guidelines § 15063, subd. (a).)

B. Failure to prepare an Environmental Impact Report for the Project. (CEQA Guidelines § 15063, subd. (b).)

C. Failure to publish a Notice of Preparation for the Project. (CEQA Guidelines § 15082.)

D. Failure to file a Notice of Completion or provide a public notice of the availability of a draft Environmental Impact Report for the Project. (CEQA Guidelines §§ 15085, 15087.)

E. Failure to provide a public review period for the Project. (CEQA Guidelines §§ 15105, 15073, subd. (a), 15087, subd. (e).)

F. Failure to request, consider, and respond to comments on the Project. (CEQA Guidelines §§ 15074, subd. (b), 15086, 15132, subds. (b) & (d).)

G. Failure to certify that Cal Fire considered all pertinent environmental information in an Environmental Impact Report prior to approving the Project and that the Environmental Impact Report reflects Cal Fire's independent judgment and analysis. (CEQA Guidelines § 15090).

H. Failure to adopt a Mitigation Monitoring or Reporting Program for the Project. (CEQA Guidelines §§ 15074, subd. (d), 15097.)

I. Failure to make written findings for the Project. (CEQA Guidelines §§ 15091, 15093.)

J. Failure to file a Notice of Determination for the Project. (CEQA Guidelines §§ 15075, 15094.)

130. In the alternative, Cal Fire violated CEQA by failing to conduct subsequent environmental review for the Project. (Pub. Resources Code § 21166; CEQA Guidelines §§ 15052, 15096(e), 15162.)

131. Cal Fire committed a prejudicial abuse of discretion, failed to proceed in the manner required by law, and acted without substantial evidentiary support when it issued the State Waivers for the Project without environmental documentation or public involvement pursuant to CEQA.

PRAYER FOR RELIEF

WHEREFORE, Petitioners pray for entry of judgment as follows:

1. For a writ of mandate or peremptory writ pursuant to Code of Civil Procedure section 1085, or in the alternative, section 1094.5, to:

A. Declare that Cal Fire violated federal pipeline safety laws in approving the State Waivers without public notice, a public hearing, a statement of reasons, or environmental review;

B. Declare that Cal Fire violated federal pipelines safety laws by issuing State Waivers without demonstrating that they are consistent with pipeline safety;

C. Declare that Cal Fire violated state pipeline safety laws by issuing State Waivers without demonstrating that risk to public safety is slight and the probability of injury or damage remote;

D. Declare that Cal Fire violated state pipeline safety laws by issuing State Waivers without including a discussion of the factors considered significant to the granting of the exemption;

E. Declare that Cal Fire violated CEQA in approving the State Waivers without conducting the required CEQA review for the Project;

F. Direct Cal Fire to vacate and set aside the State Waivers until Cal Fire complies with its obligations under federal and state pipeline safety laws and CEQA; and

G. Direct Cal Fire to refrain from granting any further approvals for the Project unless and until Cal Fire complies with its obligations under CEQA and federal and state pipeline safety laws.

2. For entry of temporary, preliminary, and permanent injunctive relief prohibiting Cal Fire and the Real Parties in Interest from conducting any further activity in furtherance of the Project until Cal Fire complies with the requirements of CEQA and federal and state pipeline safety laws.

3. For Petitioners' fees and costs, including reasonable attorneys' fees and costs, as authorized by Code of Civil Procedure section 1021.5 and any other applicable provisions of law.

4. For such other legal and equitable relief as this Court deems appropriate and just.

DATED: April 15, 2025

Respectfully submitted,

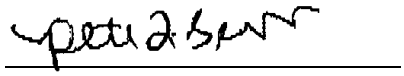
s/ *Julie Teel Simmonds*

JULIE TEEL SIMMONDS (Bar No. 208282)
jteelsimmonds@biologicaldiversity.org
DAVID PETTIT (Bar No. 67128)
dpettit@biologicaldiversity.org
TALIA NIMMER (Bar No. 331002)
tnimmer@biologicaldiversity.org
CENTER FOR BIOLOGICAL DIVERSITY
2100 Franklin St., Ste. 375
Oakland, CA 94612
Tel. (510) 844-7100

Attorneys for Center for Biological Diversity and Wishtoyo Foundation

VERIFICATION

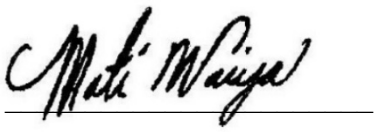
I, Peter Galvin, hereby declare I am the Director of Programs for Petitioner Center for Biological Diversity, a non-profit corporation with offices in Oakland, California. I have read the foregoing petition and am familiar with its contents. The facts alleged in it are true to my personal knowledge and belief. I declare under penalty of perjury under the laws of the State of California that the above is true and correct and that this verification is executed on this 14th day of April 2025, in Athens, Alabama.



Peter Galvin, Director of Programs
Center for Biological Diversity

VERIFICATION

I, Mati Waiya hereby declare I am the Tribal Chair of the Coastal Band of the Chumash Nation and Executive Director of the Petitioner Wishtoyo Foundation, a non-profit corporation with an office in Malibu, California. I have read the foregoing petition and am familiar with its contents. The facts alleged in it are true to my personal knowledge and belief. I declare under penalty of perjury under the laws of the State of California that the above is true and correct and that this verification is executed on this 14th day of April 2025, in Santa Paula, California.



Mati Waiya
Executive Director
Wishtoyo Foundation

Exhibit A

Via UPS

April 12, 2025

Joe Tyler, Director/Fire Chief
Daniel Berlant, State Fire Marshal
California Department of Forestry and Fire Protection
710 Riverpoint Court
West Sacramento, CA 95605-1689

Re: Notice of Commencement of Legal Action Pursuant to CEQA and Pipeline Safety Laws

Dear Director Tyler and Fire Marshal Berlant:

Please take notice that the Center for Biological Diversity and Wishtoyo Foundation intend to file a Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief related to the State Waivers that the Office of the State Fire Marshal granted to Sable Offshore Corp. for the Las Flores Pipeline System (CA-324, CA-325A/B). We provide this notice pursuant to Public Resources Code section 21167.5.

This litigation will be filed in Santa Barbara County Superior Court on or after April 15, 2025, and it will be based on the Office of the State Fire Marshal's issuance of State Waivers to Sable Offshore Corp. without complying with the California Environmental Quality Act, Pub. Res. Code § 21000 *et seq*., or the requirements of applicable federal and state pipeline safety laws and regulations. The Office of the State Fire Marshal granted the State Waivers on December 17, 2024, for Line CA-324 and Line CA-325A/B, and the Pipeline & Hazardous Materials Safety Administration's concurred in the issuance of these waivers on February 11, 2025.

Please contact one of us immediately if you need clarification or wish to discuss this notice.

Sincerely,

s/ *Julie Teel Simmonds*

Julie Teel Simmonds
David Pettit
Talia Nimmer
CENTER FOR BIOLOGICAL DIVERSITY
(510) 844-7133

Attorneys for Petitioners/Plaintiffs

Attachment: Proof of Service

PROOF OF SERVICE

I, Cynthia Elkins, declare as follows:

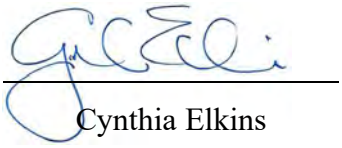
I am a resident of Humboldt County, California, and I am over the age of 18 and not a party to this action. My business address is Center for Biological Diversity, PO Box 220, Shelter Cove, California. My email address is celkins@biologicaldiversity.org.

On April 12, 2025, I served the preceding **Notice of Commencement of Legal Action Pursuant to CEQA** by enclosing a true and correct copy in a sealed envelope, which I deposited for collection and overnight delivery, postage fully pre-paid, at an office of an overnight delivery carrier in Athens, Alabama, addressed to the following persons:

Joe Tyler, Director/Fire Chief
California Department of Forestry and Fire Protection
710 Riverpoint Court
West Sacramento, CA 95605-1689

Daniel Berlant, State Fire Marshal
California Department of Forestry and Fire Protection
710 Riverpoint Court
West Sacramento, CA 95605-1689

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and this Declaration was executed in Athens, Alabama, on April 12, 2025.



Cynthia Elkins

Exhibit B

Julie Teel Simmonds (Bar No. 208282)
jteelsimmonds@biologicaldiversity.org
David Pettit (Bar No. 67128)
dpettit@biologicaldiversity.org
Talia Nimmer (Bar No. 331002)
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CENTER FOR BIOLOGICAL DIVERSITY
2100 Franklin St., Ste. 375
Oakland, CA 94612
Tel. (510) 844-7100 / Fax: (510) 844-7150

Attorneys for Petitioners Center for Biological Diversity and Wishtoyo Foundation

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SANTA BARBARA
SOUTH COUNTY REGION

CENTER FOR BIOLOGICAL DIVERSITY and WISHTOYO FOUNDATION,

Petitioners/Plaintiffs,

v.

CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION; OFFICE OF THE STATE FIRE MARSHAL; DANIEL BERLANT, in his official capacity as State Fire Marshal; and DOES 1 through 10, inclusive,

Respondents/Defendants.

SABLE OFFSHORE CORP., a Delaware Corporation, PACIFIC PIPELINE COMPANY, a Delaware Corporation, and DOES 11 through 20, inclusive,

Real Parties in Interest.

Case No.

PETITIONER'S NOTICE OF ELECTION TO PREPARE THE ADMINISTRATIVE RECORD

[Pub. Res. Code § 21167.6(b)(2)]

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that, pursuant to California Public Resources Code section 21167.6(b)(2), Petitioners CENTER FOR BIOLOGICAL DIVERSITY and WISHTOYO FOUNDATION hereby elect to prepare the record of proceedings before Respondents CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION and OFFICE OF THE STATE FIRE MARSHAL, relating to the subject of the above-captioned action, or to pursue an alternative method of record preparation following further discussion with Respondents.

The record will be organized chronologically, paginated consecutively, and indexed so that each document may be clearly identified as to its contents and source, in a form and format consistent with California Rules of Court Rule 3.2205.

DATED: April 15, 2025

Respectfully submitted,

s/ *Julie Teel Simmonds*
Julie Teel Simmonds (Bar No. 208282)
jteelsimmonds@biologicaldiversity.org
David Pettit (Bar No. 67128)
dpettit@biologicaldiversity.org
Talia Nimmer (Bar No. 331002)
tnimmer@biologicaldiversity.org
Center for Biological Diversity
2100 Franklin St., Ste. 375
Oakland CA 94612

Attorneys for Center for Biological Diversity and Wishtoyo Foundation

Exhibit C

April 15, 2025

Via USPS Priority Mail and Electronic Mail

CEQA Coordinator
Office of the Attorney General
Environment Section
1300 I Street
Sacramento, CA 95814-2919
CEQA@doj.ca.gov

Re: Notice of Commencement of Legal Action Alleging Environmental Harm: Cal Fire State Waivers for Las Flores Pipeline System

Dear Attorney General Bonta:

Please take notice of the enclosed Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief, which the Center for Biological Diversity and Wishtoyo Foundation filed in Santa Barbara County Superior Court on April 15, 2025 (*Center for Biological Diversity v. California Department of Forestry and Fire Protection*). The Center and Wishtoyo Foundation provide this notice pursuant to Code of Civil Procedure section 388 and Public Resources Code section 21167.7.

This case challenges the California Department of Forestry and Fire Protection and Office of the State Fire Marshal's (Cal Fire's) failure to conduct an environmental review under the California Environmental Quality Act (CEQA) (Pub. Resources Code. § 21000, *et seq.*) before waiving federal pipeline safety regulations for an oil pipeline system in Santa Barbara, San Luis Obispo, and Kern counties. Specifically, Cal Fire issued two State Waivers to Sable Offshore Corp. in December 2024, which waive safety requirements meant to prevent corrosion of pipelines and minimize the risk of oil spills. The pipeline system, known as the Las Flores Pipeline System, ruptured and caused the catastrophic Refugio Oil Spill in 2015 due to excessive corrosion resulting from its flawed and ineffective coating and cathodic protection system. The State Waivers at issue in this case would allow Sable to restart offshore oil operations and transport that crude oil using the same defective and corrosion-prone pipeline system rather than replacing it.

Cal Fire's approvals of the State Waivers are likely to adversely impact air quality, water quality, cultural resources, and wildlife; deepen California's reliance on fossil fuels; ramp up local emissions of greenhouse gases that contribute to climate change; and increase the risk of another catastrophic oil spill. Cal Fire's decisions to grant these State Waivers are discretionary actions under CEQA.

The Center and Wishtoyo Foundation now seek a court order setting aside the State Waivers and prohibiting Cal Fire and Real Parties of Interest from commencing any activities authorized in the State Waivers unless and until it considers, analyzes, and publicly discloses these impacts pursuant to CEQA, and unless and until it complies with applicable federal and state pipeline safety laws and regulations.

Thank you for your attention to this matter.

Sincerely,

s/ *Julie Teel Simmonds*

JULIE TEEL SIMMONDS
jteelsimmonds@biologicaldiversity.org
DAVID PETTIT
dpettit@biologicaldiversity.org
TALIA NIMMER
tnimmer@biologicaldiversity.org
CENTER FOR BIOLOGICAL DIVERSITY
2100 Franklin St., Ste. 375
Oakland, CA 94612
Tel. (510) 844-7100

Attorneys for Center for Biological Diversity and Wishtoyo Foundation

Attachment:
Verified Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief

PROOF OF SERVICE

I, Cynthia Elkins, hereby declare:

I am over the age of 18 years, not a party to this action, and employed by the Center for Biological Diversity. My business and mailing address is PO Box 220, Shelter Cove, CA 95589.

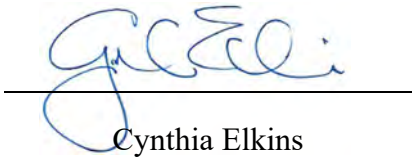
On April 15, 2025, I mailed the preceding **Notice of Commencement of Legal Action**, along with an enclosed **Verified Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief**, via First Class, Priority Mail by enclosing a true and correct copy of each document in a sealed envelope, which I deposited with the U.S. Postal Service, postage fully prepaid, in Rogersville, Alabama, addressed as follows:

CEQA Coordinator
Office of the Attorney General
1300 I Street
Sacramento, CA 95814-2919

Additionally, on April 15, 2025, I sent the Notice of Commencement and Verified Petition referenced above by electronic mail to the following address:

CEQA@doj.ca.gov

I declare under penalty of perjury under the laws of the State of California the foregoing is true and correct, and this Declaration was executed in Athens, Alabama, on April 15, 2025.



Cynthia Elkins

Exhibit D

Julie Teel Simmonds (Bar No. 208282)
jteelsimmonds@biologicaldiversity.org
David Pettit (Bar No. 67128)
dpettit@biologicaldiversity.org
Talia Nimmer (Bar No. 331002)
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CENTER FOR BIOLOGICAL DIVERSITY
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Oakland, CA 94612
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Attorneys for Petitioners/Plaintiffs Center for Biological Diversity and Wishtoyo Foundation

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SANTA BARBARA
SOUTH COUNTY REGION

CENTER FOR BIOLOGICAL DIVERSITY and WISHTOYO FOUNDATION,

Petitioners/Plaintiffs,

v.

CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION; OFFICE OF THE STATE FIRE MARSHAL; DANIEL BERLANT, in his official capacity as State Fire Marshal; and DOES 1 through 10, inclusive,

Respondents/Defendants.

SABLE OFFSHORE CORP., a Delaware Corporation, PACIFIC PIPELINE COMPANY, a Delaware Corporation, and DOES 11 through 20, inclusive,

Real Parties in Interest.

Case No.

PETITIONER'S REQUEST FOR HEARING AND NOTICE OF REQUEST

[Pub. Resources Code § 21167.4]

Petition Filed April 15, 2025

NOTICE IS HEREBY GIVEN that, pursuant to Public Resources Code section 21167.4, Petitioners Center for Biological Diversity and Wishtoyo Foundation request a hearing on the merits of the Verified Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief (Petition), which alleges violations of, inter alia, the California Environmental Quality Act (CEQA), Public Resources Code section 21000 *et seq*.

This request is being filed with the Court and served on the parties. Following the filing of this Request for Hearing and Notice of Request, any party may apply to the Court to establish a briefing schedule and hearing date for the hearing. (*Leavitt v. County of Madera* (2004) 123 Cal.App.4th 1502, 1514–23.) The hearing date, time, and place, and the briefing schedule for the hearing are to be established by the Court following such application by any party or at any case management conference to be scheduled by the Court. (*See id*.)

DATED: April 15, 2025

Respectfully submitted,

s/ *Julie Teel Simmonds*
Julie Teel Simmonds (Bar No. 208282)
jteelsimmonds@biologicaldiversity.org
David Pettit (Bar No. 67128)
dpettit@biologicaldiversity.org
Talia Nimmer (Bar No. 331002)
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Center for Biological Diversity
2100 Franklin St., Ste. 375
Oakland CA 94612

Attorneys for Center for Biological Diversity and Wishtoyo Foundation

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DEPARTMENT OF FORESTRY AND FIRE PROTECTION
OFFICE OF THE STATE FIRE MARSHAL
P.O. Box 944246
Sacramento, California 94244-2460
(916) 568-3800
Website: www.fire.ca.gov

CERTIFIED MAIL No: 9589-0710-5270-1475-5353-08

December 17, 2024

Lance Yearwood
Vice President
Sable Offshore Corp
845 Texas Avenue, Suite 2920
Houston, Texas 77002

SUBJECT: LETTER OF DECISION ON THE STATE WAIVER REQUEST FOR LIMITED EFECTIVENESS OF CATHODIC PROTECTION ON THERMALLY INSULATED PIPELINE AND CORROSION OF OR ALONG A LONGITUDINAL SEAM WELD (CA-324)

Operator: Sable Offshore Corp
OPID# 40851
845 Texas Avenue, # 2920
Houston, Texas 77002

Pipeline: OSFM Line ID 0015 - 10.86 miles (Las Flores Canyon to Gaviota) of Sable Offshore Corp CA-324 (OSFM Line ID 0015) located in Santa Barbara County, California as described in the request of state waiver dated April 24, 2024

Dear Mr. Yearwood:

The Office of the State Fire Marshal (OSFM) received Sable Offshore Corp's (*Sable*) state waiver request (*Application*) on April 24, 2024, in accordance with the terms of the Consent Decree (CD) between Plains Pipeline, L.P. and the United States of America and the People of the State of California, DOJ Case REF. NO. 90-5-1-1-1130 (Appendix B, Article 1.1.D).

In addition, Sable requested a regulatory relief from Title 49 Code of Federal Regulations (49 C.F.R.), § 195.452(h)(4)(iii)(H) *Corrosion of or along a longitudinal seam weld* for Sable CA-324.

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Sable explained that its goal is to appropriately manage the risk of corrosion under insulation that may occur as a result of inadequate cathodic protection due to the shielding effects of the polyurethane foam and the polyethylene tape wrap. Sable described the measures it has taken to address this risk and implemented and proposed a number of additional measures designed to mitigate the risk of corrosion under insulation that may result from potential ineffective cathodic protection (CP).

Sable provided the OSFM with its proposed measures to mitigate the risk of corrosion under insulation. Sable also provided the OSFM information from the completed in-line inspections and additional data requested by our office. The OSFM Pipeline Safety Engineers have reviewed the materials provided and have been in communication with the United States Department of Transportation (USDOT), Pipeline and Hazardous Materials Safety Administration (PHMSA) Engineering and Research Division to incorporate PHMSA's recommended conditions into the state waiver.

The OSFM has regulatory jurisdiction over the safety standards and practices of intrastate hazardous liquid pipeline transportation within California. As a Pipeline Safety Program that is certified under 49 USC § 60105, the OSFM may grant a state waiver with a pipeline safety regulation adopted by the state of California. Title 49 C.F.R., Part 195 was adopted by reference as it relates to hazardous liquid pipelines within Title 19 California Code of Regulations (19 CCR), Section 2000.

This state waiver applies to Sable's Line CA-324 (OSFM Line ID 0015) which consists of a 10.86 mile long, 24-inch outside diameter pipeline segment with the origin and termination points as described in the application. The pipeline is located in Santa Barbara, California and shall be referred herein as *CA-324.*

The state waiver shall not become effective until (1) PHMSA issues an Order approving the waiver or stating it has no objection to the waiver or (2) PHMSA takes no action on the waiver within sixty (60) days after receiving the Letter of Decision from the OSFM.

The state waiver is limited to a term of no more than ten (10) years from the date it becomes effective, which shall be considered as the date of issuance. The OSFM may terminate the state waiver under conditions detailed below.

Applicable Regulations

The OSFM hereby grants this state waiver for CA-324, provided that Sable complies with the specific requirements in this state waiver and any additional conditions outlined by PHMSA. The pipeline must be operated and maintained in accordance with the CD, these state waiver conditions and 49 C.F.R. Part 195, with the exception of 49 C.F.R. §195.452(h)(4)(iii)(H). In the event of a conflict between the state waiver conditions and the applicable requirements under 49 C.F.R. Part 195, the state waiver conditions control.

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Should additional federal or State statutory or regulatory requirements come into effect following the implementation of this state waiver, CA-324 shall be subject to those requirements except where they are in conflict with the State Waiver or the safe operation of the pipeline.

General Conditions

1. The pipeline can only be used to transport crude oil as stated in the application.
2. The maximum operating pressure (MOP) of CA-324 cannot exceed 1003 pounds per square inch gauge (psig).
3. The maximum operating temperature of the crude oil that transports in CA-324 must not exceed 140 Fahrenheit for more than 12 consecutive hours.
4. Prior to startup, Sable must develop and implement procedures for the conditions and requirements described in the state waiver.
5. This state waiver does not relieve Sable from other requirements under 49 C.F.R. Part 195 or the Elder California Pipeline Safety Act of 1981 other than contained herein.
6. This state waiver does not relieve Sable from any requirements imposed by the Consent Decree (United States District Court Central District of California Civil Action No. 2:20-cv-02415).
7. In-line inspection must include:
    a. Use of a tool that is at least capable of reliably detecting and identifying cluster corrosion and general corrosion. Definition of cluster and general corrosion is as follows:
        i. Cluster means two or more adjacent metal loss features in the wall of the pipe or weld that may interact based on interaction criteria.
        ii. General corrosion means uniform or gradually varying loss of wall thickness over an area.
    b. Use of a tool that is at least capable of reliably detecting and sizing corrosion at a 90 percent probability of detection (POD) and probability of identification (POI).
    c. Use of a tool that is at least capable of reliably detecting and sizing cracks or crack-like anomalies at a 90 percent POD and POI.
8. Prior to placing CA-324 in operation, Sable must perform fracture toughness tests on the existing 24” pipe from CA-324 in accordance with ASTM E1820-23B Standard Test Method for Measurement of Fracture Toughness. All of the test specimens must be from the predominant existing 24” pipe, specifically API 5L X65 HF-ERW pipe with a nominal thickness of 0.344” that was manufactured by

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Nippon Steel Corp. in the 1980s. At least three (3) separate tests must be performed to obtain the fracture toughness values of the pipe body, heat affected zone (HAZ)[1], and the HF-ERW long seam weld on the pipe to represent the fracture toughness of its CA-324 (i.e. three (3) samples for pipe body, three (3) samples for HAZ, and three (3) samples for the HF-ERW long seam weld). The lowest fracture toughness value must be applied to conditions 10, 30, 33, and 48. Sable may use pipe samples taken opportunistically during ongoing pipeline maintenance and repair efforts.[2]

9. All immediate and 180-day repair conditions that are listed in this state waiver must be evaluated and remediated prior to restarting CA-324. Sable must utilize Ultrasonic Thickness Wall Measurement (UTWM) and Ultrasonic Shear Wave Crack Detection (USCD) in-line inspection (ILI) tools within seven (7) days of achieving initial steady state operation in accordance with an ILI survey schedule approved by OSFM. Sable must utilize the most recent Ultrasonic Thickness Wall Measurement (UTWM) and Ultrasonic Shear Wave Crack Detection (USCD) in-line inspection (ILI) results when identifying these repair conditions.
10. Remaining strength of pipe calculation for all metal loss anomalies must be in accordance with the Modified B31G method as described in ASME B31G *Manual for Determining the Remaining Strength of Corroded Pipelines.* If ASME B31G 2012 Edition is used, then it must comply with the conditions in accordance with Section 1.2 and exclusions in accordance with Section 1.3 of ASME B31G 2012 Edition. However, if the metal loss anomaly intersects or is within one (1) inch (circumferentially) of the longitudinal seam weld, Sable must also calculate the predicted failure pressure of the anomaly by using the crack-like flaw evaluation method ASME FFS-1/API 579-1.
11. Sable must utilize cleaning pigs at regular intervals not to exceed a biweekly basis to maintain adequate cleanliness on the internal pipe wall of its CA-324.

Pressure Testing

12. Prior to placing the pipeline in operation, Sable must conduct a spike hydrostatic pressure test of the state waiver pipeline segments at a minimum pressure that is at least 1.5 times the MOP or 100% SMYS, for a minimum of 15 minutes after

[1] The heat affected zone (HAZ), as used in the state waiver, is defined as a 1-inch-wide area on either side of the longitudinal weld seam.
[2] Sable must submit all fracture toughness results to the OSFM prior to restarting the pipeline.

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the spike test pressure is stabilized. Sable must field evaluate and remediate the following anomalies before performing the spike hydrostatic test on CA-324:

a. All metal loss anomalies that have an ILI reported depth of 40% and greater wall loss.
b. All anomalies that have a predicted failure pressure less than or equal to 1.6 times MOP.

13. Immediately following the spike hydrostatic pressure test, Sable must conduct an 8-hour hydrostatic pressure test of the state waiver pipeline segments at a minimum of 1.25 times the MOP.
14. Sable must obtain the Test ID from the OSFM for each hydrostatic pressure test and have the approved independent testing firm forward separately the certified test results to the OSFM.
15. Each hydrostatic pressure test must be performed in accordance with the applicable requirements of 49 C.F.R., Part 195 Subpart E – Pressure Testing and monitored by an independent testing firm listed under the OSFM approved hydrostatic testing companies.
16. Failures resulting from the spike hydrostatic pressure test or the 8-hour strength test shall be immediately reported[3] to the OSFM via email at PipelineNotification@fire.ca.gov
    Subject: OSFM State Waiver - Hydrotest Failure
17. Section(s) of the state waiver pipeline segments that failed during the required hydrotesting must be repaired by removing and replacing the failed section. The OSFM reserves the right to revoke the state waiver if failure(s) raise the concern that the pipeline cannot be safely operated.

In-Line Inspection (ILI) Assessment and Frequency

18. At least 90 days prior to performing in-line inspections of the state waiver segment, Sable shall provide the OSFM with a written notification to PipelineNotification@fire.ca.gov describing its assessment plan with the following information:
    a) Dates for integrity assessment
    b) In-line inspection tool(s) selected, in accordance with API Standard 1163 Section 5 and NACE SP0102[4] to assess the integrity of the subject pipe

[3] In addition to the OSFM reporting, Sable shall follow all additional state reporting requirements.
[4] Industry standards that are referenced in this state waiver must utilize the editions that are incorporated by referenced in Title 49 Part 195.3 unless another edition was explicitly specified.

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segment(s) in which ILIs must be capable to detect and size wall loss, dents, internal corrosion, external corrosion, cracks and crack-like indications

c) In-line inspection tool vendor(s)
d) Required tool specifications including operational specifications and anomaly sizing tolerances
e) Tool validation methodology
f) Anomaly feature identification criteria and reporting thresholds – wall loss, dents, internal corrosion, external corrosion, cracks, and crack-like indications
g) Criteria used to identify locations for excavation and field verification
h) Non-destructive examination

19. Within seven (7) days prior to any anticipated ILI tool run, Sable must utilize extensive brush pigs and solvents (xylene or other chemicals) to ensure that the internal pipe wall does not have any corrosive products, wax, and bacteria buildup that may affect the ILI tool performance.
20. Metal Loss Tool(s)
    a. Initial ILI tool runs – Each year, during the first two (2) years of operating CA-324, Sable shall conduct at least two (2) ILIs using a UTWM tool with an inertial measurement unit (IMU). Sable shall compare both runs and evaluate all available information, including these tool runs and corresponding IMU data. Sable shall perform the UTWM tool run every six (6) months not to exceed nine (9) months. If a UTWM tool run is unsuccessful, Sable shall identify the limitations that prevented the UTWM tool run from being successful, consider changes to increase the likelihood of a successful UTWM tool run, and use best efforts to rerun the UTWM tool within 30 days.
    b. Subsequent ILI tool runs – After the first two (2) years of operating CA-324, Sable shall conduct at least one (1) Ultrasonic Wall Measurement tool (UTWM) each calendar year, not to exceed 15 months or the ILI assessment must be assessed at more frequent intervals if the remaining Failure Pressure Ratio will be less than 1.39 times MOP prior to the next ILI assessment, based upon anomaly growth estimates and pressure cycling. If any UTWM tool run is deemed to be unsuccessful, Sable shall document the reasons why the UTWM tool was unsuccessful, consider changes to increase the likelihood of a successful UTWM tool run, and must reassess the pipeline within 30 days after it was deemed to be unsuccessful. All metal loss tool runs must also utilize an Inertial Measurement Unit (IMU).
21. Crack Detection Tools - Sable shall conduct at least one (1) Ultrasonic Shear Wave Crack Detection (USCD) tool each calendar year, not to exceed 15

Docusign Envelope ID: 87118E7A-ED76-4881-86B3-BCE5F180FFD7

months[5] or ILI assessment must be assessed at more frequent intervals if condition 48 determined a shorter assessment interval.

a. These crack tool runs must utilize an Inertial Measurement Unit (IMU) and must be able to detect and size axial and circumferential cracks.
b. USCD Performance Specification Requirements
    i. The USCD tools must have a probability of detection that is ≥ 90% for axial and circumferential cracks.
    ii. The minimum crack depth that can be detected must be at least 1 mm for axial and circumferential cracks that are located in the base material.
    iii. The minimum crack depth that can be detected must be at least 2 mm for axial and circumferential cracks that are located in the weld.
    iv. The depth sizing accuracy for cracks must be ± 0.8 mm for axial cracks and ± 1 mm for circumferential cracks.

