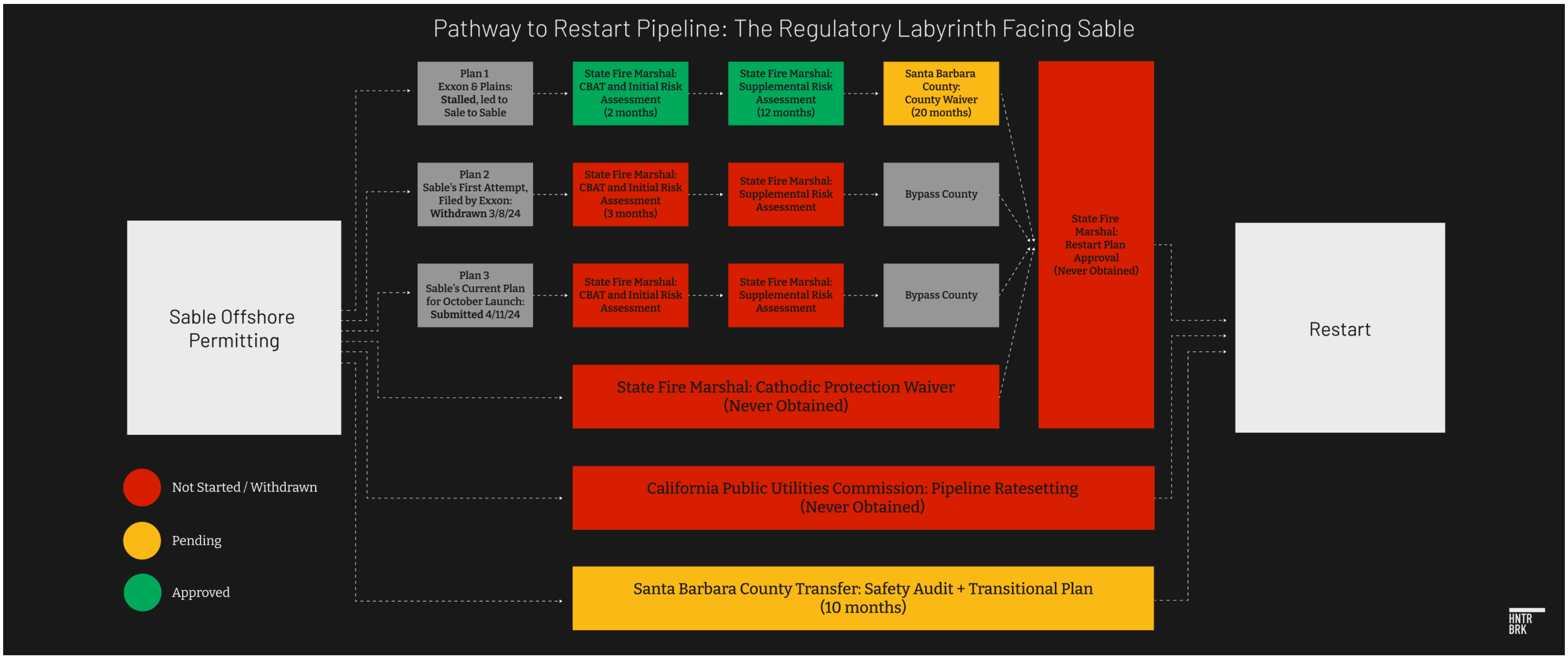
HUNTERBROOK

SABLE OFFSHORE'S OIL RESTART MAY BE PIPE DREAM



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and refiled a key plan, likely increasing the risk of delays.

EDITORIAL POSITION:

Hunterbrook Media's Editorial Board believes that Sable Offshore will not restart production at Santa Ynez on time, if at all. Sable listed on NYSE via SPAC as $SOC earlier this year. The company's auditors have since flagged Sable's ability to continue as a "going concern." Our Editorial Board agrees.

Exxon — a more well-capitalized and experienced company — spent seven years trying (and failing) to bring Santa Ynez back online. Sable's only apparent novel approach seems to be an attempt to bypass Santa Barbara County, which will likely only bring more scrutiny in California, a state not known as fossil fuel friendly.

