



NYSE:CRK

# 4<sup>th</sup> Quarter 2022 Results

FEBRUARY 14, 2023



# Disclaimer

*This presentation includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give our current expectations or forecasts of future events. These statements include estimates of future natural gas and oil reserves, expected natural gas and oil production and future expenses, assumptions regarding future natural gas and oil prices, budgeted capital expenditures and other anticipated cash outflows, as well as statements concerning anticipated cash flow and liquidity, business strategy and other plans and objectives for future operations.*

*Our production forecasts are dependent upon many assumptions, including estimates of production decline rates from existing wells and the outcome of future drilling activity.*

*Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include the timing and extent of changes in market prices for oil and gas, operating risks, liquidity risks, including risks relating to our debt, political and regulatory developments and legislation, and other risk factors and known trends and uncertainties as described in our Annual Report on Form 10-K for fiscal year 2021 and as updated and supplemented in our Quarterly Reports on Form 10-Q, in each case as filed with the Securities and Exchange Commission. Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in the forward-looking statements.*

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# 2022 Accomplishments

## Strengthened Balance Sheet

- Generated free cash flow from operations of \$673 million in 2022
- Retired \$506 million of long-term debt in 2022, lowering our interest expense and extending our earliest senior note maturity to 2029
- Entered into a new five-year bank credit facility with lower pricing and higher availability
- Improved our leverage ratio to 1.1x from 2.4x in 2021
- Converted \$175 million of our preferred stock to common

## Exceptional Drilling Results and Reserves Growth

- Drilled 73 (57.0 net) successful operated wells targeting the Haynesville and Bossier shales, including two successful exploratory wells
- Increased average lateral length by 14% over 2021 to 9,989 feet
- Strong IP rates of 26 Mmcfe per day on average
- Drilling program drove 9% reserve growth with 1.1 Tcfe of drilling related reserve additions achieving an overall finding cost of 95¢ per Mcfe
  - SEC Proved reserves grew to 6.7 Tcfe and replaced 216% of 2022 production
  - 1P PV-10 of \$15.5 billion

## Strong Financial Results

- Achieved an 83% EBITDAX margin, one of the highest in the industry
- Achieved a 28% return on average capital employed
- Achieved a 62% return on average equity

## Grew Acreage Position

- Added 98,000 net acres to the Company's acreage prospective for the Haynesville and Bossier shales through a leasing program and acquisitions totaling \$54.1 million or \$550 per acre

## Initiated Return of Capital Program

- Reinstated common stock dividend of 12.5¢ per quarter in 4<sup>th</sup> quarter of 2022

## Environmental Initiatives

- Achieved independent certification for 100% of our operated natural gas production under the MiQ methane standard for responsibly sourced gas



## 4<sup>th</sup> Quarter 2022 Highlights

- Generated free cash flow from operations of \$129 million
- Production in 4<sup>th</sup> quarter increased 7% to 1,445 MMcfe per day
- Oil and gas sales<sup>(2)</sup> were \$558 million and were 47% higher than 2021's fourth quarter
- Cash flow from operations<sup>(1)</sup> in 2022 was \$434 million or \$1.57 per diluted share
- Adjusted EBITDAX increased 61% to \$478 million
- Adjusted net income was \$288 million or \$1.05 per diluted share
- Drilled 21 (14.8 net) successful operated Haynesville and Bossier shale horizontal wells in the quarter with an average lateral length of 9,903 feet
- Since the last conference call, we have connected 19 (13.1 net) operated wells to sales with an average initial production rate of 25 MMcf per day
- Announced second successful exploratory well in our Western Haynesville exploratory play which had an initial IP rate of 42 MMcf per day
- Continued to improve balance sheet with additional retirement of \$100 million of debt in the quarter and conversion of preferred stock
- Reinstated quarterly dividend of 12.5¢ per share in December 2022