22. Dents and Pipe Deformation: Sable shall conduct a high-resolution deformation ILI tool with each UTWM.
23. Where any ILI tool fails to record data for 5% or more of the external and/or internal surface area of the inspected segment, reassess with the ILI tool to cover the area that is deemed to be inadequate data of the inspected segment. In addition, if the ILI tool travels at a speed that is outside the range of the tool velocity listed in the tool specification for 2% or more of the length of the inspected segment, Sable must rerun the ILI tool to reassess the pipeline segment in which the ILI tool velocity was outside of the specified tool velocity range.
24. All ILI tool runs must obtain the Test ID from the OSFM prior to run.
25. Sable must require its ILI tool vendor(s) to include in the vendor's inspection report all metal loss indications of 10% or greater, based on raw data, prior to adding in any correction for tool tolerance.
26. Sable must incorporate ILI tool accuracy by ensuring that each ILI tool service provider determines the tolerance of each tool, in accordance with API Standard 1163 Second Edition and includes that tolerance in determining the size of each indication reported to Sable.
27. Sable must account for ILI tool tolerance and anomaly growth rates in scheduled response times, repairs, and future reassessment intervals. Sable must

[5] Sable may petition the OSFM to revise the reassessment interval for Crack Detection Tool(s) when sufficient evidence is available to determine if crack growth rates could support a longer reassessment interval. Changes to the reassessment interval are subject to OSFM and PHMSA approval.

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document and justify the values used. Sable must demonstrate ILI tool tolerance accuracy for each ILI tool run by using calibration, excavations, and unity plots[6] that demonstrate ILI tool accuracy to meet the tool accuracy specification provided by the vendor (typical for depth within +10% accuracy for 80% of the time). Sable must compare previous indications to current indications that are significantly different. If a trend is identified where the tool has been consistently over-calling or under-calling, the remaining ILI features must be re-graded accordingly.

28. Prior to the ILI final report being received, Sable must perform at least four (4) separate validation digs that do not interact with each other. At a minimum, Sable must perform validation digs in accordance with Level 2 of API Standard 1163, “In-line Inspection System Qualification” (Second Edition, April 2013).

Discovery of Condition

29. The discovery date must be within 180 days of any ILI tool run for each type of ILI tool.

Immediate Repair Conditions[7]

30. A crack or crack-like anomaly that meets any of the following criteria:
    a. Crack or crack-like anomaly that is equal to or greater than 50% of pipe wall thickness.
    b. Crack or crack-like anomaly that has predicted failure pressure of less than 1.39 times the MOP as calculated using crack-like flaw evaluation method ASME FFS-1/API 579-1.
31. Internal or external metal loss anomalies where the remaining strength of pipe shows a predicted failure pressure less than 1.39 times the MOP.
32. Any external cluster corrosion or external general corrosion that is located on the bottom half of the pipeline (below the 3 and 9 o’clock positions) where the

[6] A minimum of four (4) independent direct examination excavations must be used for unity plots.

[7] The criteria outlined in the state waiver is supplemental to the requirements set forth in *§195.452(h)(4)(i) Immediate repair conditions* and does not relieve Sable from complying with §195.452(h)(4)(i). All immediate repair conditions must be remediated with a permanent repair method.

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remaining strength of pipe shows a predicted failure pressure less than 1.5 times the MOP.[8]

180-Day Repair Conditions[9]

33. A crack or crack-like anomaly that has predicted failure pressure of less than 1.5 times the MOP.
34. Internal or external metal loss anomalies where the remaining strength of pipe shows a predicted failure pressure less than 1.5 times the MOP.
35. All internal or external metal loss anomalies that have an ILI reported depth of 40% or greater wall loss, including tool sizing tolerance for depth.[10]
36. For any crack (likely crack or possible crack) or crack-like anomaly, regardless of its dimensions, that interacts with metal loss anomalies and are within one (1) inch (circumferentially) of the longitudinal seam weld, Sable must integrate the ILI results from the most recent crack tool run and the most recent metal loss tool run before the discovery date deadline.

Corrosion Growth Rate Analysis (CGRA)

37. Sable must develop a CGRA procedure to annually calculate corrosion growth rates between successive ILI's (using most recent ILI compared to prior ILI) and perform pipeline remediations needed to assure the integrity of the pipeline is maintained.[11] The timing of pipeline remediations under this condition shall be based on the most recent calculation of short-term corrosion rates.
38. The CGRA procedure must include ILI data matching methods[12] to analyze data from successive ILI's, methodologies for growth rate calculations and errors from comparing ILI data.

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[8] Cluster means two or more adjacent metal loss features in the wall of the pipe or weld that may interact based on interaction criteria. General corrosion means uniform or gradually varying loss of wall thickness over an area.

[9] The criteria outlined in the state waiver is supplemental to the requirements set forth in *§195.452(h)(4)(iii) 180-day conditions* and does not relieve Sable from complying with §195.452(h)(4)(iii). All 180-day repair conditions must be remediated with a permanent repair method.

[10] For example, if the ILI tool reports a 31% metal loss anomaly and the tool sizing tolerance is ±10 for depth, then this anomaly is a 180-day repair condition since it can be considered as an external metal loss anomaly with 41% metal loss depth. If Sable is unable to remediate such indications within 180 days of discovery, Sable must notify the OSFM, temporarily reduce the operating pressure, and take further remedial action in accordance with 49 C.F.R. §195.452 until the indication is remediated or until otherwise authorized by OSFM.

[11] At a minimum, Sable must include signal matching between ILI data sets.

[12] If there are several matching techniques that can be used, Sable must utilize the most accurate method of comparing ILI data sets.

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39. Sable must identify the projected date when remaining metal loss indications will reach a depth of 70% or greater wall loss.
40. When determining the projected date when remaining metal loss indications will reach a depth of 70% or greater wall loss, Sable must account for reported ILI depth, tool tolerance and corrosion growth rates[13].
41. All metal loss indications that are projected to reach a depth of 70% or greater wall loss prior to the next ILI, will become actionable and must be remediated before the next ILI.

Pressure Reduction

42. If Sable is unable to perform field evaluation and remediation of any required conditions within the time limit conditions specified in the state waiver, Sable must temporarily implement a minimum 20 percent or greater operating pressure reduction, based on actual operating pressure for two (2) months prior to the date of inspection, until the anomaly is repaired.

In Field Direct Examination of Pipe

43. Direct examinations[14] of pipe must include appropriate non-destructive examination methods for cracking such as magnetic particle inspection (MPI), shear wave technology or phased array ultrasonic testing (PAUT).[15] PAUT must be used for sizing any crack or crack-like anomaly lengths and depths.
44. Permanent repairs of metal loss anomalies are required for any section of pipe with wall loss equal to or greater than 40% in accordance with repair method 1, 4b, or 5 of Table 451.6.2(b)-1 of ASME B31.4 2006 Edition. However, the following additional conditions are applied if Sable chooses repair method 5 for metal loss anomalies:
    a. Method 5 must not be used on metal loss anomalies that are in the HAZ, girth weld, or longitudinal seam weld.

[13] Growth projections must use corrosion rates determined in accordance with the CGRA procedure. A default corrosion rate of 32 mpy must be used in determining projections, if corrosion rates determined by CGRA are less than the default value.
[14] Any time the pipeline is exposed for direct examination of an indication or to perform a repair, Sable must document the condition of the coating and carrier pipe (including anomalies) with photographs.
[15] Direct examinations for ILI reported crack or crack-like indications must include a magnetic particle inspection complimented by shear wave technology or inspection by phased array ultrasonic testing.

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   b. Sable must increase the metal loss anomaly's depth by 20% when they input it into the formula for calculating the number of wraps needed for repair method 5.
   c. After the anomaly is repaired via repair method 5, Sable must monitor the anomaly's wall loss depth in subsequent UTWM tool runs. If the anomaly's wall loss depth increases by more than 15% of the wall thickness in the subsequent UTWM tool runs, Sable must repair this anomaly via repair method 1 or 4b of Table 451.6.2(b)-1 of ASME B31.4 2006 Edition.
45. Permanent repairs are required for all cracks and/or crack-like anomalies discovered during direct examination, regardless of crack depth or crack length in accordance with repair method 1 or 4b of Table 451.6.2(b)-1 of ASME B31.4 2006 Edition.
46. Sable must develop a coating repair procedure for excavated or remediated corrosion anomalies that prevents further external corrosion and seals transition areas from currently insulated pipe to newly coated sections. Any time a shrink sleeve or coating is exposed, remove the shrink sleeve and coating, investigate circumferentially and longitudinally along the pipe for external corrosion and coating deterioration, and recoat with two-part epoxy. Sable must recoat in accordance with their coating repair procedure.[16]
47. All external polyurethane foam and the polyethylene tape wrap on buried pipe that are exposed during the field evaluation must not be replaced with new insulation or polyethylene tape wrap.

Integrity Management

48. A fracture mechanics and pressure cycling evaluation is required for un-remediated cracks and crack-like indications detected by ILI or indirect inspection tools.
   a. Sable must determine the predicted failure pressure, failure stress pressure and crack growth of un-remediated cracks and crack-like anomalies in accordance with 49 C.F.R. §192.712(d)(1).
   b. Sable must perform a fatigue analysis using an applicable fatigue crack growth law or other technically appropriate engineering methodology in accordance with 49 C.F.R. §192.712(d)(2).
49. Sable must analyze a sample of additional indications of varying amounts of metal loss between 10% and 40% for validation. The sample size shall be at least ten (10), unless fewer than ten (10) indications are reported within that range, in which case Sable would examine the number of indications called.
50. When sizing metal loss indications, apply interaction/clustering criteria of 6t by 6t for applicable ILI tool(s).

[16] The coating procedure must be submitted to the OSFM prior to the prior to the effective date of the state waiver.

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51. Sable must send all field measurements to the ILI tool vendor within 90 days of completing direct examinations and require the ILI vendor to validate the accuracy of the tool. Sable must conduct annual meetings with the ILI tool vendor to discuss tool performance and incorporate lessons learned.
52. Sable must utilize a third-party expert to review all ILI reports, verification of digs, data integration, ILI tool tolerances, development of unity plots, measured field findings, failure pressure ratios and any other finding that could affect the integrity of the pipeline. The review must be conducted within six (6) months of each ILI assessment. The third-party expert must be approved by the OSFM prior to being selected.
53. Within one (1) year from date of issuance, Sable must use a NACE-certified expert to conduct an evaluation and determine if alternating current (AC) interference or direct current (DC) interference or shorting that could contribute to external corrosion is occurring. The expert must recommend the frequency of subsequent interference surveys. All evaluations must be approved and signed by the NACE-certified expert.

Data Requirements for Predicted Failure Analysis

54. Unless the defect dimensions have been verified using a direct examination measurements, Sable must explicitly analyze uncertainties in reported assessment results including but not limited to tool tolerance, detection threshold, probability of detection, probability of identification, sizing accuracy, conservative anomaly, interaction criteria, location accuracy, anomaly findings, and unity chart plots or equivalent for determining uncertainties and verifying tool performance, in identifying and characterizing the type and dimensions of anomalies or defects used in the analyses.
55. The analyses performed in accordance with this state waiver must utilize pipe and material properties of the pipe body and longitudinal weld seam that are documented in *traceable, verifiable, and complete* records.

Recordkeeping

56. Procedures, records of investigations, data, analyses, and other actions made in accordance with the requirements of this state waiver shall be kept for the life of the pipeline and must be submitted to the OSFM, in the manner requested (electronic, hardcopy, or other format) within 30 days.
57. Sable must maintain the following records:
    a. Technical approach used for the analysis
    b. All data used and analyzed
    c. Pipe and longitudinal weld seam properties
    d. Procedures used to implement state waiver conditions

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e. Evaluation methodology used
f. Models used
g. Direct in situ examination data
h. All in-line inspection tool assessments information evaluated
i. Pressure test data and results
j. All in-the-ditch assessments performed on the pipeline segments
k. All measurement tool, assessment, and evaluation accuracy specifications and tolerances used in technical and operations results
l. All finite element analysis results
m. The number of pressure cycles to failure, the equivalent number of annual pressure cycles, and the pressure cycle counting methodology
n. The predicted fatigue life and predicted failure pressure from the required fatigue life models and fracture mechanics evaluation methods
o. Safety factors used for fatigue life and/or predicted failure pressure calculations
p. Reassessment time interval and safety factors
q. The date of the review
r. Confirmation of the results by qualified technical subject matter expert(s)
s. Approval by responsible Sable management personnel
t. Records of additional preventive and mitigative (P&M) measures performed
u. Reports required by this State Waiver.

Reporting

58. Any release on the pipeline shall be reported to the OSFM at the earliest practicable moment following discovery but no later than 24 hours from the time of discovery via email at PipelineNotification@fire.ca.gov, *Subject: OSFM State Waiver – Accident Notification*.[17]
59. An email notification shall be made at least three (3) days prior to the pipeline being exposed for non-emergency purposes of field evaluation and repair via email at PipelineNotification@fire.ca.gov, *Subject: OSFM State Waiver – Pipeline Repair CA-324*. The email notification shall include, if applicable:
    a. Tool type and run date
    b. Unique identifier (e.g. Dig Number, Joint Number, Flaw ID, Condition Type)
    c. Dig sheets
    d. Field contact information for Sable
    e. Time and location of the field evaluation and repair.
60. Sable shall provide a Summary of Conditions Report within 210 days of the last date of an ILI run via email at PipelineNotification@fire.ca.gov, *Subject: OSFM State Waiver – Summary of Conditions CA-324* and include:

[17] This requirement does not relieve Sable from spill reporting requirements that might exist under local, state or federal regulations.

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a. Tool type
b. Run date
c. Summary of Conditions Report[18]
d. Final Vendor Report and Pipe Tally

61. Sable shall provide a report to the OSFM by June 15th of every year for the duration of the state waiver. The report shall be addressed to the OSFM Assistant Deputy Director, Chief of Pipeline Safety via email at PipelineNotification@fire.ca.gov, *Subject: OSFM State Waiver – Annual Report CA-324*. At a minimum, the annual report shall contain the following, if applicable:
    a. A Closure Report for the previous calendar (CY) which contains:
        i. Features that were remediated in previous CY
            1. Provide documentation for the in-the-ditch assessments and repairs
        ii. Identify features that remain to be assessed
        iii. Unity Plots for previous ILI runs
    b. Fracture mechanics and pressure cycling analyses in accordance with Condition 48
    c. The third-party ILI expert reviews in accordance with Condition 52
    d. AC and DC Interference surveys that are due in accordance with Condition 53
    e. A copy of the CGRA for prior year including:
        i. Mean corrosion growth rate for the pipeline
        ii. Distribution graph of the corrosion growth rate for the pipeline (e.g. occurrences (#) vs. corrosion rate (mpy)

Limitations

62. This state waiver is limited to a term of no more than (10) years from the date of issuance. If Sable elects to seek renewal of this state waiver, it must submit a renewal request to the OSFM at least 180 days prior to the expiration date, including a justification for continuation of the waiver.
63. Should Sable fail to comply with any conditions of this state waiver or should the OSFM determine that this state waiver is no longer appropriate or is inconsistent with pipeline safety, the OSFM may revoke the state waiver and require Sable to comply with all appropriate regulatory requirements.
64. The OSFM may order the pipeline shutdown at any time.
65. The OSFM may issue a compliance order or may initiate proceedings to determine the nature and extent of the violations and appropriate civil penalty for

[18] The OSFM may stipulate specific formatting or other information (e.g. Condition Type, Anomaly Details, Remaining Strength Calculation Method, Failure Pressure, CGRA, etc.) to be included in the Summary of Conditions Reports, Closure Report and Annual Reports if information provided is not deemed sufficient.

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failure to comply with this state waiver. The terms and conditions of any compliance order shall take precedence over the terms of the state waiver.

66. In the event of conflict between the state waiver conditions and industry standards, the state waiver conditions shall prevail.
67. If Sable sells, merges, transfers or otherwise disposes of all or part of the assets covered by the state waiver, Sable must provide the OSFM written notice of the change within 30 days of the consummation date. In the event of such transfer, the OSFM reserves the right to revoke, suspend, or modify the state waiver.

Should you have any questions, please contact Alin Podoreanu, Supervising Pipeline Safety Engineer at (916) 212-8891.

Sincerely,

DocuSigned by:
James Hosler
980F8D3AE95C42E...

JAMES HOSLER
Assistant Deputy Director
Chief of Pipeline Safety and CUPA Programs

Enclosure(s): (1) Pacific Pipeline Company State Waiver Application for CA-324

cc: Doug Allen, Supervising Pipeline Safety Engineer, OSFM
Andy Chau, Supervising Pipeline Safety Engineer, OSFM
Brendan Feery, Supervising Pipeline Safety Engineer, OSFM
Huy Nguyen, Supervising Pipeline Safety Engineer, OSFM
Alin Podoreanu, Supervising Pipeline Safety Engineer, OSFM
Tuan Tran, Pipeline Safety Engineer, OSFM
Josh Cleaver, Staff Counsel, CAL FIRE
Max Kieba, Engineering and Research Division, PHMSA
Joshua Johnson, Engineering and Research Division, PHMSA

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DEPARTMENT OF FORESTRY AND FIRE PROTECTION
OFFICE OF THE STATE FIRE MARSHAL
P.O. Box 944246
Sacramento, California 94244-2460
(916) 568-3800
Website: www.fire.ca.gov

CERTIFIED MAIL No: 9589-0710-5270-1475-5353-15

December 17, 2024

Lance Yearwood
Vice President
Sable Offshore Corp
845 Texas Avenue, Suite 2920
Houston, Texas 77002

SUBJECT: LETTER OF DECISION ON THE STATE WAIVER REQUEST FOR LIMITED EFECTIVENESS OF CATHODIC PROTECTION ON THERMALLY INSULATED PIPELINE AND CORROSION OF OR ALONG A LONGITUDINAL SEAM WELD (CA-325A/B)

Operator: Sable Offshore Corp
OPID# 40851
845 Texas Avenue, Suite 2920
Houston, Texas 77002

Pipeline: OSFM Line ID 0001 - 113.56 miles (Gaviota to Sisquoc to Pentland) of Sable Offshore Corp CA-325A/B (OSFM Line ID 0001) located in Santa Barbara County, San Luis Obispo County, and Kern County, California as described in the request of state waiver dated April 24, 2024

Dear Mr. Yearwood:

The Office of the State Fire Marshal (OSFM) received Sable Offshore Corp's (*Sable*) state waiver request (*Application*) on April 24, 2024, in accordance with the terms of the Consent Decree (CD) between Plains Pipeline, L.P. and the United States of America and the People of the State of California, DOJ Case REF. NO. 90-5-1-1-1130 (Appendix B, Article 1.1.D).

In addition, Sable requested a regulatory relief from Title 49 Code of Federal Regulations (49 C.F.R.), § 195.452(h)(4)(iii)(H) *Corrosion of or along a longitudinal seam weld* for Sable CA-325 A/B.

Sable explained that its goal is to appropriately manage the risk of corrosion under insulation that may occur as a result of inadequate cathodic protection due to the

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shielding effects of the polyurethane foam and the polyethylene tape wrap. Sable described the measures it has taken to address this risk and implemented and proposed a number of additional measures designed to mitigate the risk of corrosion under insulation that may result from potential ineffective cathodic protection (CP).

Sable provided the OSFM with its proposed measures to mitigate the risk of corrosion under insulation. Sable also provided the OSFM information from the completed in-line inspections and additional data requested by our office. The OSFM Pipeline Safety Engineers have reviewed the materials provided and have been in communication with the United States Department of Transportation (USDOT), Pipeline and Hazardous Materials Safety Administration (PHMSA) Engineering and Research Division to incorporate PHMSA's recommended conditions into the state waiver.

The OSFM has regulatory jurisdiction over the safety standards and practices of intrastate hazardous liquid pipeline transportation within California. As a Pipeline Safety Program that is certified under 49 USC § 60105, the OSFM may grant a state waiver with a pipeline safety regulation adopted by the state of California. Title 49 C.F.R., Part 195 was adopted by reference as it relates to hazardous liquid pipelines within Title 19 California Code of Regulations (19 CCR), Section 2000.

This state waiver applies to Sable's Line CA-325A/B (OSFM Line ID 0001) which consists of a 113.56 mile long, 30-inch outside diameter pipeline segment with the origin and termination points as described in the application. The pipeline is located in Santa Barbara County, San Luis Obispo County, and Kern County, California and shall be referred herein as CA-325A/B. CA-325A/B consists of two shorter pipeline segments, CA-325A and CA-325B. The pipeline segment CA-325A, located completely in Santa Barbara County, starts in Gaviota and ends at Sisquoc. CA-325A is approximately 38.72 miles long. The other pipeline segment, CA-325B, which is directly downstream of CA-325A, begins at Sisquoc and terminates in Pentland. CA-325B is approximately 74.84 miles long and traverses Santa Barbara County, San Luis Obispo County, and Kern County, California. The state waiver shall not become effective until (1) PHMSA issues an Order approving the waiver or stating it has no objection to the waiver or (2) PHMSA takes no action on the waiver within sixty (60) days after receiving the Letter of Decision from the OSFM.

The state waiver is limited to a term of no more than ten (10) years from the date it becomes effective, which shall be considered as the date of issuance. The OSFM may terminate the state waiver under conditions detailed below.

Applicable Regulations

The OSFM hereby grants this state waiver for CA-325 A/B, provided that Sable complies with the specific requirements in this state waiver and any additional conditions outlined by PHMSA. The pipeline must be operated and maintained in accordance with the CD, these

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state waiver conditions and 49 C.F.R. Part 195, with the exception of 49 C.F.R. §195.452(h)(4)(iii)(H). In event of a conflict between the state waiver conditions and the applicable requirements under 49 C.F.R. Part 195, the state waiver conditions control. Should additional federal or State statutory or regulatory requirements come into effect following the implementation of this state waiver, CA-325 A/B shall be subject to those requirements except where they are in conflict with the State Waiver or the safe operation of the pipeline.

General Conditions

1. The pipeline can only be used to transport crude oil as stated in the application.
2. The maximum operating pressure (MOP) cannot exceed:
    a. 1000 pounds per square inch gauge (psig) for CA-325A.
    b. 1292 psig for CA-325B.
3. The maximum operating temperature of the crude oil must not exceed:
    a. 125 Fahrenheit for more than 12 consecutive hours for CA-325A. Temperature transmitters must be installed on CA-325A at Gaviota station to monitor the temperature of CA-325A/B at this facility.
    b. 110 Fahrenheit for more than 12 consecutive hours for CA-325B. Temperature transmitters must be installed on CA-325A/B at Sisquoc station to monitor the temperature of CA-325A/B at this facility.
4. Prior to startup, Sable must develop and implement procedures for the conditions and requirements described in the state waiver.
5. This state waiver does not relieve Sable from other requirements under 49 C.F.R. Part 195 or the Elder California Pipeline Safety Act of 1981 other than contained herein.
6. This state waiver does not relieve Sable from any requirements imposed by the Consent Decree (United States District Court Central District of California Civil Action No. 2:20-cv-02415).
7. In-line inspection must include:
    a. Use of a tool that is at least capable of reliably detecting and identifying cluster corrosion and general corrosion. Definition of cluster and general corrosion is as follows:
        i. Cluster means two or more adjacent metal loss features in the wall of the pipe or weld that may interact based on interaction criteria.
        ii. General corrosion means uniform or gradually varying loss of wall thickness over an area.
    b. Use of a tool that is at least capable of reliably detecting and sizing corrosion at a 90 percent probability of detection (POD) and probability of identification (POI)
    c. Use of a tool that is at least capable of reliably detecting and sizing crack or crack-like anomalies at a 90 percent POD and POI

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8. Prior to placing CA-325A/B in operation, Sable must perform fracture toughness tests on the existing 30" pipe from CA-325A/B in accordance with ASTM E1820-23B Standard Test Method for Measurement of Fracture Toughness. All of the test specimens must be from both of the two following predominant existing 30" pipe specifications:
   a. API 5L X70 pipe with a nominal thickness of 0.281" that was manufactured by the various pipe mills in the 1980s.
   b. API 5L X65 pipe with a nominal thickness of 0.344" that was manufactured by the various pipe mills in the 1980s.

   At least three (3) separate tests must be performed from each pipe mill, for both of the two pipe specifications listed above, to obtain the fracture toughness values of the pipe body, heat affected zone (HAZ)[1], and the DSAW long seam weld on the pipe to represent the fracture toughness of CA-325A/B (i.e. three (3) samples for pipe body, three (3) samples for HAZ, and three (3) samples for the DSAW long seam weld). The lowest fracture toughness value must be applied to conditions 10, 31, 34, and 49. Sable may use pipe samples taken opportunistically during ongoing pipeline maintenance and repair efforts.[2]
9. All immediate and 180-day repair conditions that are listed in this state waiver must be evaluated and remediated prior to restarting CA-325A/B. Sable must utilize Ultrasonic Thickness Wall Measurement (UTWM) and Ultrasonic Shear Wave Crack Detection (USCD) in-line inspection (ILI) tools within seven (7) days of achieving initial steady state operation in accordance with an ILI survey schedule approved by the OSFM. Sable must utilize the most recent Ultrasonic Thickness Wall Measurement (UTWM) and Ultrasonic Shear Wave Crack Detection (USCD) in-line inspection (ILI) results when identifying these repair conditions.
10. Remaining strength of pipe calculation for all metal loss anomalies must be in accordance with the Modified B31G method as described in ASME B31G *Manual for Determining the Remaining Strength of Corroded Pipelines.* If ASME B31G 2012 Edition is used, then it must comply with the conditions in accordance with Section 1.2 and exclusions in accordance with Section 1.3 of ASME B31G 2012 Edition. However, if the metal loss anomaly intersects or is within one (1) inch (circumferentially) of the longitudinal seam weld, Sable must also calculate the predicted failure pressure of the anomaly by using the crack-like flaw evaluation method ASME FFS-1/API 579-1.
11. Sable must utilize cleaning pigs at regular intervals not to exceed a biweekly basis to maintain adequate cleanliness on the internal pipe wall of its CA-325A/B.

[1] The heat affected zone (HAZ), as used in the state waiver, is defined as a 1-inch-wide area on either side of the longitudinal weld seam.
[2] Sable must submit all fracture toughness results to the OSFM prior to restarting the pipeline.

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Pressure Testing

12. Prior to placing the pipeline in operation, Sable must conduct a spike hydrostatic pressure test of the state waiver pipeline segment *CA-325A* at a minimum pressure that is at least 1.39 times the MOP, for a minimum of 15 minutes after the spike test pressure is stabilized. Sable must ensure that the spike hydrostatic pressure at the highest elevation of each testable segment is at least 1.39 times the MOP. Sable must field evaluate and remediate the following anomalies before performing the spike hydrostatic test on CA-325A:
    a. All metal loss anomalies that have an ILI reported depth of 40% and greater wall loss.
    b. All anomalies that have a predicted failure pressure less than or equal to 1.5 times MOP.
13. Immediately following the spike hydrostatic pressure test, Sable must conduct an 8-hour hydrostatic pressure test of the state waiver pipeline segment *CA-325A* at a minimum of 1.25 times the MOP.
14. Prior to placing the pipeline in operation, Sable must conduct a hydrostatic pressure test of the state waiver pipeline segment *CA-325B* at a minimum pressure of 1.25 times the MOP, for a minimum of 8 hours. Sable must ensure that the hydrostatic pressure at the highest elevation of each testable segment is at least 1.25 times the MOP. Sable must field evaluate and remediate the following anomalies before performing the hydrostatic test on CA-325B:
    a. All metal loss anomalies that have an ILI reported depth of 40% and greater wall loss.
    b. All anomalies that have a predicted failure pressure less than or equal to 1.4 times MOP.
15. Sable must obtain the Test ID from the OSFM for each hydrostatic pressure test segment and have the approved independent testing firm forward the certified test results to the OSFM.
16. Each hydrostatic pressure test must be performed in accordance with the applicable requirements of 49 C.F.R., Part 195 E – Pressure Testing and monitored by an independent testing firm listed under the OSFM approved hydrostatic testing companies.
17. Failures resulting from the spike hydrostatic pressure test or the 8-hour strength test shall be immediately reported[3] to the OSFM via email at PipelineNotification@fire.ca.gov
    Subject: OSFM State Waiver - Hydrotest Failure.
18. Section(s) of the state waiver pipeline segments that failed during the required hydrotesting must be repaired by removing and replacing the failed section. The OSFM reserves the right to revoke the state waiver if failure(s) raise the concern that the pipeline cannot be safely operated.

[3] In addition to the OSFM reporting, Sable shall follow all additional state reporting requirements.

