

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2001

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission file No. 0-16741

COMSTOCK RESOURCES, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

94-1667468

(I.R.S. Employer
(Identification Number)

5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034

(Address of principal executive offices)

(972) 668-8800

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 ☐

The number of shares outstanding of the registrant's common stock, par value, \$.50, as of August 13, 2001 was 29,383,915.

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT

For The Quarter Ended June 30, 2001

INDEX

	Page
PART I. Financial Information	
Item 1. Financial Statements:	
Consolidated Balance Sheets -	
June 30, 2001 and December 31, 2000.....	4
Consolidated Statements of Operations -	
Three Months and Six Months ended June 30, 2001 and 2000.....	5
Consolidated Statement of Stockholders' Equity -	
Six Months ended June 30, 2001.....	6
Consolidated Statements of Cash Flows -	
Six Months ended June 30, 2001 and 2000.....	7
Notes to Consolidated Financial Statements.....	8
Report of Independent Public Accountants.....	12
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	13

Item 3. Quantitative and Qualitative Disclosure About Market Risks.....	17
---	----

PART II. Other Information

Item 4. Submission of Matters to a Vote of Security Holders.....	18
--	----

Item 6. Exhibits and Reports on Form 8-K.....	18
---	----

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
	(In thousands)	
Cash and Cash Equivalents	\$ 452	\$ 7,105
Accounts Receivable:		
Oil and gas sales	27,397	34,637
Joint interest operations	3,686	4,574
Other Current Assets	2,871	2,842
	-----	-----
Total current assets	34,406	49,158
Property and Equipment:		
Unevaluated oil and gas properties	11,143	5,206
Oil and gas properties, successful efforts method	707,295	659,505
Other	2,606	2,589
Accumulated depreciation, depletion and amortization	(252,926)	(232,387)
	-----	-----
Net property and equipment	468,118	434,913
Other Assets	5,324	5,859
	-----	-----
	\$ 507,848	\$ 489,930
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Portion of Long_Term Debt	\$ 605	\$ 101
Accounts Payable and Accrued Expenses	46,033	45,544
	-----	-----
Total current liabilities	46,638	45,645
Long_Term Debt, less current portion	196,000	234,000
Deferred Taxes Payable	38,413	22,555
Reserve for Future Abandonment Costs	7,557	7,557
Stockholders' Equity:		
Preferred stock--\$10.00 par, 5,000,000 shares authorized,1,757,310 shares outstanding	17,573	17,573
Common stock--\$0.50 par, 50,000,000 shares authorized, 29,381,193 and 28,837,755 shares outstanding at June 30, 2001 and December 31, 2000, respectively	14,691	14,419
Additional paid_in capital	132,631	129,896
Retained earnings	55,346	19,329
Deferred compensation-restricted stock grants	(932)	(1,044)
Accumulated other comprehensive loss	(69)	--
	-----	-----
Total stockholders' equity	219,240	180,173
	-----	-----
	\$ 507,848	\$ 489,930
	=====	=====

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30, 2001		Six Months Ended June 30, 2001	
	2001	2000	2001	2000
	-----	-----	-----	-----
	(In thousands, except per share amounts)			
Revenues:				
Oil and gas sales	\$ 46,454	\$ 38,569	\$ 113,853	\$ 71,640
Other income	121	65	268	137
	-----	-----	-----	-----
Total revenues	46,575	38,634	114,121	71,777
	-----	-----	-----	-----
Expenses:				
Oil and gas operating	8,314	7,218	17,814	14,604
Exploration	477	787	3,308	787
Depreciation, depletion and amortization	12,078	10,454	24,077	22,166
General and administrative, net	998	700	1,827	1,195
Interest	4,956	6,218	10,461	12,433
	-----	-----	-----	-----
Total expenses	26,823	25,377	57,487	51,185
	-----	-----	-----	-----
Income before income taxes	19,752	13,257	56,634	20,592
Income tax expense	(6,913)	(4,641)	(19,822)	(7,208)
	-----	-----	-----	-----
Net income	12,839	8,616	36,812	13,384
Preferred stock dividends	(400)	(682)	(795)	(1,365)
	-----	-----	-----	-----
Net income attributable to common stock	\$ 12,439	\$ 7,934	\$ 36,017	\$ 12,019
	=====	=====	=====	=====
Net income per share:				
Basic	\$ 0.43	\$ 0.31	\$ 1.24	\$ 0.47
	=====	=====	=====	=====
Diluted	\$ 0.37	\$ 0.25	\$ 1.05	\$ 0.40
	=====	=====	=====	=====
Weighted average shares outstanding:				
Basic	29,252	25,459	29,127	25,417
	=====	=====	=====	=====
Diluted	34,902	33,967	34,967	33,636
	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2001
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Compensation- Restricted Stock Grants	Other Comprehensive Loss	Total
	-----	-----	-----	-----	-----	-----	-----
	(In thousands)						
Balance at December 31, 2000 ..	\$ 17,573	\$ 14,419	\$ 129,896	\$ 19,329	\$ (1,044)	\$ --	\$ 180,173
Restricted stock grants	--	--	--	--	112	--	112
Value of stock options issued for exploration prospects	--	--	997	--	--	--	997
Exercise of stock options ...	--	272	1,738	--	--	--	2,010
Net income attributable to common stock	--	--	--	36,017	--	--	36,017
Unrealized hedge losses	--	--	--	--	--	(69)	(69)
	-----	-----	-----	-----	-----	-----	-----
Balance at June 30, 2001	\$ 17,573	\$ 14,691	\$ 132,631	\$ 55,346	\$ (932)	\$ (69)	\$ 219,240
	=====	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Ended June 30, 2001	2000
	-----	-----
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 36,812	\$ 13,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Compensation paid in common stock	112	112
Exploration	3,308	787
Depreciation, depletion and amortization	24,077	22,166
Deferred income taxes	15,858	7,208
Gain on sale of properties	(12)	--
	-----	-----
Working capital provided by operations	80,155	43,657
Decrease (increase) in accounts receivable	8,128	(6,147)
Increase in other current assets	(29)	(725)
Increase (decrease) in accounts payable and accrued expenses	420	(3,118)
	-----	-----
Net cash provided by operating activities	88,674	33,667
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of properties	46	13
Capital expenditures and acquisitions	(59,092)	(45,471)
	-----	-----
Net cash used for operating activities	(59,046)	(45,458)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	8,730	14,408
Proceeds from common stock issuance	2,010	601
Principal payments on debt	(46,226)	(8,208)
Preferred stock dividends paid	(795)	(1,365)
	-----	-----
Net cash provided by financing activities	(36,281)	5,436
	-----	-----
Net decrease in cash and cash equivalents.....	(6,653)	(6,355)
Cash and cash equivalents, beginning of period.....	7,105	7,648
	-----	-----
Cash and cash equivalents, end of period.....	\$ 452	\$ 1,293
	=====	=====

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001
(Unaudited)

(1) SIGNIFICANT ACCOUNTING POLICIES -

Basis of Presentation -

In management's opinion, the accompanying consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of Comstock Resources, Inc. and subsidiaries (the "Company") as of June 30, 2001 and the related results of operations for the three months and six months ended June 30, 2001 and 2000 and cash flows for the six months ended June 30, 2001 and 2000.

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

The results of operations for the six months ended June 30, 2001 are not necessarily an indication of the results expected for the full year.

Supplementary Information with Respect to the Statements of Cash Flows -

	Ended June 30, 2001	2000
	-----	-----
	(In thousands)	
Cash Payments -		
Interest payments	\$10,680	\$12,491

Income tax payments	243	--
Noncash Investing and Financing Activities -		
Value of vested stock options		
under exploration joint venture ..	997	997

Income Taxes-

Deferred income taxes are provided to reflect the future tax consequences of differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using enacted tax rates.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Earnings Per Share -

Basic earnings per share is determined without the effect of any outstanding potentially dilutive stock options or other convertible securities and diluted earnings per share is determined with the effect of outstanding stock options and other convertible securities that are potentially dilutive. Basic and diluted earnings per share for the six months ended June 30, 2001 and 2000 were determined as follows:

