

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

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For The Quarter Ended June 30, 2002

OR

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

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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)

Telephone No.: (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  
filing requirements for the past 90 days. Yes  No

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The number of shares outstanding of the registrant's common stock, par  
value \$.50, as of August 12, 2002 was 28,833,561.

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT

For The Quarter Ended June 30, 2002

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2002	December 31, 2001
	-----	-----
	(Unaudited)	
	(In thousands)	
Cash and Cash Equivalents .....	\$ 1,267	\$ 6,122
Accounts Receivable:		
Oil and gas sales .....	25,528	20,015
Joint interest operations .....	1,635	4,717
Derivatives .....	1,338	1,342
Other Current Assets .....	10,109	7,418
Total current assets .....	39,877	39,614
Property and Equipment:		
Unevaluated oil and gas properties .....	17,896	13,416
Oil and gas properties, successful efforts method .....	908,301	901,206
Other .....	2,565	2,633
Accumulated depreciation, depletion and amortization ....	(288,677)	(278,679)
Net property and equipment .....	640,085	638,576
Derivatives .....	25	254
Other Assets .....	6,318	4,627
	-----	-----
	\$ 686,305	\$ 683,071
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Portion of Long-Term Debt .....	\$ 674	\$ 229
Accounts Payable and Accrued Expenses .....	28,990	37,389
Derivatives .....	2,973	798
Total current liabilities .....	32,637	38,416
Long-Term Debt, less current portion .....	384,002	372,235
Deferred Taxes Payable .....	47,352	47,911
Derivatives .....	--	1,053
Reserve for Future Abandonment Costs .....	7,169	7,794
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, 28,833,561 and 28,552,553 shares outstanding at June 30, 2002 and December 31, 2001, respectively .....	14,417	14,276
Additional paid-in capital .....	132,009	130,956
Retained earnings .....	51,562	54,183
Deferred compensation-restricted stock grants .....	(1,069)	(1,187)
Accumulated other comprehensive income (loss) .....	653	(139)
Total stockholders' equity .....	215,145	215,662
	-----	-----
	\$ 686,305	\$ 683,071
	=====	=====



	(In thousands)						
Balance at December 31, 2001...	\$ 17,573	\$ 14,276	\$ 130,956	\$ 54,183	\$ (1,187)	\$ (139)	\$ 215,662
Restricted stock grants.....	--	--	--	--	118	--	118
Value of warrants issued for exploration prospects....	--	--	213	--	--	--	213
Exercise of stock options.....	--	141	840	--	--	--	981
Net loss attributable to common stock.....	--	--	--	(2,621)	--	--	(2,621)
Unrealized hedge gains.....	--	--	--	--	--	792	792
Balance at June 30, 2002.....	\$ 17,573	\$ 14,417	\$ 132,009	\$ 51,562	\$ (1,069)	\$ 653	\$ 215,145

The accompanying notes are an integral part of these statements.

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COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six Months Ended June 30,	
	2002	2001
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) .....	\$ (1,826)	\$ 36,812
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Compensation paid in common stock .....	118	112
Exploration .....	2,981	3,308
Depreciation, depletion and amortization .....	27,515	23,931
Deferred income taxes .....	(375)	16,040
Unrealized losses from derivatives .....	2,499	--
Non-cash effect of discontinued operations, net .....	1,467	(36)
Gain on sale of properties .....	--	(12)
Working capital provided by operations .....	32,379	80,155
Decrease in accounts receivable .....	747	8,128
Increase in other current assets .....	(2,691)	(29)
Increase (decrease) in accounts payable and accrued expenses .....	(8,203)	420
Net cash provided by operating activities .....	22,232	88,674
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of properties .....	300	46
Capital expenditures and acquisitions .....	(37,568)	(59,092)
Net cash used for operating activities .....	(37,268)	(59,046)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings .....	20,736	8,730
Proceeds from issuance of senior notes .....	75,000	--
Debt issuance costs .....	(2,217)	--
Proceeds from common stock issuance .....	981	2,010
Principal payments on debt .....	(83,524)	(46,226)
Preferred stock dividends paid .....	(795)	(795)
Net cash provided by (used for) financing activities.....	10,181	(36,281)
Net decrease in cash and cash equivalents .....	(4,855)	(6,653)
Cash and cash equivalents, beginning of period .....	6,122	7,105
Cash and cash equivalents, end of period .....	\$ 1,267	\$ 452

The accompanying notes are an integral part of these statements.

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COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002

(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 ("Comstock") as of June 30, 2002 and the related results of operations for the three months and six months ended June 30, 2002 and 2001 and cash flows for the six months ended June 30, 2002 and 2001.

The accompanying unaudited consolidated 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 Comstock believes that the disclosures made are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in Comstock's Annual Report on Form 10-K for the year ended December 31, 2001.

The results of operations for the three months and six months ended June 30, 2002 are not necessarily an indication of the results expected for the full year.

Supplementary Information With Respect to the Consolidated Statements of Cash Flows -

	For the Six Months Ended June 30,	
	2002	2001
	-----	-----
	(In thousands)	
Cash Payments -		
Interest payments.....	\$13,436	\$10,680
Income tax payments.....	--	243
Noncash Investing and Financing Activities -		
Value of warrants issued under exploration agreement.....	\$ 327	\$ 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.