The CEO's most recent prior company, Sable Permian Resources, went bankrupt. Before that, he flamed out from Freeport-McMoRan. Now, he and his repeat management team seem to be relying on a highly speculative gamble at the mercy of California regulators, litigators, and communities.

Due to this editorial opinion and with compliance review, Hunterbrook Media provided the article to its investment affiliate, Hunterbrook Capital.

HUNTERBROOK MEDIA:

On May 19, 2015, oil flooded the Santa Barbara coast and spilled into the Pacific Ocean. An old pipeline carrying crude from the Santa Ynez platforms had ruptured, polluting 3,700 acres of beaches and fisheries. It was the largest oil spill in California since 1990.[1]

On February 14, Sable Offshore Corp. acquired the platforms and pipeline from ExxonMobil Corp. — after the oil giant's failed seven-year effort to restart the project.[2]

Exxon abandoned its attempts to restart Santa Ynez earlier this year amid what it called "continuing challenges in the state regulatory environment," leading the company to revise down the value of Santa Ynez by $2.1 billion.[3] Faced with the same roadblocks, Sable now aims to bring Santa Ynez online by October, just eight months after acquiring the assets.

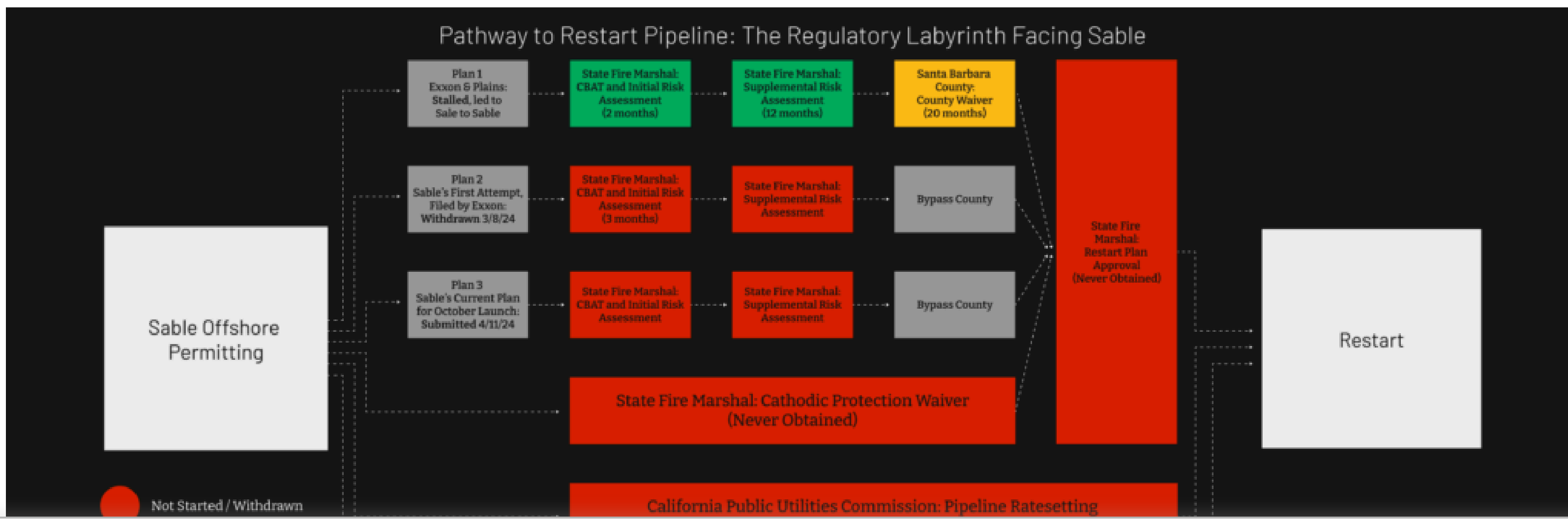
The approval process involves multiple government bodies that all have to sign off on different steps of the restart plan. Exxon failed in part because, although it successfully obtained approval for the main safety design from the California Fire Marshal, Santa Barbara County denied related permits to carry out that design.