	For the Three Months Ended June 30,					
	2001			2000		
	Net		Per	Net		Per
	Income	Shares	Share	Income	Shares	Share
	(Amounts in thousands except per share data)					
Basic Earnings Per Share:						
Income	\$ 12,839	29,252		\$ 8,616	25,459	
Less Preferred Stock						
Dividends	(400)	--		(682)	--	
Net Income Available						
to Common Stockholders	12,439	29,252	\$ 0.43	\$ 7,934	25,459	\$ 0.31
			=====			=====
Diluted Earning Per Share:						
Effect of Dilutive Securities:						
Stock Options	--	1,257		--	1,008	
Convertible Preferred Stock	400	4,393		682	7,500	
Net Income Available to						
Common Stockholders and						
Assumed Conversions	\$ 12,839	34,902	\$ 0.37	\$ 8,616	33,967	\$ 0.25
	=====	=====	=====	=====	=====	=====
	For the Six Months Ended June 30,					
	2001			2000		
	Net		Per	Net		Per
	Income	Shares	Share	Income	Shares	Share
	(Amounts in thousands except for per share data)					
Basic Earnings Per Share:						
Income	\$ 36,812	29,127		\$ 13,384	25,417	
Less Preferred Stock						
Dividends	(795)	--		(1,365)	--	
Net Income Available						
to Common Stockholders	36,017	29,127	\$ 1.24	\$ 12,019	25,417	\$ 0.47
			=====			=====
Diluted Earning Per Share:						
Effect of Dilutive Securities:						
Stock Options	--	1,447		--	719	
Convertible Preferred Stock	795	4,393		1,365	7,500	
Net Income Available to						
Common Stockholders and						
Assumed Conversions	\$ 36,812	34,967	\$ 1.05	\$ 13,384	33,636	\$ 0.40
	=====	=====	=====	=====	=====	=====

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Derivative Instruments and Hedging Activities -

In September 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") which has been amended by SFAS 137 and SFAS 138. The Statement establishes accounting and reporting standards that are effective for fiscal years beginning after June 15, 2000 which require that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company adopted SFAS 133 on January 1, 2001, and since the Company had no outstanding derivatives, there was no effect on the Company's financial statements as a result of such adoption.

The Company periodically uses derivatives to hedge floating interest rates and oil and gas price risks. Such derivatives are reported at cost, if any, and gains and losses on such derivatives are reported when the hedged transaction occurs. As of June 30, 2001 the Company has an interest rate swap with a notional amount of \$25.0 million which fixed the LIBOR rate at 4.5% through April 30, 2002. This derivative instrument hedges future interest payments on a portion of the Company's bank credit facility. The fair value of this derivative instrument as of June 30, 2001 is a liability of \$106,000 which is reflected in the accompanying consolidated balance sheet.

(2) LONG-TERM DEBT -

As of June 30, 2001 long-term debt is comprised of the following:

(In thousands)	
Revolving Bank Credit Facility	\$ 46,000
11 1/4% Senior Notes due 2007	150,000
Other	605

	196,605
Less current portion	(605)

	\$ 196,000
	=====

The Company's bank credit facility consists of a \$250.0 million revolving credit commitment provided by a syndicate of banks for which Bank One, NA serves as administrative agent. Advances under the bank credit facility cannot exceed the borrowing base. The borrowing base under the bank credit facility is \$205.0 million. Such borrowing base may be affected from time to time by the performance of the Company's oil and gas properties and changes in oil and gas prices. The determination of the Company's borrowing base is at the sole discretion of the administrative agent and the bank group. The revolving credit line under the bank credit facility bears interest at the option of the Company, based on the utilization of the borrowing base, at either (i) LIBOR plus 1.25% to 2.0%, or (ii) the "corporate base rate" plus 0.25% to 1.0%. The Company incurs a commitment fee, based on the utilization of the borrowing base, of 0.25% to 0.5% per annum on the unused portion of the borrowing base. The revolving credit line matures on December 9, 2002 or such earlier date as the Company may elect. The Company's bank credit facility is secured by the Company's oil and gas properties.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

The Company has \$150.0 million in aggregate principal amount of 11¼% Senior Notes due in 2007 (the "Notes") outstanding as of June 30, 2001. Interest on the Notes is payable semiannually on May 1 and November 1. The Notes are unsecured obligations of the Company and are guaranteed by all of the Company's principal operating subsidiaries. The Company can redeem the Notes beginning on May 1, 2004.

(3) EXPLORATION JOINT VENTURE -

On July 31, 2001 the Company entered into a new exploration agreement with Bois d'Arc Offshore, Ltd. and its principals ("Bois d'Arc") which replaces the exploration agreement between the Company and Bois d'Arc entered into on December 8, 1997. The 2001 Exploration Agreement establishes a joint exploration venture between the Company and Bois d'Arc covering the state coastal waters of Louisiana and Texas and corresponding federal offshore waters in the Gulf of Mexico. The new venture is effective April 1, 2001 and will end on December 31, 2006. Under the joint venture, Bois d'Arc will generate exploration prospects in the Gulf of Mexico utilizing 3-D seismic data and their extensive geological expertise in this region. The Company will advance funds for the acquisition of 3-D seismic data and leases as needed. After a prospect is identified, Comstock will be reimbursed for the costs that were advanced and will be entitled to a 40% non-promoted working interest in each prospect. Bois d'Arc will have the opportunity to earn warrants to purchase up to 1,620,000 shares of the common stock of the Company. Warrants to purchase 60,000 shares are earned by Bois d'Arc for each prospect which results in a successful discovery. The exercise price on the new warrants will be determined based on the current market price for the Company's common stock on a semiannual basis each year that the venture is in operation.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
of Comstock Resources, Inc.:

We have reviewed the accompanying consolidated balance sheet of Comstock Resources, Inc. (a Nevada corporation) as of June 30, 2001, and the related consolidated statements of operations for the six-month and three-month periods ended June, 2001 and 2000, and the consolidated statements of cash flows for the six-month periods ended June 30, 2001 and 2000. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the balance sheet of Comstock Resources, Inc. as of December 31, 2000, and, in our report dated February 16, 2001, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 2000, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

ARTHUR ANDERSEN LLP

Dallas, Texas
August 8, 2001

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table reflects certain summary operating data for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Net Production Data:				
Oil (Mbbbls)	398	443	813	937
Natural gas (Mmcft)	7,095	6,869	14,546	13,679
Natural gas equivalent (Mmcfe)	9,482	9,527	19,424	19,300
Average Sales Price:				
Oil (per Bbl)	\$ 26.94	\$ 28.55	\$ 27.58	\$ 28.79
Natural gas (per Mcft)	5.04	3.77	6.29	3.27
Average equivalent price (per Mcfe)	4.90	4.05	5.86	3.71
Expenses (\$ per Mcfe):				
Oil and gas operating(1)	\$ 0.88	\$ 0.76	\$ 0.92	\$ 0.76
General and administrative	0.11	0.07	0.09	0.06
Depreciation, depletion and amortization(2)	1.23	1.06	1.20	1.11
Cash Margin (\$ per Mcfe)(3)	\$ 3.92	\$ 3.22	\$ 4.85	2.89

(1) Includes lease operating costs and production and ad valorem taxes.

(2) Represents depreciation, depletion and amortization of oil and gas properties only.

(3) Represents average equivalent price per Mcfe less oil and gas operating expenses per Mcfe and general and administrative expenses per Mcfe.

Revenues -

Sales of oil and natural gas increased \$7.9 million (20%) in the second quarter of 2001 to \$46.5 million, from \$38.6 million in 2000's second quarter. The 20% increase in sales is attributable to the higher natural gas prices in 2001. The Company's average second quarter gas price increased by 34% in 2001 while its average oil price decreased by 6%. Natural gas production increased by 3% in the second quarter of 2001 as compared to the second quarter of 2000 and oil production decreased by 10%. For the first half of 2001, oil and gas sales increased \$42.2 million (59%) to \$113.9 million from \$71.6 million for the six months ended June 30, 2000. The increase is primarily attributable to 92% higher realized natural gas prices in 2001 as compared to 2000. The Company's average realized oil price decreased 4% in the first half of 2001. In the first six months of 2001, production on an equivalent basis, increased by 1%. Natural gas production increased 6% and oil production decreased by 13% as compared to the same period in 2000.

Other income increased by 86% from \$65,000 from the second quarter of 2000 to \$121,000 in the second quarter of 2001. Other income for the six months ended June 30, 2001 increased by 96% from \$137,000 in 2000 to \$268,000. The increases related to gathering fee income from a new gathering system that was put into operation in 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Costs and Expenses -

Oil and gas operating expenses, including production taxes, increased \$1.1 million (15%) to \$8.3 million in the second quarter of 2001 from \$7.2 million in the second quarter of 2000. Oil and gas operating expenses per equivalent Mcf produced increased \$0.12 to \$0.88 in the second quarter of 2001 from \$0.76 in the second quarter of 2000. Oil and gas operating costs for the six months ended June 30, 2001 increased \$3.2 million (22%) to \$17.8 million from \$14.6 million for the six months ended June 30, 2000. Oil and gas operating expenses per equivalent Mcf produced increased \$0.16 to \$0.92 for six months ended June 30, 2001 from \$0.76 for the same period in 2000. The increases are primarily attributable to higher production taxes as a result of the significantly higher natural gas prices in 2001 as well as an additional \$0.15 per Mcf charge that the Company has had to pay to process natural gas production from the Double A Wells field beginning January 1, 2001 due to the rise in natural gas prices which made processing natural gas uneconomical. The charge has been eliminated beginning with June's production.