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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. Due to the net loss for the six months ended June 30, 2002, common stock equivalents and convertible securities are anti-dilutive. Therefore basic and diluted loss per share for the six months ended June 30, 2002 are the same. Basic and diluted earnings per share for the three months and six months ended June 30, 2002 and 2001 were determined as follows:

For the Three Months Ended June 30,

	2002			2001		
	Income	Shares	Per Share	Income	Shares	Per Share
	(Amounts in thousands except per share data)					
<b>Basic Earnings Per Share:</b>						
Income from Continuing Operations.....	\$ 3,606	28,776		\$ 12,686	29,252	
Less Preferred Stock Dividends.....	(400)	--		(400)	--	
<b>Net Income from Continuing Operations Available to Common Stockholders..</b>	<b>3,206</b>	<b>28,776</b>	<b>\$ 0.11</b>	<b>12,286</b>	<b>29,252</b>	<b>\$ 0.42</b>
Income from Discontinued Operations..	(403)	28,776	(0.01)	152	29,252	0.01
<b>Net Income Available to Common Stockholders.....</b>	<b>\$ 2,803</b>	<b>28,776</b>	<b>\$ 0.10</b>	<b>\$ 12,438</b>	<b>29,252</b>	<b>\$ 0.43</b>
<b>Diluted Earnings Per Share:</b>						
Income from Continuing Operations.....	\$ 3,606	28,776		\$ 12,686	29,252	
Effect of Dilutive Securities:						
Stock Options.....	--	873		--	1,257	
Convertible Preferred Stock.....	--	4,393		--	4,393	
<b>Net Income from Continuing Operations Available to Common Stockholders With Assumed Conversions.....</b>	<b>3,606</b>	<b>34,042</b>	<b>\$ 0.11</b>	<b>12,686</b>	<b>34,902</b>	<b>\$ 0.36</b>
Income from Discontinued Operations..	(403)	34,042	(0.02)	152	34,902	0.01
<b>Net Income Available to Common Stockholders.....</b>	<b>\$ 3,203</b>	<b>34,042</b>	<b>\$ 0.09</b>	<b>\$ 12,838</b>	<b>34,902</b>	<b>\$ 0.37</b>

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COMSTOCK RESOURCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

	For the Six Months Ended June 30,					
	2002			2001		
	Income	Shares	Per Share	Income	Shares	Per Share
	(Amounts in thousands except per share data)					
<b>Basic Earnings Per Share:</b>						
Income (Loss) from						
Continuing Operations.....	\$ (697)	28,678		\$ 36,474	29,127	
Less Preferred Stock Dividends.....	(795)	--		(795)	--	
<b>Net Income (Loss) from Continuing Operations Available to Common Stockholders.....</b>	<b>(1,492)</b>	<b>28,678</b>	<b>\$ (0.05)</b>	<b>35,679</b>	<b>29,127</b>	<b>\$ 1.22</b>
Income (Loss) from Discontinued Operations.....	(1,129)	28,678	(0.04)	338	29,127	0.02
<b>Net Income (loss) Available to Common Stockholders.....</b>	<b>\$ (2,621)</b>	<b>28,678</b>	<b>\$ (0.09)</b>	<b>\$ 36,017</b>	<b>29,127</b>	<b>\$ 1.24</b>
<b>Diluted Earnings Per Share:</b>						
Income (loss) from Continuing Operations				\$ 36,474	29,127	
Effect of Dilutive Securities:						
Stock Options.....				--	1,447	
Convertible Preferred Stock....				--	4,393	
<b>Net Income (Loss) from Continuing Operations Available to Common Stockholders With Assumed Conversions..</b>				<b>36,474</b>	<b>34,967</b>	<b>\$ 1.04</b>
Income (Loss) from Discontinued Operations...				338	34,967	0.01
<b>Net Income (loss) Available to Common Stockholders.....</b>				<b>\$ 36,812</b>	<b>34,967</b>	<b>\$ 1.05</b>

Derivative Instruments and Hedging Activities

Comstock uses swaps, floors and collars to hedge oil and natural gas prices. Swaps are settled monthly based on differences between the prices specified in the instruments and the settlement prices of futures contracts

quoted on the New York Mercantile Exchange. Generally, when the applicable settlement price is less than the price specified in the contract, Comstock receives a settlement from the counterparty based on the difference multiplied by the volume hedged. Similarly, when the applicable settlement price exceeds the price specified in the contract, Comstock pays the counterparty based on the difference. Comstock generally receives a settlement from the counterparty for floors when the applicable settlement price is less than the price specified in the contract, which is based on the difference multiplied by the volumes hedged. For collars, Comstock generally receives a settlement from the counterparty when the settlement price is below the floor and pays a settlement to the counterparty when the settlement price exceeds the cap. No settlement occurs when the settlement price falls between the floor and cap.

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COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

On July 9, 2002, Comstock entered into an agreement with a subsidiary of Enron Corporation ("Enron") to settle all outstanding derivative financial instruments between Comstock and Enron effective as of April 23, 2002. Comstock agreed to pay \$3.0 million to Enron to cancel a natural gas price swap agreement covering 2,466,668 MMBtus at a fixed price of \$2.40 and a natural gas price floor position covering 986,668 MMBtus at \$1.90. Accordingly, these positions have been valued at the settlement price as of June 30, 2002.

The following table sets out the derivative financial instruments, excluding the Enron positions, outstanding at June 30, 2002, which are held for natural gas price risk management:

Period Beginning	Period Ending	Volume (MMBtu)	Type of Instrument	Swap Price	Floor Price	Ceiling Price
July 1, 2002	October 31, 2002	3,040,000	Swap	\$3.44	--	--
July 1, 2002	October 31, 2002	1,600,000	Swap	\$3.50	--	--
July 1, 2002	October 31, 2002	1,440,000	Swap	\$3.48	--	--
July 1, 2002	December 31, 2002	1,275,000	Floor	--	\$2.00	--
July 1, 2002	December 31, 2002	450,000	Collar	--	\$4.00	\$6.75
		7,805,000				
January 1, 2003	December 31, 2003	2,250,000	Floor	--	\$2.00	--
		10,055,000				

Comstock has designated the swap positions which were entered into in March 2002 as cash flow hedges. The floor and collar positions acquired in the acquisition of DevX Energy, Inc. in December 2001 have not been designated as hedges. Comstock realized gains of \$363,000 in the first six months of 2002 on the positions designated as hedges. These gains were included in oil and gas sales. For the three months and six months ended June 30, 2002, Comstock realized gains of \$12,000 and \$403,000, respectively, on the positions not designated as hedges.

Comstock periodically enters into interest rate swap agreements to hedge the impact of interest rate changes on its floating rate long-term debt. Comstock had an interest rate swap agreement covering \$25.0 million of its floating rate debt, which fixed the LIBOR rate at 4.5% for one year through April 2002. Comstock has designated this position as a hedge. As a result of this interest rate hedge, Comstock realized losses of \$218,000 for the six months ended June 30, 2002 which were included in interest expense. As of June 30, 2002, Comstock had no open interest rate derivative financial instruments outstanding.