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In-Line Inspection (ILI) Assessment and Frequency

19. At least 90 days prior to performing in-line inspections of the state waiver segment, Sable shall provide the OSFM with a written notification to PipelineNotification@fire.ca.gov describing its assessment plan with the following information:
    a) Dates for integrity assessment
    b) In-line inspection tool(s) selected, in accordance with API Standard 1163 Section 5 and NACE SP0102[4] to assess the integrity of the subject pipe segment(s) in which ILIs must be capable to detect and size wall loss, dents, internal corrosion, external corrosion, cracks and crack-like indications
    c) In-line inspection tool vendor(s)
    d) Required tool specifications including operational specifications and anomaly sizing tolerances
    e) Tool validation methodology
    f) Anomaly feature identification criteria and reporting thresholds – wall loss, dents, internal corrosion, external corrosion, cracks, and crack-like indications
    g) Criteria used to identify locations for excavation and field verification
    h) Non-destructive examination
20. Within seven (7) days prior to any anticipated ILI tool run, Sable must utilize extensive brush pigs and solvents (xylene or other chemicals) to ensure that the internal pipe wall does not have any corrosive products, wax, and bacteria buildup that may affect the ILI tool performance.
21. Metal Loss Tool(s)
    a. Initial ILI tool runs – Each year, during the first two (2) years of operating CA-325 A/B, Sable shall conduct at least two (2) ILIs using a UTWM tool with an inertial measurement unit (IMU). Sable shall compare both runs and evaluate all available information, including these tool runs and corresponding IMU data. Sable shall perform the UTWM tool run every six (6) months not to exceed nine (9) months. If a UTWM tool run is unsuccessful, Sable shall identify the limitations that prevented the UTWM tool run from being successful, consider changes to increase the likelihood of a successful UTWM tool run, and use best efforts to rerun the UTWM tool within 30 days.
    b. Subsequent ILI tool runs – After the first two (2) years of operating CA-325 A/B, Sable shall conduct at least one (1) Ultrasonic Wall Measurement tool (UTWM) each calendar year, not to exceed 15 months or the ILI assessment must be assessed at more frequent intervals if the remaining Failure Pressure Ratio will be less than 1.39 times MOP prior to the next ILI assessment, based upon anomaly growth estimates and pressure cycling. If,

[4] Industry standards that are referenced in this state waiver must utilize the editions that are incorporated by referenced in Title 49 Part 195.3 unless another edition was explicitly specified.

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any UTWM tool run is deemed to be unsuccessful, Sable shall document the reasons why the UTWM tool was unsuccessful, consider changes to increase the likelihood of a successful UTWM tool run, and must reassess the pipeline within 30 days after it was deemed to be unsuccessful. All metal loss tool runs must also utilize an Inertial Measurement Unit (IMU).

22. Crack Detection Tools - Sable must run at least one (1) Ultrasonic Shear Wave Crack Detection (USCD) tool each calendar year, not to exceed 15 months[5] or the ILI assessment must be assessed at more frequent intervals if Condition 49 determined a shorter assessment interval.
    a. These crack tool runs must utilize an Inertial Measurement Unit (IMU) and must be able to detect and size axial and circumferential cracks.
    b. USCD Performance Specification Requirements
        i. The USCD tools must have a probability of detection that is ≥ 90% for axial and circumferential cracks.
        ii. The minimum crack depth that can be detected must be at least 1 mm for axial and circumferential cracks that are located in the base material.
        iii. The minimum crack depth that can be detected must be at least 2 mm for axial and circumferential cracks that are located in the weld.
        iv. The depth sizing accuracy for cracks must be ± 0.8 mm for axial cracks and ± 1 mm for circumferential cracks.
23. Dents and Pipe Deformation: Sable shall conduct a high-resolution deformation ILI tool with each UTWM.
24. Where any ILI tool fails to record data for 5% or more of the external and/or internal surface area of the inspected segment, reassess with the ILI tool to cover the area that is deemed to be inadequate data of the inspected segment. In addition, if the ILI tool travels at a speed that is outside the range of the tool velocity listed in the tool specification for 2% or more of the length of the inspected segment, Sable must rerun the ILI tool to reassess the pipeline segment in which the ILI tool velocity was outside of the specified tool velocity range.
25. All ILI tool runs must obtain the Test ID from the OSFM prior to run.
26. Sable must require its ILI tool vendor(s) to include in the vendor's inspection report all metal loss indications of 10% or greater, based on raw data, prior to adding in any correction for tool tolerance.
27. Sable must incorporate ILI tool accuracy by ensuring that each ILI tool service provider determines the tolerance of each tool, in accordance with API Standard 1163 Second Edition and includes that tolerance in determining the size of each indication reported to Sable.

[5] Sable may petition the OSFM to revise the reassessment interval for Crack Detection Tool(s) when sufficient evidence is available to determine if crack growth rates could support a longer reassessment interval. Changes to the reassessment interval are subject to the OSFM and PHMSA approval.

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28. Sable must account for ILI tool tolerance and anomaly growth rates in scheduled response times, repairs, and future reassessment intervals. Sable must document and justify the values used. Sable must demonstrate ILI tool tolerance accuracy for each ILI tool run by using calibration, excavations, and unity plots[6] that demonstrate ILI tool accuracy to meet the tool accuracy specification provided by the vendor (typical for depth within +10% accuracy for 80% of the time). Sable must compare previous indications to current indications that are significantly different. If a trend is identified where the tool has been consistently over-calling or under-calling, the remaining ILI features must be re-graded accordingly.
29. Prior to the ILI final report being received, Sable must perform at least four (4) separate validation digs that do not interact with each other. At a minimum, Sable must perform validation digs in accordance with Level 2 of API Standard 1163, "In-line Inspection System Qualification" (Second Edition, April 2013).

Discovery of Condition

30. The discovery date must be within 180 days of any ILI tool run for each type of ILI tool.

Immediate Repair Conditions[7]

31. A crack or crack-like anomaly that meets any of the following criteria:
    a. Crack or crack-like anomaly that is equal to or greater than 50% of pipe wall thickness.
    b. Crack or crack-like anomaly that has predicted failure pressure of less than 1.39 times the MOP as calculated using crack-like flaw evaluation method ASME FFS-1/API 579-1.
32. Internal or external metal loss anomalies where the remaining strength of pipe shows a predicted failure pressure less than 1.39 times the MOP.
33. Any external cluster corrosion or external general corrosion that is located on the bottom half of the pipeline (below the 3 and 9 o'clock positions) where the remaining strength of pipe shows a predicted failure pressure less than 1.5 times the MOP.[8]

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[6] A minimum of four (4) independent direct examination excavations must be used for unity plots.

[7] The criteria outlined in the state waiver is supplemental to the requirements set forth in *§195.452(h)(4)(i) Immediate repair conditions* and does not relieve Sable from complying with §195.452(h)(4)(i). All immediate repair conditions must be remediated with a permanent repair method.

[8] Cluster means two or more adjacent metal loss features in the wall of the pipe or weld that may interact based on interaction criteria. General corrosion means uniform or gradually varying loss of wall thickness over an area.

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180-Day Repair Conditions[9]

34. A crack or crack-like anomaly that has predicted failure pressure of less than 1.5 times the MOP.
35. Internal or external metal loss anomalies where the remaining strength of pipe shows a predicted failure pressure less than 1.5 times the MOP.
36. All internal or external metal loss anomalies that have an ILI reported depth of 40% or greater wall loss, including tool sizing tolerance for depth.[10]
37. For any crack (likely crack or possible crack) or crack-like anomaly, regardless of its dimensions, that interacts with metal loss anomalies and are within one (1) inch (circumferentially) of the longitudinal seam weld, Sable must integrate the ILI results from the most recent crack tool run and the most recent metal loss tool run before the discovery date deadline.

Corrosion Growth Rate Analysis (CGRA)

38. Sable must develop a CGRA procedure to annually calculate corrosion growth rates between successive ILI's (using most recent ILI compared to prior ILI) and perform pipeline remediations needed to assure the integrity of the pipeline is maintained.[11] The timing of pipeline remediations under this condition shall be based on the most recent calculation of short-term corrosion rates.
39. The CGRA procedure must include ILI data matching methods[12] to analyze data from successive ILI's, methodologies for growth rate calculations and errors from comparing ILI data.
40. Sable must identify the projected date when remaining metal loss indications will reach a depth of 70% or greater wall loss.
41. When determining the projected date when remaining metal loss indications will reach a depth of 70% or greater wall loss, Sable must account for reported ILI depth, tool tolerance and corrosion growth rates[13].

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[9] The criteria outlined in the state waiver is supplemental to the requirements set forth in *§195.452(h)(4)(iii) 180-day conditions* and does not relieve Sable from complying with §195.452(h)(4)(iii). All 180-day repair conditions must be remediated with a permanent repair method.

[10] For example, if the ILI tool reports a 31% metal loss anomaly and the tool sizing tolerance is ±10 for depth, then this anomaly is a 180-day repair condition since it can be considered as an external metal loss anomaly with 41% metal loss depth. If Sable is unable to remediate such indications within 180 days of discovery, Sable must notify OSFM, temporarily reduce the operating pressure, and take further remedial action in accordance with 49 C.F.R. §195.452 until the indication is remediated or until otherwise authorized by the OSFM.

[11] At a minimum, Sable must include signal matching between ILI data sets.

[12] If there are several matching techniques that can be used, Sable must utilize the most accurate method of comparing ILI data sets.

[13] Growth projections must use corrosion rates determined in accordance with the CGRA procedure. A default corrosion rate of 32 mpy must be used in determining projections, if corrosion rates determined by CGRA are less than the default value.

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42. All metal loss indications that are projected to reach a depth of 70% or greater wall loss prior to the next ILI, will become actionable and must be remediated before the next ILI.

Pressure Reduction

43. If Sable is unable to perform field evaluation and remediation of any required conditions within the time limit conditions specified in the state waiver, Sable must temporarily implement a minimum 20 percent or greater operating pressure reduction, based on actual operating pressure for two (2) months prior to the date of inspection, until the anomaly is repaired.

In Field Direct Examination of Pipe

44. Direct examinations[14] of pipe must include appropriate non-destructive examination methods for cracking such as magnetic particle inspection (MPI), shear wave technology or phased array ultrasonic testing (PAUT).[15] PAUT must be used for sizing any crack or crack-like anomaly lengths and depths.
45. Permanent repairs of metal loss anomalies are required for any section of pipe with wall loss equal to or greater than 40% in accordance with repair method 1, 4b, or 5 of Table 451.6.2(b)-1 of ASME B31.4 2006 Edition. However, the following additional conditions are applied if Sable chooses repair method 5 for metal loss anomalies:
    a. Method 5 must not be used on metal loss anomalies that are in the HAZ, girth weld, or longitudinal seam weld.
    b. Sable must increase the metal loss anomaly's depth by 20% when they input it into the formula for calculating the number of wraps needed for repair method 5.
    c. After the anomaly is repaired via repair method 5, Sable must monitor the anomaly's wall loss depth in subsequent UTWM tool runs. If the anomaly's wall loss depth increases by more than 15% of the wall thickness in the subsequent UTWM tool runs, Sable must repair this anomaly via repair method 1 or 4b of Table 451.6.2(b)-1 of ASME B31.4 2006 Edition.
46. Permanent repairs are required for all cracks and/or crack-like anomalies discovered during direct examination, regardless of crack depth or crack length in accordance with repair method 1 or 4b of Table 451.6.2(b)-1 of ASME B31.4 2006 Edition.

[14] Any time the pipeline is exposed for direct examination of an indication or to perform a repair, Sable must document the condition of the coating and carrier pipe (including anomalies) with photographs.
[15] Direct examinations for ILI reported crack or crack-like indications must include a magnetic particle inspection complimented by shear wave technology or inspection by phased array ultrasonic testing.

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47. Sable must develop a coating repair procedure for excavated or remediated corrosion anomalies that prevents further external corrosion and seals transition areas from currently insulated pipe to newly coated sections. Any time a shrink sleeve or coating is exposed, remove the shrink sleeve and coating, investigate circumferentially and longitudinally along the pipe for external corrosion and coating deterioration, and recoat with two-part epoxy. Sable must recoat in accordance with their coating repair procedure.[16]
48. All external polyurethane foam and the polyethylene tape wrap on buried pipe that are exposed during the field evaluation must not be replaced with new insulation or polyethylene tape wrap.

Integrity Management

49. A fracture mechanics and pressure cycling evaluation is required for un-remediated cracks and crack-like indications detected by ILI or indirect inspection tools.
    a. Sable must determine the predicted failure pressure, failure stress pressure and crack growth of un-remediated cracks and crack-like anomalies in accordance with 49 C.F.R. §192.712(d)(1).
    b. Sable must perform a fatigue analysis using an applicable fatigue crack growth law or other technically appropriate engineering methodology in accordance with 49 C.F.R. §192.712(d)(2).
50. Sable must analyze a sample of additional indications of varying amounts of metal loss between 10% and 40% for validation. The sample size shall be at least ten (10), unless fewer than ten (10) indications are reported within that range, in which case Sable would examine the number of indications called.
51. When sizing metal loss indications, apply interaction/clustering criteria of 6t by 6t for applicable ILI tool(s).
52. Sable must send all field measurements to the ILI tool vendor within 90 days of completing direct examinations and require the ILI vendor to validate the accuracy of the tool. Sable must conduct annual meetings with the ILI tool vendor to discuss tool performance and incorporate lessons learned.
53. Sable must utilize a third-party expert to review all ILI reports, verification of digs, data integration, ILI tool tolerances, development of unity plots, measured field findings, failure pressure ratios and any other finding that could affect the integrity of the pipeline. The review must be conducted within six (6) months of each ILI assessment. The third-party expert must be approved by the OSFM prior to being selected.
54. Within one (1) year from date of issuance, Sable must use a NACE-certified expert to conduct an evaluation and determine if alternating current (AC)

[16] The coating procedure must be submitted to the OSFM prior to the prior to the effective date of the state waiver.

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interference or direct current (DC) interference or shorting that could contribute to external corrosion is occurring. The expert must recommend the frequency of subsequent interference surveys. All evaluations must be approved and signed by the NACE-certified expert.

Data Requirements for Predicted Failure Analysis

55. Unless the defect dimensions have been verified using a direct examination measurements, Sable must explicitly analyze uncertainties in reported assessment results including but not limited to tool tolerance, detection threshold, probability of detection, probability of identification, sizing accuracy, conservative anomaly, interaction criteria, location accuracy, anomaly findings, and unity chart plots or equivalent for determining uncertainties and verifying tool performance, in identifying and characterizing the type and dimensions of anomalies or defects used in the analyses.
56. The analyses performed in accordance with this state waiver must utilize pipe and material properties of the pipe body and longitudinal weld seam that are documented in *traceable, verifiable, and complete* records.

Recordkeeping

57. Procedures, records of investigations, data, analyses, and other actions made in accordance with the requirements of this state waiver shall be kept for the life of the pipeline and must be submitted to the OSFM, in the manner requested (electronic, hardcopy, or other format) within 30 days.
58. Sable must maintain the following records:
    a. Technical approach used for the analysis
    b. All data used and analyzed
    c. Pipe and longitudinal weld seam properties
    d. Procedures used to implement state waiver conditions
    e. Evaluation methodology used
    f. Models used
    g. Direct in situ examination data
    h. All in-line inspection tool assessments information evaluated
    i. Pressure test data and results
    j. All in-the-ditch assessments performed on the pipeline segments
    k. All measurement tool, assessment, and evaluation accuracy specifications and tolerances used in technical and operations results
    l. All finite element analysis results
    m. The number of pressure cycles to failure, the equivalent number of annual pressure cycles, and the pressure cycle counting methodology

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n. The predicted fatigue life and predicted failure pressure from the required fatigue life models and fracture mechanics evaluation methods
o. Safety factors used for fatigue life and/or predicted failure pressure calculations
p. Reassessment time interval and safety factors
q. The date of the review
r. Confirmation of the results by qualified technical subject matter expert(s)
s. Approval by responsible Sable management personnel
t. Records of additional preventive and mitigative (P&M) measures performed
u. Reports required by this State Waiver.

Reporting

59. Any release on the pipeline shall be reported to the OSFM at the earliest practicable moment following discovery but no later than 24 hours from the time of discovery via email at PipelineNotification@fire.ca.gov, *Subject: OSFM State Waiver – Accident Notification*.[17]
60. An email notification shall be made at least three (3) days prior to the pipeline being exposed for non-emergency purposes of field evaluation and repair via email at PipelineNotification@fire.ca.gov, *Subject: OSFM State Waiver – Pipeline Repair CA-325 A/B*. The email notification shall include, if applicable:
    d. Tool type and run date
    e. Unique identifier (e.g. Dig Number, Joint Number, Flaw ID, Condition Type)
    f. Dig sheets
    g. Field contact information for Sable
    h. Time and location of the field evaluation and repair.
61. Sable shall provide a Summary of Conditions Report within 210 days of the last date of an ILI run via email at PipelineNotification@fire.ca.gov, *Subject: OSFM State Waiver – Summary of Conditions CA-325 A/B* and include:
    i. Tool type
    j. Run date
    k. Summary of Conditions Report[18]
    l. Final Vendor Report and Pipe Tally
62. Sable shall provide a report to the OSFM by June 15th of every year for the duration of the state waiver. The report shall be addressed to the OSFM Assistant Deputy Director, Chief of Pipeline Safety via email at PipelineNotification@fire.ca.gov, *Subject: OSFM State Waiver – Annual Report*

[17] This requirement does not relieve Sable from spill reporting requirements that might exist under local, state or federal regulations.
[18] The OSFM may stipulate specific formatting or other information (e.g. Condition Type, Anomaly Details, Remaining Strength Calculation Method, Failure Pressure, CGRA, etc.) to be included in the Summary of Conditions Reports, Closure Report and Annual Reports if information provided is not deemed sufficient.

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CA-325 A/B. At a minimum, the annual report shall contain the following, if applicable:

a. A Closure Report for the previous calendar (CY) which contains:
    i. Features that were remediated in previous CY
        1. Provide documentation for the in-the-ditch assessments and repairs
    ii. Identify features that remain to be assessed
    iii. Unity Plots for previous ILI runs
b. Fracture mechanics and pressure cycling analyses in accordance with Condition 49
c. The third-party ILI expert reviews in accordance with Condition 53
d. AC and DC Interference surveys that are due in accordance with Condition 54
e. A copy of the CGRA for prior year including:
    i. Mean corrosion growth rate for the pipeline
    ii. Distribution graph of the corrosion growth rate for the pipeline (e.g. occurrences (#) vs. corrosion rate (mpy)

Limitations

63. This state waiver is limited to a term of no more than ten (10) years from the date of issuance. If Sable elects to seek renewal of this state waiver, it must submit a renewal request to the OSFM at least 180 days prior to the expiration date, including a justification for continuation of the waiver.
64. Should Sable fail to comply with any conditions of this state waiver or should the OSFM determine that this state waiver is no longer appropriate or is inconsistent with pipeline safety, the OSFM may revoke the state waiver and require Sable to comply with all appropriate regulatory requirements.
65. The OSFM may order the pipeline shutdown at any time.
66. The OSFM may issue a compliance order or may initiate proceedings to determine the nature and extent of the violations and appropriate civil penalty for failure to comply with this state waiver. The terms and conditions of any compliance order shall take precedence over the terms of the state waiver.
67. In the event of conflict between the state waiver conditions and industry standards, the state waiver conditions shall prevail.
68. If Sable sells, merges, transfers or otherwise disposes of all or part of the assets covered by the state waiver, Sable must provide the OSFM written notice of the change within 30 days of the consummation date. In the event of such transfer, the OSFM reserves the right to revoke, suspend, or modify the state waiver.

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Should you have any questions, please contact Alin Podoreanu, Supervising Pipeline Safety Engineer at (916) 212-8891.

Sincerely,

DocuSigned by:
James Hosler
980F8D3AE95C42E...

JAMES HOSLER
Assistant Deputy Director
Chief of Pipeline a Safety and CUPA Programs

Enclosure(s): (1) Pacific Pipeline Company State Waiver Application for CA-325 A/B

cc: Doug Allen, Supervising Pipeline Safety Engineer, OSFM
Andy Chau, Supervising Pipeline Safety Engineer, OSFM
Brendan Feery, Supervising Pipeline Safety Engineer, OSFM
Huy Nguyen, Supervising Pipeline Safety Engineer, OSFM
Alin Podoreanu, Supervising Pipeline Safety Engineer, OSFM
Tuan Tran, Pipeline Safety Engineer, OSFM
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Counsel for Plaintiff

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

TRACY JOHNSON, Individually and on behalf of all others similarly situated, Plaintiff, v. SABLE OFFSHORE CORP., JAMES C. FLORES, GREGORY D. PATRINELY, J.P. MORGAN SECURITIES LLC, JEFFERIES LLC, TD SECURITIES (USA) LLC, THE BENCHMARK COMPANY, LLC, JOHNSON RICE & COMPANY, L.L.C., PEP ADVISORY LLC, ROTH CAPITAL PARTNERS, LLC, and TUOHY BROTHERS INVESTMENT RESEARCH, INC., Defendants.	No. **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** CLASS ACTION JURY TRIAL DEMANDED

Plaintiff Tracy Johnson ("Plaintiff"), individually and on behalf of all other persons similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff's own acts, and information and belief as to all other matters, based upon, among other things, the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of the Defendants' public documents, public filings, wire and press releases published by and regarding Sable Offshore Corp. ("Sable Offshore" or the "Company"), and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery. [1]

NATURE OF THE ACTION

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired publicly traded Sable Offshore securities between May 19, 2025 and June 3, 2025, inclusive (the "Class Period"), and/or pursuant and/or traceable to the Company's May 21, 2025 secondary public offering (the "SPO"). Plaintiff seeks to recover compensable damages caused by Defendants' violations of the federal securities laws under the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act").

[1] Unless otherwise specified, all emphasis is added.

2. On or about May 21, 2025, Defendants held the SPO, issuing 10,000,000 shares of common stock at $29.50 per share. The Company raised gross proceeds of $295 million.

3. By the commencement of this action, the Company's common stock traded significantly below the SPO price. As a result, investors were damaged.

JURISDICTION AND VENUE

4. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5), and Sections 11, 12(a)(2) and 15 of the Securities Act, 15 U.S.C. §§77k, 771(a)(2) and 77o.

5. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C. §78aa), and 28 U.S.C. §1331 and §22 of the Securities Act.

6. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)), as well as §22(a) of the Securities Act (15 U.S.C. §77v(a)), as the alleged misstatements entered and the subsequent damages took place in this judicial district.

7. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants (defined below), directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United

States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

8. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased Sable Offshore securities during the Class Period and/or pursuant and/or traceable to the SPO (defined below) and was economically damaged thereby.

9. Pertinent to this complaint, Defendant Sable Offshore operates in the offshore drilling business, and seeks to extract oil from the Santa Ynez field in federal waters off the Coast of California. Pertinent to those activities is an offshore facility owned by Defendants at Las Flores Canyon in Santa Barbara County, California.

10. As alluded to below, Sable Offshore's efforts to restart production have been marred by litigation, amid accusations that the Company has violated the California Coastal Act (the "Coastal Act"), resulting in environmental harm.

11. Sable Offshore Corp. is incorporated in Delaware and its principal executive offices are located at 845 Texas Avenue, Suite 2920, Houston, Texas 77002.

12. Sable Offshore's common stock trades on the New York Stock Exchange (the "NYSE") under the ticker symbol "SOC".

13. Defendant James C. Flores ("Flores") served as the Company's Chief Executive Officer ("CEO") and Chairman of the Board of Directors (the "Board") at all relevant times.

14. Defendant Gregory D. Patrinely ("Patrinely") served as the Company's Chief Financial Officer ("CFO") at all relevant times.

15. Defendants Flores and Patrinely are collectively referred to herein as the "Individual Defendants."

16. Each of the Individual Defendants:

(a) directly participated in the management of the Company;

(b) was directly involved in the day-to-day operations of the Company at the highest levels;

(c) was privy to confidential proprietary information concerning the Company and its business and operations;

(d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;

(e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;

(f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or

(g) approved or ratified these statements in violation of the federal securities laws.

17. The Company is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

18. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to Sable Offshore Corp. under *respondeat superior* and agency principles.

19. Defendant J.P. Morgan Securities LLC ("J.P. Morgan") is an investment banking firm that acted as an underwriter for the SPO, helping to draft and disseminate the SPO documents. J.P. Morgan, along with Jefferies and TD Cowen (defined below) acted as a joint book-running manager. J.P. Morgan's address is 383 Madison Avenue, New York, New York 10179.

20. Defendant Jefferies LLC ("Jefferies") is an investment banking firm that acted as an underwriter for the SPO, helping to draft and disseminate the IPO documents. Jefferies' address is 520 Madison Avenue, New York, New York 10022.

21. Defendant TD Securities (USA) LLC ("TD Cowen") is an investment banking firm that acted as an underwriter for the SPO, helping to draft and

disseminate the IPO documents. TD Cowen's address is One Vanderbilt Avenue, New York, New York 10017.

22. Defendant The Benchmark Company, LLC ("Benchmark") is an investment banking firm that acted as an underwriter for the SPO, helping to draft and disseminate the IPO documents. Benchmark's address is 150 East 58th Street, 17th Floor, New York, NY 10155.

23. Defendant Johnson Rice & Company, L.L.C. ("Johnson Rice") is an investment banking firm that acted as an underwriter for the Company's SPO, helping to draft and disseminate the SPO documents. Johnson Rice's address is 639 Loyola Avenue, Suite 2775, New Orleans, Louisiana 70113-7105.

24. Defendant PEP Advisory LLC ("Pickering Energy Partners") is an investment banking firm that acted as an underwriter for the SPO, helping to draft and disseminate the SPO documents. Pickering Energy Partners' address is 100 Waugh Drive, Suite 600, Houston, TX 77007.

25. Defendant Roth Capital Partners, LLC ("Roth Capital Partners") is an investment banking firm that acted as an underwriter for the SPO, helping to draft and disseminate the SPO documents. Roth Capital Partners' address is 888 San Clemente Suite 400, Newport Beach, California 92660.

26. Defendant Tuohy Brothers Investment Research, Inc. ("Tuohy Brothers") is an investment banking firm that acted as an underwriter for the SPO,

helping to draft and disseminate the SPO documents. Tuohy Brothers' address is 641 Lexington Avenue, 15 Flr., New York, NY 10022.

27. The Defendants named in ¶¶ 19-26 are sometimes referred to herein as the as the "Underwriter Defendants."

28. Pursuant to the Securities Act the Underwriter Defendants are liable for the false and misleading statements in the Prospectus as follows:

(a) Underwriter Defendants are investment banking houses that specialize in, among other things, underwriting public offerings of securities. They served as the underwriters of the SPO and shared millions of dollars in fees collectively. The Underwriter Defendants arranged a roadshow prior to the SPO during which they, and representatives from Sable Offshore, met with potential investors and presented highly favorable information about the Company, its operations and its financial prospects.

(b) The Underwriter Defendants also demanded and obtained an agreement from Sable Offshore and the Individual Defendants that Sable Offshore would indemnify and hold the Underwriter Defendants harmless from any liability under the federal securities laws.

(c) Representatives of the Underwriter Defendants also assisted Sable Offshore and the Individual Defendants in planning the SPO, and purportedly conducted an adequate and reasonable investigation into the business and

operations of Sable Offshore, an undertaking known as a "due diligence" investigation. The due diligence investigation was required of the Underwriter Defendants in order to engage in the SPO. During the course of their "due diligence," the Underwriter Defendants had continual access to internal, confidential, current corporate information concerning the Company's most up-to-date operational and financial results and prospects.

(d) In addition to availing themselves of virtually unlimited access to internal corporate documents, agents of the Underwriter Defendants met with Sable Offshore's lawyers, management and top executives and engaged in "drafting sessions." During these sessions, understandings were reached as to: (i) the strategy to best accomplish the SPO; (ii) the terms of the SPO, including the price at which Sable Offshore securities would be sold; (iii) the language to be used in the Prospectus; what disclosures about Sable Offshore would be made in the Prospectus; and (iv) what responses would be made to the SEC in connection with its review of the Prospectus. As a result of those constant contacts and communications between the Underwriter Defendants' representatives and Sable Offshore's management and top executives, the Underwriter Defendants knew of, or in the exercise of reasonable care should have known of, Sable Offshore's existing problems as detailed herein.

(e) The Underwriter Defendants caused the Prospectus to be filed with the SEC and declared effective in connection with the offers and sales of securities registered thereby, including those to Plaintiff and the other members of the Class.

29. Sable Offshore, the Individual Defendants, and the Underwriter Defendants, are collectively referred to as "Defendants."

SUBSTANTIVE ALLEGATIONS

Materially False and Misleading Statements Issued During the Class Period

30. On May 19, 2025, before the market opened, the Company issued a press release entitled "Sable Offshore Corp. Reports Restart of Oil Production at the Santa Ynez Unit and Anticipated Oil Sales from the Las Flores Pipeline System in June 2025." (the "May 19 Press Release").

31. The May 19 Press Release stated the following, in pertinent part:

> ***[Sable Offshore] today announced that as of May 15, 2025, it has restarted production at the Santa Ynez Unit ("SYU") and has begun flowing oil production to Las Flores Canyon ("LFC")***. Additionally, with the completion of the Gaviota State Park anomaly repairs on the Las Flores Pipeline System (the "Onshore Pipeline") on May 18, 2025, Sable has now completed its anomaly repair program on the Onshore Pipeline as specified by the Consent Decree, the governing document for the restart and operations of the Onshore Pipeline.