Exploration expense for the three months and six months ended June 30, 2001 was \$477,000 and \$3.3 million respectively. The provision primarily relates to the costs incurred for two offshore exploratory dry holes drilled in 2001.

Depreciation, depletion and amortization ("DD&A") increased \$1.6 million (16%) to \$12.1 million in the second quarter of 2001 from \$10.5 million in the second quarter of 2000 due to an increase in the Company's average amortization rate. DD&A per equivalent Mcf produced increased by \$0.17 to \$1.23 for the three months ended June 30, 2001 from \$1.06 for the quarter ended June 30, 2000. For the six months ended June 30, 2001, DD&A increased \$1.9 million (9%) to \$24.1 million from \$22.2 million for the six months ended June 30, 2000. The increase is also due to the higher average amortization rate. DD&A per equivalent Mcf increased by \$0.09 to \$1.20 for the six months ended June 30, 2001 from \$1.11 for the six months ended June 30, 2000.

General and administrative expenses, which are reported net of overhead reimbursements, of \$1.0 million for the second quarter of 2001 were 43% higher than general and administrative expenses of \$700,000 for the second quarter of 2000 due primarily to an increase in the Company's personnel costs in 2001. For the first six months of 2001, general and administrative expenses increased to \$1.8 million from \$1.2 million for the six months ended June 30, 2000.

Interest expense decreased \$1.3 million (20%) to \$5.0 million for the second quarter of 2001 from \$6.2 million in the second quarter of 2000. Interest expense for the six months ended June 30, 2001 decreased \$2.0 million (16%) to \$10.5 million from \$12.4 million for the six months ended June 30, 2000. The decreases are attributable to lower borrowings outstanding under the Company's bank credit facility as well as lower interest rates charged under the bank credit facility. The average outstanding balance under the bank credit facility decreased to \$52.4 million in the second quarter of 2001 as compared to \$112.8 million in the second quarter of 2000. For the six months ended June 30, 2001 the average outstanding balance under the bank credit facility decreased to \$61.4 million as compared to \$112.0 million for the same period in 2000. The weighted average annual interest rate for the Company's debt under the bank credit facility also decreased to 5.8% for the second quarter of 2001 as compared to 6.7% for the same period in 2000. The weighted average annual rate for the first half of 2001 was 6.6%, the same as the rate for the first half of 2000.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(continued)**

The Company reported net income of \$12.4 million, after preferred stock dividends of \$400,000, for the three months ended June 30, 2001, as compared to net income of \$7.9 million, after preferred stock dividends of \$682,000, for the three months ended June 30, 2000. Net income per common share for the second quarter was \$0.43 (\$0.37 per diluted common share) as compared to \$0.31 (\$0.25 per diluted common share) for the second quarter of 2000.

Net income for the six months ended June 30, 2001 was \$36.0 million, after preferred stock dividends of \$795,000, as compared to net income of \$12.0, million after preferred stock dividends of \$1.4 million, for the six months ended June 30, 2000. Net income per common share of the six months ended June 30, 2001 was \$1.24 (\$1.05 per diluted common share) as compared to \$0.47 (\$0.40 per diluted common share) for the six months ended June 30, 2000.

Liquidity and Capital Resources

Funding for the Company's activities has historically been provided by operating cash flow, debt and equity financings and asset dispositions. In the first six months of 2001, the Company's net cash flow provided by operating activities totaled \$80.2 million, before changes to other working capital accounts. In addition to operating cash flow, the Company borrowed \$8.0 million under its revolving bank credit facility. The Company's primary needs for capital, in addition to funding of ongoing operations, relate to the acquisition, development and exploration of oil and gas properties and the repayment of debt. In the first six months of 2001, the Company incurred capital expenditures of \$59.1 million primarily for its acquisition, development and exploration activities and reduced amounts outstanding under the bank credit facility by \$46.0 million.

The following table summarizes the Company's capital expenditure activity for the six months ended June 30, 2001 and 2000:

	June 30, 2001	2000
	-----	-----
	(In thousands)	
Acquisitions	\$ 250	\$ 9,454
Other leasehold costs	6,804	3,977
Development drilling	25,178	17,036
Exploratory drilling	23,539	8,590
Offshore production facilities	306	480
Workovers and recompletions ..	2,933	5,811
Other	82	123
	-----	-----
	\$59,092	\$45,471
	=====	=====

The timing of most of the Company's capital expenditures is discretionary with no material long-term capital expenditure commitments. Consequently, the Company has a significant degree of flexibility to adjust the level of such expenditures as circumstances warrant. For the six months ended June 30, 2001 and 2000, the Company spent \$58.8 million and \$35.9 million, respectively, on development and exploration activities. The Company expects to spend an additional \$36.0 million on development and exploration projects in the last half of 2001. The Company intends to primarily use internally generated cash flow to fund capital expenditures other than significant acquisitions.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(continued)**

The Company spent only \$250,000 on acquisitions in the six months ended June 30, 2001 as compared to \$9.5 million spent on acquisition activities in the first half of 2000. The Company does not have a specific acquisition budget as a result of the unpredictability of the timing and size of potential acquisition activities. The Company intends to use borrowings under its bank credit facility, or other debt or equity financings to the extent available, to finance significant acquisitions. The availability and attractiveness of these sources of financing will depend upon a number of factors, some of which will relate to the financial condition and performance of the Company, and some of which will be beyond the Company's control, such as prevailing interest rates, oil and gas prices and other market conditions.

The Company has a bank credit facility consisting of a \$250.0 million revolving credit commitment provided by a syndicate of banks for which Bank One, NA serves as administrative agent. Indebtedness under the bank credit facility is secured by substantially all of the Company's assets and is subject to borrowing base availability which is generally redetermined semiannually based on the banks' estimates of the future net cash flows of the Company's oil and gas properties. The borrowing base under the bank credit facility is \$205.0 million. Such borrowing base may be affected from time to time by the performance of the Company's oil and gas properties and changes in oil and gas prices. The determination of the Company's borrowing base is at the sole discretion of the administrative agent and the bank group. The revolving credit line under the bank credit facility bears interest at the option of the Company, based on the utilization of the borrowing base, at either (i) LIBOR plus 1.25% to 2.0% or (ii) the "corporate base rate" plus 0.25% to 1.0%. The Company's average rate under the bank credit facility as of June 30, 2001 was 5.4%. The Company incurs a commitment fee, based on the utilization of the borrowing base, of 0.25% to 0.5% per annum on the unused portion of the borrowing base. The revolving credit line matures on December 9, 2002 or such earlier date as the Company may elect.

The Company believes that cash flow from operations and available borrowings under the Company's bank credit facility will be sufficient to fund its operations and future growth as contemplated under its current business plan. However, if the Company's plans or assumptions change or if its assumptions prove to be inaccurate, the Company may be required to seek additional capital. Management cannot be assured that the Company will be able to obtain such capital or, if such capital is available, that the Company will be able to obtain it on acceptable terms.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

The Company's business is impacted by fluctuations in crude oil and natural gas commodity prices and interest rates. The following discussion is intended to identify the nature of these market risks, describe the Company's strategy for managing such risks, and to quantify the potential affect of market volatility on the Company's financial condition and results of operations.

Oil and Natural Gas Prices

The Company's financial condition, results of operations, and capital resources are highly dependent upon the prevailing market prices of, and demand for, oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond the control of the Company. These factors include the level of global demand for petroleum, foreign supply of oil and gas, the establishment of and compliance with production quotas by oil-exporting countries, weather conditions, the price and availability of alternative fuels, and overall economic conditions, both foreign and domestic. It is impossible to predict future oil and gas prices with any degree of certainty. Sustained weakness in oil and gas prices may adversely affect the Company's financial condition and results of operations, and may also reduce the amount of net oil and gas reserves that the Company can produce economically. Any reduction in oil and gas reserves, including reductions due to price fluctuations, can have an adverse affect on the Company's ability to obtain capital for its exploration and development activities. Similarly, any improvements in oil and gas prices can have a favorable impact on the Company's financial condition, results of operations and capital resources. Based on the Company's volume of oil and gas production in the first six months of 2001, a \$1.00 change in the price per barrel of oil would result in a change in the Company's cash flow for such period of approximately \$800,000 and a \$1.00 change in the price per Mcf of natural gas would result in a change in the Company's cash flow of approximately \$15.2 million.