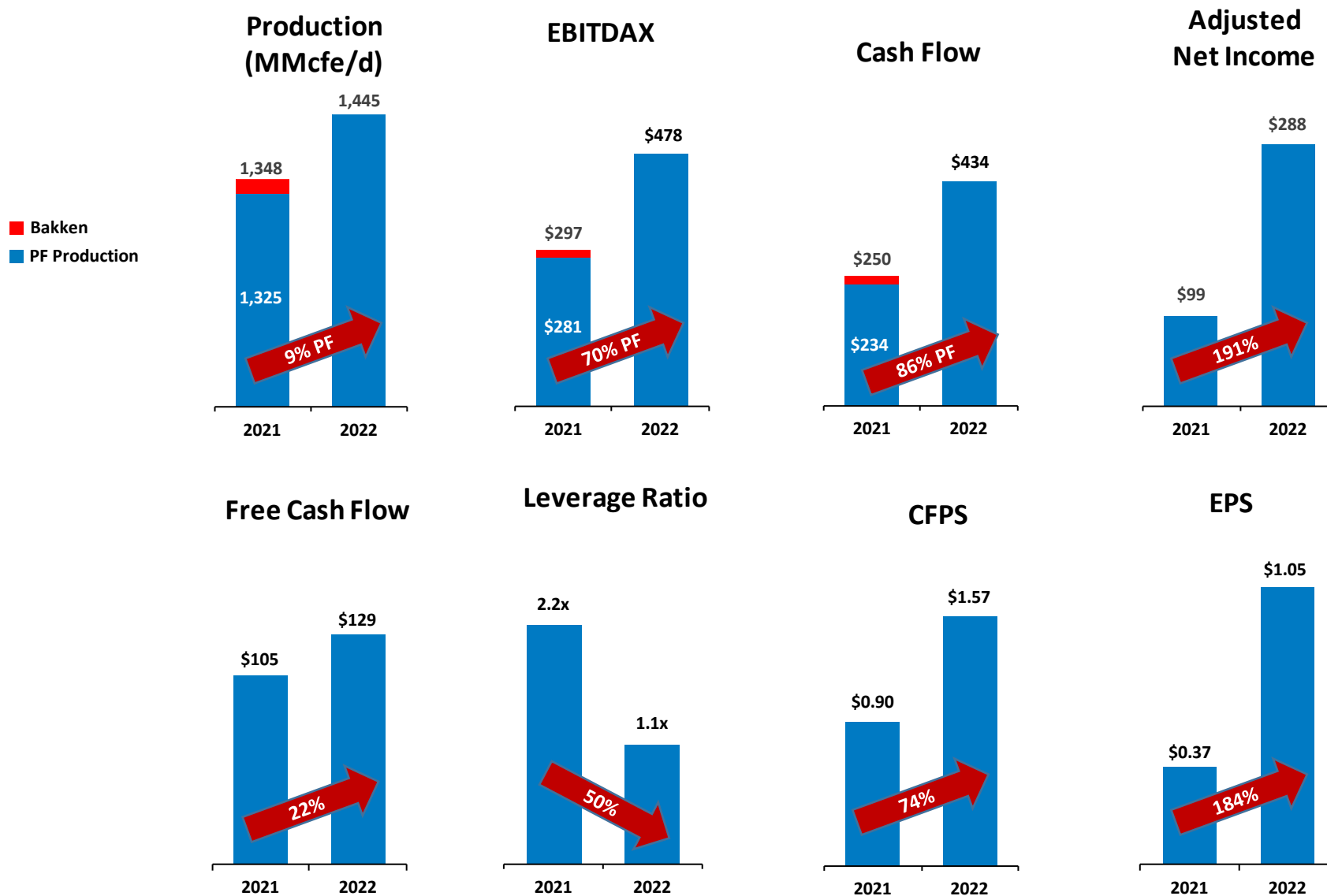
*(1) excluding working capital changes*

*(2) including realized hedging gains and losses*



# Q4 2022 Financial Results

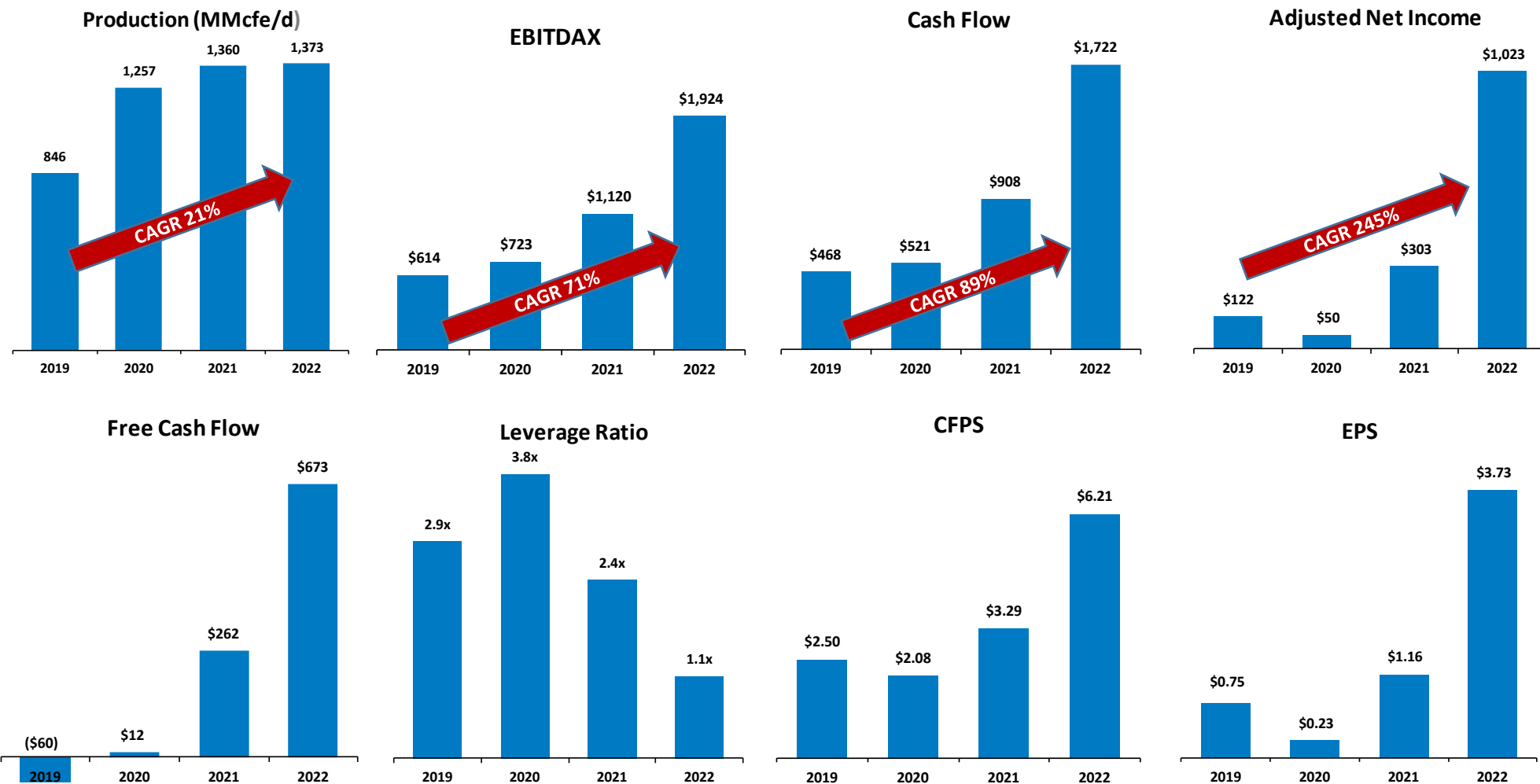
*\$ in millions except per share and unit amounts*





# 2022 Financial Results

*\$ in millions except per share and unit amounts*





# Natural Gas Price Realizations

*High margins supported by gas marketing arrangements...*

- Direct access to LNG corridor
- Currently selling 17% of production directly to LNG shippers
- 71% of natural gas is sold in high value Gulf Coast markets
- Freeport outage negatively impacting Texas Gulf Coast markets

	Per Mcf				
	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
NYMEX Settlement Month Average	\$ 5.83	\$ 4.95	\$ 7.17	\$ 8.20	\$ 6.26
NYMEX Differential	(0.61)	(0.40)	(0.24)	(0.48)	(0.69)
Realized Prices	\$ 5.22	\$ 4.55	\$ 6.93	\$ 7.72	\$ 5.57