The fair value of all derivative financial instruments is included on the consolidated balance sheet at the fair value. Comstock estimates fair value based on quotes obtained from the counterparties to the derivative contract. The fair value of derivative contracts that expire in less than one year are recognized as current assets or liabilities. Those that expire in more than one year are recognized as long-term assets or liabilities. Derivative financial instruments that are not accounted for as hedges are adjusted to fair value through income. If the derivative is designated as a cash flow hedge, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings.

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COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Comstock had a loss of \$204,000 and \$2.2 million for the three months and six months ended June 30, 2002, respectively related to the derivative contracts not accounted for hedges. The loss on derivatives for the six months ended June 30, 2002 was comprised of a \$2.6 million unrealized loss and a \$403,000 realized gain. For the derivative contracts designated as cash flow hedges, the change in fair value of these instruments resulted in an unrealized after tax gain of \$792,000 which was recognized in other comprehensive income.

#### New Accounting Standard

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 146, "Accounting for Costs Associated with Exit or Disposal Activities". The Statement establishes accounting and reporting standards that are effective for exit or disposal activities beginning after December 31, 2002 which require that a liability be recognized for an exit or disposal activity when that liability is incurred.

#### (2) LONG-TERM DEBT -

As of June 30, 2002, Comstock's long-term debt was comprised of the following:

	(In thousands)
Revolving Bank Credit Facility....	\$ 164,000
11 1/4% Senior Notes due 2007.....	220,000
Other .....	676
	-----
	384,676
Less current portion.....	(674)
	-----
	\$ 384,002
	=====

Comstock's bank credit facility consists of a \$350.0 million three-year revolving credit commitment provided by a syndicate of banks for which Toronto Dominion (Texas), Inc. serves as administrative agent. The credit facility is subject to borrowing base availability, which is redetermined semiannually based on the banks' estimates of the future net cash flows of Comstock's oil and natural gas properties. The borrowing base at June 30, 2002 was \$250.0 million. The revolving credit line bears interest, based on the utilization of the borrowing base, at the option of Comstock at either (i) LIBOR plus 1.5% to 2.375% or (ii) the base rate plus 0.5% to 1.375%. The facility matures on January 2, 2005. Indebtedness under the bank credit facility is secured by substantially all of Comstock's assets. The bank credit facility contains covenants that, among other things, restrict the payment of cash dividends, limit the amount of consolidated debt and limit Comstock's ability to make certain loans and investments. Financial covenants include the maintenance of a current ratio, maintenance of tangible net worth and maintenance of an interest coverage ratio. Comstock was in compliance with all the covenants during the three months and six months ended June 30, 2002.

Comstock issued \$150.0 million in aggregate principal amount of 11 1/4% Senior Notes due in 2007 (the "Notes") on April 29, 1999. Interest on the Notes is payable semiannually on May 1 and November 1, commencing on November 1, 1999. The Notes are unsecured obligations of Comstock. The Notes can be redeemed beginning on May 1, 2004. Comstock repurchased \$5.0 million of the Notes in July 2001.

#### COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On March 7, 2002, Comstock closed on a private placement of \$75.0 million of the Notes at a net price of 97.25% after placements agents' discount. As a result of this transaction, \$220.0 million of the aggregate principal amount of the Notes are outstanding. The net proceeds from the offering were used to reduce amounts outstanding under the bank credit facility.

#### (3) DISCONTINUED OPERATIONS -

In April 2002, Comstock sold certain marginal oil and gas properties for cash proceeds of \$300,000 plus forgiveness of certain accounts payable related to the properties. The properties sold include various interests in nonoperated properties in Nueces, Hardeman and Montague counties in Texas. The properties sold were written down to the net realizable value in March 2002 resulting in a loss of \$769,000, net of income taxes. In July 2002, Comstock sold certain oil and gas properties in Wharton County, Texas for cash proceeds of \$3.2 million. These properties were written down to their net realizable value as of June 30, 2002 resulting in an after tax loss of \$387,000. The sold properties, including the losses on disposal, have been presented as discontinued operations in the

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders of  
Comstock Resources, Inc.:

We have reviewed the accompanying consolidated balance sheet of Comstock Resources, Inc. and subsidiaries (a Nevada corporation) as of June 30, 2002, and the related consolidated statements of operations for the three and six month periods ended June 30, 2002, and the consolidated statement of cash flows for the six month period ending June 30, 2002. These consolidated 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 consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

(signed) KPMG LLP

Dallas, Texas  
August 6, 2002

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,	
	2002	2001	2002	2001
Net Production Data:				
Oil (Mbbbls).....	335	392	676	804
Natural gas (Mmcf).....	8,534	7,037	16,756	14,440
Natural gas equivalent (Mmcf).....	10,543	9,392	20,812	19,265
Average Sales Price:				
Oil (per Bbl).....	\$ 24.95	\$ 26.97	\$ 22.79	\$ 27.60
Natural gas (per Mcf).....	3.47	5.03	2.93	6.28
Average equivalent price (per Mcfe).....	3.60	4.90	3.10	5.86
Expenses (\$ per Mcfe):				
Oil and gas operating(1).....	\$ 0.80	\$ 0.87	\$ 0.80	\$ 0.91
General and administrative.....	0.10	0.11	0.10	0.09
Depreciation, depletion and amortization(2).....	1.30	1.24	1.29	1.20
Cash Margin (\$ per Mcfe)(3).....	\$ 2.70	\$ 3.92	\$ 2.21	\$ 4.86

(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 -

Our sales of oil and natural gas decreased \$8.0 million (17%) in the second quarter of 2002 to \$38.0 million, from \$46.0 million in 2001's second quarter due to a significant drop in our realized crude oil and natural gas prices. Our average natural gas price decreased by 31% and our average crude oil price fell by 7% in the second quarter of 2002 as compared to 2001. Production in the second quarter of 2002 increased 12% over production in the second quarter of 2001. For the first half of 2002, our oil and gas sales decreased \$48.4 million (43%) to \$64.5 million from \$112.9 million for the six months ended June 30, 2001. The decrease is primarily attributable to 53% lower realized natural gas prices and the 17% lower realized crude oil prices in 2002 as compared to 2001. In the first six months of 2002, production on an equivalent basis, increased by 8%. The increases in production relate to the acquisition of DevX Energy, Inc. ("DevX") which was completed in December 2001.