Sable's strategy is to sidestep the county approval process by submitting a new design to the California Fire Marshal (Cal Fire) that Sable argues won't require the County's approval

Sable told investors the Cal Fire review of the new design had been underway since December 2023 and slated for approval by April.[4] But on March 8, the company withdrew the alternate plan, according to an email Cal Fire sent to Hunterbrook Media. On April 12, Sable told shareholders that it filed a new plan with the agency that still aims to avoid County review.

Sable did not respond to Hunterbrook Media's inquiry on how it intends to comply with state law without receiving the County approval that prior operators sought.

Even if Sable wins Cal Fire's approval of its new permit, it still needs regulatory sign-off on at least four other authorizations before it can restart its operations. That includes a separate approval from Santa Barbara County of the transfer of ownership from Exxon to Sable.



If Sable doesn't restart production by January 1, 2026, the Santa Ynez assets will revert back to Exxon "without any compensation to [Sable]," according to the terms of the deal.

Sable is led by Chief Executive James Flores, an oil and gas veteran who has had some struggles in the oil patch over the last decade.

In 2021, Flores formed a Special Purpose Acquisition Vehicle (SPAC) in pursuit of his next venture and quickly zeroed in on Exxon's Santa Ynez operations. When the deal closed with Exxon earlier this year, Sable Offshore debuted on the New York Stock Exchange. The Santa Ynez complex is its only asset.

Sable did not acknowledge receipt of Hunterbrook Media's requests for comment. Flores could not be reached for comment. Exxon declined to comment.

THE PIPELINE THAT COVERED REFUGIO STATE BEACH WITH OIL

The ruptured pipeline spilled more than 120,000 gallons of oil.[5]

Oil on Refugio State Park beach on May 19, 2015. Source: US Coast Guard

Federal investigators found that the owner and operator of the pipeline at the time of the spill, Plains All American Pipeline LP, failed to prevent and detect corrosion that led to the rupture.[6] The investigation also found that Plains' monitoring systems, alarms, and response were inadequate and worsened the damage from the spill.[7]

In 2018, a jury found Plains guilty of nine criminal counts for spilling oil into state waters, killing wildlife, and failing to alert authorities.[8] The company later paid $61 million in civil penalties to the state and federal governments and settled a lawsuit with coastal landowners and fishers for $230 million.[9]