Seven of the eight sections of the Onshore Pipeline have been successfully hydrotested. Sable will complete the final hydrotest in order to meet the final operational condition to restart the Onshore Pipeline as outlined in the Consent Decree. Sable expects to fill the ~540,000 barrels of crude oil storage capacity at LFC by the middle of June 2025 and subsequently recommence oil sales in July 2025.

32. The May 19 Press Release further stated:

On May 15, 2025, Sable initiated the flow of oil production from six wells on Platform Harmony of the SYU to LFC at a rate of ~6,000 barrels of oil per day.

33. The May 19 Press Release quoted Defendant Flores as stating the following:

[Sable Offshore] is proud to have safely and responsibly achieved first production at the Santa Ynez Unit[.] The impressive well tests from Platform Harmony confirm the prolific nature of the Santa Ynez Unit reservoir after being dormant for ten years. ***SOC is excited about our development plan and prospects for the future***. This milestone achievement is a result of a tremendous amount of effort from all of Sable's employees, contractors, Board of Directors, stakeholders, and suppliers. We are very grateful for the cooperation and partnership from our local community and

regulatory bodies as we seek to provide energy security to the State of California.

34. After the release of the May 19 Press Release, Sable Offshore stock climbed from a closing price of $28.86 per share on May 16, 2025 to $33.02 per share on May 19, 2025, a 14.4% climb in share price.

35. The statements in ¶¶ 31-33 were materially false and misleading at the time they were made because, contrary to Defendants' representations, Sable Offshore had not resumed commercial production off the coast of California.

36. Defendants then used the share price appreciation following the May 19 Press Release to conduct a secondary public offering (or "SPO") at a higher offering price per share than would have otherwise been possible.

37. On April 22, 2025, Sable Offshore Corp. filed with the SEC a Registration Statement on Form S-3 (the "Registration Statement"), which was signed by Defendants Flores and Patrinely. The Registration Statement noted that the Company might occasionally offer securities (including common or preferred stock, debt securities, warrants, and units) to the investing public, stating the following:

> We may offer and sell up to $1,500,000,000 in the aggregate of the securities ***identified above from time to time in one or more offerings***. This prospectus provides you with a general description of the securities.

Each time we offer and sell securities, we will provide a supplement to this prospectus that contains specific information about the offering and the amounts, prices and terms of the securities. The supplement may also add, update or change information contained in this prospectus with respect to that offering. You should carefully read this prospectus and the applicable prospectus supplement before you invest in any of our securities.

38. On May 1, 2025, the SEC declared the Registration Statement effective.

39. On May 21, 2025, Sable Offshore announced that it would conduct a secondary public offering.

40. On May 22, 2025, Sable Offshore filed with the SEC a prospectus on Form 424B5 (the "Prospectus"), specifying that the Company was offering 8,695,654 shares of common stock at $29.50 per share, higher than the last closing price before the May 19 press release.

41. The Prospectus was negligently prepared and, as a result, contained untrue statements of material facts or omitted to state other facts necessary to make the statements made not misleading, and was not prepared in accordance with the rules and regulations governing its preparation.

42. The Prospectus contained the following statement in the "Recent Evens" section:

On May 15, 2025, Sable initiated oil production from six wells on Platform Harmony at SYU and began flowing oil production to Las Flores Canyon ("LFC") at an initial rate of approximately 6,000 barrels of oil per day. Sable has tested approximately 30% of the 32 producing wells on Platform Harmony with the remaining Harmony Platform wells to be tested over the course of the next several days. ***Sable expects to initiate production from the additional 44 wells on Platform Heritage and the additional 26 wells on Platform Hondo in July 2025 and August 2025, respectively***. The initial production rates as our wells are brought back into production have been higher than the rate of sustained production at such wells, but are expected to decline from initial highs, as production rates from wells typically decline over time. See "Risk Factors—Risks Associated with our Operations."

On May 18, 2025, Sable completed anomaly repairs on Line 324 (formerly known as Line 901), which extends from the Las Flores Station on the California coast to the Gaviota Pump Station in Santa Barbara County, California, and Line 325 (formerly known as Line 903), which extends from the Gaviota Pump Station to Pentland Station in Kern County, California, the point of sale. With the completion of such repairs, Sable has now completed its anomaly repair program on the Onshore Pipeline as specified by a Consent Decree that Plains entered into with various governmental

agencies in 2020 (the "*Consent Decree*"), the governing document for the restart of the Onshore Pipeline.

43. The statement in ¶ 42 was materially false and misleading at the time it was made because Sable Offshore had not started production at the Santa Ynez Unit.

44. The statements contained in ¶¶ 31-33, 42 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Defendants represented that Sable Offshore Corp. had restarted oil production off the coast of California when it had not; and (2) as a result, Defendants' statements about its business, operations, and prospects were materially false and misleading and/or lacked a reasonable basis at all times.

THE TRUTH BEGINS TO EMERGE

45. On May 23, 2025, Eleni Kounalakis, the Lieutenant Governor of California and chair of the California State Lands Commission wrote a letter (the "May 23 Letter") to Sable Offshore's Vice President of Environmental & Government Affairs, Steve Rusch.

46. Upon information and belief, the May 23 Letter was not published on the internet for the general public to view until May 28, 2025.

47. The May 23 Letter stated the following, in part:

> I am writing to express my serious concerns regarding Sable Offshore Corp.'s [May 19 Press Release, as discussed above], which you sent to Commission staff on the same day. ***The press release appears to mischaracterize the nature of recent activities, causing significant public confusion and raising questions regarding Sable's intentions***.
>
> ***Your press release also implies that Sable has restarted operations at the Santa Ynez Unit (SYU). However, Commission staff has informed me that the limited volume oil flows are the result of well-testing procedures required by the Bureau of Safety and Environmental Enforcement prior to restart.*** These activities ***do not constitute a resumption of commercial production*** or a full restart of the SYU. Characterizing testing activities as a restart of operations ***is not only misleading but also highly inappropriate – particularly given that Sable has not obtained the necessary regulatory approvals to fully resume operations at SYU***.
>
> I am also concerned that as Exxon's designated operator, Sable was required to communicate with Commission staff before initiating any oil flow through the offshore pipeline, even in this limited capacity. ***Sable's failure***

to clearly and timely communicate these activities to the Commission undermines trust of Sable's motives, demonstrates a lack of understanding of the significant concerns held by many regarding the resumption of activities, and raises serious questions about Sable's willingness to be a transparent operator.

Commission staff's letter dated May 9, 2025, ***made clear that failure to comply with applicable regulatory requirements or to resolve any outstanding regulatory issues could constitute a breach of the Commission's leases***. Any attempt to restart commercial operations at the SYU without final regulatory approvals ***may place the company in violation of its lease terms and jeopardize the status of Sable's holdover lease***.

As Chair of the State Lands Commission, it is my expectation that Sable will resolve all pending legal challenges and litigation with other state agencies prior to the full restart of operations. ***The willful disregard for the directives of regulatory agencies does not engender trust or confidence in Sable's willingness to serve as a responsible partner, and could weigh significantly into considerations on the future assignment of the SYU leases from Exxon to Sable***.

48. On May 28, 2025, during market hours, KEYT, a local news organization in Santa Barbara, California (a subsidiary of News-Press & Gazette

Company), published an article entitled "Santa Barbara County Judge issues preliminary injunction against Sable Offshore as the company announces completion of pipeline tests." The article stated the following, demonstrating that Sable Offshore's claim to have restarted production in California was false:

> Sable Offshore announced that it has completed all required hydrotesting of onshore pipelines necessary to transport oil across Santa Barbara County, ***but the Houston-based company suffered a setback regarding repair work on along the coast in court Wednesday***.
>
> The announcement of pipeline work comes as representatives of Sable Offshore and the California Coastal Commission met Wednesday about the pending litigation between the two entities.
>
> * * *
>
> Wednesday morning, Santa Barbara County ***Judge Thomas Anderle granted a preliminary injunction requested by the California Coastal Commission against Sable Offshore for alleged violations of The California Coastal Act***.
>
> The injunction ***could impact Sable's ability to do future repairs or maintenance until its legal battle with the state regulator is settled***.

Linda Krop with the Environmental Defense Center ***questioned Sable's assertions that it has completed all necessary repairs in an interview Wednesday with Your News Channel.***

She shared that this is ***the first time a judge has ruled that Sable Offshore is violating the law instead of state regulators and environmental groups***.

Krop, whose organization opposes restarting oil production and has been involved in multiple lawsuits related to the project, ***says Sable's attorney told the judge that granting the injunction would harm the company***.

“If Sable really has completed all the repairs, they would be fine with this injunction," argued Krop. "The injunction only applies to repairs on the pipeline. So why does Sable care about this injunction if it's really completed the repairs?"

* * *

A California Coastal Commission spokesperson sent a statement in response to Your News Channel's inquiries stating, "***Sable has consistently ignored California law, as confirmed by the court’s decision today [Wednesday] to halt work on this aging oil pipeline in Santa Barbara***. ***This fly-by-night oil company has repeatedly abused the public’s trust, racking up millions of dollars in fines and causing environmental damage along the treasured Gaviota Coast***."

49. On May 28, 2025, during market hours, Investing.com published an article entitled "Sable Offshore Corp stock sinks following court injunction." It stated the following:

> Shares of Sable Offshore Corp (NYSE:SOC) tumbled 14% after the ***California Coastal Commission was granted a preliminary injunction against the company's pipeline repair and maintenance activities within the coastal zone in unincorporated Santa Barbara County***. The court's decision, which aligns with the Coastal Act's ***strict regulations on coastal development, has raised concerns about potential project delays and additional costs for Sable Offshore.***
>
> ***The legal proceedings stem from allegations that Sable Offshore Corp did not obtain the necessary coastal development permits (CDPs) for their ongoing repair and maintenance work on the Las Flores Pipelines***. Despite Sable's claims that the work was authorized under existing permits from the County of Santa Barbara, ***the court found a prima facie case for the Coastal Commission, indicating that the activities constituted a violation of the Coastal Act***.
>
> The injunction ***stops Sable from continuing any development*** associated with the return to service of the Las Flores Pipelines CA-324 and CA-325 unless they secure a new, operative CDP or other form of Coastal Act

authorization. The company had resumed repair and maintenance activities earlier in February 2025, following confirmation from the County that the activities were authorized under existing permits.

The court's ruling highlights the ongoing tension between regulatory compliance and operational progress within the energy sector. Sable Offshore Corp's stock movement reflects investor concerns over the potential impact of regulatory hurdles on the company's ability to complete essential maintenance work and resume operations.

50. On this news, the price of Sable Offshore common stock fell by $5.04 per share, or 15.3%, to close at $27.89 per share on May 28, 2025.

51. On June 4, 2025, before the market opened, Sable Offshore filed a current report on Form 8-K with the SEC. It stated, in pertinent part, the following:

On June 3, 2025, a Santa Barbara County Superior Court Judge granted *ex parte* requests from plaintiffs in *Center for Biological Diversity, et al. v. California Department of Forestry and Fire Protection, et al.* (25CV02244) and *Environmental Defense Center, et al. v. California Department of Forestry and Fire Protection, et al.* (25CV02247) ***for temporary restraining orders prohibiting Sable Offshore Corp. ("Sable") from restarting transportation of oil through the Las Flores Pipeline System pending the hearing on an order to show cause*** regarding a preliminary injunction

scheduled for July 18, 2025. ***Sable is exploring all possible avenues available to address these preliminary rulings***. Sable is now targeting August 1, 2025 for first sales due to this delay.

52. On this news, the price of Sable Offshore stock fell by $0.94 per share, or 3.91%, to close at $23.10 on June 4, 2025.

53. As of the date of the filing of this Complaint, Sable stock was trading below the SPO price.

54. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's common shares, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

55. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired the Company's securities publicly traded on NYSE during the Class Period, and who were damaged thereby (the "Class"), as well as those who purchased the Company's securities pursuant and/or traceable to the Prospectus. Excluded from the Class are Defendants, the officers and directors of the Company, members of the Individual Defendants' immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

56. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, the Company's securities were actively traded on NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

57. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

58. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

59. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the Exchange Act was violated by Defendants' acts as alleged herein;

- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business and financial condition of the Company;
- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- whether the Defendants caused the Company to issue false and misleading filings during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false filings;
- whether the prices of the Company securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

60. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it

impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

61. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- the Company's shares met the requirements for listing, and were listed and actively traded on NYSE, an efficient market;
- as a public issuer, the Company filed periodic public reports;
- the Company regularly communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;
- the Company's securities were liquid and traded with moderate to heavy volume during the Class Period; and
- the Company was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

62. Based on the foregoing, the market for the Company's securities promptly digested current information regarding the Company from all publicly available sources and reflected such information in the prices of the shares, and

Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

63. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information as detailed above.

COUNT I

For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder Against All Defendants

64. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

65. This Count is asserted against Defendants is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

66. During the Class Period, Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in

order to make the statements made, in light of the circumstances under which they were made, not misleading.

67. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;
- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of the Company's securities during the Class Period.

68. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of the Company, their control over, and/or receipt and/or modification of the Company's allegedly materially misleading statements, and/or their associations with the

Company which made them privy to confidential proprietary information concerning the Company, participated in the fraudulent scheme alleged herein.

69. Individual Defendants, who are the senior officers of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or any other of the Company's personnel to members of the investing public, including Plaintiff and the Class.

70. As a result of the foregoing, the market price of the Company's securities was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of the Company's securities during the Class Period in purchasing the Company's securities at prices that were artificially inflated as a result of Defendants' false and misleading statements.

71. Had Plaintiff and the other members of the Class been aware that the market price of the Company's securities had been artificially and falsely inflated by Defendants' misleading statements and by the material adverse information

which Defendants did not disclose, they would not have purchased the Company's securities at the artificially inflated prices that they did, or at all.

72. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

73. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of the Company's securities during the Class Period.

COUNT II

Violations of Section 20(a) of the Exchange Act

Against the Individual Defendants

74. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

75. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company's business affairs. Because of their senior positions, they knew the adverse non-public information about the Company's business practices.

76. As officers of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to the Company's' financial condition and results of operations, and to correct promptly any public statements issued by the Company which had become materially false or misleading.

77. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which the Company disseminated in the marketplace during the Class Period concerning the Company's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause the Company to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of the Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of the Company's securities.

78. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

Count III
For Violations of Section 11 of the Securities Act
Against All Defendants

79. Plaintiff incorporates all the foregoing by reference.

80. This Count is brought pursuant to §11 of the Securities Act, 15 U.S.C. §77k, on behalf of the Class, against all Defendants.

81. The Prospectus contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

82. Defendants are strictly liable to Plaintiff and the Class for the misstatements and omissions.

83. None of the Defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Prospectus were true and without omissions of any material facts and were not misleading.

84. By reason of the conduct herein alleged, each Defendant violated or controlled a person who violated §11 of the Securities Act.

85. Plaintiff acquired the Company's securities pursuant to the Prospectus.

86. At the time of their purchases of Sable Offshore securities, Plaintiff and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein and could not have reasonably discovered those facts prior to the disclosures herein.

87. This claim is brought within one year after discovery of the untrue statements and/or omissions in the Prospectus that should have been made and/or corrected through the exercise of reasonable diligence, and within three years of the effective date of the SPO. It is therefore timely.

COUNT IV
Violations of Section 12(a)(2) of the Securities Act
Against All Defendants

88. Plaintiff incorporates all the foregoing by reference.

89. By means of the defective Prospectus, Defendants promoted, solicited, and sold Sable Offshore securities to Plaintiff and other members of the Class.

90. The Prospectus contained untrue statements of material fact, and concealed and failed to disclose material facts, as detailed above. Defendants owed Plaintiff and the other members of the Class who purchased the Company's securities pursuant to the Prospectus the duty to make a reasonable and diligent investigation of the statements contained in the Prospectus to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants, in the exercise of reasonable care, should have known of the misstatements and omissions contained in the Prospectus as set forth above.

91. Plaintiff did not know, nor in the exercise of reasonable diligence could Plaintiff have known, of the untruths and omissions contained in the Prospectus at the time Plaintiff acquired Sable Offshore securities.

92. By reason of the conduct alleged herein, Defendants violated §12(a)(2) of the Securities Act, 15 U.S.C. §77l(a)(2). As a direct and proximate result of such violations, Plaintiff and the other members of the Class who purchased Sable Offshore securities pursuant to the Prospectus sustained substantial damages in connection with their purchases of the shares. Accordingly, Plaintiff and the other members of the Class who hold the securities issued pursuant to the Prospectus have the right to rescind and recover the consideration paid for their shares, and hereby tender their securities to Defendants sued herein. Class members who have sold their securities seek damages to the extent permitted by law.

93. This claim is brought within one year after discovery of the untrue statements and/or omissions in the Prospectus should have been made and/or corrected through the exercise of reasonable diligence, and within three years of the effective date of the SPO. It is therefore timely.

COUNT V
Violations of Section 15 of the Securities Act
Against the Individual Defendants

94. Plaintiff incorporates all the foregoing by reference.

95. This cause of action is brought pursuant to §15 of the Securities Act, 15 U.S.C. §77o against the Individual Defendants.

96. The Individual Defendants were controlling persons of Sable Offshore by virtue of their positions as directors and/or senior officers of the Company. The Individual Defendants each had a series of direct and indirect business and personal relationships with other directors and officers and major shareholders of the Company. The Company controlled the Individual Defendants and all of Sable Offshore employees.

97. The Company and the Individual Defendants were culpable participants in the violations of §§11 and 12(a)(2) of the Securities Act as alleged above, based on their having signed or authorized the signing of the Registration Statement and having otherwise participated in the process which allowed the SPO to be successfully completed.

98. This claim is brought within one year after discovery of the untrue statements and/or omissions in the SPO that should have been made and/or corrected through the exercise of reasonable diligence, and within three years of the effective date of the SPO. It is therefore timely.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, on behalf of himself and the Class, prays for judgment and relief as follows:

(a) declaring this action to be a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating Plaintiff's counsel as Lead Counsel;

(b) awarding damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, together with interest thereon;

(c) awarding Plaintiff and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) awarding Plaintiff and other members of the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: 7/28/2025

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Attorneys for Plaintiff

[Additional Counsel on Signature Page]

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

BRYCE KELLY, Derivatively on Behalf of Nominal Defendant SABLE OFFSHORE CORP.,

Plaintiff,

v.

JAMES C. FLORES, GREGORY D. PATRINELY, CHRISTOPHER SAROFIM, MICHAEL DILLARD, GREGORY PIPKIN, J.P. MORGAN SECURITIES LLC, JEFFERIES LLC, TD SECURITIES (USA) LLC, THE BENCHMARK COMPANY, LLC, JOHNSON RICE & COMPANY, L.L.C., PEP ADVISORY LLC, ROTH CAPITAL PARTNERS, LLC, and TUOHY BROTHERS INVESTMENT RESEARCH, INC.,

Defendants,

and

SABLE OFFSHORE CORP.,

Nominal Defendant.

Case No. _____

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

DEMAND FOR JURY TRIAL

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

Plaintiff Bryce Kelly ("Plaintiff"), by and through his undersigned attorneys, brings this derivative complaint for the benefit of nominal defendant Sable Offshore Corp. ("Sable" or the "Company"), against current and former members of the Company's Board of Directors (the "Board") and certain of its executive officers seeking to remedy the Individual Defendants' (defined below) breaches of fiduciary duties and violations of federal law. Plaintiff alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of Defendants' publicly available documents, filings with the United States Securities and Exchange Commission ("SEC"), press releases published by and regarding Sable, legal filings, news reports, securities analysts' reports about the Company, the securities class action *Johnson v. Sable Offshore Corp., et al.*, Case No. 2:25-cv-06869 (C.D. Cal.) (the "Securities Class Action"), and other publicly available information.

NATURE OF THE ACTION

1. This is a shareholder derivative action brought by Plaintiff on behalf of Sable against certain of its officers and current and former members of the Company's Board (the "Individual Defendants")[1] for breaches of their fiduciary duties between at least May 19, 2025 and June 4, 2025, inclusive, and violations of federal securities laws, and against the Underwriter Defendants[2] for aiding and

[1] The Individual Defendants are James C. Flores ("Flores"), Gregory D. Patrinely ("Patrinely"), Christopher Sarofim ("Sarofim"), Michael Dillard ("Dillard"), and Gregory Pipkin ("Pipkin").

[2] "Underwriter Defendants" means J.P. Morgan Securities LLC ("J.P. Morgan"), Jeffries LLC ("Jeffries"), TD Securities (USA) LLC ("TD USA"), The Benchmark Company, LLC ("Benchmark"), Johnson Rice & Company, L.L.C. ("Johnson (footnote continued)

abetting and violations of federal securities laws, as set forth below.

2. Sable is an independent oil and gas company purportedly focused on developing the Santa Ynez Unit in federal waters offshore California.

3. On November 1, 2022, Legacy Sable[3] entered into a Purchase and Sale Agreement with Exxon Mobil Corporation ("Exxon") and Mobil Pacific Pipeline Company ("MPPC"), pursuant to which Legacy Sable agreed to acquire certain assets from Exxon and MPPC in the Santa Ynez field in Federal waters offshore California and associated onshore processing and pipeline assets (the "Sable-EM Purchase Agreement").

4. On November 2, 2022, Legacy Sable entered into an Agreement and Plan of Merger (the "Merger Agreement") with Flame Acquisition Corp. ("Flame"), a blank check company incorporated for the purpose of effecting a merger, which was publicly traded on the New York Stock Exchange ("NYSE"), and Sable Offshore Holdings LLC ("Holdco").

5. On February 14, 2024, the merger contemplated by the Merger Agreement were consummated (the "Merger"), and Flame was renamed "Sable Offshore Corp." Concurrently on February 14, 2024, the transactions contemplated by the Sable-EM Purchase Agreement were consummated.

6. Thereafter, on February 15, 2024, Sable's common stock began trading on the NYSE under the symbol "SOC."

7. On or about May 21, 2025, Defendants held a secondary public offering

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Rice"), PEP Advisory LLC ("PEP"), Roth Capital Partners, LLC ("Roth Capital"), and Tuohy Brothers Investment Research, Inc. ("Tuohy"), collectively. "Defendants" means Sable, the Individual Defendants, and the Underwriter Defendants, collectively.

[3] Legacy Sable refers to the Company (Sable Offshore Corp.) before the Merger (defined herein).

("SPO"), pursuant to which Sable issued 10,000,000 shares of common stock at $29.50 per share. The Company raised gross proceeds of $295 million.

8. Prior to conducting the SPO, on May 19, 2025, the Company announced that it was restarting oil production at the Santa Ynez Unit and touted the impact this would have on the Company. Then, capitalizing on the increase in its stock price as a result of this announcement, the Company commenced the SPO at an artificially inflated price.

9. However, in reality, and unbeknownst to investors, the Company had not restarted oil production at the Santa Ynez Unit and would be unable to do so due to the Company's failure to obtain the necessary permissions.

10. The truth began to emerge on May 28, 2025, when a letter from the Lieutenant Governor of California and the chair of the California State Lands Commission to Sable's Vice President of Environmental & Government Affairs, Steve Rusch ("Rusch"), dated May 23, 2025 (the "May 23 Letter"), was published to the public. The May 23 Letter revealed, among other things, that the Company had not restarted operations at the Santa Ynez Unit and that the Company had failed to follow the proper procedures for restarting operations.

11. Also on May 28, 2025, news outlets began reporting that a California state court judge issued a preliminary injunction against Sable preventing the Company from working on its Las Flores pipeline off the coast of California, which was one of the assets acquired as part of the Sable-EM Purchase Agreement (the "Preliminary Injunction").

12. On this news, the Company's stock price declined $5.04 per share, or approximately 15.3%, to close at $27.89 per share on May 28, 2025

13. Then, on June 4, 2025, the truth was fully revealed when the Company filed a Form 8-K with the SEC announcing the Preliminary Injunction to its shareholders for the first time.

14. On this news, the Company's stock price declined $0.94 per share, or approximately 3.9%, to close at $23.10 on June 4, 2025.

15. As set forth herein, the Individual Defendants and the Underwriter Defendants breached their fiduciary duties and/or violated federal securities laws by issuing, causing the issuance of, and/or failing to correct the materially false and/or misleading statements and omissions of material fact to the investing public. Specifically, the Individual Defendants and Underwriter Defendants failed to disclose to investors that: (i) the Company had not restarted oil production off the coast of California; and (ii) as a result, the Company's positive statements about its business, operations, and prospects were materially false and misleading and/or lacked a reasonable basis at all times.

16. As a result of the foregoing, the Securities Class Action was filed against the Company, Defendants Flores and Patrinely (collectively, the "Officer Defendant"), and the Underwriter Defendants in the United States District Court for the Central District of California.

17. As a direct and proximate result of the misconduct detailed herein, the Company has incurred significant financial losses, including the cost of defending itself and, potentially, incurring class-wide damages in the Securities Class Action, as well as additional losses in market capitalization, reputational harm and the loss of goodwill.

18. Moreover, in light of the breaches of fiduciary duty by the Individual Defendants, most of whom are the Company's current directors, their collective engagement in fraud, the substantial likelihood of the directors' liability in this derivative action and the Securities Class Action, and that the Individual Defendants are beholden to each other based on their longstanding business and personal relationships, the Individual Defendants do not possess the requisite level of disinterestedness and independence to consider a demand to commence litigation

against themselves and the other Individual Defendants on behalf of the Company. Accordingly, Plaintiff did not make a demand on the Board because, as further detailed herein, demand would be a futile and useless act.

JURISDICTION AND VENUE

19. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 because Plaintiff's claims raise a federal question under Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") (15 U.S.C. § 78j(b)), and Rule 10b-5 (17 C.F.R. § 240.10b-5) promulgated thereunder by the SEC, Section 11(f) of the Securities Act of 1933 (the "Securities Act") (15 U.S.C. § 77k(f)(1)), and Section 21D of the Exchange Act (15 U.S.C. § 78u-4(f)).

20. Plaintiff's claims also raise a federal question pertaining to the claims made in the Securities Class Action based on violations of the Exchange Act.

21. This Court has supplemental jurisdiction over Plaintiff's state law claims pursuant to 28 U.S.C. § 1367(a).

22. Additionally, diversity jurisdiction is conferred by 28 U.S.C. § 1332. Plaintiff and Defendants are citizens of different states, and the amount in controversy exceeds the sum or value of $75,000, exclusive of interests and costs.

23. This action is not a collusive action designed to confer jurisdiction on a court of the United States that it would not otherwise have.

24. In connection with the acts, conduct and other wrongs complained of herein, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, the United States mail, and the facilities of a national securities market.

25. Venue is proper in this District pursuant to Section 27(a) of the Exchange Act and 28 U.S.C. § 1391 because Defendants have conducted business in this District, a substantial portion of the transactions and wrongs complained of herein occurred in this District, and the Securities Class Action is pending in this

District.

PARTIES

Plaintiff

26. Plaintiff is, and has been at all relevant times, a shareholder of Sable. Plaintiff is a citizen of Washington, DC.

Nominal Defendant

27. Nominal Defendant Sable is incorporated under the laws of Delaware with its principal executive offices located at 845 Texas Avenue, Suite 2920, Houston, Texas 77002. Sable's common stock is traded on the NYSE under the ticker symbol "SOC."

28. Nominal Defendant Sable owns a substantial amount of assets and conducts a significant amount of business in California. According to the Company's annual report for 2024 filed on a Form 10-K with the SEC on March 17, 2025, the Company owns three oil platforms located in the federal waters offshore California. The Company also owns an onshore processing facility in southern California and a number of oil pipelines in California, including a crude oil pipeline that extends from the Los Flores Station on the California Coast to the Gaviota Pump Station in Santa Barbara County, California.

The Individual Defendants

29. Defendant Flores has served as Chief Executive Officer ("CEO") and Chairman of the Board of the Company since February 2024. Flores is also the co-founder of Flame and previously served as the CEO, President, and Chairman of the board of directors of Flame. Upon information and belief, Defendant Flores is a citizen of Texas.

30. Defendant Patrinely has served as Executive Vice President ("EVP") and Chief Financial Officer ("CFO") of the Company since February 2024. Patrinely previously served as CFO and EVP of Flame. Upon information and belief,

Defendant Patrinely is a citizen of Texas.

31. Defendant Sarofim has served as a director of the Company since February 2024. Sarofim previously served as a director of Flame from March 2021 until February 2024. Defendant Sarofim also serves as Chair of the Company's Audit Committee and as a member of the Company's Compensation Committee and Nominating and Corporate Governance Committee. Upon information and belief, Defendant Sarofim is a citizen of Texas.

32. Defendant Dillard has served as a director of the Company since February 2024. Dillard previously served as a director of Flame from March 2021 until February 2024. Defendant Dillard also serves as Chair of the Company's Nominating and Corporate Governance Committee and as a member of the Company's Audit Committee and Compensation Committee. Upon information and belief, Defendant Dillard is a citizen of Oklahoma.

33. Defendant Pipkin has served as a director of the Company since February 2024. Pipkin previously served as a director of Flame from March 2021 until February 2024. Defendant Pipkin also serves as Chair of the Company's Compensation Committee and as a member of the Company's Audit Committee and Nominating and Corporate Governance Committee. Upon information and belief, Defendant Pipkin is a citizen of Texas.

The Underwriter Defendants

34. Defendant J.P. Morgan is an investment banking firm. J.P. Morgan served as an underwriter of the Company's SPO and helped to draft and disseminate the SPO Documents. Upon information and belief, Defendant J.P. Morgan's address is 383 Madison Avenue, New York, New York 10179.

35. Defendant Jeffries is an investment banking firm. Jeffries served as an underwriter of the Company's SPO and helped to draft and disseminate the SPO Documents. Upon information and belief, Jeffries' address is 520 Madison Avenue,

New York, New York 10022.