Other income decreased to \$79,000 in the second quarter of 2002 from \$121,000 from the second quarter of 2001. Other income for the six months ended June 30, 2002 decreased to \$199,000 in 2002 from \$268,000 in 2001. The decreases relate to a decrease in interest earned on our cash deposits resulting from the decline in interest rates.

Costs and Expenses -

Our oil and gas operating expenses, including production taxes, increased \$0.3 million (4%) to \$8.5 million in the second quarter of 2002 from \$8.2 million in the second quarter of 2001. Oil and gas operating expenses per

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

equivalent Mcf produced decreased \$0.07 to \$0.80 in the second quarter of 2002 from \$0.87 in the second quarter of 2001. The increase in operating expenses is related to the lifting costs of properties acquired in the acquisition of DevX, which was partially offset by lower production taxes resulting from the lower oil and gas prices. Oil and gas operating costs for the six months ended June 30, 2002 decreased \$1.0 million (6%) to \$16.6 million from \$17.6 million for the six months ended June 30, 2001. Oil and gas operating expenses per equivalent Mcf produced decreased \$0.11 to \$0.80 for six months ended June 30, 2002 from \$0.91 for the same period in 2001. The decrease is primarily due to lower production taxes as a result of the significantly lower oil and gas prices which is partially offset by the additional operating costs related to the DevX properties.

In the second quarter of 2002, we had a \$1.0 million provision for exploration expense as compared to a \$0.5 million in 2001's second quarter. The provision in the second quarter of 2002 primarily relates to an exploratory dry hole drilled at South Pelto Block 1. For the six months ended June 30, 2002 we had a provision for exploration expenses totaling \$3.0 million as compared to \$3.3 million in the same period in 2001. The 2002 provision primarily related to two offshore exploratory dry holes drilled in 2002.

Depreciation, depletion and amortization ("DD&A") increased \$2.0 million (17%) to \$14.1 million in the second quarter of 2002 from \$12.0 million in the second quarter of 2001 due to a 12% increase in our production and a 5% increase in average amortization rate. DD&A per equivalent Mcf produced increased by \$0.06 to \$1.30 for the three months ended June 30, 2002 from \$1.24 for the quarter ended June 30, 2001. For the six months ended June 30, 2002, DD&A increased \$3.6 million (15%) to \$27.5 million from \$23.9 million for the six months ended June 30, 2001. The increase is also due to the 8% increase in production and a higher average amortization rate. DD&A per equivalent Mcf increased by \$0.09 to \$1.29 for the six months ended June 30, 2002 from \$1.20 for the six months ended June 30, 2001.

General and administrative expenses, which are reported net of overhead reimbursements, of \$1.1 million for the second quarter of 2002 were 8% higher than general and administrative expenses of \$1.0 million for the second quarter of 2001. For the first six months of 2002, general and administrative expenses increased to \$2.0 million from \$1.8 million for the six months ended June 30, 2001. The increases are due primarily to an increase in our personnel costs in 2002.

Interest expense increased \$2.7 million (55%) to \$7.7 million for the second quarter of 2002 from \$5.0 million in the second quarter of 2001. Interest expense for the six months ended June 30, 2002 increased \$4.0 million (39%) to \$14.5 million from \$10.5 million for the six months ended June 30, 2001. The increases are attributable to higher borrowings outstanding under our bank credit facility and the issuance of an additional \$75.0 million of our 11 1/4% Senior Notes on March 7, 2002. The increase in debt is attributable to borrowings made to finance the DevX acquisition. The average outstanding balance under our bank credit facility increased to \$165.9 million and \$182.9 million in the second quarter of 2002 and the six months ended June 30, 2002, respectively, as compared to \$52.4 million and \$61.4 million in the second quarter of 2001 and six months ended June 30, 2001, respectively. The higher debt was offset

partially by a lower interest rate on our bank credit facility. The weighted average annual interest rate for borrowings under our bank credit facility decreased to 3.6% for the second quarter of 2002 as compared to 5.8% for the second quarter of 2001. The weighted average annual rate for the first half of 2002 was 3.9% as compared to 6.6% for the first half of 2001.

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

Comstock reported net income from continuing operations of \$3.2 million for the three months ended June 30, 2002, as compared to net income from continuing operations of \$12.3 million for the three months ended June 30, 2001. Net income per share from continuing operations for the second quarter was \$0.11 on weighted average diluted shares outstanding of 34.0 million as compared to \$0.36 for the second quarter of 2001 on weighted average diluted shares outstanding of 34.9 million. The net loss from continuing operations for the six months ended June 30, 2002 was \$1.5 million, as compared to net income of \$35.7 million for the six months ended June 30, 2001. The net loss from continuing operations per common share for the six months ended June 30, 2002 was \$0.05 as compared to \$1.22 (\$1.04 per diluted common share) for the six months ended June 30, 2001.

In April 2002 and July 2002, we sold certain oil and gas properties, which resulted in a loss of \$1.8 million. The operating results of these properties have been reflected as discontinued operations in the consolidated financial statements including the losses on disposal.

Liquidity and Capital Resources

Funding for our activities has historically been provided by our operating cash flow, debt or equity financings or asset dispositions. For the six months ended June 30, 2002, our net cash flow provided by operating activities before changes to other working capital accounts totaled \$32.4 million. Our other primary funding sources in the first six months of 2002 were borrowings of \$20.0 million under our bank credit facility and proceeds of \$75.0 million received from the issuance of our 11 1/4% Senior Notes.

Our primary needs for capital, in addition to funding our ongoing operations, relate to the acquisition, development and exploration of our oil and gas properties and the repayment of our debt. For the six months ended June 30, 2002, we incurred capital expenditures of \$37.6 million for development and exploration activities. We also repaid \$83.0 million of borrowings under our bank credit facility.