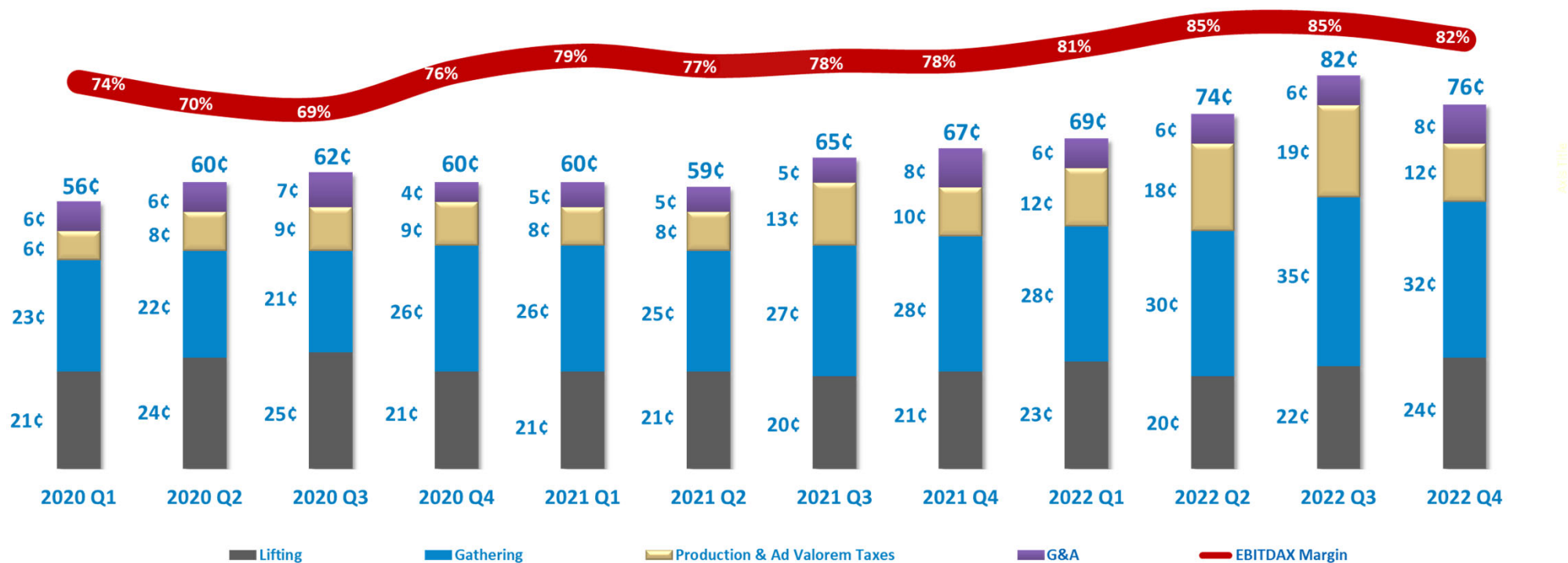
  

NYMEX Contract Settlement Price	\$ 5.83	\$ 4.95	\$ 7.17	\$ 8.20	\$ 6.26
NYMEX Average Spot Price	\$ 4.74	\$ 4.60	\$ 7.39	\$ 7.96	\$ 5.60
% of Gas Sold at Index (Nominated)	67%	69%	83%	77%	81%
% of Gas Sold at Spot (Daily)	33%	31%	17%	23%	19%
NYMEX Reference Price	\$ 5.47	\$ 4.84	\$ 7.21	\$ 8.14	\$ 6.13
NYMEX Differential	(0.25)	(0.29)	(0.28)	(0.42)	(0.56)
Realized Price	\$ 5.22	\$ 4.55	\$ 6.93	\$ 7.72	\$ 5.57
% Hedged	72%	60%	54%	49%	47%
Realized Price, after Hedging	\$ 3.00	\$ 3.53	\$ 4.85	\$ 5.36	\$ 4.19
Realized Price, with Marketing income	\$ 3.00	\$ 3.56	\$ 4.87	\$ 5.45	\$ 4.36



# Low Operating Costs / High Margins

## Operating Costs Per Mcfe / EBITDAX Margin







# 2022 Drilling Program

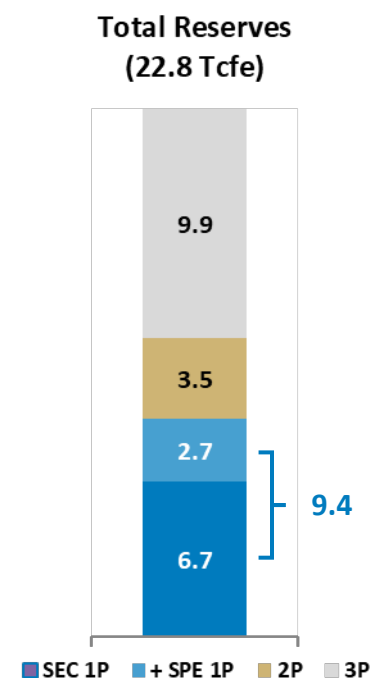
			2022 Haynesville Drilling Program					
			Haynesville		Bossier		Total	
			Gross	Net	Gross	Net	Gross	Net
Haynesville Drilling Program -								



# Oil & Natural Gas Reserves

- Replaced 216% of production from drilling activities
- Grew proved reserves by 9% in 2022 at an all-in finding costs of 95¢ per Mcfe

	Oil <i>MBbls</i>	Gas <i>Bcf</i>	Total <i>Bcfe</i>
Proved Reserves as of 12/31/21 (SEC)	627	6,118.1	6,121.8
Production	(82)	(500.6)	(501.1)
Divestitures	(78)	(3.7)	(4.1)
Acquisitions	6	0.3	0.3
Drilling Additions	137	1,090.4	1,091.2
Revisions	(61)	(6.9)	(7.2)
Proved Reserves as of 12/31/22 (SEC)	549	6,697.6	6,700.9
SEC PV 10 Value (billion \$)			\$ 15.5