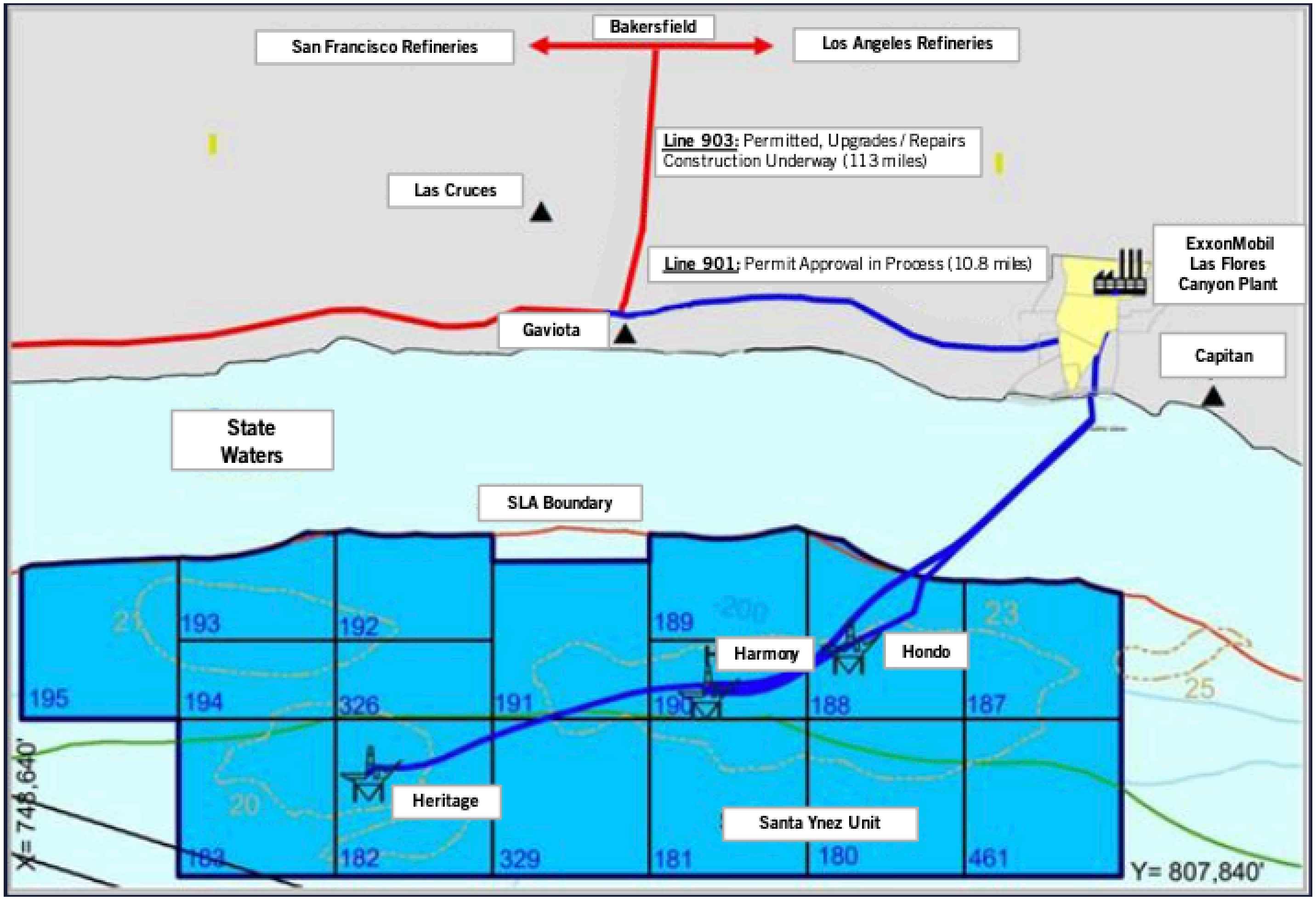
A pelican covered in oil near Refugio Beach the day following the spill. With permission from: Michel Brewer

LEGAL AND REGULATORY FALLOUT CASTS A SHADOW OVER SABLE PLANS

In the aftermath, California tightened regulations on fossil fuel operators — passing a law in 2015 requiring extensive upgrades to coastal pipelines.[10] Plains also agreed to an additional layer of oversight after its 2020 settlement with the state and federal governments.[11]

As the enhanced safety provisions came into effect, Plains tried to restart the pipelines and Exxon tried to restart the Santa Ynez platforms.[12] In October 2022, Exxon bought the pipeline infrastructure from Plains.

Exxon's efforts to bring Santa Ynez online stalled last year when the company was unable to win approval for any of its three restart plans, which ranged from retrofitting the old pipes to that due to the regulatory hurdles, "substantial doubt exists about the Company's ability to continue as a going concern."



A diagram of Santa Ynez and its associated infrastructure from a December 2023 Sable Offshore presentation (pg. 19) to investors

Before granting its final approval for a restart, Cal Fire is to consider a number of permits including a "Risk Assessment and Implementation Plan." For the risk assessment, Cal Fire's task is to assess whether the best spill-prevention technology for the pipeline has been identified by the operator.

In 2022, Cal Fire approved Plains' Risk Assessment, requiring the pipeline operator to add 16 safety valves to reduce the volume of a "worst case" scenario spill by 48%, according to security filings and the Risk Assessment document Hunterbrook Media obtained.[15]

To move forward, however, the project also needed permission from Santa Barbara County to access the planned construction sites for the additional valves. The County denied Exxon on the grounds that the risk of another oil spill was too high even with the additional measures, citing the age and condition of the pipeline as a primary concern.

After an appeal, the County board last August deadlocked with a 2-2 vote on a motion to decide if it should revisit its denial. The Board has not considered the issue since, and "Sable has taken no action" to reinitiate its consideration, according to the County's email to Hunterbrook Media.