The following table summarizes our capital expenditure activity for the six months ended June 30, 2002 and 2001:

	Six Months Ended June 30,	
	2002	2001
	-----	-----
	(In thousands)	
	-----	-----
Acquisitions .....	\$ --	\$ 250
Leasehold costs .....	5,391	6,804
Development drilling .....	11,504	25,178
Exploratory drilling .....	15,510	23,539
Offshore production facilities	2,323	306
Workovers and recompletions ..	2,745	2,933
Other .....	95	82
	-----	-----
	\$37,568	\$59,092
	=====	=====

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

The timing of most of our capital expenditures is discretionary because we have no material long-term capital expenditure commitments. Consequently, we have a significant degree of flexibility to adjust the level of our capital expenditures as circumstances warrant. We spent \$37.5 million and \$58.8 million on development and exploration activities in the six months ended June 30, 2002 and 2001, respectively. We have budgeted approximately \$75.0 million for development and exploration projects in 2002. We expect to use internally generated cash flow to fund development and exploration activity.

We do not have a specific acquisition budget for 2002 since the timing and

size of acquisitions are not predictable. We intend to use borrowings under our 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 our financial condition and performance and some of which will be beyond our control, such as prevailing interest rates, oil and natural gas prices and other market conditions.

On December 17, 2001, we entered into a new three year \$350.0 million revolving credit facility with Toronto Dominion (Texas), Inc. as administrative agent. Indebtedness under the new bank credit facility is secured by substantially all of our assets. The revolving credit line is subject to borrowing base availability, which will be redetermined semiannually based on the banks' estimates of the future net cash flows of our oil and gas properties. The current borrowing base is \$250.0 million. The borrowing base may be affected by the performance of our properties and changes in oil and gas prices. The determination of the borrowing base is at the sole discretion of the administrative agent and the bank group. The revolving credit line bears interest, based on the utilization of the borrowing base, at our option at either (i) LIBOR plus 1.5% to 2.375% or (ii) the base rate plus 0.5% to 1.375%. The bank credit facility matures on January 2, 2005 and contains covenants that, among other things, restrict our ability to pay cash dividends, limit the amount of our consolidated debt and limit our ability to make certain loans and investments. Financial covenants include the maintenance of a current ratio, maintenance of tangible net worth and maintenance of an interest coverage ratio.

On March 7, 2002, we closed the sale in a private placement of \$75.0 million of our 11 1/4% Senior Notes due 2007 (the "Notes") at a net price of 97.25% after the placements agents' discount. As a result of this transaction, \$220.0 million of aggregate principal amount of the Notes were outstanding. The net proceeds were used to reduce amounts outstanding under our bank credit facility.

We believe that our cash flow from operations and our available borrowings under the new bank credit facility will be sufficient to fund our operations and future growth as contemplated under our current business plan. However, if our plans or assumptions change or if our assumptions prove to be inaccurate, we may be required to seek additional capital. We cannot provide any assurance that we will be able to obtain such capital, or if such capital is available, that we will be able to obtain it on acceptable terms.

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope. These attacks caused major instability in the U.S. and other financial markets. Leaders of the U.S. government have announced their intention to actively pursue those behind the attacks and to possibly initiate broader action against global terrorism. The attacks and any response may lead to armed hostilities or further acts of terrorism in the United States or elsewhere, and such developments, coupled with the recent turmoil created by

various high-profile accounting scandals, would likely cause further instability in financial markets. The prices for oil and natural gas are volatile, and the recent terrorist attacks and future developments may increase the volatility of such prices. These developments may subject our operations to increased risks and, depending on their magnitude, could have a material adverse effect on our financial condition and results of operations, which, in all likelihood, would impair our ability to pay interest and repay the principal on our outstanding debt. Our business success also depends somewhat on factors beyond our control, including changes in national and local economic conditions, interest rates and federal, state and local laws. Any substantial deterioration in any of the foregoing conditions could have a material adverse effect on our financial condition and results of operations, which, in all likelihood, would impair our ability to pay interest and repay the principal on our outstanding debt.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

#### Oil and Natural Gas Prices

Our financial condition, results of operations and capital resources are highly dependent upon the prevailing market prices of oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond our control. Factors influencing oil and natural gas prices include the level of global demand for crude oil, the foreign supply of oil and natural gas, the establishment of and compliance with production quotas by oil exporting countries, weather conditions that determine the demand for natural gas, the price and availability of alternative fuels and overall economic conditions. It is impossible to predict future oil and natural gas prices with any degree of certainty. Sustained weakness in oil and natural gas prices may adversely affect our financial condition and results of operations, and may also reduce the amount of oil and natural gas reserves that we can produce economically. Any reduction in our oil and natural gas reserves, including reductions due to price fluctuations, can have an adverse effect on our ability to obtain capital for our exploration and development activities. Similarly, any improvements in oil and natural gas prices can have a favorable impact on our financial condition, results of operations and capital resources. Based on our oil and natural gas production in the six months ended June 30,

2002, a \$1.00 change in the price per barrel of oil would have resulted in a change in our cash flow for such period by approximately \$16.1 million and a \$1.00 change in the price per Mcf of natural gas would have changed our cash flow by approximately \$0.7 million.

We periodically use hedging transactions with respect to a portion of our oil and natural gas production to mitigate our exposure to price changes. While the use of these hedging arrangements limits the downside risk of price declines, such use may also limit any benefits that may be derived from price increases. We use swaps, floors and collars to hedge oil and natural gas prices. Swaps are settled monthly based on differences between the prices specified in the instruments and the settlement prices of futures contracts quoted on the New York Mercantile Exchange. Generally, when the applicable settlement price is less than the price specified in the contract, we receive a settlement from the counterparty based on the difference multiplied by the volume hedge. Similarly, when the applicable settlement price exceeds the price specified in the contract, we pay the counterparty based on the difference. We generally receive a settlement from the counterparty for floors when the applicable settlement price is less than the price specified in the contract, which is based on the difference multiplied by the volumes hedged. For collars, we generally receive a settlement from the counterparty when the settlement price is below the floor and pay a settlement to the counterparty when the settlement price exceeds the cap. No settlement occurs when the settlement price falls between the floor and cap.

