

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2025

☐ 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  
(State or other jurisdiction of incorporation or organization)

85-3514078  
(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 ☒ No ☐

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 ☒ No ☐

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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. ☐

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

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
<b>Assets</b>		
<b>Current assets:</b>		
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
<b>Total current assets</b>	<b>308,244</b>	<b>355,275</b>
<b>Oil and gas properties (Successful efforts method)</b>		
Oil and gas properties	1,428,848	1,194,447
Less: Accumulated depreciation, depletion and amortization	(1,809)	—
<b>Total oil and gas properties - net</b>	<b>1,427,039</b>	<b>1,194,447</b>
Other, net	36,755	33,450
<b>Total assets</b>	<b>\$ 1,772,038</b>	<b>\$ 1,583,172</b>
<b>Liabilities and Stockholders' Equity</b>		
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
<b>Total current liabilities</b>	<b>1,062,439</b>	<b>120,671</b>
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
<b>Total liabilities</b>	<b>1,326,411</b>	<b>1,198,987</b>
<b>Commitments and Contingencies (Note 8)</b>		
<b>Stockholders' Equity</b>		
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)
<b>Total Stockholders' Equity</b>	<b>445,627</b>	<b>384,185</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,772,038</b>	<b>\$ 1,583,172</b>

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
<b>Revenue</b>					
Oil and gas sales	\$ —	\$ —	\$ —	\$ —	\$ —
Total revenue	—	—	—	—	—
<b>Operating Expenses</b>					
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
<b>Loss from operations</b>	<b>(128,888)</b>	<b>(62,235)</b>	<b>(188,684)</b>	<b>(221,378)</b>	<b>(11,661)</b>
<b>Other expenses (income):</b>					
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
<b>Loss before income taxes</b>	<b>(120,243)</b>	<b>(160,287)</b>	<b>(218,904)</b>	<b>(326,969)</b>	<b>(11,789)</b>
Income tax expense	7,823	5,149	18,706	18,572	—
<b>Net loss</b>	<b>\$ (128,066)</b>	<b>\$ (165,436)</b>	<b>\$ (237,610)</b>	<b>\$ (345,541)</b>	<b>\$ (11,789)</b>
<b>Basic and diluted net loss per Common Stock</b>					
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			
<b>Successor:</b>					
<b>BALANCE—December 31, 2024</b>	<b>89,310,996</b>	<b>\$ 8</b>	<b>\$ 1,082,473</b>	<b>\$ (698,296)</b>	<b>\$ 384,185</b>
Shared based compensation	27,362	—	6,065	—	6,065
Net loss	—	—	—	(109,544)	(109,544)
<b>BALANCE—March 31, 2025</b>	<b>89,338,358</b>	<b>8</b>	<b>1,088,538</b>	<b>(807,840)</b>	<b>280,706</b>
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)
<b>BALANCE—June 30, 2025</b>	<b>99,482,250</b>	<b>\$ 10</b>	<b>\$ 1,381,523</b>	<b>\$ (935,906)</b>	<b>\$ 445,627</b>

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
<b>Successor:</b>					
<b>BALANCE—February 14, 2024 (prior to Business Combination)</b>	<b>7,187,500</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ (81,018)</b>	<b>\$ (81,017)</b>
Redeemable shares reclassified to Common Stock	5,953,859	1	61,948	—	61,949
<b>Net effect of Business Combination</b>	<b>13,141,359</b>	<b>2</b>	<b>61,948</b>	<b>(81,018)</b>	<b>(19,068)</b>
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)
<b>BALANCE—March 31, 2024</b>	<b>62,924,603</b>	<b>6</b>	<b>525,695</b>	<b>(261,123)</b>	<b>264,578</b>
Share based compensation	1,920,832	—	22,905	—	22,905
Net loss	—	—	—	(165,436)	(165,436)
<b>BALANCE — June 30, 2024</b>	<b>64,845,435</b>	<b>\$ 6</b>	<b>\$ 548,600</b>	<b>\$ (426,559)</b>	<b>\$ 122,047</b>

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

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

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

	Successor		Predecessor
	Six Months Ended June 30, 2025	February 14, 2024— June 30, 2024	January 1, 2024— February 13, 2024
<i>(dollars in thousands)</i>			
<b>Cash flows from operating activities:</b>			
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)
<b>Cash flows from investing activities:</b>			
Payments for capital expenditures	(192,982)	(4,131)	—
Cash paid for acquisition	—	(204,154)	—
Net cash used in investing activities	(192,982)	(208,285)	—
<b>Cash flows from financing activities:</b>			
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
<b>Net change in cash</b>	<b>(52,997)</b>	<b>93,830</b>	<b>—</b>
<b>Cash, cash equivalents and restricted cash, beginning of the period</b>	<b>335,772</b>	<b>53,334</b>	<b>—</b>
Cash, cash equivalents and restricted cash, end of the period	\$ 282,775	\$ 147,164	\$ —
<b>Reconciliation of cash, cash equivalents and restricted cash to the unaudited condensed consolidated balance sheets</b>			
Cash and cash equivalents	\$ 247,141	\$ 112,069	\$ —
Restricted cash	35,634	35,095	—
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 282,775</b>	<b>\$ 147,164</b>	<b>\$ —</b>

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

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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



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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.

