



4/20/2026

Julio M. Quintana
Chairman
Board of Directors
c/o Corporate Secretary

SM Energy
1700 Lincoln Street, Suite 3200
Denver, CO 80203

Re: Shareholder Concerns Regarding State Sunlight-Long Development and Associated Material Risks

To the Board of Directors and Executive Leadership of SM Energy,

The AJL Foundation, a Colorado-based private foundation and shareholder of SM Energy (“SM Energy” or the “Company”), writes to express serious concerns regarding the proposed State Sunlight-Long OGD. These concerns are grounded in material environmental, public health, social, regulatory, and financial risks that we believe have direct implications for long-term shareholder value and the Company’s risk management practices.

As a long-term investor we evaluate capital allocation decisions and project development through the lens of risk-adjusted returns and fiduciary responsibility. Based on publicly available information, stakeholder engagement, and community reporting, we believe the State Sunlight-Long project presents a risk profile that warrants heightened scrutiny by the Board and executive leadership.

1. Exposure to Material Environmental Liability

The proposed development’s proximity to the Aurora Reservoir—a critical drinking water source for a significant and growing population—introduces elevated risk of contamination through spills, leaks, or subsurface migration. Such risks carry the potential for substantial financial liability, including remediation costs, regulatory penalties, and third-party claims. In our view, these exposures are foreseeable and material, and they raise questions about the adequacy of current risk mitigation strategies.

2. Public Health and Litigation Risk Due to Residential Proximity

The proposed development is located in close proximity to a large residential community. Oil and gas operations in such environments are associated with increased exposure to air pollutants, industrial activity, and other externalities that may contribute to adverse health outcomes. This proximity creates a foreseeable risk of personal injury claims, nuisance litigation, and class



action exposure. Such legal risks can result in substantial financial liabilities, increased insurance costs, operational delays, and reputational damage.

3. Social License and Operational Risk

The project has generated sustained and organized opposition from local stakeholders, including residents and advocacy groups concerned about water safety, air quality, and cumulative impacts. This level of community resistance represents a clear social license risk, which may translate into permitting delays, legal challenges, and increased operating costs. These factors can materially impair project timelines and economic returns.

4. Regulatory and Legal Risk in a Changing Policy Environment

Colorado's regulatory framework has evolved to place greater emphasis on protecting public health, safety, welfare, and the environment. Projects that pose credible risks to sensitive resources—particularly drinking water—are increasingly subject to heightened scrutiny and potential restriction. Proceeding with development under these conditions may expose SM Energy to future compliance costs, operational limitations, or adverse regulatory outcomes.

5. Capital Markets and Reputational Risk

Institutional investors are increasingly integrating environmental, social, and governance (ESG) factors into investment decisions. Projects that involve environmentally sensitive locations and significant community opposition may negatively affect SM Energy's access to capital, increase its cost of capital, and expose the Company to reputational harm. These dynamics are directly relevant to shareholder value and market perception.

6. Strategic Alignment and Long-Term Value Creation

We are concerned that advancing a project with elevated environmental and social risk may not align with a disciplined capital allocation strategy focused on long-term value creation. In the current energy transition context, investors are closely evaluating whether companies are prioritizing resilient, lower-risk assets over those that may face heightened scrutiny or potential impairment.

In light of these concerns, we respectfully request that the Board and executive leadership:

- Provide a detailed explanation of how environmental and social risks associated with the State Sunlight-Long project have been identified, assessed, and incorporated into capital allocation decisions;
- Disclose the specific safeguards and contingency measures in place to prevent and mitigate impacts to the Aurora Reservoir and surrounding communities;
- Clarify how the Company is incorporating community opposition and social license considerations into its project evaluation framework; and



- Explain how this project aligns with SM Energy’s stated commitments to risk management, regulatory compliance, and long-term shareholder value.

We believe that proactive engagement on these issues is essential to maintaining investor confidence and ensuring that the Company’s development strategy appropriately reflects evolving regulatory expectations and market conditions.

We welcome the opportunity to engage constructively with the Board and management on these matters and look forward to your response.

Sincerely,

Kristi Petrie & Alece H. M. Montez

Co-Executive Directors

AJL Foundation