The Company periodically has utilized hedging transactions with respect to a portion of its oil and gas production to mitigate its exposure to price fluctuations. While the use of these hedging arrangements limits the downside risk of price declines, such use may also limit any benefits which may be derived from price increases. The Company has primarily used price swaps, whereby monthly settlements are based on differences between the prices specified in the instruments and the settlement prices of certain futures contracts quoted on the NYMEX or certain other indices. Generally, when the applicable settlement price is less than the price specified in the contract, the Company receives a settlement from the counterparty based on the difference. Similarly, when the applicable settlement price is higher than the specified price, the Company pays the counterparty based on the difference. The Company did not hedge any of its oil or gas production in the first six months of 2001 and currently has no open positions relating to its oil and natural gas production.

Interest Rates

The Company's outstanding long-term debt under its bank credit facility of \$46.0 million at June 30, 2001 is subject to floating market rates of interest. Borrowings under the credit facility bear interest at a fluctuating rate that is linked to LIBOR. Any increases in these interest rates can have an adverse impact on the Company's results of operations and cash flow. The Company has entered into an interest rate swap agreement to hedge the impact of interest rate changes on a substantial portion of its floating rate debt. As of June 30, 2001, the Company has an interest rate swap with a notional amount of \$25.0 million which fixed the LIBOR rate at an average rate of 4.5% through April 2002. As a result of the interest rate swap in place, the Company realized a loss of approximately \$10,000 for the six months ended June 30, 2001. The fair value of the Company's open interest rate swap contract as of June 30, 2001 was a liability of \$106,000.

PART II - OTHER INFORMATION

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (a) The Company's annual meeting of stockholders was held in Frisco, Texas at 4:00 p.m., local time, on May 14, 2001.
- (b) Proxies for the meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the nominees for election as director as listed in the proxy statement and such nominees were elected.
- (c) Out of a total 33,550,948 shares of the Company's common stock and preferred stock outstanding and entitled to vote, 31,728,134 shares were present at the meeting in person or by proxy, representing approximately 95%. Matters voted upon at the meeting were as follows:
- (i) A Class A Director was reelected to Company's board of directors. The vote tabulation was as follows:

<u>Nominee</u>	<u>For</u>	<u>Against</u>
Cecil E. Martin, Jr.	30,941,621	786,513

Other directors of the Company whose term of office as a Director continued after the meeting are as follows:

<u>Class B Directors</u>	<u>Class C Director</u>
M. Jay Allison	Roland O. Burns
David W. Sledge	

- (ii) An amendment to the Company's 1999 Long-term Incentive Plan as adopted by the Board of Directors on March 31, 2001 was approved by a vote of 30,464,510 shares for, 1,199,470 shares against and 64,154 shares abstaining.
- (iii) The appointment of Arthur Andersen LLP as the Company's certified public accountants for 2001 was approved by a vote of 31,407,147 shares for, 197,630 shares against and 123,357 shares abstaining.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a. Exhibits
- 10.1 Warrant Agreement dated July 31, 2001 by and between the Company and Gary W. Blackie and Wayne L. Laufer.
- 10.2 2001 Exploration Agreement dated July 31, 2001 by and between the Company and Bois'd Arc Offshore Ltd.
- b. Reports on Form 8-K

There were no current reports on Form 8-K filed during the first quarter of 2001 and to the date of this filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

COMSTOCK RESOURCES, INC.

Date August 13, 2001

/s/M. JAY ALLISON

M. Jay Allison, Chairman, President and Chief
Executive Officer (Principal Executive Officer)

Date August 13, 2001

/s/ROLAND O. BURNS

Roland O. Burns, Senior Vice President,
Chief Financial Officer, Secretary, and Treasurer
(Principal Financial and Accounting Officer)

July 31, 2001

Gary W. Blackie
Wayne L. Laufer
600 Travis, Suite 6275
Houston, Texas 77002

Gentlemen:

Comstock Resources, Inc., a Nevada corporation (the "Company"), for value received, hereby agrees to issue in accordance with the terms of this Agreement stock purchase warrants entitling Bois d'Arc Resources, Ltd., a Texas limited partnership (or its designee) ("Original Owner"), to purchase up to an aggregate of 1,620,000 shares of the Company's common stock, par value \$.50 per share (the "Common Stock"). The number of warrants to be issued hereunder shall be as provided in the 2001 Exploration Agreement effective as April 1, 2001 (the "Exploration Agreement") among the Company, the Original Owner and certain other parties. Each such warrant to be issued shall be evidenced by a warrant certificate in the form attached hereto as Exhibit A (such instrument being hereinafter referred to as a "Warrant," and such Warrant and all instruments hereafter issued in replacement, substitution, combination or subdivision thereof being hereinafter collectively referred to as the "Warrants"). Each Warrant will be exercisable by Original Owner or any other Warrantholder (as defined below) as to all or any lesser number of shares of Common Stock covered by such Warrant at an initial exercise price per share as determined pursuant to the Exploration Agreement and as provided in the Warrant, subject to adjustment in each case as provided in Section 5 below (as adjusted, the "Exercise Price"), for the exercise period provided in Section 1(a) below. The number of shares of Common Stock purchasable upon exercise of the Warrants is subject to adjustment as provided in Section 5 below.

The term "Warrantholder" refers to Original Owner and any of its transferees permitted by Section 3 below. Such term, when used in this Warrant Agreement in reference to or in the context of a person who holds or owns shares of Common Stock issued upon exercise of a Warrant, refers where appropriate to such person who holds or owns such shares of Common Stock. The term "Shares" refers to the shares of Common Stock issuable upon exercise of the Warrants.

SECTION 1. EXERCISE OF WARRANTS; PARTIAL EXERCISE

(a) Exercise Period. The Warrants will be exercisable by any Warrantholder as to all or any lesser number of shares of Common Stock covered by the applicable Warrant, at the Exercise Price set forth therein, at any time and from time to time on and after the date of issuance and ending at 5:00 p.m., Dallas time, on the date set forth in the Warrant (as determined in accordance with the Exploration Agreement).

(b) Exercise in Full. The Warrants may be exercised in full by the Warrantholder by surrender of the Warrants, with the form of subscription on the Warrant duly executed by such Warrantholder, to the Company at its principal office at 5300 Town and Country Blvd., Suite 500, Frisco, TX 75034, Attention: Chief Financial Officer, accompanied by payment, in cash or by certified or bank cashier's check payable to the order of the Company, or by delivery of previously owned shares of Common Stock (valued at the Market Price Per Share), in the amount obtained by multiplying the number of shares of the Common Stock represented by the respective Warrant or Warrants by the Exercise Price per share (after giving effect to any adjustments as provided in Section 5 below). The Market Price Per Share of Common Stock at any date shall be deemed to be the average of the daily closing prices for the five consecutive trading days immediately prior to the day in question, as reported on the principal national securities exchange on which the Common Stock is then listed or admitted to trading.

(c) Partial Exercise. Each Warrant may be exercised in part by a Warrantholder by surrender of the Warrant, with the form of subscription at the end thereof duly executed by such Warrantholder, in the manner and at the place provided in Section 1(b) above, accompanied by payment, in cash or by certified or bank cashier's check payable to the order of the Company, or by delivery of previously owned shares of Common Stock (valued at the Market Price Per Share), in the amount obtained by multiplying the number of shares of the Common Stock designated by the Warrantholder in the form of subscription attached to the Warrant by the Exercise Price per share (after giving effect to any adjustments as provided in Section 5 below). Upon any such partial exercise, the Company at its expense will issue and deliver to or upon the order of the Warrantholder a new Warrant of like tenor, in the name of the Warrantholder or as the Warrantholder (upon payment by such Warrantholder of any applicable transfer taxes) may request, subject to Section 3, calling in the aggregate for the purchase of the number of shares of the Common Stock equal to the number of such shares called for on the face of the respective Warrant (after giving effect to

any adjustment herein as provided in Section 5 below) minus the number of such shares designated by the Warrantholder in the aforementioned form of subscription.

(d) Alternate Payment Right. The Warrantholder shall also have the right (the "Alternate Payment Right") to convert issued Warrants into shares of Common Stock as provided for herein. Upon exercise of the Alternate Payment Right (by delivery of the Warrants and a written notice at the place provided in Section 1(b) above), the Company shall deliver to the Warrantholder (without payment of any Exercise Price) that number of shares of Common Stock equal to the quotient obtained by dividing (x) the value of the Warrant at the time the Alternate Payment Right is exercised (determined by subtracting the aggregate Exercise Price for the shares of Common Stock which the Warrantholder is entitled to purchase under this Warrant on such date from the aggregate Market Price Per Share for such shares on such date) by (y) the Market Price Per Share on such date. If additional Warrants remain outstanding after exercise of the Alternate Payment Right, then the Company shall also deliver a new Warrant for the remaining balance of Warrants in accordance with Section 1(c) above.

