



4/20/2026

Colorado Energy & Carbon Management Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

To the Colorado Energy & Carbon Management Commission,

The AJL Foundation, a Colorado-based private foundation and shareholder of SM Energy Company (“SM Energy”), respectfully submits this comment in formal opposition to the proposed State Sunlight-Long OGDG (Docket #241200313) - part of the Lowry Ranch CAP. This opposition is grounded in material environmental, public health, social, and financial risks that are directly relevant to investor interests and fall within the Commission’s statutory mandate under the Colorado Oil and Gas Conservation Act, including C.R.S. §§ 34-60-102(1)(a)(I) and 34-60-106(2)(d) which require the Commission to regulate development in a manner that protects public health, safety, welfare, the environment, and wildlife resources.

As a long-term shareholder, AJL Foundation evaluates company performance through the lens of risk-adjusted value preservation. Based on publicly available information, community reporting, and stakeholder communications, the State Sunlight-Long proposal presents several categories of foreseeable and financially material risk:

1. Material Risk to a Critical Drinking Water Resource

The proposed development’s proximity to the Aurora Reservoir—an essential drinking water supply for a substantial population in the Denver metropolitan region—raises credible concerns regarding potential surface spills, groundwater contamination, and subsurface migration pathways. Community-based documentation and reporting have highlighted the sensitivity of this watershed and the potential for irreversible harm in the event of operational failure.

The Commission is obligated to prevent and mitigate significant adverse environmental impacts to the extent reasonably feasible. The introduction of intensive industrial activity in close proximity to a critical water resource creates a risk profile that is not only environmentally significant but financially material, given the potential for remediation costs, enforcement actions, and third-party liability claims.

2. Public Health Risk Associated with Proximity to Dense Residential Communities

The proposed site is located in close proximity to a large and growing residential population. Oil and gas operations in such settings are associated with increased risks related to air emissions (including VOCs and other pollutants), noise, light, and industrial activity. These exposures may contribute to adverse health outcomes and create a foreseeable pathway to personal injury claims, nuisance claims, and broader litigation risk. From an investor perspective, the proximity



of intensive industrial operations to dense residential communities materially elevates the likelihood of legal liability, regulatory intervention, and project disruption.

3. Documented Community Opposition and Social License Risk

Public records, community advocacy, and stakeholder engagement—including sustained efforts by local residents and organizations—demonstrate significant and ongoing opposition to development near the Aurora Reservoir. Such opposition is well-documented and reflects concerns regarding water safety, air quality, and cumulative industrial impacts.

From an investor standpoint, lack of social license constitutes a foreseeable operational and financial risk. Projects facing sustained community opposition are more likely to encounter permitting delays, administrative appeals, and litigation. In addition, heightened community engagement often results in increased complaint activity and regulatory scrutiny, including inspections and enforcement actions during key operational phases. These dynamics can materially affect project timelines, increase costs, and reduce expected returns.

4. Regulatory and Legal Risk Under Evolving Colorado Standards

Colorado's regulatory framework has evolved to prioritize environmental protection and public health alongside resource development. Approval of a project with credible, unresolved risks to a major drinking water source may be inconsistent with the Commission's statutory obligations and could increase exposure to legal challenge.

In addition, as regulatory expectations continue to tighten, projects with elevated environmental risk profiles may face future restrictions, retroactive compliance costs, or operational limitations. These risks are recognized by investors as material to long-term asset valuation.

5. Financial, Reputational, and Market Risk to SM Energy

Institutional investors increasingly integrate environmental and social risk factors into capital allocation decisions. Projects that present heightened environmental sensitivity and community conflict may result in increased cost of capital, reduced access to ESG-aligned investment, higher insurance premiums, and reputational harm.

Recent stakeholder communications and press materials associated with this project further underscore the visibility of these concerns and the likelihood of continued scrutiny. Such scrutiny can have direct implications for market perception and shareholder value.

6. Cumulative Impact and Environmental Justice Considerations

The Commission's mandate includes consideration of cumulative impacts and the equitable protection of affected communities. The concentration of oil and gas infrastructure in proximity to residential areas and critical resources raises concerns regarding disproportionate



environmental and public health burdens. These considerations are increasingly recognized as material risk factors in both regulatory and investor analyses.

Conclusion

Given the totality of these factors, and the proximity of the proposed development to both a critical drinking water source and a dense residential community, the potential for adverse public health outcomes and associated legal and financial liabilities is significant and foreseeable. These risks are material to investors and directly implicate the Commission's statutory obligation to protect public health, safety, and welfare.

Accordingly, AJL Foundation respectfully urges the Commission to delay or deny approval of the State Sunlight-Long development. At a minimum, the Commission should require a substantially more rigorous demonstration that all reasonably foreseeable adverse impacts—particularly those affecting public health and nearby communities—can be effectively prevented or mitigated in full compliance with Colorado law.

Thank you for your consideration.

Sincerely,

William Donohue
President, Board of Directors
AJL Foundation