# Balance Sheet

## Capitalization

(\$ in millions) 12/31/2022

Cash and Cash Equivalents \$55

Revolving Credit Facility \$ -

Secured Debt \$ -

6¾% Senior Notes due 2029 1,224

5½% Senior Notes due 2030 965

**Total Debt \$2,189**

Common Equity \$2,278

**Total Capitalization \$4,467**

EBITDAX<sup>(1)</sup> 1,924

### Credit Statistics

Secured Debt / EBITDAX<sup>(1)</sup> 0.0x

Total Net Debt / EBITDAX<sup>(1)</sup> 1.1x

### Liquidity Analysis

Cash & Cash Equivalents \$55

Revolving Credit Facility Borrowing Base 1,500

Less Revolving Credit Facility Outstanding -

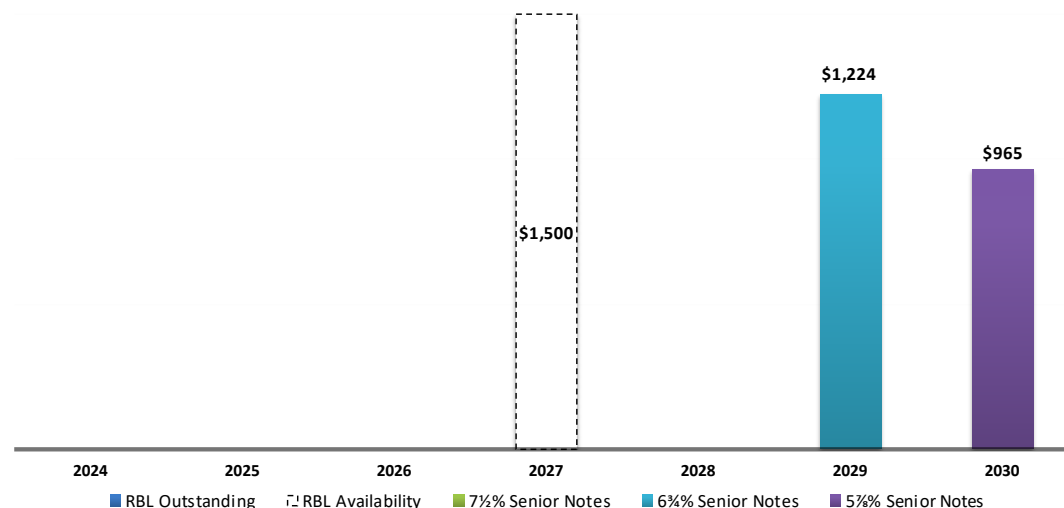
**Liquidity \$1,555**

## New Bank Credit Facility

### \$1.5 Billion Senior Secured Revolving Credit Facility:

- \$2 billion borrowing base
- Maturity date November 15, 2027
- Pricing of SOFR+175 to 275 bpts
- Key financial covenants:
  - Leverage Ratio < 3.5x, Current Ratio >1.0

## Debt Maturity



(1) EBITDAX is a non-GAAP financial measure. Please see slide 21 for a reconciliation to the most directly comparable GAAP financial measure.

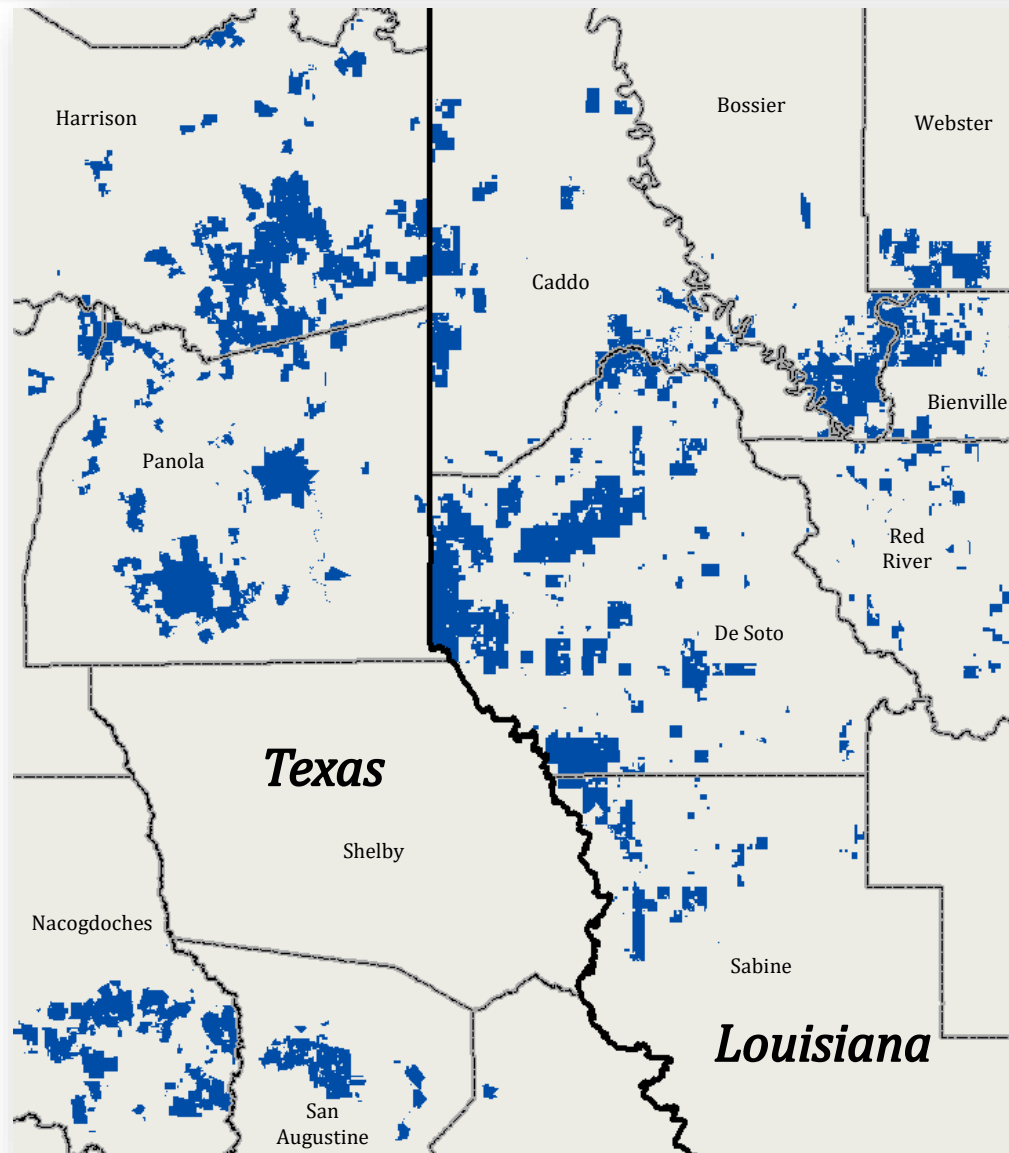


# Substantial Scale in the Haynesville Shale

*Acreage  
Prospective for  
Haynesville and  
Bossier Shale*

618,000 Gross

470,000 Net



*Western Haynesville Not Shown for Competitive Reasons*



# Drilling Inventory

- Average lateral length of location inventory is 8,870 feet
- Over 25 years of drilling based on 2023 activity