(e) Delivery of Stock Certificates on Exercise. Any exercise of the Warrants pursuant to Section 1 shall be deemed to have been effected immediately prior to the close of business on the date on which the Warrants together with the subscription form and the payment for the aggregate Exercise Price shall have been received by the Company. At such time, the person or persons in whose

name or names any certificate or certificates representing the Shares or Other Securities (as defined below) shall be issuable upon such exercise shall be deemed to have become the holder or holders of record of the Shares or Other Securities go purchased. As soon as practicable after the exercise of any Warrant in full or in part, and in any event within 10 days thereafter, the Company at its expense (including the payment by it of any applicable issue taxes but excluding any income taxes resulting from the exercise) will cause to be issued in the name of, and delivered to the purchasing Warrantholder, a certificate or certificates representing the number of fully paid and nonassessable shares of Common Stock or Other Securities to which such Warrantholder shall be entitled upon such exercise. The term "Other Securities" refers to any stock (other than Common Stock), other securities or assets (including cash) of the Company or any other person (corporate or otherwise) which the holders of the Warrants at any time shall be entitled to receive, or shall have received, upon the exercise of the Warrants, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 5 below or otherwise.

(f) Fractional Shares. In lieu of any fractional shares of Common Stock which would otherwise be issuable upon exercise of this Warrant, the Company shall issue a certificate for the next higher number of whole shares of Common Stock for any fraction of a share which is one-half or greater. No shares will be issued for less than one-half a share.

(g) Warrantholder to Reaffirm Intent. At the request of the Company, the Warrantholder will, at the time of exercise of any Warrant, reaffirm its agreement set out in Section 3(a) hereof and further will represent and warrant that it is acquiring the Shares as an investment and not with a view to distribution thereof unless the Warrant is exercised simultaneously with the registration of the Shares to be issued.

SECTION 2. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Warrantholders as follows:

(a) Corporate and Other Action. The Company has all requisite power and authority (corporate and other), and has taken all necessary corporate action, to authorize, execute, deliver and perform this Warrant Agreement, to execute, issue, sell and deliver the Warrants and a certificate or certificates evidencing the Warrants, to authorize and reserve for issue and, upon payment from time to time of the Exercise Price, to issue, sell and deliver, the Shares, and to perform all of its obligations under this Warrant Agreement and the Warrants. The Shares, when issued in accordance with this Agreement, will be duly authorized and validly issued and outstanding, fully paid and nonassessable and free of all liens, claims, encumbrances and preemptive rights (other than any liens that may be created by Warrantholder). This Warrant Agreement and, when issued, each Warrant issued pursuant hereto, has been or will be duly executed and delivered by the Company and is or will be a legal, valid and binding agreement of the Company, enforceable in accordance with its terms. No authorization, approval, consent or other order of any governmental entity, regulatory authority or other third party is required for such authorization, execution, delivery, performance, issue or sale.

(b) No Violation. The execution and delivery of this Warrant Agreement, the consummation of the transactions herein contemplated and the compliance with the terms and provisions of this Warrant Agreement and of the Warrants will not conflict with, or result in a breach of, or constitute a default or an event

permitting acceleration under, any statute, the Restated Articles of Incorporation or Bylaws of the Company or any indenture, mortgage, deed of trust, note, bank loan, credit agreement franchise, license, lease, permit, or any other agreement, understanding, instrument judgment, decree, order, statute, rule or regulation to which the Company is a party or by which it is or may be bound.

SECTION 3. TRANSFER RESTRICTIONS

(a) Compliance with Securities Law. Each Warrantholder agrees that the Warrants are being acquired as an investment and not with a view to distribution thereof and that the Warrants may not be transferred, sold, assigned or hypothecated except as provided herein and in compliance with all applicable securities and other laws. Each Warrantholder agrees not to make any sale or other disposition of the Shares except pursuant to a registration statement which has become effective under the Securities Act of 1933, as amended (the "Act"), setting forth the terms of such offering, the underwriting discount and commissions and any other pertinent data with respect thereto, unless the Company has been provided with an opinion of counsel reasonably acceptable to the Company that such registration is not required. Certificates representing the Shares, which are not registered as provided in Section 4 below, shall bear an appropriate legend and be subject to a "stop-transfer" order.

(b) Transfer Restrictions. The rights to receive Warrants may not be assigned or transferred by the Original Owner without the prior written consent of the Company. Notwithstanding the foregoing, the Original Owner may transfer all or any part of such Original Owner's interest in the Warrants to the partners of such Original Owner or to family members of such Original Owner's partners, trusts, corporations, partnerships or other entities in which a family member of Original Owner or its partners owns a majority of the beneficial interest provided that the transferee agrees in a writing delivered to the Company to accept the terms and conditions hereof, and assume all of the obligations of the transferring Original Owner under this Warrant Agreement. A "family member" for purposes of this paragraph shall include only the spouse, parents, siblings, children and descendants of the partners of Original Owner. "Descendants" for purposes of this paragraph shall include descendants through all generations and shall include blood descendant, descendants of stepchildren and persons adopted by their parent prior to attaining eighteen (18) years of age. After issuance the Warrants may be assigned to any person, subject to compliance with the terms of this Warrant Agreement and all applicable securities laws.

(c) Tax Matters. To the extent that the exercise of the Warrants or the disposition of shares of Common Stock acquired by exercise of the Warrants results in income subject to federal or state income tax withholding, Warrantholder shall deliver to the Company at the time of such exercise or disposition such amount of money or shares of Common Stock as the Company may require to meet its obligations under applicable tax laws or regulations, and, if Warrantholder fails to do so, the Company is authorized to withhold from any cash or Common Stock remuneration then or thereafter payable to Warrantholder any tax required to be withheld by reason of such resulting income. Upon an exercise of the Warrants, the Company is further authorized in its discretion to satisfy any such withholding requirement out of any cash or shares of Common Stock distributable to Warrantholder upon such exercise.

SECTION 4. REGISTRATION RIGHTS

(a) Required Registration. If the Warrantholder shall request the Company to effect the registration under the Securities Act of Shares acquired upon exercise of the Warrants or to be acquired no later than five business days after the registration hereunder shall have become effective, the Company shall use its best efforts to effect, as expeditiously as possible, the registration under the Securities Act of such Shares on Form S-3 or such similar form; provided, however, that the Company shall not be obligated to effect any such registration if the Company's counsel delivers to the Warrantholder a written opinion to the effect that the Shares may be sold or distributed without registration; and provided further, that if the Company is engaged in negotiations in respect of a merger, acquisition, combination or other transaction and in the good faith judgment of the Board of Directors of the Company disclosure of such transaction would not be in the best interest of the Company, the Company shall be entitled to postpone the filing of such registration statement until such time as the Board of Directors deems that disclosure of the transaction would not adversely affect the Company, but in no event for more than six months. All expenses incident to the Company's performance with its obligations under this paragraph shall be paid by the Company; provided, however, the Warrantholder shall be responsible for and shall pay any underwriting, brokerage or selling agent's fees, discounts or commissions, and shall be responsible for all legal fees or counsel to the Warrantholder.

(b) Company Indemnification. In the event of any registration under the Securities Act of any securities pursuant to this Section 4, the Company will indemnify and hold harmless each Warrantholder and each other individual, corporation, partnership, trust, organization, association or other entity or individual ("Person"), if any, which controls (within the meaning of the Securities Act) such holder, against any losses, claims, damages or liabilities, joint or several, to which such holder or controlling Person may become subject under the Securities Act or otherwise, to the extent that such losses, claims, damages or liabilities (or proceedings in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained, on the effective date thereof, in any registration statement under which such securities were registered under the Securities Act, in any preliminary prospectus or final prospectus contained therein, or in any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse such holder and each such controlling Person for any legal or any other expenses reasonably incurred by such holder or such controlling person in connection with investigating or defending any loss, claim, damage, liability or proceeding, except insofar as any such losses, claims, damages, liabilities or expenses result from an untrue statement or omission contained in information furnished in writing to the Company by such holder expressly for use therein.

(c) Indemnification by Warrantholder. In the event of any registration of any securities under the Securities Act pursuant to this Section 4, the Warrantholder will (or will furnish the written undertaking of such other Person or Persons as shall be acceptable to the Company to) indemnify and hold harmless the Company and each other Person, if any, who controls the Company within the meaning of the Securities Act, against any losses, claims, damages, or liabilities, joint or several, to which the Company or such controlling Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any

material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent that any such loss, claim, damage, or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in said registration statement, said preliminary prospectus, or said prospectus or said amendment or supplement in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such Warrantholder or any underwriter of such holder's securities specifically for use in the preparation thereof, and such Warrantholder will (or will furnish the written undertaking of such other Person or Persons as shall be acceptable to the Company to) reimburse the Company and each such controlling Person for any legal and any other expenses reasonably incurred by the Company or such controlling Person in connection with investigation or defending any such loss, claim, damage, liability, or action.