36. Defendant TD USA is an investment banking firm. TD USA served as an underwriter of the Company's SPO and helped to draft and disseminate the SPO Documents. Upon information and belief, TD USA's address is One Vanderbilt Avenue, New York, New York 10017.

37. Defendant Benchmark is an investment banking firm. Benchmark served as an underwriter of the Company's SPO and helped to draft and disseminate the SPO Documents. Upon information and belief, Benchmark's address is 150 East 58th Street, 17th Floor, New York, New York 10155.

38. Defendant Johnson Rice is an investment banking firm. Johnson Rice served as an underwriter of the Company's SPO and helped to draft and disseminate the SPO Documents. Upon information and belief, Johnson Rice's address is 639 Loyola Avenue, Suite 2775, New Orleans, Louisiana 70113-7105.

39. Defendant PEP is an investment banking firm. PEP served as an underwriter of the Company's SPO and helped to draft and disseminate the SPO Documents. Upon information and belief, PEP's address is 100 Waugh Drive, Suite 600, Houston, Texas 77007.

40. Defendant Roth Capital is an investment banking firm. Roth Capital served as an underwriter of the Company's SPO and helped to draft and disseminate the SPO Documents. Upon information and belief, Roth's address is 888 San Clemente, Suite 400, Newport Beach, California 92660.

41. Defendant Tuohy is an investment banking firm. Tuohy served as an underwriter of the Company's SPO and helped to draft and disseminate the SPO Documents. Upon information and belief, Tuohy's address is 641 Lexington Avenue, 15th Floor, New York, New York 10022.

FIDUCIARY DUTIES OF THE INDIVIDUAL DEFENDANTS

42. By reason of their positions as officers and/or directors of Sable, and

because of their ability to control the business and corporate affairs of Sable, the Individual Defendants owed Sable and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and were and are required to use their utmost ability to control and manage Sable in a fair, just, honest, and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of Sable and its shareholders so as to benefit all shareholders equally.

43. Each director and officer of the Company owes to Sable and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the Company and in the use and preservation of its property and assets and the highest obligation of fair dealing.

44. The Individual Defendants, because of their positions of control and authority as directors and/or officers of Sable, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein.

45. To discharge their duties, the officers and directors of Sable were required to exercise reasonable and prudent supervision over the management, policies, controls, and operations of the Company.

46. Each Individual Defendant, by virtue of his or her position as a director and/or officer owed to the Company and to its shareholders the highest fiduciary duties of loyalty, good faith, and the exercise of due care and diligence in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of the Individual Defendants complained of herein involves a knowing and culpable violation of their obligations as directors and/or officers of Sable, the absence of good faith on their part, or a reckless disregard for their duties to the Company and its shareholders that the Individual Defendants were aware or should have been aware posed a risk of serious injury to the Company.

47. As senior executive officers and directors of a publicly-traded company

whose common stock was registered with the SEC pursuant to the Exchange Act and traded on the NYSE, the Individual Defendants had a duty: to ensure that Sable implemented and properly monitored the Company's internal controls over financial reporting; to prevent the dissemination of inaccurate and untruthful information with respect to the Company's financial condition, performance, growth, financial statements, products, management, internal controls, earnings, and present and future business prospects, including the dissemination of false and/or materially misleading information regarding the Company's business, prospects, and operations; and to cause the Company to disclose in its regulatory filings with the SEC all those facts described in this Complaint that it failed to disclose, so that the market price of the Company's common stock would be based upon truthful, accurate, and fairly presented information.

48. To discharge their duties, the officers and directors of Sable were required to exercise reasonable and prudent supervision over the management, policies, practices, and internal controls of the Company. By virtue of such duties, the officers and directors of Sable were required to, among other things:

(a) ensure that the Company was operated in a diligent, honest, and prudent manner in accordance with the laws and regulations of California, and all other states in which it operates, and the United States, and pursuant to Sable's own Code of Business Conduct and Ethics ("Code of Conduct");

(b) conduct the affairs of the Company in an efficient, business-like manner so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company's assets, and to maximize the value of the Company's stock;

(c) remain informed as to how Sable conducted its operations, and, upon

receipt of notice or information of imprudent or unsound conditions or practices, to make reasonable inquiry in connection therewith, and to take steps to correct such conditions or practices;

(d) establish and maintain systematic and accurate records and reports of the business and internal affairs of Sable and procedures for the reporting of the business and internal affairs to the Board and to periodically investigate, or cause independent investigation to be made of, said reports and records;

(e) maintain, implement, and monitor an adequate and functioning system of internal legal, financial, and management controls, such that Sable's publicly disclosed financial information would be accurate;

(f) exercise reasonable control and supervision over the public statements made by the Company's officers and employees and any other reports or information that the Company was required by law to disseminate;

(g) refrain from unduly benefiting themselves and other Company insiders at the expense of the Company; and

(h) examine and evaluate any reports of examinations, audits, or other financial information concerning the financial affairs of the Company and to make full and accurate disclosure of all material facts concerning, *inter alia*, each of the subjects and duties set forth above.

49. Each of the Individual Defendants further owed to Sable and its shareholders the duty of loyalty requiring that each favor Sable's interest and that of its shareholders over their own while conducting the affairs of the Company and refrain from using their position, influence, or knowledge of the affairs of the Company to gain personal advantage.

50. At all times relevant hereto, the Individual Defendants were the agents

of each other and of Sable and were at all times acting within the course and scope of such agency.

51. The Individual Defendants, because of their positions of control and authority, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by Sable.

SABLE'S CODE OF CONDUCT

52. Sable's Code of Conduct applies to "[a]ll directors, officers and employees. . .of the Company and all of its subsidiaries and controlled affiliates."

53. The Code of Conduct begins by stating that it is intended to encourage:

- Honest and ethical conduct, including fair dealing and the ethical handling of actual or apparent conflicts of interest;
- Full, fair, accurate, timely and understandable disclosures;
- Compliance with applicable laws and governmental rules and regulations;
- Prompt internal reporting of any violations of law or the Code;
- Accountability for adherence to the Code, including fair process by which to determine violations;
- The protection of the Company's legitimate business interests, including its assets and corporate opportunities; and
- Confidentiality of information entrusted to directors, officers and employees by the Company and its customers.

54. With respect to "Conflicts of Interest," the Code of Conduct states, in relevant part:

> Each Covered Party has an obligation to conduct the Company's business in an honest and ethical manner, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, should be disclosed promptly to the Company's Audit Committee of the Board and/or the Company's General Counsel.

> This Code does not attempt to describe all possible conflicts of interest that could develop. Other common conflicts from which Covered Parties must refrain are set out below:
>
> - Covered Parties may not engage in any conduct or activities that are inconsistent with the Company's best interests or that disrupt or impair the Company's relationship with any person or entity with which the Company has or proposes to enter into a business or contractual relationship.
>
> - Covered Parties may not accept compensation, in any form, for services performed for the Company from any source other than the Company.
>
> - No Covered Party may take up any management or other employment position with, or have any material interest in, any firm or company that is in direct or indirect competition with the Company.

55. With respect to "Disclosures," the Code of Conduct provides that:

> The information in the Company's public communications, including all reports and documents filed with or submitted to the SEC, must be full, fair, accurate, timely and understandable.
>
> To ensure the Company meets this standard, all Covered Parties (to the extent they are involved in the Company's disclosure process) are required to maintain familiarity with the disclosure requirements, processes and procedures applicable to the Company commensurate with their duties. Covered Parties are prohibited from knowingly misrepresenting, omitting or causing others to misrepresent or omit, material facts about the Company to others, including the Company's independent auditors, governmental regulators and self-regulatory organizations.

56. With respect to "Compliance with Laws, Rules and Regulations," the Code of Conduct states:

> The Company is obligated to comply with all applicable laws, rules and regulations. It is the personal responsibility of each Covered Party to adhere to the standards and restrictions imposed by these laws, rules and regulations in the performance of his or her duties for the Company.
>
> Trading on inside information is a violation of federal securities law. Covered Parties in possession of material non-public information about the Company or companies with whom we do business must abstain from trading or advising others to trade in the respective company's securities from the time that they obtain such inside information until adequate public disclosure of the information. Material information is information of such importance that it can be expected to affect the judgment of investors as to whether or not to buy, sell, or hold the securities in question. To use non-public information for personal financial benefit or to "tip" others, including family members, who

might make an investment decision based on this information is not only unethical but also illegal.

The Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer or Controller (or persons performing similar functions) of the Company are also required to promote compliance by all employees with the Code and to abide by Company standards, policies and procedures.

SABLE'S AUDIT COMMITTEE CHARTER

57. Pursuant to Sable's Audit Committee Charter, the purpose of the Audit Committee is to assist the Board in its oversight of:

(i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independent auditor's qualifications and independence; (iv) the performance of the Company's internal audit function and independent auditor; and (v) the design and implementation of the Company's internal audit function, and the performance of the internal audit function after it has been established.

58. The Audit Committee Charter tasks Sable's Audit Committee with the following "Duties and Responsibilities," among others:

Interaction with the Independent Auditor

1. *Appointment and Oversight*. The Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor (including resolution of any disagreements between Company management and the independent auditor regarding financial reporting) and any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, and the independent auditor and each such other registered public accounting firm must report directly to the Committee. The Committee, or the Chair of the Committee, must pre-approve any audit and non-audit service provided to the Company by the independent auditor, unless the engagement is entered into pursuant to appropriate preapproval policies established by the Committee or if such service falls within available exceptions under SEC rules. . . .

Annual Financial Statements and Annual Audit

3. *Audit Problems*. The Committee must discuss with the independent auditor any audit problems or difficulties and management's response.

4. *Form 10-K Review*. The Committee must review and discuss the annual audited financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and

Results of Operations."

5. *Audit Committee Report.* The Committee must provide the Company with the report of the Committee with respect to the audited financial statements for inclusion in each of the Company's annual proxy statements.

Quarterly Financial Statements

6. *Form 10-Q Review.* The Committee must review and discuss the quarterly financial statements with management and the independent auditor, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Other Duties and Responsibilities

7. *Review of Earnings Releases.* The Committee must discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

8. *Risk Assessment and Risk Management.* The Committee must discuss the Company's policies with respect to risk assessment and risk management.

SUBSTANTIVE ALLEGATIONS

Background of the Company

59. Sable is an independent oil and gas company purportedly focused on developing the Santa Ynez Unit in federal waters offshore California.

60. On November 1, 2022, Legacy Sable entered into the Sable-EM Purchase Agreement with Exxon and MPPC, pursuant to which Legacy Sable agreed to acquire certain assets constituting the Santa Ynez field in Federal waters offshore California and associated onshore processing and pipeline assets from Exxon and MPPC (the "SYU Assets").

61. On November 2, 2022, Legacy Sable entered into the Merger Agreement with Flame and Holdco, pursuant to which Legacy Sable would become a publicly traded company.

62. On February 14, 2024, the Merger was consummated, and Flame was renamed "Sable Offshore Corp." Concurrently on February 14, 2024, the transactions contemplated by the Sable-EM Purchase Agreement were

consummated (the "Business Combination").

63. On February 15, 2024, Sable's common stock began trading on the NYSE under the symbol "SOC."

64. According to the Company's public filings, the assets acquired by the Company as a result of the Business Combination "are comprised of three platforms located in federal waters offshore California and an onshore processing facility and pipeline assets," and certain pipelines, which are used to deliver oil to local refinery markets, including one that extends from Los Flores Station off the California coast to Gaviota Pump Station in Santa Barbara County, California. Specifically, the Company purports that:

> SYU Assets are comprised of three platforms located in federal waters offshore California and an onshore processing facility and pipeline assets.
>
> The offshore position is comprised of 16 federal leases across approximately 76,000 acres and includes 100% working interest with an average 83.6% net revenue interest. The Hondo platform and the Harmony platform develop the Hondo Field, and the Heritage platform develops the Pescado and Sacate Fields. The platforms are located 5 to 9 miles offshore of Santa Barbara County in shallow water depths of 900 to 1,200 feet and service 112 wells, comprised of 90 producers, 12 injectors and 10 idle with an additional 102 identified, undrilled opportunities. . . .
>
> Sable also acquired the Pipelines in the Business Combination, which were owned and operated by Plains and were acquired by EM on October 13, 2022. The Pipelines were used to deliver oil to local refinery markets. Following the crude oil release described further below, Plains indicated it shut down the pipeline, initiated its emergency response plan, and the Pipelines were subsequently emptied and placed in a safe state.
>
> Line 324 (formerly known as Line 901) is a 24-inch, approximately 10.8 mile long crude oil pipeline that extends from the Los Flores Station on the California Coast to the Gaviota Pump Station in Santa Barbara County, California. Line 325 (formerly known as Line 903) is a 30-inch, approximately 113 mile long crude oil pipeline that extends from the Gaviota Pump Station in Santa Barbara County, California to the 30-inch pig receiver located in Pentland Station in Kern County, California with an intermediate station at Sisquoc mile post 38.5 in San Louis Obispo, California.

The SPO

65. In connection with the SPO, on April 22, 2025, the Company filed a Registration Statement on a Form S-3 with the SEC (the "Registration Statement"). The Registration Statement stated, in relevant part, that:

> We may offer and sell up to $1,500,000,000 in the aggregate of the securities ***identified above from time to time in one or more offerings***. This prospectus provides you with a general description of the securities ***Each time we offer and sell securities, we will provide a supplement to this prospectus that contains specific information about the offering and the amounts, prices and terms of the securities***. The supplement may also add, update or change information contained in this prospectus with respect to that offering. You should carefully read this prospectus and the applicable prospectus supplement before you invest in any of our securities.

(Emphasis added).

66. On May 1, 2025, the SEC declared the Registration Statement effective.

67. On May 21, 2025, the Company filed a Prospectus on a Form 424B5 with the SEC, which served as a supplement to the Registration Statement, and which announced that the Company was offering 8,695,654 shares of its common stock at $29.50 per share. On May 22, 2025, the Company filed a supplement to the prospectus on a Form 424B5, constituting the final supplement to the Registration Statement (the "SPO Prospectus").

68. On May 23, 2025, the Company announced the closing of the SPO, stating that it sold 10,0000,000 shares of its common stock at $29.50 per share, constituting $295 million in gross proceeds.

Materially False and Misleading Statements

69. On May 19, 2025, the Company issued a press release titled "Sable Offshore Corp. Reports Restart of Oil Production at the Santa Ynez Unit and Anticipated Oil Sales from the Las Flores Pipeline System in June 2025" (the "May 19 Press Release"). The May 19 Press Release stated, in relevant part:

> ***Sable Offshore Corp. ("Sable," or the "Company")(NYSE: SOC) today announced that as of May 15, 2025, it has restarted production at the Santa Ynez Unit ("SYU") and has begun flowing oil production***

> ***to Las Flores Canyon ("LFC"). Additionally, with the completion of the Gaviota State Park anomaly repairs on the Las Flores Pipeline System (the "Onshore Pipeline") on May 18, 2025, Sable has now completed its anomaly repair program on the Onshore Pipeline as specified by the Consent Decree, the governing document for the restart and operations of the Onshore Pipeline***.
>
> Seven of the eight sections of the Onshore Pipeline have been successfully hydrotested. Sable will complete the final hydrotest in order to meet the final operational condition to restart the Onshore Pipeline as outlined in the Consent Decree. ***Sable expects to fill the ~540,000 barrels of crude oil storage capacity at LFC by the middle of June 2025 and subsequently recommence oil sales in July 2025***.
>
> **Production Restart**
>
> - ***On May 15, 2025, Sable initiated the flow of oil production from six wells on Platform Harmony of the SYU to LFC at a rate of ~6,000 barrels of oil per day***.
> - Sable has been testing wells on Platform Harmony throughout May 2025 and the well tests have performed consistently stronger than they did at the time of shut-in on May 19, 2015 when the SYU produced approximately 45,000 barrels of oil equivalent per day.
> - Approximately 30% of the 32 producing wells at Platform Harmony have been tested as of May 18, 2025 with the remaining Platform Harmony wells projected to be tested over the course of the next several days.
> - Sable expects to initiate production from the additional 44 wells on Platform Heritage and the additional 26 wells on Platform Hondo in July 2025 and August 2025, respectively.

(Emphasis added).

70. Defendant Flores was quoted in the May 19 Press Release as stating, in relevant part:

> ***S[able] is proud to have safely and responsibly achieved first production at the Santa Ynez Unit***[.] The impressive well tests from Platform Harmony confirm the prolific nature of the Santa Ynez Unit reservoir after being dormant for ten years. ***S[able] is excited about our development plan and prospects for the future***. This milestone achievement is a result of a tremendous amount of effort from all of Sable's employees, contractors, Board of Directors, stakeholders, and suppliers. ***We are very grateful for the cooperation and partnership from our local community and regulatory bodies as we seek to provide energy security to the State of California***.

(Emphasis added).

71. The May 19 Press Release also contained the following "Updated Guidance":

	2H25 Guidance					
	Prior Guidance (1)			Updated Guidance (2)		
Production						
Net Average Daily Production (BOE/D)	20,000	—	25,000	40,000	—	50,000
Working Interest (%)	100.0 %			100.0 %		
Average Net Revenue Interest (%)	83.6 %			83.6 %		
Cash Costs ($ / BOE)						
Lease Operating Expense	$ 17.00	—	$ 19.00	$ 11.00	—	$ 13.50
% Fixed LOE				*75 %*	—	*85 %*
Gathering, Processing & Transportation	$ 2.50	—	$ 3.50	$ 2.50	—	$ 3.50
Cash General & Administrative	$ 4.50	—	$ 5.50	$ 2.50	—	$ 3.50
Severance & Ad Valorem Taxes (% of Revenue)	0.5 %	—	1.0 %	0.5 %	—	1.0 %
Operational Capex						
Facilities Capex ($MM)	$ 50	—	$ 60	$ 50	—	$ 60
Workover Capex ($MM)	20	—	30	20	—	30
Total Capex ($MM)	$ 70	—	$ 90	$ 70	—	$ 90

72. Following the news of the restarting of oil production at the Santa Ynez Unit, the Company's stock price shot up—going from a closing price of $28.86 per share on May 16, 2025, to a closing price of $33.02 per share on May 19, 2025, an increase of approximately 14.4%.

73. However, the statements contained in the May 19 Press Release were materially false and misleading because, despite the Company's representations, Sable had not resumed commercial production off the coast of California.

74. Despite this, the Company capitalized on its increased stock price and commenced its SPO, filing SPO Prospectus in connection therewith.

75. The SPO Prospectus contained similarly materially false and misleading statements regarding the Company's production off the coast of California. Specifically, the SPO Prospectus stated, in relevant part:

> **Recent Events**
>
> ***Restart of Production and Restarting Lines 324 and 325***
>
> ***On May 15, 2025, Sable initiated oil production from six wells on Platform Harmony at SYU and began flowing oil production to Las***

> ***Flores Canyon ("LFC") at an initial rate of approximately 6,000 barrels of oil per day***. Sable has tested approximately 30% of the 32 producing wells on Platform Harmony with the remaining Harmony Platform wells to be tested over the course of the next several days. ***Sable expects to initiate production from the additional 44 wells on Platform Heritage and the additional 26 wells on Platform Hondo in July 2025 and August 2025, respectively***. ***The initial production rates as our wells are brought back into production have been higher than the rate of sustained production at such wells, but are expected to decline from initial highs, as production rates from wells typically decline over time***. See "Risk Factors—Risks Associated with our Operations."
>
> On May 18, 2025, Sable completed anomaly repairs on Line 324 (formerly known as Line 901), which extends from the Las Flores Station on the California coast to the Gaviota Pump Station in Santa Barbara County, California, and Line 325 (formerly known as Line 903), which extends from the Gaviota Pump Station to Pentland Station in Kern County, California, the point of sale. With the completion of such repairs, Sable has now completed its anomaly repair program on the Onshore Pipeline as specified by a Consent Decree that Plains entered into with various governmental agencies in 2020 (the "*Consent Decree*"), the governing document for the restart of the Onshore Pipeline.

(Emphasis added).

76. These statements, in part, caused investors to purchase shares of Sable during the SPO.

77. The above statements contained in the May 19 Press Release and the SPO Prospectus were materially false and/or misleading and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, the Individual Defendants and the Underwriter Defendants failed to disclose to investors, *inter alia*, that: (i) the Company had not restarted oil production off the coast of California; and (ii) as a result, the Company's public statements regarding its business, operations, financials, and prospects were materially false and misleading and lacked a reasonable basis at all relevant times.

The Truth Emerges

78. The truth began to emerge on May 28, 2025, when the May 23 Letter from the Lieutenant Governor of California and the chair of the California State Lands Commission to Sable's Vice President of Environmental & Government

Affairs, Rusch, was published to the public. The May 23 Letter revealed, among other things, that the Company had not restarted operations at the Santa Ynez Unit and that the Company had failed to follow the proper procedures for restarting operations.

79. Specifically, the May 23 Letter explained that the Company had only begun limited volume oil flows as a part of a testing procedure at the Santa Ynez Unit, and that the statements that production had resumed were misleading to the public, stating, in relevant part:

> I am writing to express my serious concerns regarding Sable Offshore Corp.'s press release dated May 19, 2025, entitled, "Sable Offshore Corp. Reports Restart of Oil Production at the Santa Ynez Unit and Anticipated Oil Sales from the Las Flores Pipeline System in July 2025," which you sent to Commission staff on the same day. ***The press release appears to mischaracterize the nature of recent activities, causing significant public confusion and raising questions regarding Sable's intentions***.
>
> Your press release also implies that Sable has restarted operations at the Santa Ynez Unit (SYU). However, Commission staff has informed me that the limited volume oil flows are the result of well-testing procedures required by the Bureau of Safety and Environmental Enforcement prior to restart. ***These activities do not constitute a resumption of commercial production or a full restart of the SYU. Characterizing testing activities as a restart of operations is not only misleading but also highly inappropriate – particularly given that Sable has not obtained the necessary regulatory approvals to fully resume operations at SYU***.

80. The May 23 Letter further revealed that the Company failed to properly notify the California State Lands Commission of its activities and outlined the repercussions of these actions to Sable, stating, in relevant part:

> I am also concerned that as Exxon's designated operator, Sable was required to communicate with Commission staff before initiating any oil flow through the offshore pipeline, even in this limited capacity. Sable's failure to clearly and timely communicate these activities to the Commission undermines trust of Sable's motives, demonstrates a lack of understanding of the significant concerns held by many regarding the resumption of activities, and raises serious questions about Sable's willingness to be a transparent operator.
>
> Commission staff's letter dated May 9, 2025, made clear that failure to comply with applicable regulatory requirements or to resolve any

> outstanding regulatory issues could constitute a breach of the Commission's leases. Any attempt to restart commercial operations at the SYU without final regulatory approvals may place the company in violation of its lease terms and jeopardize the status of Sable's holdover lease.

81. Also on May 28, 2025, news outlets began reporting that a California state court judge issued the Preliminary Injunction against Sable preventing the Company from working on its Las Flores pipeline. For instance, one article revealed that:

> Sable Offshore announced that it has completed all required hydrotesting of onshore pipelines necessary to transport oil across Santa Barbara County, but the Houston-based company suffered a setback regarding repair work on along the coast in court Wednesday.
>
> The announcement of pipeline work comes as representatives of Sable Offshore and the California Coastal Commission met Wednesday about the pending litigation between the two entities.
>
> In late March, the state regulatory body levied millions of dollars in fines regarding the pipeline work that the agency says is not permitted.
>
> ***Wednesday morning, Santa Barbara County Judge Thomas Anderle granted a preliminary injunction requested by the California Coastal Commission against Sable Offshore for alleged violations of The California Coastal Act.***
>
> ***The injunction could impact Sable's ability to do future repairs or maintenance until its legal battle with the state regulator is settled.***
>
> Linda Krop with the Environmental Defense Center questioned Sable's assertions that it has completed all necessary repairs in an interview Wednesday with Your News Channel.
>
> She shared that this is the first time a judge has ruled that Sable Offshore is violating the law instead of state regulators and environmental groups.
>
> Krop, whose organization opposes restarting oil production and has been involved in multiple lawsuits related to the project, says Sable's attorney told the judge that granting the injunction would harm the company.
>
> "If Sable really has completed all the repairs, they would be fine with this injunction," argued Krop. "The injunction only applies to repairs on the pipeline. So why does Sable care about this injunction if it's really completed the repairs?"
>
> On Tuesday, May 27, Sable Offshore confirmed to investors in an 8K

> filing with the U.S. Securities and Exchange Commission that the last outstanding hydrotest was performed on the final segment of Line 325.
>
> All hydrotesting for both Lines 324 and 325 have been completed which was the final operational condition to restart their use and no more repairs are still required stated Sable Offshore. . . .
>
> ***A California Coastal Commission spokesperson sent a statement in response to Your News Channel's inquiries stating, "Sable has consistently ignored California law, as confirmed by the court's decision today [Wednesday] to halt work on this aging oil pipeline in Santa Barbara. This fly-by-night oil company has repeatedly abused the public's trust, racking up millions of dollars in fines and causing environmental damage along the treasured Gaviota Coast."***

(Emphasis added).[4]

82. On this news, the Company's stock price fell $5.04 per share, or approximately 15.3%, to close at $27.89 per share on May 28, 2025

83. Then, on June 4, 2025, the truth was fully revealed when the Company filed a Form 8-K with the SEC announcing the Preliminary Injunction to its shareholders for the first time. The Form 8-K stated:

> ***Center for Biological Diversity et al. v. California Department of Forestry and Fire Protection et al. Matter***
>
> On June 3, 2025, a Santa Barbara County Superior Court Judge granted *ex parte* requests from plaintiffs in *Center for Biological Diversity, et al. v. California* Department of Forestry and Fire Protection, et al. (25CV02244) and Environmental Defense Center, et al. v. California Department of Forestry and Fire Protection, et al. (25CV02247) for temporary restraining orders prohibiting Sable Offshore Corp. ("Sable") from restarting transportation of oil through the Las Flores Pipeline System pending the hearing on an order to show cause regarding a preliminary injunction scheduled for July 18, 2025. Sable is exploring all possible avenues available to address these preliminary rulings. Sable is now targeting August 1, 2025 for first sales due to this

[4] Andrew Gillies & Mina Wahab, *Santa Barbara County Judge Issues Preliminary Injunction Against Sable Offshore as the Company Announces Completion of Pipeline Tests*, News Channel 3-12 (May 28, 2025), https://keyt.com/news/santa-barbara-s-county/2025/05/28/sable-offshore-has-completed-all-outstanding-pipeline-repair-work-necessary-to-restart-transporting-oil-across-santa-barbara-county/.

delay.

84. On this news, the Company's stock price declined $0.94 per share, or approximately 3.9%, to close at $23.10 on June 4, 2025.

Post-Relevant Period Events

85. On July 11, 2025, the Company filed a Form 8-K with the SEC revealing that the California court denied Sable's request to stay a cease and desist order regarding its maintenance and repair work in the California coastal zone. The Form 8-K stated:

> ***California Coastal Commission Matter***
>
> On July 9, 2025, in the matter of *Sable Offshore Corp., et al. v. California Coastal Commission, et al.* (25CV00974), the Santa Barbara County Superior Court (the "**Superior Court**") denied a motion to stay the California Coastal Commission's April 10, 2025 Cease and Desist Order regarding Sable Offshore Corp.'s ("**Sable**") maintenance and repair work in the coastal zone.
>
> Also on July 9, 2025, Sable filed a Notice of Appeal of the Superior Court's May 28, 2025 Order Granting Application for Preliminary Injunction (the **"Order"**). Sable intends to prosecute this appeal in the California Court of Appeal in an effort to lift the Order.
>
> Sable continues to produce from the Santa Ynez Unit and flow to the crude oil storage tanks at Las Flores Canyon in anticipation of receiving approval to restart the Las Flores Pipeline System, with first oil sales expected August 1, 2025.

DAMAGE TO THE COMPANY

86. As a direct and proximate result of the misconduct detailed above, the Company has incurred and will continue to incur significant financial losses, including but not limited to, the costs of defending against and incurring potential class-wide liability in the Securities Class Action.

87. These damages also include the costs of remediating deficiencies in the Company's procedures and controls and compensation and benefits paid to current and former members of the Board and Company executives, who breached their fiduciary duties to Sable.

88. Furthermore, as a direct and proximate result of the misconduct detailed herein, Sable has also suffered and will continue to suffer a loss of reputation and goodwill, and a "liar's discount" that will plague the Company's stock in the future due to the Company's misrepresentations and management's breaches of fiduciary duties and unjust enrichment.

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

89. Plaintiff brings this action derivatively in the right and for the benefit of the Company to redress injuries suffered and to be suffered as a direct and proximate result of the breach of fiduciary duties by the Individual Defendants.

90. Sable is named solely as a nominal party in this action. This is not a collusive action to confer jurisdiction on this Court that it would otherwise not have.

91. Plaintiff is a current shareholder of Sable and was a continuous shareholder of the Company during the period of the Individual Defendants' wrongdoing alleged herein. Plaintiff will adequately and fairly represent the interests of the Company in enforcing and prosecuting its rights and retained counsel competent and experienced in derivative litigation.

92. A pre-suit demand on the Board of Sable is futile and, therefore, excused. At the time this action was commenced, the four-member Board was comprised of Defendants Flores, Sarofim, Dillard, and Pipkin (the "Director Defendants"). Accordingly, Plaintiff is only required to show that two Director Defendants cannot exercise independent objective judgment about whether to bring this action or whether to vigorously prosecute this action. As set forth below, all of the Board's current members are incapable of making an independent and disinterested decision to institute and vigorously prosecute this action, including because they face a substantial likelihood of liability, and so demand on the Board to institute this action is not necessary because such a demand would have been a

futile act.