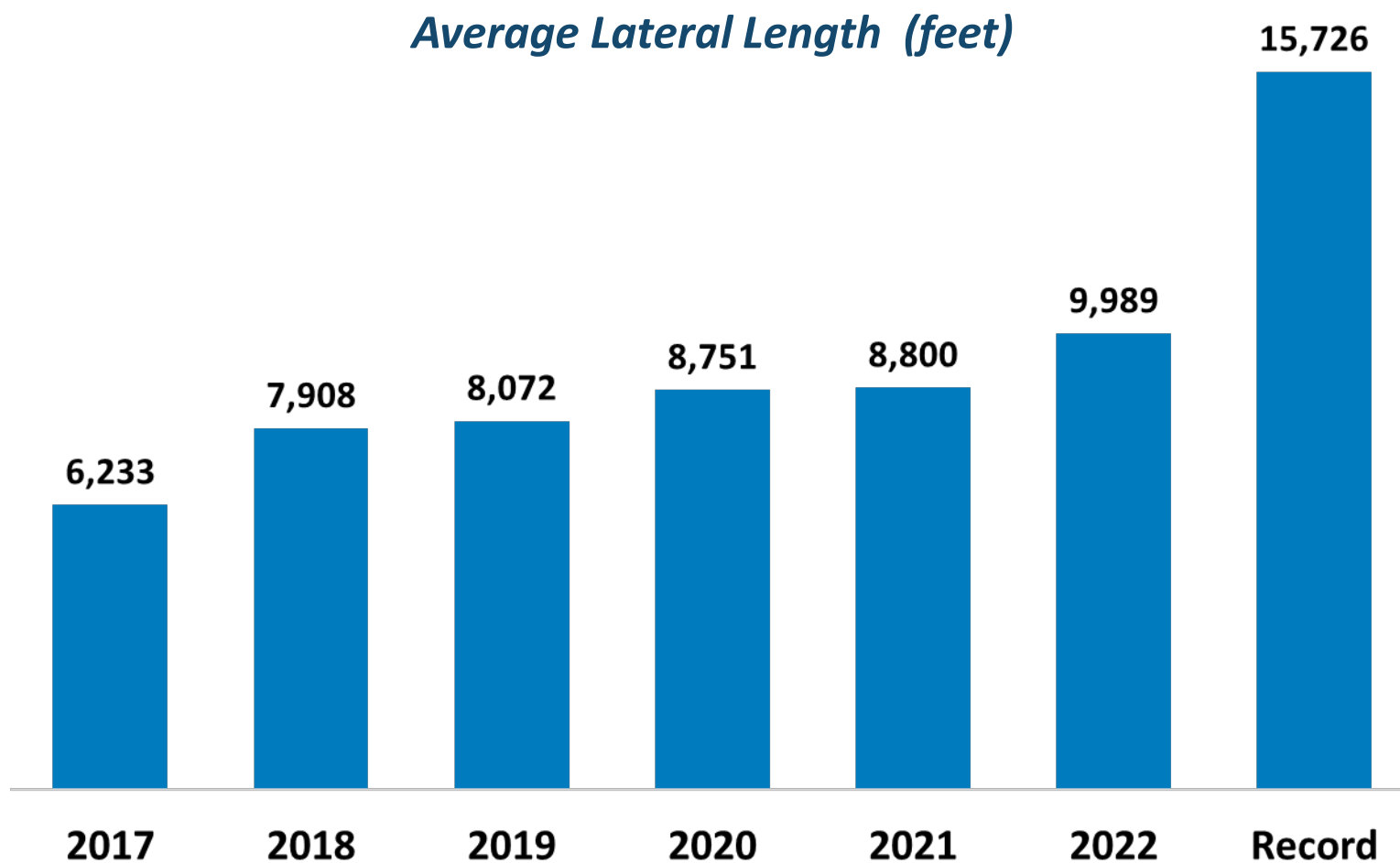
*As of December 31<sup>st</sup>, 2022*

Lateral Length	Haynesville				Total			
	Operated		Non-Operated					
	Gross	Net	Gross	Net	Gross	Net	Gross Mft	Avg Net ft
Up to 5,000 ft	159	130	383	55	542	185	853	4,613
5,000 ft to 8,000 ft	177	127	137	24	314	151	993	6,567
8,000 ft to 11,000 ft	415	299	233	34	648	333	3,165	9,506
> 11,000 ft	223	146	32	5	255	151	2,065	13,686
	974	701	785	119	1,759	820	7,076	8,630

Lateral Length	Bossier				Total			
	Operated		Non-Operated					
	Gross	Net	Gross	Net	Gross	Net	Gross Mft	Avg Net ft
Up to 5,000 ft	176	142	282	39	458	182	834	4,587
5,000 ft to 8,000 ft	110	91	77	8	187	99	675	6,807
8,000 ft to 11,000 ft	334	264	178	18	512	281	2,691	9,564
> 11,000 ft	232	188	14	2	246	190	2,672	14,045
	852	686	551	66	1,403	753	6,872	9,131