(d) Acknowledgment of Rights. The Company will, at the time of the exercise of this Warrant in accordance with the terms hereof, upon the request of the Warrantholder hereof, acknowledge in writing its continuing obligation to afford to such holder any rights (including without limitation, any right to registration of the Shares) to which such holder shall continue to be entitled after such exercise in accordance with the provisions of this Warrant, provided that if the holder of this Warrant shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such holder any such rights.

SECTION 5. ANTI-DILUTION PROVISIONS. The Exercise Price and the number of Shares purchasable upon the exercise of each Warrant are subject to adjustment from time to time as set forth in this Section 5.

(a) Adjustment of Exercise Price and Number of Shares Purchasable. In case the Company shall at any time after the date of this Agreement (i) declare a dividend on the Common Stock in shares of its capital stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares of Common Stock, or (iv) issue any shares of its capital stock by reclassification of the Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the surviving corporation), then in each case the Exercise Price, in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination, or reclassification shall be adjusted so that the holder of any Warrant exercised after such time shall be entitled to receive the number of shares of Common Stock or other capital stock of the Company which, if such Warrant had been exercised immediately prior to such time, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination, or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur. If as a result of an adjustment made pursuant to this Section 5(a), the holder of any Warrant thereafter exercised shall become entitled to receive shares of two or more classes of capital stock or shares of Common Stock and other capital stock of the Company, the Board of Directors of the Company (whose determination shall

be conclusive) shall determine the allocation of the adjusted Exercise Price between or among shares of such classes of capital stock or shares of Common Stock and other capital stock. Upon each adjustment of the Exercise Price or the number of Shares as a result of the calculations made in this Section 5(a), each Warrant outstanding prior to the making of the adjustment in the Exercise Price or number of Shares shall thereafter evidence the right to purchase, at the adjusted Exercise Price, the adjusted number of Shares, without the necessity for issuing a replacement Warrant.

(b) Minimum Adjustment. No adjustment in the Exercise Price shall be required if such adjustment is less than \$.05; provided, however, that any adjustments which by reason of this subsection (b) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 5 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

(c) Reorganization, etc. In case of any capital reorganization of the Company, or of any reclassification of the Common Stock (other than a reclassification of the Common Stock referred to in Section 5(a) above), or in the case of the consolidation of the Company with or the merger of the Company into any other corporation or of the sale or transfer of the properties and assets of the Company as, or substantially as, an entirety to any other corporation, each Warrant shall after such capital reorganization, reclassification of the Common Stock, consolidation, merger, sale or transfer be exercisable, upon the terms and conditions specified in this Agreement, for the number of shares of stock or other securities, assets, or cash to which a holder of the number of shares of Common Stock purchasable (at the time of such capital reorganization, reclassification of shares, consolidation, merger, sale or transfer) upon exercise of such Warrant would have been entitled upon such capital reorganization, reclassification of the Common Stock, consolidation, merger, sale or transfer; and in any such case, if necessary, the provisions set forth in this Section 5(c) with respect to the rights and interests thereafter of the holders of the Warrants shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities, assets, or cash thereafter deliverable upon the exercise of the Warrants. The subdivision or combination of the Common Stock at any time outstanding into a greater or lesser number of shares shall not be deemed to be a reclassification of the Common Stock for the purposes of this paragraph. The Company shall not effect any such consolidation, merger, transfer, or sale, unless prior to or simultaneously with the consummation thereof, the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing or receiving, such assets or other appropriate corporation or entity shall assume, by written instrument executed and delivered to the holders of the Warrants, the obligation to deliver to the holder of each Warrant such shares of stock, securities, or assets as, in accordance with the foregoing provisions, such holders may be entitled to purchase, and to perform the other obligations of the Company under this Warrant Agreement. This Section 5(c) shall not apply to any sale, transfer or lease as an entirety, or substantially as an entirety, of the properties and assets of the Company as collateral security for obligations of the Company.

(d) Distributions to All Shareholders Below Market Price. If the Company shall distribute to all holders of Common Stock any rights, options, warrants or convertible or exchangeable securities entitling such holders to subscribe for or purchase Common Stock at a price per share that is, at the record date for such distribution, lower than the market price per share of Common Stock on such date, then the Exercise Price to be in effect after such record date shall be

determined by multiplying the Exercise Price in effect immediately before such record date by a fraction, of which the numerator shall be the sum of (i) the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at the Market Price Per Share of Common Stock (as defined in Section 1(b) above) on such date, and the denominator shall be the sum of (x) the number of shares of Common Stock outstanding at the close of business on such record date and (y) the number of shares so offered for subscription or purchase.

(e) Other Distributions to All Shareholders. If the Company shall distribute to all holders of Common Stock (i) any rights, options, warrants or convertible or exchangeable securities entitling the holder to subscribe for or purchase any equity securities of the Company (other than any rights, options, warrants or exchangeable securities referred to in Section 5(d)), (ii) any evidences of indebtedness or other securities of the Company (other than Common Stock) or (iii) assets (other than cash dividends paid out of the earned surplus of the Company), then in each such case the Exercise Price to be in effect immediately prior to such record date by a fraction, of which the numerator shall be the Market Price Per Share of Common Stock (as defined in Section 1(b) above) on such record date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive, and described in a statement sent to the Warrantholder, of the portion of the rights, warrants, evidences of indebtedness, other securities or assets so distributed applicable to one share of Common Stock and of which the denominator shall be such Market Price Per Share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such distribution.

(f) Statement Regarding Adjustments. Whenever the Exercise Price shall be adjusted as provided in this Section, and upon each change in the number of shares of the Common Stock issuable upon exercise of the Warrants, the Company shall send notice to the Warrantholder, a statement showing in detail the facts requiring such adjustment and the Exercise Price and new number of shares issuable that shall be in effect after such adjustment. Each such statement shall be signed by the Company's chief financial or accounting officer. Where appropriate, such copy may be given in advance and may be included as part of a notice required to be mailed under the provisions of Section 5(g) below.

(g) Notice to Warrantholders. In the event the Company shall propose to take any action of the type described in Sections 5(a), (c), (d) or (e), the Company shall give notice to the holder of this Warrant, in the manner set forth in Section 8, which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Exercise Price and the number, kind or class of shares, or other Securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

SECTION 6. FURTHER COVENANTS OF THE COMPANY.

(a) Dilution or Impairments. The Company will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Warrants or of this Warrant Agreement, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholders against dilution or other impairment. Without limiting the generality of the foregoing, the Company:

- (i) shall at all times reserve and keep available, solely for issuance and delivery upon the exercise of the Warrants, all shares of Common Stock (or Other Securities) from time to time issuable upon the exercise of the Warrants and shall take all necessary actions to ensure that the par value per share, if any, of the Common Stock (or Other Securities) is at all times equal to or less than the then effective Exercise Price per share;
- (ii) will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock or Other Securities upon the exercise of the Warrants from time to time outstanding; and
- (iii) will not consolidate with or merge into any other person or permit any such person to consolidate with or merge into the Company (if the Company is not the surviving corporation), unless such other person shall expressly assume in writing and will be bound by all the terms of this Warrant Agreement and the Warrants.

(b) Title to Stock. All shares of Common Stock delivered upon the exercise of the Warrants shall be validly issued, fully paid and nonassessable; each Warrantholder shall, upon such delivery, receive good and marketable title to the Shares, free and clear of all voting and other trust arrangements, liens, encumbrances, equities and claims whatsoever created by the Company; and the Company shall have paid all taxes, if any, in respect of the issuance thereof.

(c) Listing on Securities Exchanges; Registration. If the Company at any time shall list any Common Stock on any national securities exchange, the Company will, at its expense, simultaneously list on such exchange, upon the exercise of the Warrants, and maintain such listing of, all shares of Common Stock from time to time issuable upon the exercise of the Warrants, and the Company will so list on any national securities exchange, will so register and will maintain such listing of, any Other Securities if and at the time that any securities of like class or similar type shall be listed on such national securities exchange by the Company. The Company currently lists its Common Stock on the New York Stock Exchange and so long as so listed, will list all shares of Common Stock issued on the exercise of the Warrant on such exchange.

(d) Exchange of Warrants. Subject to Section 3 hereof, upon surrender for exchange of any Warrant to the Company, the Company at its expense will promptly

issue and deliver to or upon the order of the holder thereof a new Warrant of like tenor, in the name of such holder or as such holder (upon payment by such Warrantholder of any applicable transfer taxes) may direct, calling in the aggregate for the purchase of the number of shares of the Common Stock called for on the face or faces of the Warrant or Warrants so surrendered. The Warrants and all rights thereunder are transferable in whole or in part upon the books of the Company by the registered holder thereof, subject to the provisions of Section 3, in person or by duly authorized attorney, upon surrender of the Warrant, duly endorsed, at the principal office of the Company.

