access and ownership. Storm also seeks to mitigate such risks through careful management of key supplier relationships. Declines in commodity prices should result in lower service costs; however, these may be offset by service providers choosing to retire equipment rather than operate at sub-optimum prices.

Capital Programs

Capital expenditures are designed to accomplish two main objectives, being the generation of short and medium term cash flow from development activities, and expansion of future cash flow from the identification or further development of reserves. The Company focuses its activity in core areas, which allows it to leverage its experience and knowledge, and acts as operator wherever possible. The Company may use farm-outs to minimize risk on plays it considers higher risk or where total capital invested exceeds an acceptable level. In addition, Storm may enter into hedging agreements in support of capital programs, particularly when cash flow for any period is anticipated to be lower than capital expenditures. Generally, capital programs are financed from cash flow and disciplined use of debt. Failure to develop producing wells and to maintain an acceptable level of cash flow will result in the exhaustion of available financial resources and will require the Company to seek additional capital which may not be available, or only available on unacceptable terms or terms dilutive to existing shareholders. In addition, future credit availability from the Company's bankers is also necessary to support capital programs and any changes to credit arrangements may have an effect on both the size of the Company's future capital program and the timing of expenditures.

Acquisitions

The Company's objectives are, in part, supported through carefully selected and managed acquisitions. Acquisitions have to be acceptably priced and production should provide acceptable netbacks, or provide identifiable opportunities to increase value. In the current pricing environment, natural gas properties providing a reasonable netback are difficult to identify. An acquisition should also offer potential for near and medium term development and be in areas where the Company can readily add to the acquired land position. Processing and transportation infrastructure must also be in place, or within the Company's financial capacity to construct or acquire.

Acquisitions in 2012 and in the first quarter of 2014 involved assumptions about future revenues, costs, operations and reserves and growth opportunities which have been and will continue to be invalidated by circumstances. The acquisition completed in 2014 comprised production and undeveloped land contiguous to the Company's existing lands at Umbach. This serves to mitigate, but not eliminate, development risk.

In addition, acquired assets must compete for investment capital with existing Company properties, which may result in postponement of development programs on acquired or existing properties.

Reserve Estimates

Estimates of economically recoverable oil and natural gas reserves and natural gas liquids, and related future net cash flows, are based upon a number of variable factors and assumptions. These include commodity prices, production, future development and operating costs, access to market, and potential changes to the Company's operations or to reserve measurement protocols arising from regulatory or fiscal changes. All of these estimates may vary from actual results, with the result that estimates of recoverable oil and natural gas reserves attributable to any property are subject to revision. In future, the Company's actual production, revenues, royalties, transportation, operating expenditures and finding and development costs associated with its reserves may vary from such estimates, and such variances may be material.

Production

Production of oil and natural gas reserves at an acceptable level of profitability may not be possible during periods of low commodity prices. The Company will attempt to mitigate this risk by focusing on higher netback opportunities and will act as operator where possible, thus allowing the Company to manage costs, timing, method and marketing of production. Production risk is also addressed by concentrating exploration and development efforts in regions where infrastructure is or will be Storm owned or readily accessible at an acceptable cost. In periods of low commodity prices the Company will shut in production, either temporarily or permanently, if netbacks are sub-economic.

Production is also dependent in part on access to third party facilities with the result that production may be reduced by outages, accidents, maintenance programs and similar interruptions outside of the Company's control. For example, a gas processing facility, to which a majority of the Company's gas production is directed, will be closed for maintenance in the second quarter for an estimated period of 35 days.