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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

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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

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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

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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:

<i>(in thousands)</i>	<b>June 30, 2025</b>	<b>December 31, 2024</b>
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	<u>\$ 185,769</u>	<u>\$ 119,753</u>

### **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

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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.



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On July 4, 2025, the One Big Beautiful Bill Act (“OBGBA”) was enacted in the United States. The OBGBA 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 OBGBA 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
	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
<i>(dollars in thousands, except per share amounts)</i>					
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.



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**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):

<b>Consideration:</b>		
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
<b>Adjusted purchase consideration</b>	<b>\$</b>	<b>985,600</b>

\*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):

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

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.

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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:

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

### **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

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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:

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

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

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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 the 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).

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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.

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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-OSFM Lawsuit, the "OSFM Lawsuits").



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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



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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.

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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:

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(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	<u>\$ 10,427</u>	<u>\$ 22,905</u>	<u>\$ 16,492</u>	<u>\$ 69,285</u>

### 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):

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	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).

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### 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:

<i>(in thousands)</i>	Public Warrants (Level 1)	Senior Secured Term Loan (Level 2)	Private Placement Warrants (Level 3)	Working Capital Warrants (Level 3)	Total Liabilities Fair Value
<b>Fair Value as of December 31, 2024</b>	\$ —	\$ 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
<b>Fair Value as of March 31, 2025</b>	—	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)
<b>Fair Value as of June 30, 2025</b>	\$ —	\$ 875,561	\$ 75,430	\$ 45,660	\$ 996,651

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

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.

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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.

<b><u>Inputs</u></b>		<b><u>June 30, 2025</u></b>
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.

<b><u>Inputs</u></b>		<b><u>June 30, 2025</u></b>
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.

<b><u>Inputs</u></b>		<b><u>December 31, 2024</u></b>
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.

<b><u>Inputs</u></b>		<b><u>December 31, 2024</u></b>
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
	Six Months Ended June 30, 2025	February 14, 2024— June 30, 2024	January 1, 2024— February 13, 2024
<i>(in thousands)</i>			
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](http://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 as “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”).

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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

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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.

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### ***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.

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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

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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)	
	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	\$	%
<i>(in thousands)</i>				
<b>Revenue</b>				
Oil and gas sales	\$ —	\$ —	\$ —	—%
<b>Operating Expenses</b>				
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%
<b>Loss from operations</b>	<b>(128,888)</b>	<b>(62,235)</b>	<b>(66,653)</b>	<b>107.1%</b>
<b>Other (income) expenses:</b>				
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%
<b>Total other (income) expense, net</b>	<b>(8,645)</b>	<b>98,052</b>	<b>(106,697)</b>	<b>nm</b>
<b>Loss before income taxes</b>	<b>(120,243)</b>	<b>(160,287)</b>	<b>40,044</b>	<b>(25.0)%</b>
Income tax expense	7,823	5,149	2,674	51.9%
<b>Net loss</b>	<b>\$ (128,066)</b>	<b>\$ (165,436)</b>	<b>\$ 37,370</b>	<b>(22.6)%</b>

*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

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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.



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**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.

(in thousands)	Successor		Predecessor	Increase (Decrease)	
	Six Months Ended June 30, 2025	February 14, 2024— June 30, 2024	January 1, 2024— February 13, 2024	\$	%
<b>Revenue</b>	\$ —	\$ —	\$ —	\$ —	— %
Oil and gas sales	—	—	—	—	— %
<b>Operating Expenses</b>					
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) %
<b>Loss from operations</b>	<b>(188,684)</b>	<b>(221,378)</b>	<b>(11,661)</b>	<b>44,355</b>	<b>(19.0)%</b>
<b>Other (income) expenses:</b>					
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
<b>Total other (income) expense, net</b>	<b>30,220</b>	<b>105,591</b>	<b>128</b>	<b>(75,499)</b>	<b>nm</b>
<b>Loss before income taxes</b>	<b>(218,904)</b>	<b>(326,969)</b>	<b>(11,789)</b>	<b>119,854</b>	<b>(35.4)%</b>
Income tax expense	18,706	18,572	—	134	nm
<b>Net loss</b>	<b>\$ (237,610)</b>	<b>\$ (345,541)</b>	<b>\$ (11,789)</b>	<b>\$ 119,720</b>	<b>(33.5)%</b>

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



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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

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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	
	June 30, 2025	February 14, 2024— June 30, 2024	January 1, 2024— February 13, 2024	\$	%
<i>(dollars in thousands)</i>					
<b>Cash flows (used in) provided by:</b>					
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)%
<b>Net change in cash and cash equivalents</b>	<b>\$ (52,997)</b>	<b>\$ 93,830</b>	<b>\$ —</b>		

**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,

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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.

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### **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 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 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.

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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.

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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.



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### Item 6. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

No.	Description of Exhibit	Incorporate by Reference		
		Form	Exhibit	Filing Date
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of Sable Offshore Corp.</a>	8-K	3.1	2/14/24
3.2	<a href="#">Amended and Restated Bylaws of Sable Offshore Corp.</a>	8-K	3.2	2/14/24
10.1	<a href="#">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.</a>	8-K	1.1	5/23/25
31.1*	<a href="#">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</a>	—	—	—
31.2*	<a href="#">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</a>	—	—	—
32.1**	<a href="#">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</a>	—	—	—
32.2**	<a href="#">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</a>	—	—	—
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

**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)

## 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)

## 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)

**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

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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.

**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

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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.