(e) Replacement of Warrants. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement and bond reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Company, at the expense of the Warrantholder, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

(f) Reporting by the Company. The Company agrees that during the term of the Warrants it will use commercially reasonable efforts to keep current in the filing of all forms and other materials, if any, which it may be required to file with the appropriate regulatory authority pursuant to the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and all other forms and reports required to be filed with any regulatory authority having jurisdiction over the Company.

SECTION 7. OTHER WARRANTHOLDERS; HOLDERS OF SHARES. The Warrants shall be issued upon the following terms, to all of which each Warrantholder by the acceptance thereof consents and agrees: (a) any person who shall become a transferee, within the limitations on transfer imposed by Section 3 hereof, of a Warrant properly endorsed shall take such Warrant subject to the provisions of Section 3 hereof and thereupon shall be authorized to represent himself as absolute owner thereof and, subject to the restrictions contained in this Warrant Agreement, shall be empowered to transfer absolute title by endorsement and delivery thereof to a permitted bona fide purchaser for value; (b) any person who shall become a holder or owner of Shares shall take such shares subject to the provisions of Section 3 hereof; (c) until such time as the respective Warrant is transferred on the books of the Company, the Company may treat the registered holder thereof as the absolute owner, thereof for all purposes, notwithstanding any notice to the contrary. At the request of the Company, before registration of any transfer of a Warrant, the transferee will make the representation and warranties contained in Section 2(a); and (d) Warrantholders shall not have any rights as a shareholder of the Company until exercise of the Warrants, except as otherwise provided herein.

SECTION 8. MISCELLANEOUS.

(i) All notices, certificates and other communications from or at the request of the Company to any Warrantholder shall be mailed by first class, registered or certified mail, postage prepaid, to such address as may have been furnished to the Company in writing by such Warrantholder, or, until an address is so furnished, to the address of the last holder of such Warrant who has so furnished an address to the Company, except as otherwise provided herein. The initial address of the Original Owner shall be as set forth at the beginning of this Agreement, and the initial address of the Company shall be as set forth in Section 1(b) hereof.

(ii) This Warrant Agreement and any of the terms hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

(iii) This Warrant Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Texas.

(iv) The headings in this Warrant Agreement are for purposes of reference only and shall not limit or otherwise affect any of the terms hereof. This Warrant Agreement, together with the forms of instruments annexed hereto as exhibits, and the Exploration Agreement, constitute the full and complete agreement of the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Warrant Agreement to be executed effective as of the 31st day of July, 2001 in Frisco, Texas by its proper corporate officers, hereunto duly authorized.

COMSTOCK RESOURCES, INC.

By: /s/M. JAY ALLISON

M. JAY ALLISON, President and
Chief Executive Officer

This Warrant Agreement is confirmed and
agreed to effective as of July 31, 2001:

By: /s/GARY W. BLACKIE

Gary W. Blackie

By: /s/WAYNE L. LAUFER

Wayne L. Laufer

[Face of Warrant]
Exhibit A
WARRANT

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY APPLICABLE STATE SECURITIES LAWS, AND THEY CANNOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR OTHERWISE HYPOTHECATED EXCEPT IN ACCORDANCE WITH THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH STATE LAWS OR UPON DELIVERY TO THE COMPANY OF AN OPINION OF LEGAL COUNSEL SATISFACTORY TO THE COMPANY THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

TRANSFER OF THIS WARRANT IS FURTHER SUBJECT TO RESTRICTIONS SET OUT IN THE WARRANT AGREEMENT REFERRED TO BELOW.

Warrant No. _____ To Purchase up to ____ Shares of Common Stock,
par value \$.50 per share

COMSTOCK RESOURCES, INC.

Incorporated Under the Laws of the State of Nevada

Registered Owner: _____ Date: _____

Exercise Price Per Share: \$ _____

Expiration Date: 5:00 p.m., Dallas, Texas time on _____

This certifies that, for value received, the registered owner named above is entitled, subject to the terms and conditions of this Warrant and the Warrant Agreement (defined below), until the expiration date listed above, to purchase up to the number of shares set forth above of the Common Stock, par value \$.50 per share (the "Common Stock"), of Comstock Resources, Inc., a Nevada corporation (the "Company"), from the Company at the exercise price per share set forth above (subject to adjustment), on delivery of this Warrant to the Company with the form of subscription duly executed and payment of the exercise price (in cash or by certified or bank cashier's check payable to the order of the Company) for each share purchased.

This Warrant is subject to the terms of that certain Warrant Agreement dated as of July 31, 2001, between the Company and Bois d'Arc Resources, Ltd. (the "Warrant Agreement"), the terms of which are hereby incorporated herein and which the holder of this Warrant consents by acceptance hereof. Reference is hereby made to such Warrant Agreement for a more complete statement of the rights and limitation of rights of the holder of this Warrant and the rights and obligations of the Company thereunder. Copies of the Warrant Agreement are on file at the office of the Company. The number of shares of Common Stock which may be purchased upon the exercise of the Warrants represented hereby and the purchase price per share upon such exercise shall be subject to adjustment from time to time as provided in Section 5 of the Warrant Agreement.

WITNESS the signature of the Company's authorized officer.

COMSTOCK RESOURCES, INC.

By: _____
Name: _____
Title: _____

ATTEST:

By: _____
Name: _____
Title: _____

[Reverse of Warrant]

FORM OF SUBSCRIPTION

(To be signed only upon exercise of Warrant)

To Comstock Resources, Inc.

The undersigned, the holder of this Warrant, hereby irrevocably elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, _____ shares of Common Stock of Comstock Resources, Inc. and herewith makes payment of \$_____ therefor, and requests that the certificate or certificates for such shares be issued in the name of and delivered to the undersigned. If said number of shares is less than all of the shares of Common Stock purchasable under this Warrant, the undersigned requests that a new Warrant representing the balance of the shares be issued to be undersigned.

Dated: _____

(Signature must conform in all respects to name of holder as specified on the face of the enclosed Warrant)

(Address)

FORM OF ASSIGNMENT

(To be signed only upon transfer of Warrant)

For value received, the undersigned hereby sells, assigns and transfers unto _____ the right represented by the enclosed Warrant to purchase shares of Common Stock of Comstock Resources, Inc. to which the enclosed Warrant relates, and appoints _____ Attorney to transfer such right on the books of Comstock Resources, Inc. with full power of substitution in the premises.

The undersigned represents and warrants that the transfer of the enclosed Warrant is permitted by the terms of the Warrant Agreement pursuant to which the enclosed Warrant has been issued, and the transferee hereof, by his acceptance of this Agreement, represents and warrants that he is familiar with the terms of said Warrant Agreement and agrees to be bound by the terms thereof with the same force and effect as if a signatory thereto.

Dated: _____

(Signature must conform in all respects to name of holder as specified on the face of the enclosed Warrant)

(Address)

This 2001 Exploration Agreement (the "Agreement") is effective as of April 1, 2001 (the "Effective Date") by and among Comstock Resources, Inc., a Nevada corporation ("CRI"), Comstock Offshore, LLC, a Nevada limited liability company ("Comstock"), Bois d'Arc Offshore, Ltd., a Texas limited partnership ("Bois d'Arc Ltd."), Bois d'Arc Oil & Gas Company, LLC, a Texas limited liability company ("Bois d'Arc LLC") (Bois d'Arc Ltd. and Bois d'Arc LLC are collectively referred to herein as ("Bois d'Arc")), Wayne L. Laufer ("Laufer") and Gary W. Blackie ("Blackie").