93. The Director Defendants either knew or should have known of the false and misleading statements that were issued on the Company's behalf and took no steps in a good faith effort to prevent or remedy that situation.

94. Each of the Director Defendants approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to conceal or disguise those wrongs from the Company's stockholders or recklessly and/or with gross negligence disregarded the wrongs complained of herein and are therefore not disinterested parties.

95. Defendant Flores is not disinterested or independent and is therefore incapable of considering a demand. Defendant Flores has served as the Company's CEO and as Chairman of the Board since 2024. Thus, the Company admits that Defendant Flores is a non-independent director. Moreover, Defendant Flores is named as a defendant, and faces significant personal liability, in the Securities Class Action based on substantially the same wrongdoing as alleged herein, specifically issuing materially false and misleading statements discussed herein.

96. Moreover, the Director Defendants willfully ignored, or recklessly failed to inform themselves of, the obvious problems with the Company's internal controls, practices, and procedures and failed to make a good faith effort to correct the problems or prevent their recurrence.

97. The Director Defendants took no action to redress the harm suffered by the Company resulting from the misconduct alleged herein.

98. The Director Defendants failed to take any action to sue the Underwriter Defendants for their wrongdoing detailed herein. Accordingly, by failing to take action against the Underwriter Defendants, the Director Defendants breached their fiduciary duties, are not disinterested, and demand upon them is futile, and thus excused.

99. Additionally, the Director Defendants are not independent or disinterested in light of their longstanding business and personal relationships with each other and the Company. For instance, Director Defendants Dillard, Sarofin, and Pipkin all served on the board of directors of Flame, of which Defendant Flores is the co-founder and served as the CEO, President, and Chairman of the board of directors.

100. Defendants Dillard, Pipkin, and Sarofim served on the Company's Audit Committee at relevant times (the "Audit Defendants") and, pursuant to the Audit Committee Charter, were specifically charged with the responsibility to assist the Board in fulfilling its oversight responsibilities related to, *inter alia*, financial accounting and reporting, the underlying internal controls and procedures over financial reporting, and the audits of the financial statements. At all relevant times, however, the Audit Defendants breached their fiduciary duty to the Company by failing to prevent, correct, or inform the Board of the issuance of material misstatements and omissions regarding the Company's business and the adequacy of its internal controls as alleged above. Therefore, the Audit Defendants cannot independently consider any demand to sue themselves for breaching their fiduciary duties to the Company, as that would expose them to substantial liability and threaten their livelihoods.

101. The Director Defendants, as members of the Board, were and are subject to the Company's Code of Conduct. The Code of Conduct goes well beyond the basic fiduciary duties required by applicable laws, rules, and regulations, requiring the Directors to also adhere to the Company's standards of business conduct. The Director Defendants violated the Code of Conduct because they knowingly or recklessly participated in making and/or causing the Company to make the materially false and misleading statements alleged herein. Because the Director Defendants violated the Code of Conduct, they face a substantial likelihood of

liability for breaching their fiduciary duties, and therefore demand upon them is futile.

102. All of the Board's current members derive substantial revenue from the Company, control the Company, and are indebted to each other. These conflicts of interest have precluded the Board's current members from calling into question the Director Defendants' conduct. Specifically, none of the Board's current members have taken remedial action to redress the conduct alleged herein.

103. The Director Defendants' conduct described herein and summarized above could not have been the product of legitimate business judgment as it was based on bad faith and intentional, reckless, or disloyal misconduct. Thus, none of the directors can claim exculpation from their violations of duty pursuant to the Company's charter. As a majority of the directors face a substantial likelihood of liability, they are self-interested in the transactions challenged herein. They cannot be presumed to be capable of exercising independent and disinterested judgment about whether to pursue this action on behalf of the shareholders of the Company. Accordingly, demand is excused as being futile.

104. The acts complained of herein constitute violations of fiduciary duties owed by Sable's officers and directors, and these acts are incapable of ratification.

105. The Individual Defendants may also be protected against personal liability for their acts of mismanagement and breaches of fiduciary duty alleged herein by directors' and officers' liability insurance if they caused the Company to purchase it for their protection with corporate funds i.e., monies belonging to the stockholders of Sable. If there is a directors' and officers' liability insurance policy covering the Individual Defendants, it may contain provisions that eliminate coverage for any action brought directly by the Company against the Individual Defendants, known as, *inter alia*, the "insured-versus-insured exclusion." As a result, if the Director Defendants were to sue themselves or certain officers of Sable,

there would be no directors' and officers' insurance protection. Accordingly, the Director Defendants cannot be expected to bring such a suit. On the other hand, if the suit is brought derivatively, as this action is brought, such insurance coverage, if such an insurance policy exists, will provide a basis for the Company to effectuate a recovery. Thus, demand on the Director Defendants is futile and, therefore, excused.

106. If there is no directors' and officers' liability insurance, then the directors will not cause Sable to sue the Defendants named herein, since, if they did, they would face a large uninsured individual liability. Accordingly, demand is futile in that event as well.

107. Thus, for all of the reasons set forth above, all of Sable's current directors are unable to consider a demand with disinterestedness and independence. Consequently, a demand upon the Board is excused as futile.

COUNT I
Against the Individual Defendants For Breach of Fiduciary Duty

108. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

109. The Individual Defendants owed the Company fiduciary obligations. By reason of their fiduciary relationships, the Individual Defendants owed the Company the highest obligation of good faith, fair dealing, loyalty, and due care.

110. The Individual Defendants violated and breached their fiduciary duties of care, loyalty, reasonable inquiry, and good faith.

111. The Individual Defendants engaged in a sustained and systematic failure to properly exercise their fiduciary duties. Among other things, the Individual Defendants breached their fiduciary duties of loyalty and good faith by failing to implement and monitor adequate internal controls over the Company's financial reporting and, as a consequence, issuing or permitting the issuance of

materially false and misleading statements in the Company's SEC filings and other public disclosures. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

112. Specifically, the Individual Defendants willfully or recklessly made and/or caused the Company to make false and/or misleading statements and omissions of material fact that failed to disclose, *inter alia*, that: (i) the Company had not restarted oil production off the coast of California; and (ii) as a result, the Company's public statements regarding its business, operations, financials, and prospects were materially false and misleading and lacked a reasonable basis at all relevant times.

113. The Individual Defendants had actual knowledge that the Company was engaging in the fraudulent scheme set forth herein, and that internal controls were not adequately maintained, or acted with reckless disregard for the truth, in that they caused the Company to improperly engage in the fraudulent scheme and to fail to maintain adequate internal controls, even though such facts were available to them. The Individual Defendants, in good faith, should have taken appropriate action to correct the scheme alleged herein and to prevent it from continuing to occur.

114. In further breach of their fiduciary duties, the Individual Defendants failed to correct and/or caused the Company to fail to correct the false and/or misleading statements and omissions of material fact referenced herein

115. As a direct and proximate result of the Individual Defendants' failure to fulfill their fiduciary obligations, the Company has sustained significant damages.

116. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company. As a direct and proximate result of the Individual

Defendants' breach of their fiduciary duties, the Company has suffered damage, not only monetarily, but also to its corporate image and goodwill. Such damage includes, among other things, costs incurred in defending itself in the Securities Class Action, exposing the Company to millions of dollars in potential class-wide damages in the Securities Class Action, and damage to the share price of the Company's stock, resulting in an increased cost of capital, and reputational harm.

117. Plaintiff, on behalf of Sable, has no adequate remedy at law.

COUNT II
Against the Underwriter Defendants for Aiding and Abetting Breach of Fiduciary Duty

118. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

119. Each of the Individual Defendants had fiduciary relationship with Sable and owed Sable fiduciary duties. As set forth above, the Individual Defendants breached its fiduciary duties to Sable.

120. By encouraging and accomplishing the illegal and improper transactions alleged herein and concealing them from the public, the Underwriter Defendants have each encouraged, facilitated, and advanced the Individual Defendants breaches of their fiduciary duties.

121. Specifically, the Underwriter Defendants knowingly participated in the Individual Defendants breach of fiduciary duties by permitting and/or causing the Individual Defendants to issue the materially false and misleading statements to the public set forth above, including in the SPO Prospectus filed by the Company with the SEC.

122. As a result, the Underwriter Defendants have each aided and abetted, conspired, and schemed with the Individual Defendants to breach their fiduciary duties, waste the Company's corporate assets, and engage in the ultra vires and

illegal conduct complained of herein.

123. Plaintiff, on behalf of Sable, has no adequate remedy at law.

COUNT III
Against the Individual Defendants
For Unjust Enrichment

124. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

125. By their wrongful acts, violations of law, and false and misleading statements and omissions of material fact that they made and/or caused to be made, the Individual Defendants were unjustly enriched at the expense of, and to the detriment of, Sable.

126. The Individual Defendants either benefitted financially from the improper conduct, or received bonuses, stock options, or similar compensation from Sable that were tied to the performance or artificially inflated valuation of Sable, or received compensation that was unjust in light of the Individual Defendants' bad faith conduct.

127. Plaintiff, as a shareholder and a representative of Sable, seeks restitution from the Individual Defendants and seeks an order from this Court disgorging all profits, benefits and other compensation procured by the Individual Defendants due to their wrongful conduct and breach of their fiduciary and contractual duties.

128. Plaintiff, on behalf of Sable, has no adequate remedy at law.

COUNT IV
Against the Individual Defendants
For Waste of Corporate Assets

129. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

130. The wrongful conduct alleged regarding the issuance of false and

misleading statements was continuous, connected, and on-going throughout the time period in issue. It resulted in continuous, connected, and ongoing harm to the Company.

131. As a result of the misconduct described above, the Individual Defendants wasted corporate assets by, *inter alia*: (i) paying and collecting excessive compensation and bonuses; and (ii) incurring potentially millions of dollars of legal liability and/or legal costs, including defending the Company and its officers against the Securities Class Action.

132. As a result of the waste of corporate assets, the Individual Defendants are liable to the Company.

133. Plaintiff, on behalf Sable, has no adequate remedy at law.

COUNT V
Against Defendants Flores and Patrinely for Contribution Under Section 10(b) and 21D of the Securities Exchange Act of 1934

134. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

135. As a result of the misconduct alleged above, Sable and Defendants Flores and Patrinely (collectively, the "Officer Defendants"), among others, are named as defendants in the Securities Class Action, which asserts claims under the federal securities laws for violations of Sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5 promulgated thereunder by the SEC.

136. The Securities Class Action alleges that the Company issued numerous untrue statements of material facts and/or omitted to state material facts in its public filings, including in the SPO Prospectus.

137. If and when the Company is found liable in the Securities Class Action for these violations of the federal securities laws, the Company's liability will be in whole, or in part, due to the Officer Defendants' willful and/or reckless violations

of their obligations as officers and/or directors of Sable.

138. The Officer Defendants, because of their positions of control and authority as officers and directors of Sable, were able to and did, directly and/or indirectly, exercise control over the business and corporate affairs of Sable, including the wrongful acts complained of herein and in the Securities Class Action.

139. Accordingly, the Officer Defendants are liable under 15 U.S.C. § 78j(b), which creates a private right of action for contribution, and Section 21D of the Exchange Act, 15 U.S.C. § 78u-4(f), which governs the application of a private right of action for contribution arising out of violations of the Exchange Act.

140. As such, the Company is entitled to receive all appropriate contribution or indemnification from the Officer Defendants.

141. Plaintiff, on behalf of Sable, has no adequate remedy at law.

COUNT VI
Against the Officer Defendants and the Underwriter Defendants for Contribution Under Section 11(f) of the Securities Act and Section 21D of the Exchange Act

142. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

143. As a result of the misconduct alleged above, Sable, along with the Officer Defendants and Underwriter Defendants, are named as defendants in the Securities Class Action, which asserts claims under the federal securities laws for violations of 11, 12(a)(2), and 15 of the Securities Act

144. Federal law provides Sable with a cause of action against other alleged joint tortfeasors under Section 11(f) of the Securities Act.

145. The plaintiff in the Securities Class Action allege that the SPO Prospectus, filed with the SEC in connection with its SPO, contained untrue statements of material facts and omitted to state material facts necessary to make the statements not misleading.

146. The Company was the registrant for the SPO, and the Individual Defendants and/or Underwriter Defendants named herein were responsible for the contents and dissemination of the SPO Prospectus.

147. As the issuer of the shares in the SPO, Sable is strictly liable to the plaintiffs in the Securities Class Action for the misstatements and omissions alleged therein.

148. The plaintiff in the Securities Class Action allege that none of the defendants named therein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the SPO Prospectus were true and not misleading.

149. The Officer Defendants, because of their positions of control and authority as officers and directors of Sable, and the Underwriter Defendants, because of their positions of control and authority as underwriters of Sable's SPO, were able to and did, directly and/or indirectly, exercise control over the business and corporate affairs of Sable, including the wrongful acts complained of herein and in the Securities Class Action.

150. Accordingly, the Individual Defendants and the Underwriter Defendants are liable pursuant to Section 11(f) of the Securities Act (15 U.S.C. § 77k(f)(1)), which creates a private right of action for contribution, and Section 21D of the Exchange Act (15 U.S.C. § 78u-4(f)) which governs the application of a private right of action for contribution arising out of violations of the Securities Act.

151. As such, Sable is entitled to receive all appropriate contribution or indemnification from the Officer Defendants and the Underwriter Defendants.

152. Plaintiff, on behalf of Sable, has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Awarding money damages against all Individual Defendants, jointly

and severally, for all losses and damages suffered as a result of the acts and transactions complained of herein, together with pre-judgment interest, molded in a fashion to ensure the Individual Defendants do not participate therein or benefit thereby;

B. Directing all Individual Defendants to account for all damages caused by them and all profits and special benefits and unjust enrichment they have obtained as a result of their unlawful conduct, including all salaries, bonuses, fees, stock awards, options and common stock sale proceeds, and imposing a constructive trust thereon;

C. Directing Sable to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect Sable and its stockholders from a repeat of the damaging events described herein, including, but not limited to:

- strengthening the Board's supervision of operations and compliance with applicable state and federal laws and regulations;
- strengthening the Company's internal reporting and financial disclosure controls;
- developing and implementing procedures for greater stockholder input into the policies and guidelines of the Board; and
- strengthening the Company's internal operational control functions.

D. Awarding punitive damages;

E. Awarding costs and disbursements of this action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

F. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

Dated: August 21, 2025

RIGRODSKY LAW, P.A.

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There’s a Reason Oil Well Sales Are Collapsing In California: Cleanup Costs

capitalandmain.com/theres-a-reason-oil-well-sales-are-collapsing-in-california-cleanup-costs

Aaron Cantú November 20, 2024

The Slick

Faced with putting up hefty bonds to clean up their mess, operators are instead taking a pass on selling off dying wells.

Oil pumpjack in Signal Hill, California. Photo by David McNew/Getty Images
Published

on

November 20, 2024
By

Aaron Cantú

For years, large drillers in California sold unprofitable wells to smaller companies willing to wring the last drops of oil out of them. The process essentially kicked the cost of cleaning up oil fields — pumping concrete down well bores, removing tanks and pipelines — to operators with less ability to pay for the eventual cleanup.

Policymakers and advocates predicted that taxpayers — not the oil companies themselves — would ultimately have to pay billions for remediation once those oil and gas operations run dry. Unplugged wells emit climate-warming methane and pose long-term hazards to soil and groundwater.

But a new law may finally be slowing the so-called well shuffling, state data show.

Since the start of this year, companies have proposed selling 766 wells in the state. But before the wells can change hands, purchasers are now required to request an estimate for a bond to plug the wells from the California Geologic Energy Management Division (CalGEM), the agency that regulates drilling.

The requirement is part of a new law passed last year to ensure that someone — not taxpayers — is forced to put up the money to clean up the wells before they can be sold.

The state quoted bond amounts totaling $80.5 million for those hundreds of wells. Most of that money was for a bond to eventually plug 729 wells in Kern County that Vaquero Energy Inc. wanted to buy from Aera Energy.

The remaining 37 wells are scattered across Santa Barbara, Orange, Kern, Fresno and Los Angeles counties and are owned by two dozen companies. The majority of those wells were idle, and nearly all were marginal — producing less than 15 barrels of oil a day, enough to produce just 472 gallons of gas.

But after the state determined how much it would cost to bond those wells, all 37 of the proposed sales fell through. The California Geologic Energy Management Division directed questions about the failed transactions to the involved companies.

To Rob Schuwerk, the executive director of Carbon Tracker's North American office, it means that the law is working as intended: Companies are no longer passing off marginal wells to operators who lack the financial means to plug them.

"The law has stopped some of the bleeding," Schuwerk wrote in an email to Capital & Main.

Capital & Main reached out to all of the operators involved in the proposed sale of wells. Most did not respond to emails and phone calls.

Chad Hathaway, the owner of Hathaway LLC, wanted to buy 14 wells from Kern River Holding LLC. The state required that he file a $2.6 million bond to complete the transaction. His company in the Mount Poso oil field in Kern County specializes in refurbishing and reactivating marginal wells.

In an email to Capital & Main, Hathaway wrote that California "places such high costs on abandonment and remediation that it makes the transfers impossible, unaffordable, and economically unfeasible to bond." He noted that the state's bonding estimates run much higher

than his company's internal estimates.

That sentiment is shared by other operators. Signal Hill Disposal LLC, a wastewater disposal company based in Southern California, responded with "shock and awe" after the California Geologic Energy Management Division said it needed to obtain a $651,820 bond to acquire a single well in Los Angeles County, according to division emails obtained by Capital & Main.

The quoted amounts to plug wells are, however, in line with and even a little below figures included in a Sierra Club idle wells report released in December 2023 that is frequently cited by some lawmakers in Sacramento. That report put total cleanup liabilities for all unplugged wells in California at $22.9 billion.

A Carbon Tracker report from 2023 estimated that the costs of decommissioning all those wells would be more than double the projected cash flows for all oil-producing companies in California given how much oil is left in the ground.

Going forward, Carbon Tracker's Schuwerk said, California needs "to increase financial assurance on all entities," which he said could be accomplished through bonds or sinking funds, which can be dedicated to cleanup costs and which oil operators pay into over time.

But any plan to clean up oil fields through bonds alone faces a major hurdle: Bond sellers have become reluctant to work with California oil operators, said Mark Karr, a senior account manager with SuretyBonds.com.

"Out of all the bonds we sell, this is one of the highest risk industries," Karr said. "A lot of surety companies think it's not even worth it because we've had to pay out so many times" to the state after oil operators reneged on promises to use their own money for plugging wells.

The state's largest operators, including Chevron, may be best positioned to set aside cleanup money, considering their still very profitable global operations. But actions by driller Aera Energy, which recently merged with California Resources Corporation to become the state's largest well operator, show how challenging it can be to make companies put up a sufficient bond.

In one proposed transaction this year, Aera asked the California Geologic Energy Management Division for a bond estimate to sell 11 wells to an unidentified company. In another, where Aera wanted to sell 729 wells to Vaquero Energy, it's not clear which company initiated the transaction.

The bond amounts for the two transactions would have totaled $75.3 million, but neither moved forward. Neither Aera or Vaquero responded to requests for comment.

And months before its shareholders voted in June to acquire Aera, California Resources Corporation told state regulators that its stock transfer acquisition of Aera meant no wells were actually changing hands. The California Geologic Energy Management Division agreed with the

company's interpretation of the law, and did not force California Resources Corporation to file a bond for acquiring Aera's wells.

California Resources Corporation estimated in financial statements filed with the Securities and Exchange Commission that its long-term costs for cleaning up all of its unplugged wells after the merger — about 38,000 — amounted to $1 billion. By contrast, the Sierra Club estimated that the two companies' liabilities to plug their idle wells amounted to $3.5 billion combined.

California Resources Corporation filed a $30 million bond for cleanup costs with the state in December 2023, the maximum amount under the law at the time.

Meanwhile, the state is taking more steps to hold companies financially liable for their wells. In September, Gov. Gavin Newsom signed a bill into law to charge companies thousands of dollars per idle well annually unless they start plugging them.

Despite President-elect Trump's desire to promote domestic oil production, the federal government may find it difficult to intervene in matters related to drilling on state lands.

"It does not in any immediate way intersect with federal law or implicate federal interests," said Ann Alexander, an environmental attorney and policy consultant who advocated for the oil well bonding law.

The bonding law is a step in the right direction, but California needs to continue finding ways to make oil operators pay for cleanup, Alexander said. Other industries could serve as a model, such as the nuclear power sector, in which plant operators are required by federal regulations to put money into a sinking fund for decommissioning.

"No matter how much people want to keep [California's oil drilling] industry alive, it is fundamentally on the wane," she said.

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Cooperative, coordinated strategy may be best approach to decommissioning challenges

offshore-mag.com/regional-reports/us-gulf-of-mexico/article/55302301/cooperative-coordinated-strategy-may-be-best-approach-to-decomm-challenges

Glenn Legge July 9, 2025

For decades, the offshore energy sector and its regulators have acknowledged, but failed to solve, a chronic problem – how to reduce the collective cost of decommissioning and abandonment (D&A) of structures that have reached, or are past, end of production. This issue has been the subject matter of industry articles, conferences, and regulatory proposed rulemaking processes. This subject matter is a bit like the existence of ghosts – occasionally discussed but rarely seen.

The current quagmire

In the last year we have seen the Bureau of Ocean Energy Management (BOEM) provide proposed rules for Risk Management & Financial Assurance for Leases on the Outer Continental Shelf (OCS) in the Gulf of Mexico (GoM). These proposed rules created a sharp response from the offshore energy sector, including a lawsuit in federal court.

In addition, the US General Accounting Office (GAO) issued a February 2024 report that was highly critical of BOEM and BSEE. The report stated that BOEM "holds about $3.5 billion in bonds from companies to cover a potential cost of $40-$70 billion" for decommissioning costs in the federal waters of the GoM. The GAO's report addresses concerns that this multibillion deficit may end up being paid by taxpayers, rather than the offshore energy sector. To make the financial assurance aspect more challenging, the current state of the financial bonding market, which has been under severe pressure due to the rash of operator insolvencies in the United States.

The GAO addressed the thirty federal bankruptcy proceedings involving offshore operators in the GoM that did not have sufficient financial assurance/bonding to decommission the end-of-life assets operated by these insolvent companies, including ATP, Energy XXI, Stone Energy and Fieldwood Energy. The GAO also acknowledged the use of surety bonds to secure decommissioning obligations as opposed to allowing these obligations to revert to predecessors in interests (PIIs) that previously operated the assets in need of decommissioning.

A common concern of both BOEM and the GAO is the sheer number of offshore energy structures that are either not being maintained or are minimally maintained, which will increase the cost of decommissioning. These older structures may create navigational hazards in the GoM and could increase the risks of environmental damage from wells that have not been suitably plugged and abandoned.

Similarly, the Westwood Global Energy Group consulting firm has recently estimated that the UK offshore energy sector could be faced with $26 billion in decommissioning costs over the next decade. In addition, the report indicated that deferred decommissioning may result in pressure on the decommissioning supply chain and day rates which could increase D&A costs by a further $5.5 billion.

Based upon financial analyses from both the US and the UK regulators, the cost of decommissioning and abandonment will continue to increase as these offshore structures age and increase in number. These shared concerns recognize that the costs of safely decommissioning offshore structures inherently increase as these platforms age.

Although much of the offshore energy sector has been critical of BOEM's proposed financial assurance rules, the proposed Renewable Energy Modernization Rules from the Bureau of Safety and Environmental Enforcement (BSEE) concerning Rights of Use and Easements (RUE) appear to be well received. BSEE essentially views the use of RUE's as the most practical means for companies to utilize federal leases in the GoM for a variety of purposes, including CO_2 injection and storage.

Fortunately, there may be some effective and commonsense strategies to address the massive amount of D&A obligations in the GoM in a safe and cost-effective manner. Like many situations in life, these solutions can be drawn from existing and past experiences in the international and domestic offshore energy sectors.

Effective P&A strategies

To date, much of the P&A work in the GoM has not been executed in a timely or cost-effective manner. This is not so much a criticism of the offshore decommissioning sector, but rather of the lack of a focused, cohesive and mutually supportive industry, and regulatory strategies to execute decommissioning in an efficient manner. Fortunately, we can borrow from the past to fashion a more effective roadmap for future P&A work in the GoM.

In 2016, BOEM's Regional Director, Mike Celata, and Jim Christie, Head of Decommissioning for the UK Oil and Gas Authority addressed the challenges facing their respective offshore energy sectors at a Decommissioning and Abandonment Summit in the United States. Similar to current industry concerns, the panel discussed numerous issues related to BOEM's then recently promulgated and more financially stringent regulatory requirements.

The discussion acknowledged the advantages of creating cost-effective, tailored decommissioning campaigns involving separate operators utilizing "shared" decommissioning spreads for geographically proximate offshore structures. When asked how separate operators "sharing" a decommissioning contractor for proximate projects would be viewed by UK regulators, Christie acknowledged that there was no "hard line" prohibition for such a strategy as long as it complied with applicable EU anti-competitive regulations. Interestingly, the US perspective was not as confident that a "shared" decommissioning approach would comport with all US "anti-competitive" regulatory concerns.

The representatives from BOEM and the UK Oil and Gas Authority stated that they would consider any reasonable financial assurance for decommissioning including the use of suitable insurance. In summary, the panel members indicated the importance of communications between the regulators and industry in creating new methods to secure decommissioning costs.

The path forward

The path forward suggested here has three major elements:

1. Utilizing tailored, multi-operator decommissioning strategies
2. New decommissioning capabilities
3. Repurposing offshore structures for new energy projects.

It is time for the offshore energy sector to utilize a comprehensive new strategy for addressing the significant decommissioning challenge in the US GoM. Cooperative and coordinated strategies utilized by separate operators to decommission and abandon geographically proximate structures is a fairly straightforward and achievable tactical approach. The goal is to safely and cost effectively deploy marine assets with the minimum logistical and costly vessel movements and spread deployments.

In light of the rash of offshore operator insolvencies in the US, the energy sector must consider alternative strategies, including the use of "contract" operators that can continue late life production while contemporaneously assessing, planning and safely executing decommissioning and abandonment strategies for specific structures/wells.

In addition, operators must consider the functional and cost benefits related to coordinating decommissioning and abandonment plans for separately operated, but geographically proximate, offshore structures. In an abundance of caution, operators and contractor groups may want to seek input from federal regulators, including BSEE, or the Securities and Exchange Commission (SEC) for publicly traded operators, to confirm that the use of a shared decommissioning system would not be considered to be an “anti-competitive” business strategy. This is especially relevant in light of the current number of structures in the GoM that are at the end of life. There is precedent for these types of cooperative industry projects, as evidenced by the creation of Marine Well Containment Company to address the deepwater drilling moratorium that was ordered following the *Deepwater Horizon* oil spill.

One of the essential and evolving challenges for late-life facility operators is the ability to secure adequate financial assurance in compliance with the anticipated regulatory requirements of BOEM and BSEE. The rash of operator insolvencies over the past 5-10 years has significantly reduced the number of commercial bonding entities that have historically provided financial sureties for the offshore sector. This critical lack of financial capacity will require the energy sector to seek alternative (and innovative) means to address financial surety requirements.

Fortunately, the industry is currently witnessing the evolution of alternative “end of life” strategies in the Gulf of Mexico. In the US, one of these strategies involves repurposing existing structures for alternative energy utilization. One of the leaders in this area is an educational/industry entity associated with the University of Houston – the Repurposing of Offshore Infrastructure for Continued Energy (ROICE) program. The ROICE program participants include independent operators, decommissioning companies, service companies and contractors.

The ROICE program has analyzed various structures in the US GoM that are near end of production life as candidates for repurposing for CO_2 injection/storage, green hydrogen production, wave energy and data center location. ROICE is supported by federal funding, as well as substantial in-kind contributions from operators, service companies and contractors. Although repurposing existing structures would involve preliminary decommissioning (removal of hydrocarbon processing and other non-essential equipment and plugging wells) the vast majority of the operator’s final decommissioning/asset retirement obligations to remove the entire structure would be delayed 20-25 years. In 2024 and 2025, the ROICE program was invited to provide whitepapers and presentations on the engineering/technical, financial, regulatory and commercial elements of ROICE repurposing projects to the offshore industry at the Offshore Technology Conference in Houston, Texas.

The ROICE Program participants include Endeavor Management, Promethean Energy and Promethean Decommissioning – companies that have helped create a framework for repurposing offshore structures and are currently working directly with federal regulators including those from BSEE. A particular focus has been on “orphan” platforms that have no

solvent operators or predecessors in interest. Endeavor Management and Promethean recently completed a “first of its kind” decommissioning campaign working directly for BSEE on orphaned structures in the GoM.

As the offshore energy sector gradually transitions into alternative energy activities (CO_2 injection/storage, Green H_2 production, wave energy, data storage) it will be interesting to see how the London Insurance Market responds. That market has historically provided insurance for significant and evolutionary offshore projects. It may again provide effective risk management and financial assurance programs for energy transition projects which have much smaller aggregate exposures, based upon the lack of hydrocarbon exposures.

Looking forward

The current regulatory, financial and operational activities in the US GOM are undergoing significant changes, which create some uncertainties for ongoing and future offshore projects. The current executive administration will likely continue to provide robust support for offshore hydrocarbon production and investment in new projects. Going forward, the significant variables will be the applicable regulatory structure that will impact the operational and financial issues related to D&A, and possible repurposing of structures at end of life. The industry will no doubt continue to display its impressive trend of innovation in these offshore sectors, and will likely “borrow” functional strategies from past achievements to address the seemingly persistent and evolving challenges of the future.

DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management

30 CFR Parts 550, 556, and 590

[Docket ID: BOEM–2023–0027]

RIN 1010–AE14

Risk Management and Financial Assurance for OCS Lease and Grant Obligations

AGENCY: Bureau of Ocean Energy Management (BOEM), Interior.

ACTION: Notice of proposed rulemaking and request for comment.

SUMMARY: The Department of the Interior (the Department or DOI), acting through BOEM, proposes to modify its criteria for determining whether oil, gas, and sulfur lessees, right-of-use and easement (RUE) grant holders, and pipeline right-of-way (ROW) grant holders may be required to provide bonds or other financial assurance above the current regulatorily prescribed base bonds to ensure compliance with their Outer Continental Shelf Lands Act (OCSLA) obligations. This proposed rule would also remove existing restrictive provisions for third-party guarantees and decommissioning accounts and would add new criteria under which a bond or third-party guarantee that was provided as supplemental financial assurance may be canceled. Additionally, this proposed rule would clarify bonding requirements for RUEs serving Federal leases. Based on the proposed framework, BOEM estimates that the aggregate amount of supplemental financial assurance required of lessees and grant holders under this proposed rulemaking available to the U.S. government for decommissioning activities would increase by an estimated $9.2 billion over current levels. This value represents less than one-quarter of all offshore decommissioning liabilities, which is currently estimated at $42.8 billion. This proposed rulemaking would not apply to renewable energy activities.

DATES: BOEM must receive your comments on or before August 28, 2023. BOEM has the discretion not to consider comments received after this date. The Office of Management and Budget (OMB) and BOEM must receive your comments on the information collection (IC) burden in this rulemaking on or before July 31, 2023. The IC burden comment opportunity does not affect the deadline for the public to comment to BOEM on the proposed regulations.

ADDRESSES: You may submit comments on the rulemaking by any of the following methods. In your comments, please reference ''Risk Management and Financial Assurance for OCS Lease and Grant Obligations, RIN 1010–AE14.'' Please include your name, and phone number or email address, so we can contact you if we have questions regarding your submission.

- *Federal rulemaking portal: https://www.regulations.gov.* In the entry titled, ''Enter Keyword or ID,'' enter BOEM–2023–0027 then click search. Follow the instructions to submit public comments and view supporting and related materials available for this rulemaking.
- *Mail or delivery service:* Send comments on the BOEM proposed rule to the Department of the Interior, Bureau of Ocean Energy Management, Office of Regulations, Attention: Kelley Spence, 45600 Woodland Road, Mailstop VAM–BOEM DIR, Sterling, VA 20166.

Submit comments on the IC in this proposed rule to *www.reginfo.gov/public/do/PRAMain.* From this main web page, you can find and submit comments on this particular information collection by proceeding to the boldface heading ''Currently under Review,'' selecting ''Department of the Interior'' in the ''Select Agency'' pull down menu, clicking ''Submit,'' then, checking the box ''Only Show ICR for Public Comment'' on the next web page, scrolling to this proposed rule, and clicking the ''Comment'' button at the right margin. Or, you may use the search function to locate the IC request related to the proposed rule on the main web page. Please provide a copy of your comments to the Information Collection Clearance Officer, Office of Regulations, Bureau of Ocean Energy Management, Attention: Anna Atkinson, 45600 Woodland Road, Sterling, Virginia 20166; or by email to *anna.atkinson@boem.gov.* Please reference OMB Control Number 1010–0006 in the subject line of your comments.

Instructions: All submissions received must include the agency name and docket number or Regulatory Information Number (RIN) for this rulemaking (1010–AE14). All comments received will be posted without change to *http://www.regulations.gov,* including any personal information provided. For detailed instructions on sending comments and additional information on the rulemaking process, see the ''Public Availability of Comments:'' heading of the **SUPPLEMENTARY INFORMATION** section of this document.

Docket: For access to the docket to read background documents or comments received, go to *www.regulations.gov.*

FOR FURTHER INFORMATION CONTACT: Kelley Spence, Office of Regulations, BOEM, at *kelley.spence@boem.gov* or at (984) 298–7345; or Karen Thundiyil, Chief, Office of Regulations, BOEM, at *Karen.Thundiyil@boem.gov* or at (202) 742–0970.

To obtain a copy of the information collection supporting statement, contact: Information Collection Clearance Officer, Office of Regulations, Bureau of Ocean Energy Management, Attention: Anna Atkinson, at *anna.atkinson@boem.gov* or at (703) 787–1025.

SUPPLEMENTARY INFORMATION:

Public Availability of Comments: BOEM may post all submitted comments to *regulations.gov.* Before including your name, return address, phone number, email address, or other personally identifiable information in your comment, you should be aware that your entire comment—including your personally identifiable information—may be made publicly available. In order for BOEM to withhold from disclosure your personally identifiable information, you must identify, in a cover letter, any information contained in the submittal of your comments that, if released, would constitute a clearly unwarranted invasion of your personal privacy. You must also briefly describe in such cover letter any possible harmful consequences of the disclosure of information, such as embarrassment, injury, or other harm. While you can ask us in your comment to withhold your personally identifiable information from public review, we cannot guarantee that we will be able to do so. Even if BOEM withholds your information in the context of this rulemaking, your submission is subject to the Freedom of Information Act (FOIA) and any relevant court orders, and if your submission is requested under the FOIA or such court order, your information will only be withheld if a determination is made that one of the FOIA's exemptions to disclosure applies or if such court order is challenged. Such a determination will be made in accordance with the Department's FOIA regulations and applicable law.

Organization of this document. The information in this preamble is organized as follows:

I. Table of Acronyms and Terms
II. Executive Summary
III. Background of BOEM Regulations
A. BOEM Statutory and Regulatory Authority and Responsibilities
B. History of Bonding Regulations and Guidance

The joint proposed rule would have also applied the same credit rating criteria to its evaluation of potential guarantors. The joint proposed rule also would have removed the requirement for a third-party guarantee to ensure full compliance with the obligations of all lessees, operating rights owners, and operators on the lease and would have allowed a third-party guarantee to be used as supplemental financial assurance for a RUE or ROW grant. The former change would have allowed a guarantor to limit its guarantee to a subset of lease or grant obligations. Additional proposed changes would have applied to third-party guarantees the same terms and conditions that apply to cancellation of supplemental financial assurance surety bonds and return of pledged financial assurance, as well as a clarification to reiterate that ''guarantee'' and ''indemnity agreement'' both refer to the same guarantee agreement.

On January 20, 2021, President Biden signed Executive Order 13990, ''Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis.'' This Executive order, among other things, instructs agencies to review actions taken between January 20, 2017, and January 20, 2021, and consider publishing a notice of proposed rulemaking suspending, revising, or rescinding that action. Upon conducting such a review of the 2020 proposal and the record postdating the review, BOEM has decided, as an exercise of its judgement and expertise, not to move forward with the joint proposed rule and acknowledges that NTL No. 2016–N01 was never fully implemented and has since been rescinded. This NPRM parallels the approach in BOEM's portion of the 2020 proposal but, to increase protection of the taxpayer, it would require a higher threshold credit rating and would not allow a current lessee to avoid posting additional assurance based on a predecessor lessee's strength.

D. Purpose of BOEM's Proposed Rulemaking

This proposed rule is intended to update BOEM's criteria for determining whether oil, gas, and sulfur lessees, RUE grant holders, and ROW grant holders may be required to provide supplemental financial assurance to ensure compliance with their OCS obligations. In its continued efforts to address concerns with the financial assurance program, BOEM has opted to issue this new notice of proposed rulemaking to better protect the taxpayer from bearing the cost of facility decommissioning and other financial risks associated with OCS development, such as oil spill cleanup or other environmental remediation. Although the cases where taxpayers have actually paid costs for decommissioning are rare, some BOEM lessees have entered bankruptcy without the resources to cover decommissioning. In these cases, BOEM is required to negotiate with predecessors, co-lessees, and bankruptcy courts to obtain the funds needed for decommissioning. As mentioned earlier, this process is not always sufficient, as reflected in BSEE's request for additional appropriations to cover decommissioning of facilities for which there is no remaining liable party. BOEM has decided not to set a lower supplemental financial assurance requirement for lessees with financially strong predecessor lessees. Instead, BOEM proposes to require supplemental financial assurance for all leases owned by lessees that do not meet the proposed financial strength threshold or have sufficiently valuable proved oil and gas reserves on their leases that may attract a buyer if the current lessees are in financial distress. The omission of predecessor lessees from this calculus addresses several financial assurance issues. It ensures the current lessees have the financial capability to fulfill its decommissioning obligations, and discourages lessees from ignoring end-of-life decommissioning costs. It also simplifies potential administrative demands, since it obviates the need for parties to distinguish between wells with predecessor lessees and more recent sole-liability wells, side-track wells, and other sole-liability components. This proposed rule would retain the authority to pursue predecessor lessees for the performance of decommissioning; however, this proposed rule would not allow BOEM to rely upon the financial strength of predecessor lessees when determining whether, or how much, supplemental financial assurance should be provided by current OCS leaseholders.

Under this proposed rule, instead of relying primarily on net worth to determine whether a lessee must provide supplemental financial assurance, BOEM's primary consideration would be a lessee's credit rating. Credit rating agencies account for many factors when evaluating a company, including cash flow, debt-to-earnings ratios, debt-to-funds-from-operations ratios, and other financial factors. A credit rating considers the past performance of a company, including, but not limited to, the income statement and cash flow statement, which provide a broad picture of how well a company may be able to meet its liabilities. The rating also considers forward-looking factors, such as the anticipated loss of assets and the anticipated highs and lows of the company's business cycle. Credit ratings provide a measure of the probability of a default on an obligation; studies have shown a very close correlation between the rating level and the probability of default.[9]

On the other hand, a net worth analysis (typically total assets minus total liabilities) uses figures that reflect the last day of the fiscal period. This ''snapshot'' is not adequate to predict a lessee's future financial position because a lessee's financial deterioration can occur quickly due to volatility in oil and gas prices, improper hedging of risks, and other business and economic reasons. Net worth is one financial data point that may not accurately reflect the overall financial risk posed by the company, as compared to the more comprehensive financial review undertaken by the rating agencies. A singular financial ratio analysis may unintentionally penalize some corporate structures where that particular ratio is not as important or relevant to that business, for example midstream master limited partnerships, which the tax code requires to distribute 90% of net income to partners. Relying on the more comprehensive and forward-looking credit rating analysis—both to determine whether supplemental financial assurance may be necessary and to determine whether a company can be a guarantor of the financial obligations of other companies operating on the OCS—would better allow BOEM to demand security before a company becomes financially distressed. For more discussion on credit ratings, see section VI.A (BOEM Evaluation Methodology—Credit Ratings) of this preamble.

After accruing an obligation to decommission certain infrastructure (*e.g.,* well, platform, pipeline), the predecessor lessee remains jointly and severally liable for decommissioning that infrastructure, even in cases where a predecessor lessee has divested its full interest in a lease by assignment to another company. This rulemaking would retain BOEM's existing right to pursue predecessor lessees for the performance of decommissioning; however, this rulemaking would not allow BOEM to rely upon the financial

[9] See for example, ''Ratings vs Default Rates'', Moody's Annual Default Study—February 8, 2022, Douglas J. Lucas, ''Default Correlation and Credit Analysis'', The Journal of Fixed Income Mar 1995, 4 (4) 76–87; DOI: 10.3905/jfi.1995.408124.

strength of predecessor lessees when determining whether, or how much, supplemental financial assurance should be provided by current OCS leaseholders. This change strengthens the financial assurance program by ensuring current lessees have the financial strength or supplemental financial assurance in order to fulfill all their obligations.

In summary, BOEM is proposing this rulemaking to clarify and simplify its financial assurance requirements and to provide greater protection to taxpayers. These proposed regulatory changes provide additional clarity that current grant holders, lessees, and, when appropriate, operating rights holders (sublessees) bear the cost of ensuring compliance with lease obligations, rather than relying on prior owners.

IV. Proposed Revisions to BOEM Supplemental Financial Assurance Requirements

BOEM's existing financial assurance regulatory framework has two main components: (1) Base bonds, generally required in amounts prescribed by regulation, and (2) Supplemental financial assurance, above the prescribed base bond amounts, that may be required upon the Regional Director's determination that an increased amount is necessary to ensure compliance with OCS obligations. BOEM's objective is to ensure that taxpayers do not bear the cost of meeting the obligations of lessees and grant holders on the OCS, particularly the costs of decommissioning that must be met after the cash flow from production ceases. At the same time, BOEM also recognizes the costs and disincentives to additional exploration, development, and production that are imposed on lessees and grant holders by increasing the required amounts of bonds and/or other financial assurance. After taking these considerations into account, BOEM is proposing to: (1) Modify the evaluation process for requiring supplemental financial assurance by clarifying and streamlining the evaluation criteria; and, (2) Remove restrictive provisions for third-party guarantees and decommissioning accounts. This proposed rule would allow the Regional Director to require supplemental financial assurance when a lessee or grant holder poses a substantial risk of becoming financially unable to carry out its obligations under its lease or grant, or when the property may not have sufficient value to be sold to another company that could assume those obligations. In the former case, the risk that the taxpayer might have to take on the financial obligations of a lessee or grant holder is mitigated when there is a co-lessee or co-grant holder that has sufficient financial capacity to carry out the obligations.

A. Leases

Lessees are jointly and severally liable for the lease decommissioning obligations that accrue during their ownership, as well as those that accrued prior to their ownership, which means that each current co-lessee is liable for the full obligation and BSEE may pursue performance from any individual current lessee. *See, e.g.,* 30 CFR 556.604(d). In addition, a lessee that transfers its interest to another party continues to be liable for any unperformed decommissioning obligations that accrued prior to, or during, the time that lessee owned an interest in the lease. *See, e.g.,* 30 CFR 556.710. This transferor liability applies, however, only to those obligations existing at the time of transfer; new facilities, or additions to existing facilities, that were not in existence at the time of any lease transfer are not obligations of a predecessor company and are considered obligations of the party that built such new facilities and its co- and successor lessees.

BOEM's existing supplemental financial assurance evaluation process, contained in § 556.901(d), is based only on the current lessee's ability to carry out present and future obligations. BOEM proposes to codify that this evaluation process includes an evaluation of the ability of a co-lessee to carry out present and future obligations. This codification recognizes that all of the current owners are benefiting from ongoing operations and are jointly and severally liable for compliance with DOI requirements. A current co-lessee is equally liable for present obligations and future obligations that exist while it is a co-lessee, including nonmonetary obligations.

Under BOEM's existing regulations, the Regional Director's evaluation of the need for supplemental financial assurance is based on the following five criteria: financial capacity; projected financial strength; business stability; reliability in meeting obligations based upon credit rating or trade references; and record of compliance with laws, regulations, and lease terms. BOEM is proposing to streamline its evaluation process by using only two criteria to determine whether supplemental financial assurance on a lease may be required: (1) A credit rating, either from an NRSRO, as identified by the United States Securities and Exchange Commission (SEC) pursuant to its grant of authority under the Credit Rating Agency Reform Act of 2006 and its implementing regulations at 17 CFR parts 240 and 249, or a proxy credit rating determined by BOEM based on a company's audited financial statements; [10] or (2) The 3-to-1 ratio of the value of proved oil and gas reserves on a lease to the decommissioning liability associated with these reserves. These criteria better align BOEM's evaluation process with accepted financial risk evaluation methods used by the banking and finance industry. Corporate credit ratings are intended to evaluate the potential for a company to default on its financial obligations and are designed so that the higher the credit rating, the lower the risk of default. Credit ratings and proved oil reserves are good indicators of the likelihood that a company will be able to meet its financial obligations. Eliminating subjective or less precise criteria—such as the length of time in operation to determine business stability, or trade references to determine reliability in meeting obligations—will simplify the process and remove criteria that may not accurately or consistently predict financial distress. For more discussion on credit ratings, see section VI.A (BOEM Evaluation Methodology—Credit Ratings) of this preamble.

BOEM proposes to eliminate the ''business stability'' criterion found in the current version of § 556.901(d)(1)(iii). The existing regulation bases business stability on 5 years of continuous operation and production of oil and gas, but BOEM has determined that there is little correlation between such history and a company's ability to carry out its present and future obligations. BOEM conducted an analysis of offshore bankruptcies, including an assessment of the number of years incorporated prior to bankruptcy, and determined that whether a company was in business for 5 or more years had no relationship to the likelihood of bankruptcy.

BOEM also proposes to eliminate the existing ''record of compliance'' criterion found in the current version of § 556.901(d)(1)(v). BOEM has determined that the number of INCs a company receives correlates with the

[10] In order for BOEM to establish a proxy credit rating, which can be used for the purpose of waiving any supplemental financial assurance requirements that would otherwise be required, BOEM is requiring that any company seeking a proxy credit rating provide audited financial statements. If such statements are not provided, BOEM will require supplemental financial assurance because it will have insufficient basis for concluding that the owners have sufficient capacity to reliably and timely meet their lease obligations.

assurance requirements without forcing the guarantor to cover the risks associated with all parties on the lease or grant or operations in which the party they wish to guarantee has no interest and over which the guarantor may have no control. Moreover, the proposal to allow BOEM to accept a third-party guarantee that is limited to specific obligations does not reduce BOEM's protection because the regulations would require that the financial assurance provided secures all lease and grant obligations.

The proposed rule would also allow BOEM to cancel a third-party guarantee under the same terms and conditions that apply to cancellation of other types of financial assurance, as provided in proposed § 556.906(d)(2).

Lastly, the existing regulation refers to both a ''guarantee'' and an ''indemnity agreement'' (which BOEM intended to mean the same thing), and the proposed rule clarifies that the regulations contemplate only one agreement: the guarantee agreement.

B. Decommissioning Accounts

Section 556.904 currently allows lessees to establish a lease-specific abandonment account to satisfy any supplemental financial assurance required by § 556.901(d). BOEM proposes to rename these accounts ''Decommissioning Accounts,'' the terminology used by the industry, to remove any perceived limitation of this type of account to a single lease, and to signify that these accounts may be used to ensure compliance with supplemental financial assurance requirements for a RUE and ROW grant, as well as a lease. To make these accounts more attractive to parties who may desire to use this method of providing supplemental financial assurance, BOEM also proposes to remove the requirement to pledge Treasury securities to fund the account before the funds equal the maximum amount insurable by the Federal Deposit Insurance Corporation (FDIC) (currently capped at $250,000). BOEM notes that, due to this current requirement, lessees may have been unwilling to use decommissioning accounts.

C. Transfers of Lease Interests to Other Lessees or Operating Rights Holders

The proposed rule would update subparts G and H of the Department's existing part 556 regulations to clarify that BOEM will not approve the transfer of a lease interest, whether a record title interest or an operating rights interest, until the transferee complies with all applicable regulations and orders, including the financial assurance requirements. As discussed above, many of the facilities currently on the OCS have decommissioning obligations where the cost of performance greatly exceeds the amount of financial assurance currently available to the Department of the Interior. To address this problem, BOEM is proposing that it may prohibit approval of any new transfer or assignment of any lease interest unless and until the financial assurance demands have been satisfied.

VI. BOEM Evaluation Methodology

A. Credit Ratings

In this rulemaking, BOEM proposes to use an ''Issuer credit rating'' to evaluate the financial health of OCS lessees, grant holders, and guarantors. A review of S&P and Moody's rating methodologies showed that the analyses they perform to determine an issuer credit rating are wide-ranging and include factors beyond corporate financials (such as history, senior management, and commodity price outlook). An issuer credit rating provides the rating agencies' opinions of the entity's ability to honor senior unsecured debt and debt-like obligations. It is common for lessees to have both an issuer credit rating and a bond issuance rating. However, bond issuance ratings are opinions of the credit quality of a specific debt obligation only, which can vary based on the priority of a creditor's claim in bankruptcy or the extent to which assets are pledged as collateral. Due to the varying priority of claims associated with debt and the limited purpose of bond issuance ratings, BOEM proposes to accept only issuer credit ratings from a NRSRO, and references to credit rating in this rulemaking refer only to an issuer credit rating (or a ''proxy rating'' where so noted as appropriate). BOEM proposes to add ''Issuer credit rating,'' as defined by S&P, as a newly defined term in 30 CFR parts 550 and 556.

If an entity does not have an issuer credit rating, BOEM proposes to permit companies to request the Regional Director to determine a proxy credit rating based on audited financial information for the most recent fiscal year, including an income statement, a balance sheet, a statement of cash flows, and the auditor's certificate. By ''most recent fiscal year'' BOEM means a period that includes a 12-month period within the 24 months prior to the Regional Director's determination for which supplemental financial assurance is required. One benefit of this approach is to reduce the adverse effects of the rule on small businesses.

BOEM proposes to use S&P Global's Credit Analytics credit model to calculate proxy credit ratings.[13] However, BOEM proposes to reserve the right to use a different model if it determines that a different model more accurately reflects those factors relevant to the financial evaluation of companies operating on the OCS. The purpose of using S&P Global's Credit Analytics credit models is to provide an accurate and objective method to assess any given company's probability of default on its financial obligations based on its audited financial statements. S&P Global's Credit Analytics credit models would allow BOEM to reliably score and efficiently model BOEM's potential risk exposure from a lessee that could potentially become unable to meet its decommissioning obligations. Credit modeling would allow BOEM to compare the company with similar public companies in the same industry segment. BOEM invites comments on the appropriateness of relying on S&P Global's Credit Analytics credit model, or other similar, widely accepted credit rating models to generate proxy credit ratings. Additionally, BOEM invites comments on the appropriateness of using a proxy credit rating when determining the need to provide financial assurance.

BOEM's financial assurance program is intended to ensure that private companies have the capacity to meet their financial and non-financial (*i.e.,* performance) obligations. In order to both ensure that companies do not ''cause [unmitigated] damage to the environment or to property, or endanger life or health,'' 43 U.S.C. 1332(6), and to promote ''expeditious and orderly development,'' 43 U.S.C. 1332(3), BOEM seeks to balance the financial risk to the government and the taxpayer while minimizing regulatory burdens. See also 43 U.S.C. 1801(7), 1802(1) & (2).

BOEM has determined that establishing an issuer credit rating threshold of BBB- (S&P) or Baa3 (Moody's), an equivalent credit rating provided by another SEC-recognized NRSRO, or an equivalent proxy credit rating, is the best means for accomplishing these objectives. The Moody's Baa3 credit rating is equivalent to the S&P BBB- credit rating. If S&P and Moody's provide different ratings for the same company, BOEM will use the higher rating as the lessee's rating. As discussed in the IRIA, out of the 276 companies analyzed, none of the companies were rated at or above BBB-

[13] *https://www.spglobal.com/marketintelligence/en/documents/mi_risk_609827_credit-analytics_brochure_letter_fd.pdf.*

at the time of bankruptcy nor within 10 years prior to bankruptcy, therefore, BOEM has selected BBB- as the credit rating threshold for providing additional financial assurance. Additionally, under the proposed rule, BOEM would have adequate time to secure needed financial assurance if a company were to drop below the proposed investment grade threshold as BOEM monitors company rating changes throughout the year.

BOEM reviewed historical default rates across the entire credit rating spectrum, as well as the credit profile of oil and gas sector bankruptcies arising from the commodity price downturn in 2014, to determine an appropriate level of risk. As would be expected, the average S&P historical one-year default rates increase significantly with lower ratings. The average S&P one-year default rate [14] for BBB- rated companies from 1981 to 2020 was 0.24 percent. Comparatively, the average one-year default rate for BB- rated companies was 1.21 percent, for B − rated companies was 8.73 percent, and for C rated companies was 24.92 percent. BOEM believes that one-year default rates are an appropriate measure of risk, given BOEM's policy of reviewing the financial status of lessees, ROW holders, and RUE holders at least on an annual basis (the review typically corresponding with the release of audited annual financial statements). In addition, throughout the year, BOEM monitors company credit rating changes, market reports, trade press, articles in major news media and quarterly financial reports to review the financial status of lessees, ROW holders, and RUE holders, and the regulation would not preclude a demand for supplemental financial assurance through the Regional Director's regulatory authority at any time.

BOEM has identified a circumstance in which the use of a proxy credit rating may not adequately account for the potential risk of default. This circumstance would occur in a situation where a company has a substantial contingent liability for decommissioning OCS facilities (*i.e.,* decommissioning exposure by virtue of being a co-lessee) associated with its minority ownership of such facilities if the majority owners are unable or unwilling to meet their obligations. This is particularly the case in the OCS context because existing Department regulations stipulate that all co-owners of any OCS lease, regardless of their ownership share, are jointly and severally liable for all the obligations associated with the lease. Contingent liabilities that are deemed unlikely to financially materialize are not required to be booked as a liability on a balance sheet under Financial Accounting Standards Board (FASB) accounting rules for Asset Retirement Obligations, so would not be included in audited financial statements, and therefore may not be taken into consideration in the generation of proxy credit ratings.

For offshore lessees with a NRSRO issuer credit rating, the current average net worth of investment grade lessees is $115 billion dollars, with average book assets of $155 billion dollars. This implies that the financial risk of non-performance on co-lessee liability exposure from these companies is very low. Given that total U.S. offshore liability is lower than half the average net worth of offshore investment grade companies, such lessees are likely to have the financial capacity to cover the contingent liabilities of co-lessees that have not themselves provided financial assurance.

However, where a non-publicly traded company (*i.e.,* a company without an issuer credit rating) has substantial minority co-ownership interests in OCS leases, the proxy credit rating derived for the minority owner may not adequately represent the risk exposure in circumstances where (1) The ownership interests of the other co-owners are disproportionately large compared to the ownership interest of the minority owner, and; (2) The credit ratings of the majority co-owners are not investment grade. This possibility is relatively likely due to BOEM's historical practice of declining to require supplemental financial assurance from any co-lessees who share ownership of a lease with any company with an investment grade proxy credit rating, regardless of the financial circumstance of the co-owner or the relative ownership share of any co-owner.

In these circumstances, a company may have contingent decommissioning liabilities that are not adequately captured in the company's financial statements. It may be that such decommissioning liabilities amount to a disproportionate share compared to the total assets of the company, such that the company may not have the financial capacity to satisfy these contingent liabilities. If, for example, a small company with a high proxy credit rating were a one percent co-lessee of a lease with financially weak co-lessees, the small company may not have sufficient assets to meet its decommissioning obligations for the remaining ninety-nine percent of the decommissioning costs (which it may be required to satisfy under the joint-and-several liability provisions of the regulations) in the event that its co-lessees were to default on their financial obligations.

For this reason, BOEM is proposing to add a new provision to the regulations that would authorize BOEM to require a company requesting a proxy credit rating to provide information on its ownership of other OCS facilities and leases. This new provision authorizes BOEM to take the contingent liabilities associated with the company's co-ownership of these assets into consideration in determining the appropriate proxy credit rating.

BOEM invites comments on the appropriateness of this approach of relying on lessee and grant holder credit ratings, including whether BOEM has proposed an appropriate credit rating threshold of BBB-, and if not, what threshold or set of thresholds would best protect taxpayer interests while not imposing undue burdens on industry. Also, BOEM invites comments on alternative options for determining the need for financial assurance other than credit ratings. Additionally, BOEM invites comments on whether financial assurance should be required of all companies, regardless of credit rating, and the impacts such a requirement might have on OCS investment and on potential taxpayer liabilities.

B. Valuing Proved Oil and Gas Reserves

Under this proposed rule, if BOEM considers the proved reserves on a particular lease when determining whether supplemental financial assurance is required, BOEM would require the lessee to submit a reserve report for the proved oil and gas reserves (as defined by the SEC regulations at 17 CFR 210.4–10(a)(22)) located on a given lease. The reserve report provided to BOEM would contain the projected future production quantities of proved oil and gas reserves on a per lease basis, the production cost for those reserves also on a per lease basis, and the discounted future cash flows from production. The reserve report would also provide the value of the proved oil and gas reserves per lease, determined under the accounting and reporting standards set forth in SEC Regulation S–X at 17 CFR 210.4–10 and SEC Regulation S–K at 17 CFR, subpart

[14] The one-year default rate represents the percentage of companies having any given credit rating that have failed to meet their financial obligations during any given twelve-month period. For example, for companies having had BBB − rating in 2020, 0.24 percent defaulted on their financial obligations in the subsequent twelve-month period (*i.e.,* approximately one out of every 400 companies having a BBB − credit rating).

Lease #	Total (2020) Estimated Decommissioning Cost 2020	Supplemental Collateral	3rd Party Guarantee	Operator	Guaranteed	Uncovered	LAST_UPDT_D	Record Title Interest Owner(s)	Supplemental Financial Assurance (Does not include general bond info for leases or ROWs)
P00182	$188,720,000	$ -	$ -	L.A. 03726 - Sable Offshore		$ -	01-Sep-20	03726 Sable Offshore Corp.	To be evaluated under the new Financial Assurance Rule
P00188	$97,054,600	$ -	$ -	L.A. 03726 - Sable Offshore		$ -	01-Sep-20	03726 Sable Offshore Corp.	To be evaluated under the new Financial Assurance Rule
P00190	$185,835,000	$ -	$ -	L.A. 03726 - Sable Offshore		$ -	01-Sep-20	03726 Sable Offshore Corp.	To be evaluated under the new Financial Assurance Rule
	$471,609,600								

U.S. SECURITIES AND EXCHANGE COMMISSION

PDF Copy of Submission on SEC EDGAR system

This PDF document is a copy of the following submission on the SEC's EDGAR system:

Submission/Form 10-K
Filed 2025-02-28
Accession number 0001070423-25-000006
Submitted on EDGAR account of PLAINS ALL AMERICAN PIPELINE LP, CIK 0001070423

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Additional submission information is available on SEC.gov, including but not limited to whether any additional reporting entities are associated with the submission.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A binding arbitration hearing with respect to our insurance claim against insurers representing $175 million of our total $225 million reimbursement claim concluded in early October 2024, and the arbitration panel's final and binding decision was returned in January 2025. The panel ruled that a substantial portion of our claims subject to the proceeding were not covered under the applicable policy and therefore we were not entitled to reimbursement of our $175 million claim against the applicable insurers. With respect to our remaining $50 million claim against different insurance carriers, we now regard collection of those claims as being less than "probable." As a result, we have written off the entire $225 million receivable and will recognize any future collections as and if they are received.

