

Sable Offshore Corp: Regulatory Rejections and Misleading Guidance Expose \$2.5 Billion Funding Black Hole

HFI Research Warns of "Reflexive Death Spiral" as Pipeline Route Dies and FPSO Pivot Demands Massive Dilution, Fueling Investor Lawsuits



New York City, New York Nov 2, 2025 ([IssueWire.com](https://www.issuewire.com)) - In a recent analysis (<https://seekingalpha.com/mp/1108-hfi-research-natural-gas/articles/6214524-idea-sable-offshore-the-end-is-near>) , HFI Research declares the end of Sable Offshore Corp. (NYSE: SOC), predicting a "reflexive death spiral" driven by regulatory roadblocks, chronic mismanagement, and a concealed \$2.5 billion capital shortfall that shatters the company's FPSO revival narrative. The report, titled "(Idea) Sable Offshore - The End Is Near," coincides with escalating investor scrutiny, as two prominent law firms—Bronstein, Gewirtz & Grossman, LLC and Faruqi & Faruqi, LLP—launch investigations into potential securities fraud claims against Sable's leadership for misleading disclosures that have already triggered a 26.4% stock plunge.

HFI Research, a leading independent energy investment firm, has exited its long position in SOC, exercising put hedges at an average of \$15.80 per share last week. "The pipeline route is dead. The OSFM rejection today guaranteed that outcome," states the report, referencing the California Office of the State Fire Marshal's (OSFM) October 29 disclosure of "deficiencies" in Sable's compliance with State Waivers. Despite Sable's post-market press release claiming full compliance, internal sources cited by HFI confirm incomplete anomaly repairs in the coastal pipeline section—repairs halted by a California Coastal Commission (CCC) cease-and-desist order upheld by Judge Thomas Anderle on October 14, 2025.

The regulatory dominoes are falling fast. For the Las Flores Pipeline System to restart, Sable must navigate an improbable gauntlet: overturning Anderle's ruling via appeals court (timeline unknown), prevailing in a low-probability lawsuit over Senate Bill 237's applicability to its pipeline, completing repairs, securing OSFM re-approval, and surviving a 10-court-day review by Judge Geck. With a January 1, 2026, deadline looming if SB 237 applies, even optimistic scenarios point to early December for appeals—leaving no buffer for repairs or approvals. "The odds of all this happening in favor of Sable are close to 0%," HFI warns, noting Sable's threats to sue OSFM as a desperate signal of defeat.

This regulatory quagmire exposes a pattern of executive deception that HFI labels "fake it till you make

it." Sable's management repeatedly downplayed the CCC case's relevance to OSFM approvals—a claim debunked by today's FOIA documents—and falsely asserted in a May 28, 2025, 8-K filing that all anomaly repairs were complete. Post-ruling bravado, stating the decision "would have no impact on the resumption of petroleum transportation," now rings hollow, as OSFM's technical deficiencies bar any restart. Investors betting on a \$10 billion "takings" claim against regulators? HFI advises throwing it "right out the window."

The fallout has ignited legal firestorms. Bronstein, Gewirtz & Grossman, LLC is probing claims for shareholders who bought SOC securities before May 21, 2025, alleging corporate wrongdoing by officers and directors. "Our firm has recovered hundreds of millions for investors nationwide," the firm states, urging affected parties to visit www.bgandg.com/SOC.

[\(https://fox40.com/business/press-releases/accesswire/1079603/bronstein-gewirtz-grossman-llc-encourages-sable-offshore-corp-soc-shareholders-to-inquire-about-securities-investigation/\)](https://fox40.com/business/press-releases/accesswire/1079603/bronstein-gewirtz-grossman-llc-encourages-sable-offshore-corp-soc-shareholders-to-inquire-about-securities-investigation/)

Similarly, Faruqi & Faruqi, LLP, a securities litigation powerhouse since 1995, is investigating losses tied to the Anderle ruling, which halted critical pipeline repairs and erased \$5.04 per share in value on October 15, closing at \$27.89.

<https://www.businesswire.com/news/home/20250909476010/en/INVESTOR-ALERT-Faruqi-Faruqi-LLP-Investigates-Claims-on-Behalf-of-Investors-of-Sable-Offshore>

Reuters reported the 26.4% premarket drop, while Investing.com highlighted delays and cost overruns from unpermitted repairs dating back to November 2024. "Affected investors should act promptly to protect their rights," says Faruqi partner James (Josh) Wilson.

[\(https://www.reuters.com/business/energy/california-judge-blocks-efforts-restart-santa-ynez-oil-pipeline-2025-10-14/\)](https://www.reuters.com/business/energy/california-judge-blocks-efforts-restart-santa-ynez-oil-pipeline-2025-10-14/)

Compounding the crisis, HFI dismantles Sable's FPSO (Floating Production Storage and Offloading) pivot as a mirage. Management's \$100 million retrofitting estimate omits a cascade of costs: \$920 million to retire Exxon debt, \$500 million for OS&T purchase, \$500 million in plug-and-abandonment bonding, \$350 million in lease operating expenses and G&A, \$100 million in retrofitting capex, and \$130 million in pre-restart interest by end-2027. Total: \$2.5 billion. At 6.5% interest, annual payments hit \$162.5 million, rendering free cash flow negative \$72 million at \$60/bbl WTI—even with federal backing, an unprecedented burden.

Debt alone won't suffice; Sable can't stomach the leverage. HFI models a hybrid: Fed-backed JPM credit facility in exchange for a 10% stake, plus equity issuance. At a generous \$10/share, shares outstanding swell 150% to 274.48 million (including 25 million Trump bonus shares), yielding a discounted cash flow (DCF) NPV of just \$5.01/share. In a "draconian" \$1.6 billion real-cost scenario with \$5/share issuance, NPV craters to \$3.24/share—300% dilution via 424.48 million shares. "The company put all its eggs in one basket—the pipeline—and that route is dead," HFI charges, slamming the FPSO as a "last-ditch effort" lacking strategy.

https://www.hfir.com/p/idea-sable-offshore-the-end?utm_campaign=email-post&r=ryrug&utm_source=substack&utm_medium=email

The result? A self-reinforcing collapse. As OSFM news sinks in, investors awaken to the pipeline's demise, fixating on FPSO's true 15x cost overrun. Selling begets lower prices, validating doubts and accelerating the spiral into an equity raise "vacuum." Tradable binaries loom: appeals court and SB 237 rulings, both volatility magnets for puts and calls. HFI forecasts mid-single-digit SOC shares by mid-November, flipping long only on confirmed DOE/Fed involvement—unlikely without immediate Trump intervention or loan disclosure. Even then, post-squeeze pressure resumes as dilution dawns.

Sable's Santa Ynez project, shuttered since a 2015 Exxon spill, briefly flickered with partial May 2025 operations. But chronic disputes—CCC orders in November 2024, February and April 2025—doomed it. The air permit remains a "major gating mechanism," per insiders, demanding EPA overrides or revocations of Santa Barbara County's authority, spawning more lawsuits. HFI pegs the 12-month FPSO timeline as "unrealistic"—closer to 24-36 months amid BOEM delays.

"Sable's team has done nothing but mislead investors from the start," HFI concludes. With cash evaporating and financing punitive, permanent damage looms. Shareholders are urged to contact the investigating firms immediately. For trading updates, follow HFI Research channels. Analyst disclosure: Long Nov 21 \$13 strike puts.

(About HFI Research: HFI Research provides contrarian energy investment insights, focusing on undervalued assets and regulatory risks. Past analyses have guided billions in capital allocation.)

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