WHEREAS, Comstock and Bois d'Arc desire to enter into a joint exploration program with respect to certain oil and gas properties within the state coastal waters of Louisiana and Texas and corresponding federal offshore waters (the "Region"), as identified by Bois d'Arc;

WHEREAS, Laufer and Blackie are the principals of Bois d'Arc; and

WHEREAS, certain of the parties hereto previously entered into a Joint Exploration Agreement dated December 8, 1997 (the "1997 Agreement") pursuant to which Bois d'Arc (and its predecessors) identified prospects, acquired seismic data and performed other work; the parties desire that such prospects be further developed and completed pursuant to the terms of this Agreement and that the 1997 Agreement be terminated.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Bois d'Arc's responsibilities shall be as follows:
 - (a) Bois d'Arc shall identify oil and natural gas prospects within the Region. A prospect shall be considered to be the entire lease(s) which is (are) expected to be underlain by any portion of a potentially productive reservoir(s) expected to be encountered by the initial test well.
 - (b) Bois d'Arc shall develop a budget for exploration activities with respect to prospects within the Region, including the prospects initially identified pursuant to the 1997 Agreement (as listed on the Schedule hereto) (the "existing prospects"), which budget shall be subject to the approval of Comstock (the "Budget"). If Comstock elects not to participate in a particular prospect within thirty (30) days following submittal of the prospect by Bois d'Arc to Comstock (by rejecting inclusion of such prospect in the Budget), Bois d'Arc shall have the right to pursue such prospect on its own and shall have no further obligation to Comstock under this Agreement with respect to such prospect.
 - (c) With respect to potential prospects that the parties have approved, Bois d'Arc shall acquire the seismic data, and if appropriate, the leasehold interests. All costs for seismic data, leasehold acquisitions and other exploration activities shall be in accordance with the Budget.
 - (d) Bois d'Arc shall be responsible for fully developing the acquired prospects. Upon completion of the initial test well for a prospect (resulting in a Successful Prospect (as defined below)), Bois d'Arc shall assign the entire working interest 40% to Comstock and 60% to Bois d'Arc (or their respective designees), except that (i) with respect to the existing prospects, the interest to be assigned to each party shall be as set forth on the attached Schedule and (ii) Comstock will receive a 50% working interest in any potential prospect at Ship Shoal 67 or South Pelto 1 on future acquisitions of State leases, and all assignments will in all events be subject to (x) a 2% of 8/8ths overriding royalty interest to be reserved for Bois d'Arc (or its designees), (y) the operating agreement naming Bois d'Arc Ltd. as operator with respect to the prospects and (z) the terms of this Agreement. Notwithstanding the foregoing, in the event that all warrants available for issuance hereunder as provided in Section 3 below are earned and issued prior to the Expiration Date (as defined below) and CRI does not make additional warrants available for issuance hereunder, Bois d'Arc shall have the option to allocate the working interest to be assigned for such future prospects (for which no warrants are issued) 20% to Comstock and 80% to Bois d'Arc (and subject to the 2% of 8/8ths override and other exceptions noted in the preceding sentence).
 - (e) Laufer and Blackie shall devote such amount of their time and energy as is necessary for Bois d'Arc to identify, pursue and develop the prospects.
2. (a) Comstock's responsibilities shall be as follows: Comstock shall make advances to Bois d'Arc to fund 100% of the costs for seismic data, leasehold acquisitions and other exploration activities. Such advances shall be made in accordance with the Budget. Bois d'Arc shall reimburse Comstock for these advances when a prospect is developed and assigned to the parties. Lease acquisition costs, including any related delay rentals and legal costs, will be reimbursed to Comstock when the working interest is assigned, as provided in Section 1(d). Bois d'Arc shall determine and

charge a seismic fee for each developed prospect. The amount of the seismic fee charged is to be based on past practices followed by Bois d'Arc with the objective of recovering the amounts advanced by Comstock pursuant to this Agreement. Comstock will be paid 100% of such seismic fees received by Bois d'Arc until Comstock has recovered 100% of any advances made hereunder. After such time, Bois d'Arc and Comstock will each receive 50% of any excess fee income.

- (b) The parties acknowledge and agree that Comstock and Bois d'Arc have previously funded certain costs with respect to the existing prospects. With respect to existing prospects and future prospects developed on leases acquired prior to the Effective Date and pursuant to the 1997 Agreement, any previously advanced leasehold and seismic costs that are recovered upon drilling will be allocated 80% to Comstock and 20% to Bois d'Arc. Upon execution of this Agreement, Comstock shall reimburse Bois d'Arc \$1,226,491 for costs advanced by Bois d'Arc with respect to certain federal leases acquired in May and June 2001 and the Fairfield Industries and Western GeCo seismic data acquired in June and July 2001.
3. As part of the exploration program described herein, CRI shall issue to Bois d'Arc (or its designees) on August 1, 2001 and on each January 1 and July 1 (a "Grant Date") of each calendar year thereafter that the exploration program is in effect warrants exercisable for shares of the common stock, \$.50 par value ("Common Stock"), of CRI. The number of warrants to be issued on each Grant Date shall equal the product of (i) the

total number of Successful Prospects developed pursuant to the terms of this Agreement during the six (6) month period immediately preceding the applicable Grant Date (or from the Effective Date through July 31, 2001 with respect to the August 1, 2001 Grant Date and for the five (5) month period with respect to the January 1, 2002 Grant Date) and (ii) 60,000; provided, however, that in no event shall the number of warrants to be issued hereunder exceed 1,620,000 in the aggregate. For purposes hereof, a prospect shall be deemed a "Successful Prospect" at such time Comstock agrees to set production casing on the initial test well or a substitute therefor with respect to the prospect (including existing prospects but for which warrants have not been issued pursuant to the 1997 Agreement), but excluding successful development wells drilled and completed in a previously proven reservoir. Once a prospect is deemed a Successful Prospect, additional warrants will be earned if additional exploratory wells are drilled on an acquired lease and Comstock agrees to set production casing thereon. The exercise price shall be the average closing price of the Common Stock, as reported on the New York Stock Exchange, for the 30-calendar day period immediately prior to the applicable Grant Date. Notwithstanding the foregoing, with respect to the August 1, 2001 Grant Date only, Bois d'Arc may at its option chose either the 30-day average or the closing price of the Common Stock on the date of execution of this Agreement as the exercise price for the warrants to be issued on such Grant Date. All unexercised warrants issued hereunder shall terminate five (5) years after the Expiration Date or the earlier termination of this Agreement.

4. This Agreement shall be for a period commencing on the Effective Date and ending on December 31, 2006 (the "Expiration Date"). Notwithstanding the foregoing, Bois d'Arc shall have the right to terminate this Agreement upon a Change of Control (as defined below). Bois d'Arc may exercise its right to terminate by giving written notice to Comstock within 30 days following such Change of Control. In connection with such a termination, Comstock will be assigned a 40% interest in any prospects not previously assigned to the parties and will have no further obligations to make advances. For purposes hereof, a "Change of Control" shall mean (a) the acquisition by any person, or two or more persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of more than 50% of the outstanding shares of voting stock of CRI or (b) the Board of Directors of CRI shall not consist of a majority of the directors in office on the date hereof or such other directors as are recommended by a majority of the Board of Directors in office on the date hereof.
5. If Comstock fails to fund a minimum of \$5,000,000 in the aggregate hereunder for the acquisition of seismic data within forty-five (45) days of receipt of invoices from Bois d'Arc for such expenditures, Bois d'Arc shall have the right upon thirty (30) days prior written notice to terminate this Agreement. Upon such termination, Bois d'Arc shall have no further obligations to Comstock hereunder other than to submit to Comstock prospects on previously acquired leaseholds in accordance with Section 1(b) above. For purposes of computing Comstock's obligation under this Section 5, all amounts funded since the Effective Date shall be taken into account.
6. Bois d'Arc, Laufer and Blackie agree that they will not, directly or indirectly, develop any properties in the Region other than pursuant to this Agreement (or the 1997 Agreement), unless Comstock elects not to participate with Bois d'Arc as provided herein.

7. This Agreement is not intended to create a partnership or similar relationship between Comstock and Bois d'Arc. Except as specifically provided herein, no party shall have the authority to enter into any agreement on behalf of the other party without such other party's prior written approval.
8. If any provision of this Agreement is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions hereof shall not be affected thereby.
9. This Agreement and the transactions contemplated between Bois d'Arc and Comstock relating to the subject matter hereof and supersedes all prior agreements, written or oral, including without limitation the 1997 Agreement with the effective date of the termination of the 1997 Agreement being the Effective Date.
10. This Agreement shall not be amended unless in writing signed by all parties.
11. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives. No party shall assign this Agreement or any rights hereunder without the prior written consent of the other party. Notwithstanding the foregoing, Bois d'Arc shall have the right to assign this Agreement and all rights and obligations hereunder to an entity controlled by Laufer and Blackie. For purposes hereof, an entity shall be controlled by Laufer and Blackie if Laufer and Blackie own, directly or indirectly, in the aggregate 100% of the ownership interest in such entity.
12. This Agreement may be executed in counterparts, each of which shall be deemed an original and together shall constitute one instrument.
13. Each party agrees to perform, execute and deliver any such additional documents as may reasonably be requested to consummate or effect the transactions contemplated hereby.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of July 31, 2001.

COMSTOCK RESOURCES, INC.

By: /s/M. JAY ALLISON

M. Jay Allison, President

COMSTOCK OFFSHORE, LLC

By: /s/M. JAY ALLISON

M. Jay Allison, President

BOIS D'ARC OFFSHORE, LTD.

By: Bois d'Arc Oil & Gas Company, LLC,
General Partner

By: /s/WAYNE L. LAUFER

Wayne L. Laufer, Manager

By: /s/GARY BLACKIE

Gary Blackie, Manager

/s/WAYNE L. LAUFER

Wayne L. Laufer

/s/GARY BLACKIE

Gary W. Blackie