In March 2002, we hedged a portion of our natural gas production for the period April 2002 through October 2002 in order to increase the predictability of our cash flow from operations in order to support our planned 2002 drilling program. The hedges cover approximately 45% to 50% of our expected 2002 natural

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gas production from April 2002 to October 2002. We entered into price swaps covering 50 MMBtus per day of our natural gas production at an average price of \$3.46. The price swaps are settled using the closing index price for natural gas delivered to the Houston Ship Channel for 38.2 MMBtus per day and the closing contract price for natural gas delivered to the Henry Hub on the New York Mercantile Exchange for 11.8 MMBtus per day. For the first six months of 2002 we realized gains of \$363,000 on these hedge positions.

On July 9, 2002, Comstock entered into an agreement with a subsidiary of Enron Corporation ("Enron") to settle all outstanding derivative financial instruments between Comstock and Enron effective as of April 23, 2002. Comstock agreed to pay \$3.0 million to Enron to cancel a natural gas price swap agreement covering 2,466,668 MMBtus at a fixed price of \$2.40 and a natural gas price floor position covering 986,668 MMBtus at \$1.90.

The following table sets out the derivative financial instruments outstanding at June 30, 2002, excluding the Enron positions, which are held for natural gas price risk management:

Period Beginning	Period Ending	Volume (MMBtu)	Type of Instrument	Swap Price	Floor Price	Ceiling Price
July 1, 2002	October 31, 2002	3,040,000	Swap	\$3.44	--	--
July 1, 2002	October 31, 2002	1,600,000	Swap	\$3.50	--	--
July 1, 2002	October 31, 2002	1,440,000	Swap	\$3.48	--	--
July 1, 2002	December 31, 2002	1,275,000	Floor	--	\$2.00	--
July 1, 2002	December 31, 2002	450,000	Collar	--	\$4.00	\$6.75
		7,805,000				
January 1, 2003	December 31, 2003	2,250,000	Floor	--	\$2.00	--
		10,055,000				

The fair value of the commodity price derivative financial instruments at June 30, 2002 was a net liability of \$1.6 million. Certain of the positions have not been designated as cash flow hedges. Changes in fair value of the derivative financial instruments not designated as cash flow hedges are recorded in earnings.

#### Interest Rates

At June 30, 2002, we had long-term debt of \$384.0 million. Of this amount, \$220.0 million bears interest at a fixed rate of 11 1/4%. We had \$164.0 million outstanding under our revolving bank credit facility, which is subject to floating market rates of interest. Borrowings under the bank credit facility bear interest at a fluctuating rate that is linked to LIBOR or the corporate base rate, at our option. Any increases in these interest rates can have an adverse impact on our results of operations and cash flow. In March 2001, we entered into an interest rate swap agreement to hedge the impact of interest rate changes on \$25.0 million of our floating rate debt beginning on April 30, 2001 and expiring on April 30, 2002. As a result of this interest rate swap, we realized a loss of \$218,000 in the first six months of 2002. As of June 30,

PART II - OTHER INFORMATION

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

- 10.1\*# Employment Agreement dated June 1, 2002, by and between Comstock and M. Jay Allison.
- 10.2\*# Employment Agreement dated June 1, 2002, by and between Comstock and Roland O. Burns.
- 15.1\* Awareness Letter of KPMG LLP.
- 99.1\* Certification for the Chief Executive Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2\* Certification for the Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.

\*Filed herewith.

# Management contract or compensatory plan document.

b. Reports on Form 8-K

Form 8-K Reports filed subsequent to March 31, 2002 are as follows:

Date	Item	Description
April 26, 2002	4	Changes in registrant's certifying accountant

SIGNATURES

Pursuant to the requirements 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.

/s/M. JAY ALLISON

Date August 12, 2002  
 M. Jay Allison, Chairman, President and Chief Executive Officer (Principal Executive Officer)

/s/ROLAND O. BURNS

Date August 12, 2002  
 Roland O. Burns, Senior Vice President, Chief Financial Officer, Secretary, and Treasurer (Principal Financial and Accounting Officer)

## EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") executed by and between COMSTOCK RESOURCES, INC., a Nevada corporation (the "Company") with principal offices in Frisco, Texas, and M. JAY ALLISON ("Employee").

1. Employment. The Company hereby agrees to employ Employee, and Employee hereby agrees to render his exclusive service to the Company, in his current capacity of President and Chief Executive Officer of the Company, with such duties as may be assigned to him from time to time by the Board of Directors.

2. Term of Agreement. This Agreement shall be effective commencing on June 1, 2002 (the effective date of this Agreement). This Agreement shall, as of its first anniversary, and on each annual anniversary thereof, be extended automatically, without further action by the Employee or the Company, for an additional one (1) year, so that there shall, as of June 1 of each year, be three (3) years remaining in the term of this Agreement (the "Employment Period"), subject to earlier termination as hereinafter provided.

3. Place of Employment. Unless otherwise agreed by the Company and Employee, throughout the term of this Agreement, Employee's business office shall be located in Frisco, Texas.

4. Base Compensation. Employee shall be compensated by the Company at a minimum base rate of \$27,000.00 per month, payable semimonthly on the fifteenth and final days of each month during the period of Employee's employment under this Agreement, subject to such increases and additional payments as may be determined from time to time by the Board of Directors of the Company in its sole discretion. Employee shall also be entitled to participate in any Company discretionary bonus plan. Such compensation shall be in addition to any group insurance, pension, profit sharing, and other employee benefits, which are extended from time to time to Employee in the discretion of the Board of Directors of the Company and for which Employee is eligible. Subject to such rules and procedures as are from time to time specified by the Company, the Company shall also reimburse Employee for all reasonable expenses incurred by him on behalf of the Company.

5. Performance of Services. Employee shall devote his full working time to the business of the Company; provided, however, Employee shall be excused from performing any services for the Company hereunder during periods of temporary incapacity and during vacations conforming to the Company's standard vacation policy, without thereby in any way affecting the compensation to which he is entitled hereunder.