Total	1,826	1,387	1,336	185	3,162	1,573	13,948	8,870
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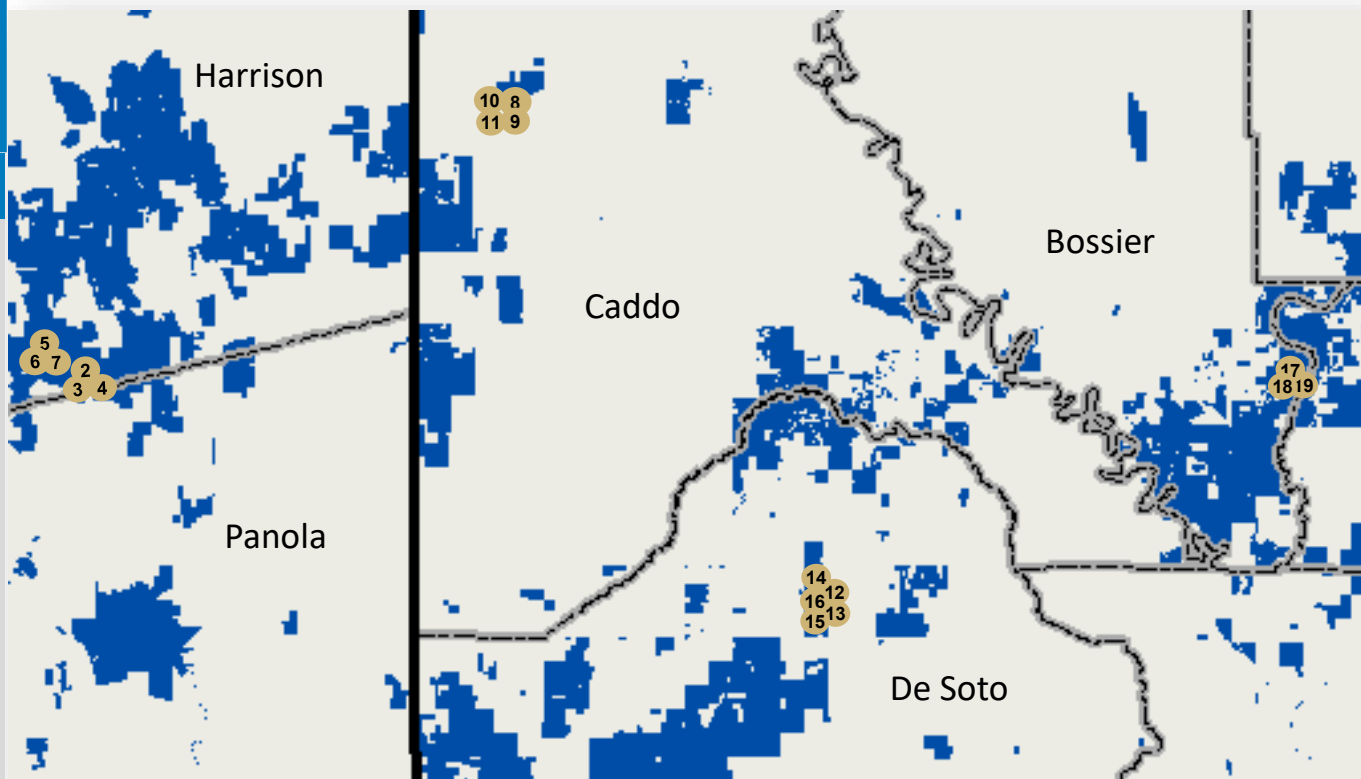




# 4<sup>th</sup> Quarter Drilling Results

Completed 19 operated wells  
(average lateral length of 10,186 ft.)  
with average IP rate of 25 Mmcf/d

	Well Name	LL (feet)	Turned To Sales	IP (Mmcf/d)
1	Cazey Black A #1	7,912	11/07/2022	42
2	Sparks McJimsey A #1	9,247	11/12/2022	20
3	Sparks McJimsey B #2	9,490	11/12/2022	20
4	Sparks MLT #1	12,357	11/13/2022	22
5	Furrr HFG #1	14,979	12/04/2022	25
6	Furrr MFG A #1	15,726	12/04/2023	27
7	Furrr MFG B #2	15,452	12/04/2022	28
8	Colvin 26-35 #1	9,924	12/13/2022	16
9	Colvin 26-35 #2	9,754	12/13/2022	18
10	Colvin 26-35 #3	9,668	12/13/2022	14
11	Colvin 26-35 #4	9,835	12/13/2022	20
12	Boughton 12-1 #1	8,673	12/27/2022	26
13	Boughton 12-1 #2	7,007	12/27/2022	22
14	Davis 36-1 #1	6,769	01/03/2023	19
15	Davis 36-1 #2	7,838	01/03/2023	18
16	Davis 36-1 #3	9,267	01/03/2023	29
17	Moore 33-28 #1	9,971	01/10/2023	33
18	Moore 33-28 #2	9,928	01/10/2023	36
19	Moore 33-28 #3	9,739	01/10/2023	34
		10,186		25