While Sable says it may resume those efforts, the company is betting it can avoid the County altogether, seeking Cal Fire's approval for a different Risk Assessment plan that Sable says "will not require Santa Barbara County zoning approval," according to security filings.

Sable withdrew the application, which was originally filed by Exxon, according to the agency's response to Hunterbook Media. Cal Fire said the law requires a new risk analysis be submitted when a company is sold.

Sable refiled its alternative plan on April 11 and maintains that the plan is still designed to avoid county-level zoning review.

It took Cal Fire 14 months to consider and approve the previous Risk Assessment plan for the project.[16]

SABLE'S AMBITIOUS TIMELINE

Even if it bypasses the County's zoning board, Sable still needs Santa Barbara County to approve Exxon's transfer of ownership of the facilities to Sable.[17]

Sable anticipated that its transfer conditions would "be fulfilled in whole or in large part by the same audit information provided" during Exxon's purchase of the assets, according to security filings.[18]

Hunterbrook Media asked the County if its review of Sable will differ from its review of Exxon. In

"This transfer from Exxon to Sable is different from the Plains to Exxon transfer," Linda Krop, the chief counsel at local advocacy group the Environmental Defense Center, who has long opposed the restart of the pipeline and Santa Ynez platforms and was on the beach following the spill to monitor abatement efforts, told Hunterbrook Media.

"When Exxon filed the transfer of ownership we did raise concerns but the County approved the transfer based on Exxon's financial resources, one of the components the County reviews," Krop said. "But now that Exxon has sold to Sable, our concerns are much more serious and exacerbated by the fact that Sable wants to use the corroded, old pipeline."

"A new company who received most of its money from Exxon through a loan — it raises concerns about safety and the company's ability to respond to an incident," Krop said. "We will definitely be engaged in the County's consideration of the transfer. At a minimum, we will ask the County to thoroughly explore Sable's financials and safety plans."

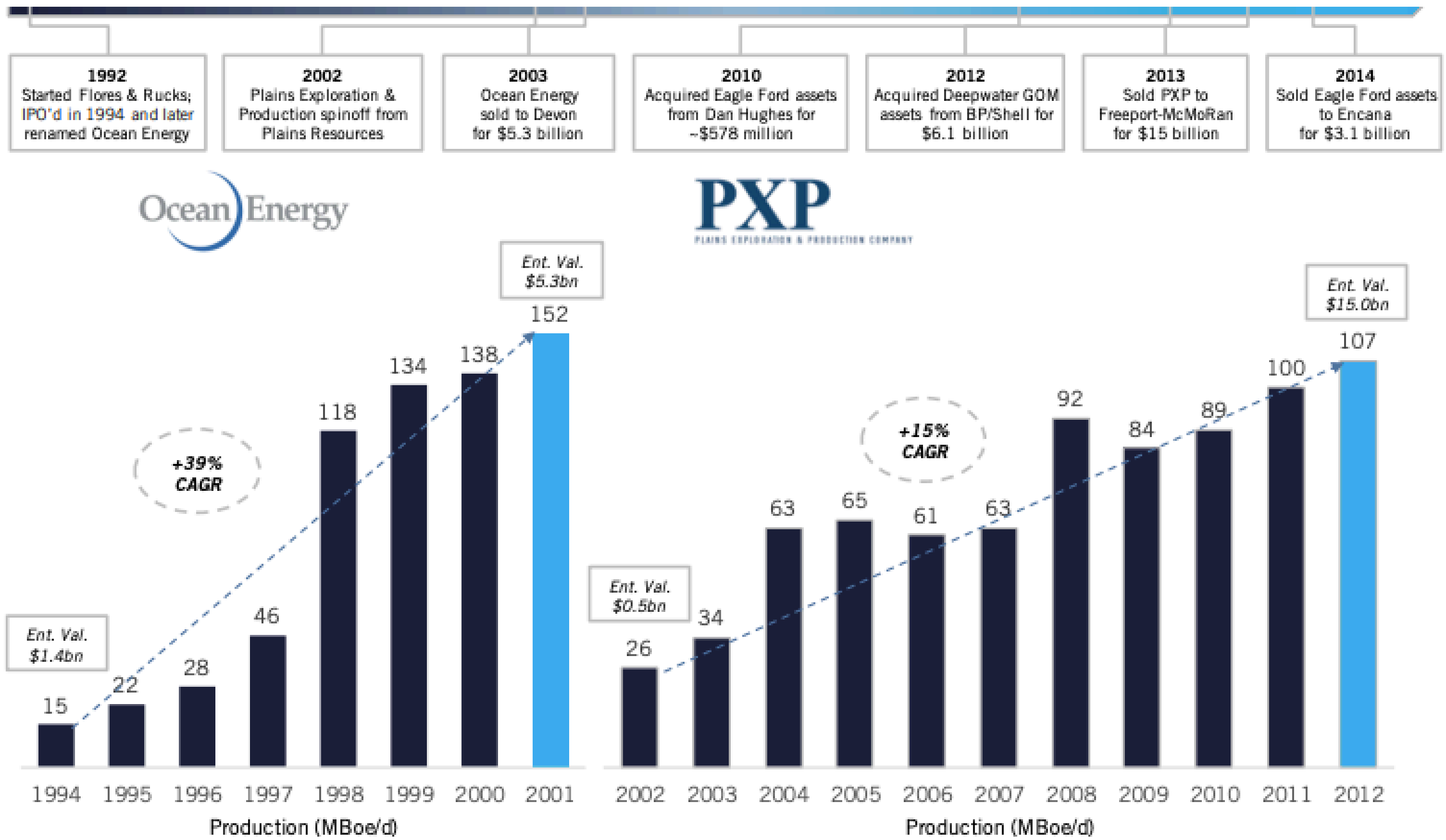
Sable also needs approval from the California Public Utilities Commission's (CPUC) rate-setting regime, where the agency determines what the company can charge its pipeline customers. Sable says in its security filings that the outcome of these proceedings will determine whether they can "earn an adequate rate of return in a timely manner or at all."