In connection with the foregoing, including the 2024 Settlements, we have made adjustments to our total estimated Line 901 costs and the portion of such costs that we believe are probable of recovery from insurance carriers, net of deductibles. Effective as of December 31, 2024, we estimate that the aggregate total costs we have incurred or will incur with respect to the Line 901 incident will be approximately $870 million, which includes actual and projected emergency response and clean-up costs, natural resource damage assessments, fines and penalties incurred, certain third-party claims settlements (including the Class Action Settlement and the 2024 Settlements), and estimated costs associated with our remaining Line 901 lawsuits and claims as described above, as well as estimates for certain legal fees and statutory interest where applicable. We accrue such estimates of aggregate total costs to "Field operating costs" in our Consolidated Statements of Operations. This estimate considers our prior experience in environmental investigation and remediation matters and available data from, and in consultation with, our environmental and other specialists, as well as currently available facts and presently enacted laws and regulations. We have made assumptions for (i) the resolution of certain third-party claims and lawsuits, but excluding claims and lawsuits with respect to which losses are not probable and reasonably estimable, and (ii) the nature, extent and cost of legal services that will be required in connection with all lawsuits, claims and other matters requiring legal or expert advice associated with the Line 901 incident. Our estimate does not include any lost revenue associated with the shutdown of Line 901 or 903 and does not include any liabilities or costs that are not reasonably estimable at this time or that relate to contingencies where we currently regard the likelihood of loss as being only reasonably possible or remote. We believe we have accrued adequate amounts for all probable and reasonably estimable costs; however, this estimate is subject to uncertainties associated with the assumptions that we have made. For example, with respect to potential losses that we regard as only reasonably possible or remote, we have made assumptions regarding the strength of our legal position based on our assessment of the relevant facts and applicable law and precedent; if our assumptions regarding such matters turn out to be inaccurate (i.e., we are found to be liable under circumstances where we regard the likelihood of loss as being only reasonably possible or remote), we could be responsible for significant costs and expenses that are not currently included in our estimates and accruals. In addition, for any potential losses that we regard as probable and for which we have accrued an estimate of the potential losses, our estimates regarding damages, legal fees, court costs and interest could turn out to be inaccurate and the actual losses we incur could be significantly higher than the amounts included in our estimates and accruals. Also, the amount of time it takes for us to resolve all of the current and future lawsuits and claims that relate to the Line 901 incident could turn out to be significantly longer than we have assumed, and as a result the costs we incur for legal services could be significantly higher than we have estimated. Accordingly, our assumptions and estimates may turn out to be inaccurate and our total costs could turn out to be materially higher; therefore, we can provide no assurance that we will not have to accrue significant additional costs in the future with respect to the Line 901 incident.

During the years ended December 31, 2024, 2023 and 2022, we recognized costs, net of amounts probable of recovery from insurance (as applicable), of $345 million, $10 million, and $95 million, respectively. As of December 31, 2024 and 2023, we had a remaining undiscounted gross liability of approximately $5 million and $94 million, respectively, related to the Line 901 incident, which aggregate amounts are reflected in "Current liabilities" on our Consolidated Balance Sheet.

As discussed above, we maintain insurance coverage, which is subject to certain exclusions and deductibles, in the event of such liabilities. As of December 31, 2023, we had recognized a receivable of approximately $225 million for the portion of the release costs that we believed were probable of recovery from insurance, net of deductibles and amounts already collected (approximately $280 million out of the $505 million submitted, including the 2015 insurance program and our directors and officers (D&O) insurance policies). Of this amount, we had classified $175 million as a short-term asset in "Trade accounts receivable and other receivables, net" with the remaining $50 million recognized as a long-term asset in "Other long-term assets, net" on our Consolidated Balance Sheet as of December 31, 2023.

Following the arbitration panel ruling discussed above, we wrote off the full $225 million insurance receivable in the fourth quarter of 2024. Therefore, as of December 31, 2024, we no longer have any amounts recorded as receivables related to the Line 901 incident recognized on our Consolidated Balance Sheet.

How grand plans to restart oil drilling off Santa Barbara's coast hit California's green wall

finance.yahoo.com/news/offshore-oil-plan-primed-cash-100000279.html

Grace Toohey October 13, 2025

Sable Offshore Corp.'s Harmony oil platform off the coast of Refugio State Beach. (Michael Owen Baker / For The Times)

When a Texas oil company first announced controversial plans to reactivate three drilling rigs off the coast of Santa Barbara County, investor presentations boasted that the venture had "massive resource potential" and was "primed for cash flow generation."

But now, less than two years later, mounting legal setbacks and regulatory issues are casting increasing doubt on the project's future.

Most recently, the California attorney general filed suit against Houston-based Sable Offshore Corp., accusing it of repeatedly putting "profits over environmental protections." The lawsuit, filed last week in Santa Barbara County Superor Court, accuses Sable of continually failing to follow state laws and regulations intended to protect water resources.

Sable, the lawsuit claims, “was at best misinformed, incompetent and incorrect" when it came to understanding and adhering to the California Water Code. "At worst, Sable was simply bamboozling the Regional Water Board to meet a critical deadline," according to the lawsuit.

Read more: Company faces criminal charges as it seeks to restart California offshore oil operation

The action comes less than a month after the Santa Barbara County district attorney's office filed criminal charges against the company, accusing it of knowingly violating state environmental laws while working on repairs to oil pipelines that have sat idle since a major spill in 2015.

The company also faces legal challenges from the California Coastal Commission, environmental groups and even its own investors.

These developments now threaten the company's ability to push forward on what has become an increasingly expensive and complicated project, according to some experts.

Clark Williams-Derry, an analyst for the Institute for Energy Economics and Financial Analysis, said there are still ways Sable could get off the ground and begin oil sales, but the repeated setbacks have become what he called "cumulative risk" for investors, who are key to funding the restart.

"Sable is at risk of burning through its cash, and lenders are going to have to make a decision about whether or not this is a good investment," Williams-Derry said. Ongoing pushback from the public, the state and in lawsuits makes that increasingly a hard argument to make, he said.

Sable, however, said it remains steadfast in its goal of reactivating the Santa Ynez Unit — a complex of three offshore platforms, onshore processing facilities and connecting pipelines. The unit was shuttered by a different company a decade ago after a corroded section of pipeline ruptured near Refugio State Beach, creating one of the state's worst oil spills. The company denies that it has broken any laws and insists that it has followed all necessary regulations. Recently, however, company officials have promoted a new restart plan that could avoid California oversight.

Read more: Texas firm proposes major change in California offshore oil project amid mounting troubles

Company officials say the new plan would keep the project entirely within federal waters — pivoting away from using the contentious pipelines and from what company officials called California's "crumbling energy complex."

Jim Flores, the company's chief executive, said Sable is working with the Trump administration's National Energy Dominance Council on the plan to use an offshore storage and treatment vessel to transport crude from its offshore wells instead of the pipeline system. Although the company reports that pipeline repairs are complete, the lines have not yet been approved for restart by state regulators.

"California has to make a decision soon on the pipeline before Sable signs an agreement for the [offshore vessel] and goes all in on the offshore federal-only option," Flores said in a statement.

The company acknowledges that transporting oil by ship instead of pipeline would dramatically extend the company's timeline and increase its costs. In a June Securities and Exchange Commission report, Sable said there was "substantial doubt ... about the company's ability to continue," given ongoing negative cash flow and stalled regulatory approvals.

However, the company says it continues to seek approvals to restart the pipelines from the California Office of the State Fire Marshal.

The state fire marshal has said the plans remain under review, but the office has made clear that the pipelines will be approved for operation only "once all compliance and safety requirements, including ... approvals from other state, federal and local agencies, are met."

Read more: California legislators strike last-minute deal to help oil industry but limit offshore drilling

Deborah Sivas, a professor of environmental law at Stanford's Law School, said it's getting harder to see a successful path forward for Sable.

“It's pretty rare that an entity would have all these agencies lined up concerned about their impacts," Sivas said of state regulators. "These agencies don’t very lightly go to litigation or enforcement actions. ... and the public is strongly against offshore drilling. So those are a whole bunch of reasons that I think are going to be hard obstacles for that company."

But even if Sable can pivot to federal-only oversight under a friendly Trump administration, Williams-Derry said there's no clear-cut path.

“This is an environment where some of the best, most profitable oil companies in the U.S. have cut drilling this year because profits are too low," Williams-Derry said. Sable has enough money in the bank right now to have a "little bit of running room," he said, "...but you can imagine that [investors] are going to start running out of patience."

The new lawsuit filed by the California attorney general lays out a year's worth of instances in which Sable either ignored or defied the California Water Code during the firm's pipeline repair work. The attorney general's office called Sable's evasion of regulatory oversight "egregious," warranting "substantial penalties."

It's not immediately clear how much will be demanded, but violations of the California Water Code are subject to a civil liability of up to $5,000 for each day a violation occurs.

Despite repeated reminders and warnings from the California Regional Water Quality Control Board, Central Coast region, Sable did not comply with the water code, preventing the board "from assuring best management practices ... to avoid, minimize and mitigate impacts to water quality," the lawsuit said.

“No corporation should gain a business advantage by ignoring the law and harming the environment,” Jane Gray, chair of the Central Coast Water Board, said in a statement. “Entities that discharge waste are required to obtain permits from the state to protect water quality. Sable Offshore Corp. is no different.”

The case comes months after the California Coastal Commission similarly found that Sable failed to adhere to the state’s Coastal Act despite repeated warnings and fined the company $18 million.

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This story originally appeared in Los Angeles Times.

DEVELOPMENT AND PRODUCTION PLAN

(CUMULATIVE UPDATES)

SANTA YNEZ UNIT DEVELOPMENT

PACIFIC OCS AREA

OFFSHORE SANTA BARBARA COUNTY, CALIFORNIA

SANTA YNEZ UNIT

EXXON COMPANY, U.S.A., UNIT OPERATOR

SEPTEMBER, 1987

INQUIRIES SHOULD BE ADDRESSED TO:

MR. T. J. TIBBITTS, REGULATORY AFFAIRS MANAGER

EXXON COMPANY, U.S.A.

P. O. BOX 5025

THOUSAND OAKS, CALIFORNIA 91359-5025

(805) 494-2380

9.3 POPCO Gas Plant

The existing POPCO Gas Plant is designed to produce salable natural gas with minimum impact to the environment. The facility includes inlet separation, inlet dehydration, cooling, stabilization of the natural gas liquids, gas sweetening, sales gas dehydration, sales gas recompression, sulfur recovery, tail gas treating, sour water stripping, and associated utilities. The sales gas is then pipelined to a regional gas transmission line. The facilities currently process 30 MSCFD of gas, but an expansion to 60 MSCFD is planned.

The processing expansion will start up in 1992 to accommodate 30 MSCFD gas sales from Platform Hondo and 30 MSCFD gas sales from Platform Harmony. Platform Harmony gas production in excess of 30 MSCFD and all Platform Heritage gas production will initially be reinjected to maximize oil recovery by maintaining reservoir pressure.

9.4 Offshore Storage and Treating Vessel Removal

At such time as the oil and gas treating, power generation, and crude transportation facilities are operational and debugged, the OS&T will be disconnected and towed away. The offshore pipelines connecting to the SALM will be purged and abandoned in place. The SALM will be removed. The SALM base piles will be cut below the mud line so that no obstruction will remain.

CENTER for BIOLOGICAL DIVERSITY Because life is good.

October 22, 2025

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Re: Any Updated, Revised, or Supplemental Development and Production Plan for the Santa Ynez Unit to Include an Offshore Storage and Treating Vessel ("OS&T") Must Undergo Full Environmental Review and Public Notice and Comment

Dear Mr. Giacona and Mr. Boren:

It has come to the Center for Biological Diversity's attention that Sable Offshore Corp. is publicly contending that "[o]n October 9, 2025, Sable Offshore Corp. (the 'Company') updated its Development and Production Plan for the Santa Ynez Unit ('DPP') through submission to the U.S. Department of the Interior Bureau of Ocean Energy Management ('BOEM')." [1] The same Form 8-K filed with the U.S. Securities and Exchange Commission makes other unsupportable claims about Sable's "accelerated OS&T strategy." Any proposal to use an Offshore Storage and Treating Vessel (OS&T) and to transport Santa Ynez Unit oil on shuttle tankers is not something Sable can unilaterally accomplish through submission to BOEM.

As an initial request, please send any materials Sable submitted to BOEM regarding the company's so-called "updated DPP" to me, miyoko@biologicaldiversity.org.

Furthermore, we are writing to urge BOEM to reject any "updated DPP," meaning a revised or supplemental DPP, that proposes using OS&T and transporting oil via shuttle tankers due to significant environmental and regulatory concerns. Processing, storing, and shipping crude directly from the Santa Ynez Unit increases the risk of oil spills in sensitive marine habitats off Santa Barbara, threatening endangered species and coastal communities that depend on a healthy coast. It will also cause ongoing pollution, vessel collisions with wildlife, and damage to the Chumash Heritage National Marine Sanctuary, which surrounds the Santa Ynez Unit. Allowing offshore tanker transport sets a dangerous precedent in an attempt to circumvent California's oversight and environmental safeguards to protect its coast.

[1] Sable Offshore Corp, Form 8-K (Oct. 9, 2025), https://www.sec.gov/ix?doc=/Archives/edgar/data/1831481/000183148125000079/socc-20251009.htm.

If BOEM undertakes review of any supplemental or revised DPP the agency must provide the public and state and local governments notice and an opportunity for comment on it.[2] BOEM must also ensure it fully complies with the Outer Continental Shelf Lands Act (OCSLA), OCSLA's implementing regulations,[3] the National Environmental Policy Act (NEPA),[4] the Coastal Zone Management Act (CZMA),[5] the Marine Mammal Protection Act (MMPA),[6] and the Endangered Species Act (ESA) before it makes a decision on any supplemental or revised DPP.[7]

OS&T and transportation activities certainly cannot proceed without new federal approvals. Neither ExxonMobil, nor Sable, have any authorization to use an OS&T or oil tankers at the Santa Ynez Unit. While the 1982 DPP contemplated the temporary use of an OS&T, it was only approved contingent on an agreement to decommission it, which Exxon did in 1995. [8] Sable cannot rely on any prior authorization of an OS&T that has long-since been decommissioned to support its nascent interest in an "accelerated OS&T strategy." Notably, Exxon agreed to shut down the OS&T in consideration for air permits for the Santa Ynez Unit.

BOEM Should Ultimately Not Approve Sable's Updated DPP

BOEM should reject any revised or supplemental DPP for the Santa Ynez Unit that proposes offshore storage and processing of oil that would be loaded onto oil tankers for shipping.[9] OCSLA allows approval of a revised DPP only under certain circumstances, including if the revision "will result in a significant improvement in the overall safety or environmental protection" of the proposed operations, or the revision is otherwise "consistent with protection of the human, marine, and coastal environments."[10] Sable's proposed DPP cannot possibly meet this standard because shifting the storage, processing, and transportation of oil from onshore to offshore infrastructure introduces more challenging environmental conditions for operations and increases the consequences of a potential accident since oil spills in the marine environment are difficult to contain and can never be fully cleaned up. Even if it meets other criteria for a revision approval, any revised DPP using OS&T "is not consistent with protection of the human, marine, and coastal environments."[11] Instead of ensuring safety or environmental safeguards, such a plan is a dangerous and risky approach that increases risks to the sensitive California Coast. Moreover, under 30 C.F.R. § 550.271, BOEM is required to disapprove a DPP if it fails to comply with applicable laws or presents "exceptional circumstances" that threaten public health, safety, or marine and coastal environments. Given the age of the infrastructure, the history of

[2] 30 C.F.R § 550.267
[3] 43 U.S.C. §§ 1331 et seq.; 43 U.S.C. § 1351; 30 C.F.R. §§ 550 et seq.
[4] 30 C.F.R. § 550.269; 42 U.S.C. §§ 4321 et seq.
[5] 16 U.S.C. §§ 1451 et seq.
[6] 16 U.S.C. §§ 1361 et seq.
[7] 16 U.S.C. §§ 1531 et seq.
[8] Exxon, Development and Production Plan Santa Ynez Unit at 8 (1982); Exxon, Development and Production Plan Santa Ynez Unit at IX-3 (1987).
[9] Sable Offshore Corp., Form 8-K (October 9, 2025).
[10] 43 U.S.C. § 1351(i).
[11] Id.

pipeline failures, leaks and oil spills, the proposed offshore alternative raises substantial concerns about spill response, marine traffic safety, and cumulative environmental impacts. Therefore, BOEM must disapprove any supplemental or revised DPP to uphold its statutory and regulatory obligations.

It is also important to clarify that despite Sable's assertions in its October 9, 2025 8-K filing, existing DPPs do not reserve any right to "pivot to its accelerated OS&T strategy." Those early DPPs do not authorize the current use of any OS&T and also cannot be relied upon to move forward with Sable's proposed offshore storage, treating, and transportation plans. Additionally, the old DPPs have not been meaningfully revised, despite major changes in environmental conditions, infrastructure status, and scientific understanding. They fail to account for the catastrophic 2015 oil spill caused by pipeline corrosion. The plans also ignore the risks of restarting aging infrastructure—some of which is nearly 50 years old and well beyond its intended lifespan—despite evidence that spill risk increases dramatically with age. The plans are woefully inadequate and outdated for any contemplated OS&T activities. Additionally, the DPPs lack sufficient detail about decommissioning, leaving BOEM and the public without assurance that Sable will fully clean up and restore the site when operations end.

BOEM Must Provide Notice and Comment Opportunities to the Public and State and Local Governments

BOEM must provide public notice and comment opportunities before taking any action on any supplemental or revised DPP. Under BOEM's regulations, *all* supplemental DPPs and revised DPPs that "are likely to result in a significant change in the impacts previously identified and evaluated," are subject to all of the procedures for approval of a new DPP.[12] This includes a 60-day public notice and comment period.[13] Sable's proposed OS&T activities will plainly result in significant changes in the environmental impacts from current activities.

BOEM must also provide the Governor of each affected state—which includes California and any other state impacted by the proposed OS&T activity—and the executive of any affected local government an opportunity to review any revised or supplemental DPP.[14] The Governor and local governments must have 60 days to submit comments and recommendations.[15] The DPP must also go to the California Coastal Commission, the agency charged with CZMA review.[16] And the activities in the DPP are subject to a formal consistency review under CZMA.[17]

These procedural safeguards are not optional. They are essential to ensure transparency, environmental accountability, and meaningful participation by the public and affected states. BOEM cannot lawfully approve a revised or supplemental DPP for the Santa Ynez Unit without first completing these steps.

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[12] 30 C.F.R. § 550.285(c).
[13] *Id.* § 550.267(b).
[14] 30 C.F.R § 550.267(a).
[15] Id.
[16] 30 C.F.R § 550.267(a)
[17] 16 U.S.C. § 1456(c)(3)(B)).

BOEM Must Conduct Environmental Review

BOEM cannot approve the revised or supplemental DPP submitted by Sable without conducting a new environmental analysis under NEPA.[18] BOEM must "evaluate the environmental impacts of the activities described in [the] proposed DPP [] and prepare environmental documentation under [NEPA]."[19]

BOEM would need to prepare a full Environmental Impact Statement prior to issuing any decision on of Sable's purported plans to engage in OS&T, which would have many significant environmental impacts. A primary concern with offshore storage, processing, and transportation of oil is the risk of an oil spill with significant harmful impacts on water quality, wildlife, and other coastal resources.[20] Tanker accidents pose a significant risk of disastrous oil spills.[21] Fires and explosions are a safety and environmental hazard for offshore oil storage and processing.[22] In addition to oil spills, routine operations will have significant environmental effects. For example, tanker traffic will increase the likelihood of vessel collisions, which are a primary threat to marine species, including endangered whales and sea turtles.[23] Operational light, noise, air, and water pollution will also have significant effects that need examination.[24] The proposed activities also risk harm to Chumash sacred sites, cultural resources, and the Chumash Heritage National Marine Sanctuary.[25]

BOEM cannot approve a revised or supplemental DPP of this nature until this environmental review is completed and after providing the public with notice and an opportunity for comment. BOEM must ensure it engages in fully informed decision-making with a thorough understanding of the environmental consequences of approving a proposal of this magnitude and significance.

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[18] 42 U.S.C. § 4321 et seq.
[19] 30 C.F.R § 550.269.
[20] National Academies of Science, Oil in the Sea (2023); Takeshita, Ryan et al., A review of the toxicology of oil in vertebrates: what we have learned following the Deepwater Horizon oil spill, 24:8 Journal of Toxicology and Environmental Health, Part B 355-394 (2021); see also Refugio Beach Oil Spill Trustees, Refugio Beach Oil Spill Final Damage Assessment and Restoration Plan (2021).
[21] ITOPF, Oil Tanker Spill Statistics 2024 (Jan. 2025).
[22] Cao, et al., Safety analysis of an offshore platform for leakage and deflagration accidents from adjacent oil and gas storage and transportation units, 8 Ships and Offshore Structures 815 (2020).
[23] Nisi, et al., Ship collision risk threatens whales across the world's oceans, 386 Science 870 (2024); Rockwood, R. C., et al., Modeling Whale Deaths from Vessel Strikes to Reduce the Risk of Fatality to Endangered Whales, 8 Frontiers in Marine Science 919 (2021); Redfern, Jessica V., Elizabeth A. Becker, and Thomas J. Moore, Effects of Variability in Ship Traffic and Whale Distributions on the Risk of Ships Striking Whales, 6 Frontiers in Marine Science (2020).
[24] The Santa Ynez Unit is already a significant source of air pollution, and OS&T activities will increase the air pollution not only from the storage and processing, but also the shuttle tankers will contribute significant air pollution. Greene, et al., Well-to-tank carbon emissions from crude oil maritime transport, 88 Transportation Research Part D 102587 (2020); Agarwal et al., Emission Measurements from a Crude Oil Tanker at Sea, 42 Environ. Sci. Technol. 7098 (2008); Rutkowski & Krozeb, Occupational Noise on Floating Storage and Offloading Vessels (FSO), 21 Sensors 1898 (2021); Ronconi, et al, Bird interactions with offshore oil and gas platforms: Review of impacts and monitoring techniques, 147 J. of Environmental Management 34 (2015).
[25] 89 Fed. Reg. 83,554, 83,565 (Oct. 16, 2024) (designating the sanctuary in waters off central California and noting that "oil spills from platforms and pipelines in this area … have caused significant environmental harm").

BOEM Must Comply with the Endangered Species Act and Marine Mammal Protection Act

Because the activities proposed in the revised or supplemental DPP will harass and harm animals protected under the ESA and MMPA, BOEM must conduct further analyses and obtain authorizations under the ESA and MMPA before it can approve the DPP.

BOEM must reinitiate consultation with National Marine Fisheries Service (NMFS) and Fish and Wildlife Service (FWS) before approving the DPP. The ESA requires that "[e]ach Federal agency shall, in consultation with . . . [the Services], insure that any action authorized, funded, or carried out by such agency . . . is not likely to jeopardize the continued existence of any endangered species or threatened species or result in the destruction or adverse modification of [critical habitat]."[26] An agency must reinitiate consultation when "new information reveals effects of the action that may affect listed species or critical habitat in a manner or to an extent not previously considered" or "if the identified action is subsequently modified in a manner that causes an effect to the listed species or critical habitat that was not considered in the biological opinion or written concurrence."[27] The February 2024 biological opinion NMFS issued for Pacific offshore oil and gas activities does not cover the activities proposed by the revised or supplemental DPP. Nor does any existing FWS consultation. Those consultations therefore do not consider effects on listed whales, sea otters, birds, sea turtles, and fish or designated critical habitat from the increased risk of oil spills; vessel traffic; and air, light, noise and water pollution caused by the proposed OS&T activities.[28]

BOEM also needs authorization from NMFS and FWS under the MMPA for the proposed activities because they will subject sea otters, whales, dolphins, and many other marine mammals to vessel noise, potential vessel collisions, and pollution. The MMPA establishes a complete moratorium on the "taking" of marine mammals.[29] The taking may only proceed if authorized through incidental take regulations or an incidental harassment authorization.[30] Any authorization to take marine mammals must result in the incidental take of only "small numbers of marine mammals of a species or population stock," and can have no more than a "negligible impact" on species and stocks.[31]

Given the potential impacts on protected species and habitats, BOEM must not make a decision on any revised or supplemental DPP until it completes all required consultations and obtains the necessary authorizations under the ESA and MMPA.

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[26] 16 U.S.C. § 1536(a)(2).
[27] 50 C.F.R. § 402.16(a).
[28] See e.g., 86 Fed. Reg. 21,082 (Apr. 21, 2021) (designating critical habitat for certain humpback whale populations); 58 Fed. Reg. 12,864 (Mar. 5, 1993) (listing the Pacific coast population of western snowy plover as threatened).
[29] 16 U.S.C. §§ 1371(a), 1372(a).
[30] 16 U.S.C. § 1371(a)(5).
[31] See id. § 1371(a)(5)(D)(i).

Conclusion

For all these reasons, before BOEM makes a decision on any revised or supplemental DPP for the Santa Ynez Unit, it must provide proper notice and opportunities for comment and undertake a meaningful and comprehensive review of the proposed activities under OCSLA, NEPA, CZMA, ESA and the MMPA. BOEM must uphold its responsibility to safeguard our ocean resources and deny this proposal to process and ship oil at sea. The plan poses unacceptable risks to marine life, coastal communities, and protected habitats.

Sincerely,

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CC:

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Sable to need about $1.7 billion in funding to progress Santa Ynez project, sources say

reuters.com/business/energy/sable-need-about-17-billion-funding-progress-santa-ynez-project-sources-say-2025-10-24

Shariq Khan October 24, 2025

Summary

- Sable proposed floating storage strategy amid pipeline dispute
- $450 million estimated needed for vessel purchase or conversion-sources
- California regulator rules against Sable's pipeline restart request

NEW YORK, Oct 24 (Reuters) - Sable Offshore (SOC.N), opens new tab would need about $1.7 billion in funding to implement a floating storage strategy it proposed as an alternative to marketing crude from the Santa Ynez field off California by pipeline, two sources familiar with the matter told Reuters.

Sable last month told investors that it was pursuing an offshore storage and treating vessel strategy to market oil produced from the Santa Ynez project, while it continued contesting California regulators' challenges to its planned restart of an onshore pipeline that moved crude from the project to regional refineries.

The estimated cost of pursuing that strategy has not been previously reported. Sable's estimates include the refinancing of a $900 million loan from Exxon Mobil (XOM.N), opens new tab to buy the project from the oil major, which shut it in 2015 after an oil spill, the sources said.

Roughly $450 million in funding would be required for purchasing or converting the offshore storage and treatment vessel itself, including any modifications it might need, while another $300 million would go towards operational expenses including general and administrative costs, the sources said.

The company has been in talks with the U.S. government for financing for the project, which could include a federal loan guarantee, the sources said.

The sources requested anonymity as the estimated financing requirements and talks with the U.S. government are not public.

Sable declined to comment on the financing estimates or talks with the federal government. The White House did not immediately respond to a request for comment.

MONTHS-LONG PIPELINE DISPUTE

Sable has been locked in a months-long dispute with California over the restart of the Santa Ynez project, which had been shut for nearly a decade following the 2015 spill. Sable restarted production from one of the platforms in May.

Last week, a California judge tentatively ruled against Sable Offshore's request to lift a cease and desist order by the California Coastal Commission on repairs it had made to the onshore pipeline system, called Las Flores.

Sable had said then that the ruling did not affect its plans to resume petroleum transportation through Las Flores or production, but added it will appeal the decision.

This week, Sable's plans to restart the pipeline were dealt another blow after California's Office of State Fire Marshal said that the company had not met the conditions for the restart of the pipeline.

Sable has not completed repairs on the pipeline in the way it was required to under waivers granted to it last year, the OSFM told Sable in an Oct. 22 letter.

Sable, in its response to the OSFM on Thursday, said the agency's conclusions are in error and inconsistent with numerous talks between the two parties.

"Sable strongly disagrees with the allegations, which are inconsistent with the plain language of the waivers and numerous past discussions with OSFM experts that confirm Sable is in full compliance with the waivers. Sable plans to supplement this initial response and looks forward to quickly resolving this misunderstanding with OSFM," it said on Thursday.

Reporting by Shariq Khan in New York; Editing by Anna Driver

Our Standards: The Thomson Reuters Trust Principles., opens new tab

Shariq is a New York-based energy reporter and has led coverage of the destruction caused in the oil patch by the coronavirus pandemic, the industry's rebuilding efforts, and the upheaval of trade routes from Russia's invasion of Ukraine, among other major developments.