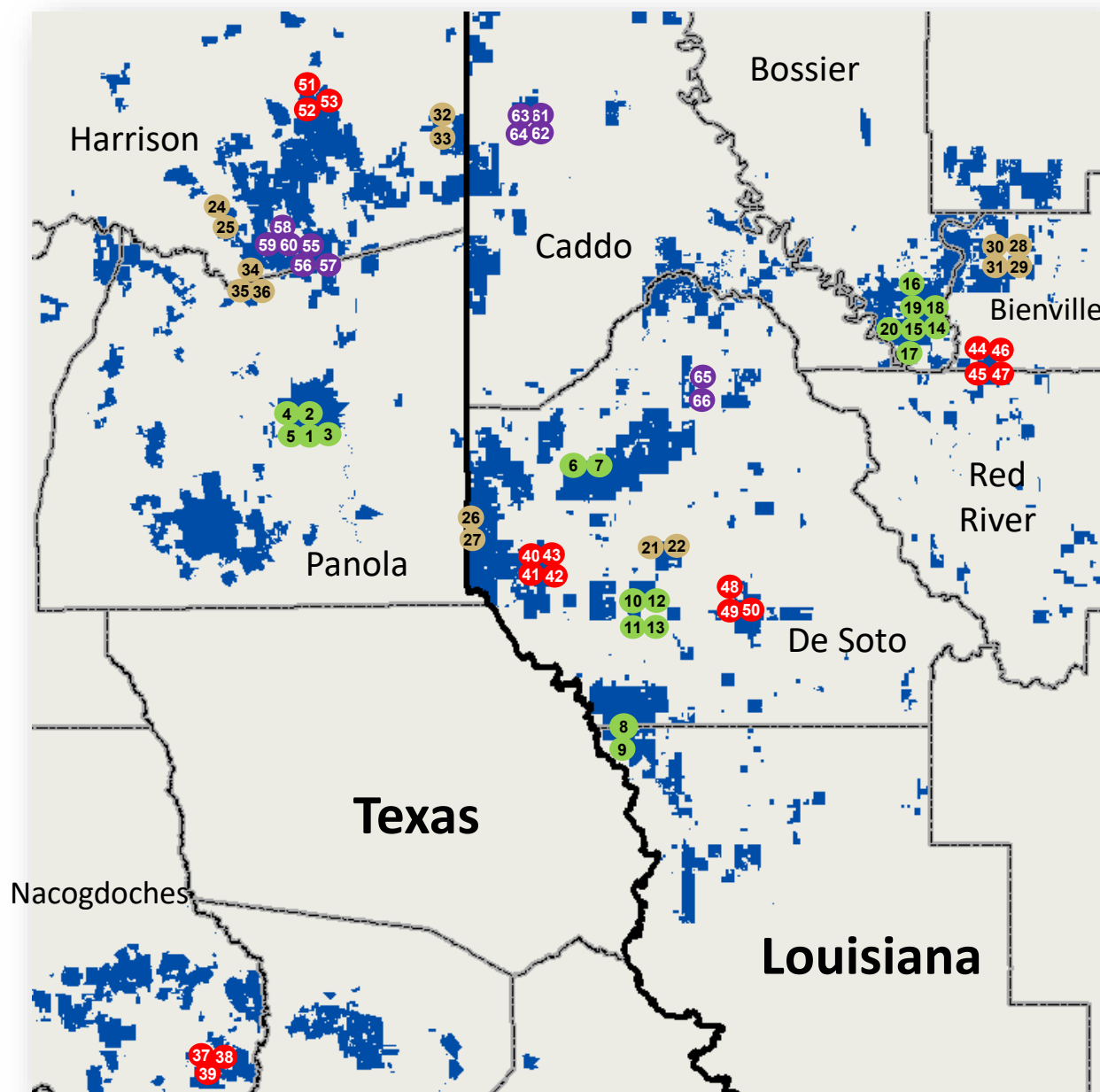
1 Robertson County

Completed 66 operated wells  
(average lateral length of 9,989 ft.)  
with average IP rate of 26 Mmcf/d

Period	Wells TTS	LL (feet)	IP (Mmcf/d)
1Q 2022	20	9,858	26
2Q 2022	16	9,612	26
3Q 2022	17	9,899	29
4Q 2022	13	10,771	23

- 1Q22 TTS
- 2Q22 TTS
- 3Q22 TTS
- 4Q22 TTS

23 54 Robertson County

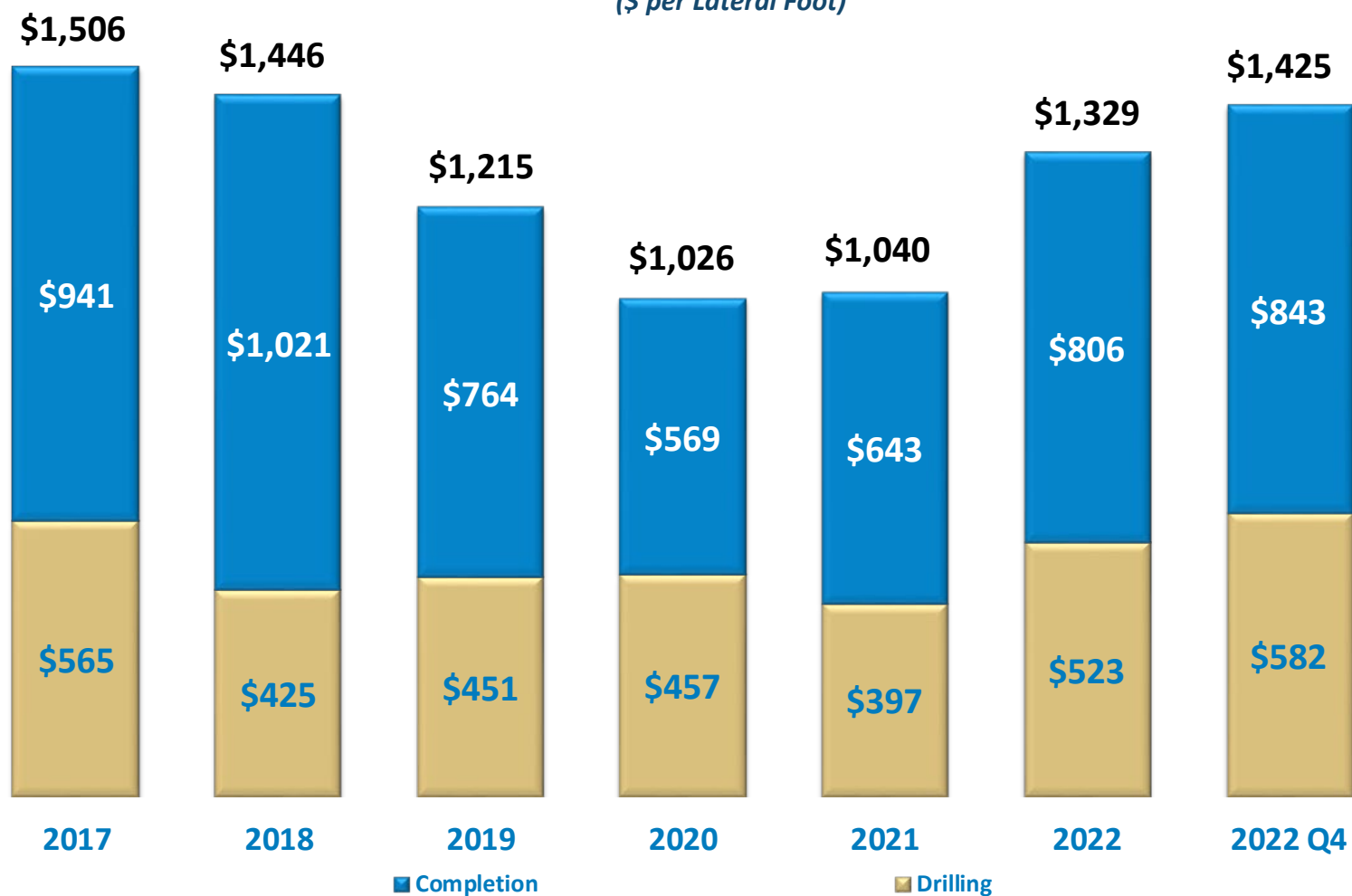




# D&C Costs

*(Laterals > 8,000 ft.)*

*(\$ per Lateral Foot)*





- Will continue to de-risk and delineate our Western Haynesville play with two rig program in 2023
- Managing drilling activity levels to prudently respond to lower gas price environment in 2023
  - Releasing two operated rigs on our legacy Haynesville footprint
  - Focused on maintaining strong balance sheet at current gas prices
  - Will continue to evaluate activity and plan to fund drilling program with operating cash flow
- Industry's lowest cost structure provides acceptable drilling returns at current natural gas prices.
- Plan to retain current quarterly dividend of 12.5¢
- Strong financial liquidity of \$1.6 billion