There is no set timeline to a CPUC rate-setting proceeding, according to the agency's website. Sable has yet to file an application or advice letter with the CPUC to initiate its deliberation according to Sable's security filings.[19]

At the time, he was running Plains Exploration & Production Co. and Plains Resources Inc., upstream affiliates of Plains All American, the company responsible for the 2015 pipeline spill.[20]

In 2013, mining giant Freeport bought Plains Exploration and McMoran Exploration.

Freeport retained Flores and appointed him co-chairman of the company's new $9 billion oil and gas division, with Freeport's president and CEO, Richard Adkerson, telling shareholders he knew "Jim for over 20 years and admired his track record as an entrepreneur in the oil and gas business."[21] After that, the timeline on Sable's investor presentations of the team's "History of Value Creation" stops:



In 2016, Freeport shuffled its management and replaced Flores, amid billions of dollars in losses and write-downs and a protracted exit from its expensive diversification attempt.[22]

Flores' next, much smaller act, Sable Permian Resources, suffered a similar fate.

Tom Loughrey, who provides oil and gas data to institutional investors and worked on distressed credit analysis for the sector at Silverback Asset Management during Flores' time at Sable Permian, questioned the company's management in an interview with Hunterbrook Media.

"Sable Permian was poorly run. It was not a high-quality asset base to begin with and it was drilled horribly," he said. "Flores and his team drilled the wells way too densely. It was basically destroying the company for near term quarterly results. And that was back in the day when everyone thought no one would look at the data. It was very scammy."

Flores has brought a loyal cadre of operational managers from venture to venture; three Sable executives worked with Flores at each of his last three companies, plus his son, whose first leadership experience was at the Texas company.[25]

Now, Sable's small team — with less capital and less experience than Exxon and Flores' earlier companies — is back in California to resuscitate an offshore platform just 35 miles away from the platforms Flores oversaw at Freeport.

A year before he left Freeport, Flores spoke to *The Wall Street Journal* about his philosophy in the oil patch during a low price environment. "It's raining and it's going to rain for a long time. We're all going to get wet. A few people are going to drown. You just have to make it to the other side," he said.

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