6. Continuing Obligations. In order to induce the Company to enter into this Agreement, the Employee hereby agrees that all documents, records, techniques, business secrets and other information which have come into his possession from time to time during his employment by the Company or which may

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come into his possession during his employment hereunder, shall be deemed to be confidential and proprietary to the Company and the Employee further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed. In the event of a breach or threatened breach by the Employee of the provisions of this Paragraph 6, the Company shall, in addition to any other available remedies, be entitled to an injunction restraining Employee from disclosing, in whole or in part, any such information or from rendering any services to any person, firm or corporation to whom any of such information may have been disclosed or is threatened to be disclosed.

7. Property of Company. All data, drawings, and other records and written material prepared or compiled by Employee or furnished to Employee while in the employ of the Company shall be the sole and exclusive property of the Company, and none of such data, drawings or other records, or copies thereof, shall be retained by Employee upon termination of his employment. Notwithstanding the foregoing, Employee shall be under no obligation to return public information.

8. Surviving Provisions. The provisions of Paragraphs 6 and 7 of this Agreement shall continue to be binding upon Employee in accordance with their terms, notwithstanding termination of Employee's employment hereunder for any reason.

9. Death or Disability. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period. If the Company determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice of its intention to terminate the Employee's employment. In such event, the Employee's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties

with the Company on a full-time basis for 150 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee's legal representative.

10. Termination for Good Reason. The Employee's employment may be terminated by the Employee for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

- (a) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by paragraph 1. of this Agreement;
- (b) any purported termination by the Company of the Employee's employment otherwise than as expressly permitted by this Agreement;
- (c) any failure by the Company to comply with and satisfy paragraph 18(a) of this Agreement,

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- (d) the Company's requiring the Employee to reside in or be based at any office or location other than as provided in Paragraph 3 of this Agreement, or
- (e) following a Change in Control, the Company's requiring the Employee to travel on Company business to a substantially greater extent than during any period prior to the Change in Control.

Any good faith determination of "Good Reason" made by the Employee shall be conclusive.

11. Termination for Cause. It is agreed and understood that the Company cannot terminate the employment of the Employee under this Agreement except for Cause, which shall mean:

- (a) Should Employee for reasons other than illness or injury absent himself from his duties without the consent of the Company (which consent shall not be unreasonably withheld) for more than twenty (20) consecutive days;
- (b) Should Employee be convicted of a felony involving moral turpitude;
- (c) Should Employee during the period of his employment by the Company engage in any activity that would in the opinion of the Board of Directors of the Company constitute a material conflict of interest with the Company; provided that termination for Cause based on this subparagraph (c) shall not be effective unless the Employee shall have received written notice from the Board of Directors of the Company of such activity (which notice shall also include a demand for the Employee to cease the activity giving rise to the conflict of interest) fifteen (15) days prior to his termination and the Employee has failed after receipt of such notice to cease all activities creating the conflict of interest; or
- (d) Should Employee be grossly negligent in the performance of his duties hereunder, or materially in breach of his duties and obligations under this Agreement; provided that termination for Cause based on this subparagraph (d) shall not be effective unless the Employee shall have received written notice from the Board of Directors of the Company (which notice shall include a description of the reasons and circumstances giving rise to such notice) fifteen (15) days prior to his termination and the Employee has failed after receipt of such notice to satisfactorily discharge the performance of his duties hereunder or to comply with the terms of this Agreement, as the case may be.

The Company may terminate Employee's employment for Cause under this Agreement without advance notice, except as otherwise specifically provided for in subparagraphs (c) and (d) above. Termination shall not affect any of the Company's other rights and remedies.

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12. Obligations of the Company upon Termination.

- (a) Good Reason or Involuntary Termination Other Than for Cause. If, during the Employment Period, the Company shall terminate the

Employee's employment other than for Cause or the Employee shall terminate employment for Good Reason, the Company shall pay to the Employee in a lump sum in cash within 30 days after the date of termination the aggregate of the following amounts:

- (1) the sum of (A) the Employee's annual base salary through the date of termination to the extent not theretofore paid, (B) the product of the annual bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Employee was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period (the "Fiscal Year Bonus"), if any, and a fraction, the numerator of which is the number of days in the current fiscal year through the date of termination, and the denominator of which is 365, and (C) any compensation previously deferred by the Employee (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (A), (B) and (C) shall be hereinafter referred to as the "Accrued Obligations"); and
- (2) an amount equal to 1.5 times the sum of the Employee's annual base salary and the Fiscal Year Bonus; and for eighteen (18) months after the Employee's date of termination, the Company shall continue group medical benefits to the Employee and/or the Employee's family at least equal to those which would have been provided to them in accordance with the plans if the Employee's employment had not been terminated; provided, however, that if the Employee becomes re-employed with another employer and is eligible to receive group medical benefits under another employer-provided plan, the medical benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility.

In addition, the Company shall, at its sole expense as incurred, provide the Employee with outplacement services, the scope and provider of which shall be selected by the Employee in his sole discretion, and the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.

- (b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, the Company shall pay to the Employee's legal representatives the sum of (1) the Accrued Obligations, and (2) an amount equal to six months'

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annualized total compensation. Such amounts shall be paid in a lump sum in cash within 30 days of the date of termination.

- (c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment of Accrued Obligations. Accrued Obligations shall be paid to the Employee in a lump sum in cash within 30 days of the date of termination. In addition, the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.
- (d) Cause or Voluntary Termination Other than for Good Reason. If the Employee's employment shall be terminated for Cause during the Employment Period, or if the Employee voluntarily terminates his employment other than for Good Reason, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his annual base salary through the date of termination and the amount of any compensation previously deferred by the Employee. Such amounts shall be paid to the Employee in a lump sum in cash within 30 days of the date of termination.

13. Change in Control. For the purposes of this Agreement, a "Change in Control" shall mean:

- (a) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Employer cease for any reason to constitute a majority thereof (unless the election, or nomination for election by Employer's stockholders, of such director was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved);
- (b) a third person, including a "group" as defined in Paragraph

15(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of any class of the Company's stock having 20% or more of the total number of votes that may be cast for the election of directors of the Company; or (c) consummation of a merger or other business combination of the Company with or into another corporation pursuant to which the Company does not survive or survives only as a subsidiary of another corporation, the sale or other disposition of all or substantially all of the assets of the Company, or any combination of the foregoing.