Guidance	1Q 2023	2023
Production (Mmcfe/d)	1,375 - 1,435	1,425 - 1,550
D&C Costs (\$ in Millions)	\$275 - \$325	\$950 - \$1,150
Infrastructure/Other (\$ in Millions)	\$15 - \$30	\$75 - \$125
Acreage (\$ in Millions)	\$10 - \$20	\$25 - \$35
Expenses (\$/Mcf) -		
Lease Operating (\$/Mcf)	\$0.20 - \$0.24	\$0.20 - \$0.24
Gathering & Transportation (\$/Mcf)	\$0.28 - \$0.32	\$0.28 - \$0.32
Production & Other Taxes (\$/Mcf)	\$0.16 - \$0.20	\$0.16 - \$0.20
DD&A (\$/Mcf)	\$0.95 - \$1.05	\$0.95 - \$1.05
Cash G&A (\$MM)	\$7 - \$9	\$30 - \$34
Non-Cash G&A (\$MM)	\$1.8 - \$2.2	\$7 - \$9
Cash Interest (\$MM)	\$34 - \$36	\$138 - \$140
Non-Cash Interest (\$MM)	\$1.8 - \$2.2	\$7.5 - \$8
Effective Tax Rate (%)	22% - 25%	22% - 25%
Deferred Tax (%)	75% - 80%	75% - 80%









# Hedging Program

Comstock has ~30% of its oil and gas production hedged with wide collars in 2023

(Mmcf/d)

2023	Total	Swaps		
Q1	750	Collars	 750	\$2.97 x \$9.56
2023	Total	Swaps		
Q2	675	Collars	 675	\$3.00 x \$10.17
2023	Total	Swaps		
Q3	250	Collars	 250	\$3.00 x \$10.28
2023	Total	Swaps		
Q4	250	Collars	 250	\$3.00 x \$10.28



# Non-GAAP Financial Measures

Adjusted Net Income				
<i>\$ in thousands except per share amounts</i>	Quarter Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income (loss)	\$ 516,894	\$ 355,990	\$ 1,124,868	\$ (259,225)
Unrealized (gain) loss on hedging contracts	(302,809)	(469,830)	(200,193)	140,934
(Gain) loss on sale of assets	(319)	162,170	(340)	162,077
Non-cash interest amortization from adjusting debt assumed in acquisition to fair value	-	2,659	4,174	12,621
Loss on early retirement of debt	-	-	46,840	352,599
Exploration	4,924	-	8,287	-
Adjustment to income taxes	68,970	47,777	39,011	(106,000)
Adjusted net income	\$ 287,660	\$ 98,766	\$ 1,022,647	\$ 303,006
Adjusted net income per share	\$ 1.05	\$ 0.37	\$ 3.73	\$ 1.16
Diluted shares outstanding	277,032	276,713	277,464	275,663

Adjusted EBITDAX				
<i>\$ in thousands</i>	Quarter Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income (loss)	\$ 519,819	\$ 360,401	\$ 1,140,882	\$ (241,725)
Interest expense	38,888	46,811	171,092	218,322
Income taxes	81,451	85,571	261,061	11,403
Depreciation, depletion, and amortization	134,456	110,075	489,450	469,388
Exploration	4,924	-	8,287	-
Unrealized (gain) loss on hedging contracts	(302,809)	(469,830)	(200,193)	140,934
Stock-based compensation	1,692	1,508	6,610	6,799
Loss on early retirement of debt	-	-	46,840	352,599
(Gain) loss on sale of assets	(319)	162,170	(340)	162,077
Total Adjusted EBITDAX	\$ 478,102	\$ 296,706	\$ 1,923,689	\$ 1,119,797



# Non-GAAP Financial Measures

Operating Cash Flow				
<i>\$ in thousands</i>	Quarter Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income (loss)	\$ 519,819	\$ 360,401	\$ 1,140,882	\$ (241,725)
Reconciling items:				
Loss on early retirement of debt	-	-	46,840	352,599
Deferred income taxes (benefit)	79,928	81,377	228,317	(3,565)
Depreciation, depletion and amortization	134,456	110,075	489,450	469,388
Unrealized (gain) loss on hedging contracts	(302,809)	(469,830)	(200,193)	140,934
Amortization of debt discount and issuance costs	1,713	4,116	10,255	21,703
Stock-based compensation	1,692	1,508	6,610	6,799
(Gain) loss on sale of assets	(319)	162,170	(340)	162,077
Operating cash flow	\$ 434,480	\$ 249,817	\$ 1,721,821	\$ 908,210
Decrease (increase) in accounts receivable	117,211	(24,573)	(242,389)	(121,952)
Decrease (increase) in other current assets	(10,655)	(2,883)	(10,296)	(2,033)
Increase (decrease) in accounts payable and accrued expenses	(72,704)	18,091	229,252	74,780
Net cash provided by operating activities	\$ 468,332	\$ 240,452	\$ 1,698,388	\$ 859,005

Free Cash Flow				
<i>\$ in thousands</i>	Quarter Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Operating cash flow	\$ 434,480	\$ 249,817	\$ 1,721,821	\$ 908,210
Less:				
Drilling and completions expenditures	(302,792)	(140,115)	(1,031,966)	(628,228)
Preferred dividends	(2,925)	(4,411)	(16,014)	(17,500)
Other capital expenditures	(147)	(123)	(803)	(192)
Free cash flow from operations	128,616	105,168	673,038	262,290
Acquisitions of proved and unproved properties	(17,019)	(39,003)	(54,620)	(57,652)
Other asset acquisitions	(1,025)	-	(17,973)	-
Proceeds from divestitures	4,093	138,133	4,186	138,394
Free cash flow	\$ 114,665	\$ 204,298	\$ 604,631	\$ 343,032