For purposes hereof, a person will be deemed to be the beneficial owner of any voting securities of the Company which it would be considered to beneficially own under Securities and Exchange Commission Rule 13d-3 (or any similar or superseding statute or rule from time to time in effect).

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14. Termination of Employment Following a Change of Control. Following a Change of Control, if the Employee's employment is terminated for any reason other than Cause, death or Disability, or if the Employee voluntarily terminates his employment (a) within a period of six (6) months following the Change of Control, or (b) for Good Reason, then the Company shall pay to the Employee the Accrued Obligations and an amount equal to 2.99 times the sum of the Employee's annual base salary and the highest annual bonus paid to the Employee during the Employee's tenure with the Company; and for eighteen (18) months after the Employee's date of termination, the Company shall continue group medical benefits to the Employee and/or the Employee's family at least equal to those which would have been provided to them in accordance with the plans if the Employee's employment had not been terminated; provided, however, that if the Employee becomes re-employed with another employer and is eligible to receive group medical benefits under another employer provided plan, the medical benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. In addition, the Company shall, at its sole expense as incurred, provide the Employee with outplacement services, the scope and provider of which shall be selected by the Employee in his sole discretion, and the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.

15. Certain Additional Payments by the Company.

- (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Employee (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this paragraph 15) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Employee with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Employee shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Employee of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.
- (b) Subject to the provisions of paragraph 15(c), all determinations required to be made under this paragraph 15, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by KPMG Peat Marwick LLP or such other certified public accounting firm as may be designated by the Employee (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Employee within 15 business days of the receipt of notice from the Employee that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Employee shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All

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fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this paragraph 15 shall be paid by the Company to the Employee within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon

the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to paragraph 15(c) and the Employee thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee.

- (c) The Employee shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Employee is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Employee in writing prior to the expiration of such period that it desires to contest such claim, the Employee shall:
- (1) give the Company any information reasonably requested by the Company relating to such claim,
  - (2) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
  - (3) cooperate with the Company in good faith in order effectively to contest such claim, and
  - (4) permit the Company to participate in any proceedings relating to such claim;

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provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Employee harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation of the foregoing provisions of this paragraph 15(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Employee to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Employee, on an interest-free basis and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Employee with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

- (d) If, after the receipt by the Employee of an amount advanced by the Company pursuant to Paragraph 15(c), the Employee becomes entitled to receive any refund with respect to such claim, the Employee shall (subject to the Company's complying with the requirements of Paragraph 15(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Employee of an amount

advanced by the Company pursuant to Paragraph 15(c), a determination is made that the Employee shall not be entitled to any refund with respect to such claim and the Company does not notify the Employee in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

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16. Payment of Certain Costs of Employee. If a dispute arises regarding the interpretation or enforcement of this Agreement, all legal fees and expenses incurred by the Employee in seeking to obtain or enforce any right or benefit provided for in this Agreement or in otherwise pursuing his claim will be paid by the Company, to the extent permitted by law. The Company further agrees to pay prejudgment interest on any money judgment obtained by the Employee calculated at the First National Bank of Chicago N.A. prime interest rate in effect from time to time from the date that payment(s) to him should have been made under this Agreement.

17. Indemnification; Directors and Officers Insurance. The Company shall (a) during the Employment Period and thereafter without limitation of time, indemnify and advance expenses to the Employee to the fullest extent permitted by the laws of the State of Nevada from time to time in effect and (b) during the Employment Period, acquire and maintain directors and officers liability insurance covering the Employee (and to the extent the Company desires, other directors and officers of the Company and its affiliated companies) to the extent it is available at commercially reasonable rates as determined by the Board; provided, however, that in no event shall the Employee be entitled to indemnification or advancement of expenses under this Paragraph 17 with respect to any proceeding, or matter therein, brought or made by the Employee against the Company other than one initiated by the Employee to enforce the Employee's advancement of expenses as provided in this Paragraph 17 shall not be deemed exclusive of any other rights to which the Employee may at any time be entitled under applicable law, the certificate of incorporation or bylaws of the Company, any agreement, a vote of stockholders, a resolution of the Board, or otherwise. The provisions of this Paragraph 17 shall continue in effect notwithstanding termination of the Employee's employment hereunder for any reason, including, without limitation, Employee's voluntary termination. In furtherance thereof, and not by way of limitation, the Company shall reimburse Employee for all reasonable legal fees and expenses incurred by Employee in connection with Employee's obtaining and enforcing any right or benefit provided by this Agreement. The reimbursement of such legal fees and expenses shall be made within 30 days after Employee's request for payment accompanied by evidence of the fees and expenses incurred. For a period of ten (10) years after the termination, for any reason, of Employee's employment with the Company, the Company shall indemnify, hold harmless and defend Employee, to the fullest extent permitted by applicable law, from and against any loss, cost or expense related to or arising out of any action or claim with respect to (i) the Company or its affiliated companies or (ii) any action taken or omitted by the Employee (INCLUDING, BUT NOT LIMITED TO, MATTERS THAT CONSTITUTE NEGLIGENCE OF THE EMPLOYEE) for or on behalf of the Company or its affiliated companies, whether, in either case, such action or claim, or the facts and circumstances giving rise thereto, occurred or accrued before or after such termination of employment.

18. Mitigation. The Employee is not required to mitigate the amount of any payments to be made by the Company pursuant to this Agreement by seeking other employment or otherwise.

19. Successors.

- (a) Except as may otherwise be provided under any other written agreement between the Company and the Employee with respect to the terms of Employee's employment in the event of a Change of

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Control of the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined, any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 19 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

20. No Inconsistent Obligations. Employee represents and warrants that he has not previously assumed any obligations inconsistent with those of this Agreement.

21. Modification. This Agreement shall be in addition to all previous agreements, written or oral, relating to Employee's employment by the Company, and shall not be changed orally, but only by a written instrument to which the Company and the Employee are both parties.

22. Binding Effect. This Agreement and the rights and obligations hereunder shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, and shall also bind and inure to the benefit of any successor of the Company by merger or consolidation or any assignee of all or substantially all of its properties.

23. Bankruptcy. Notwithstanding anything in this Agreement to the contrary, the insolvency or adjudication of bankruptcy of the Company, whether voluntary or involuntary, shall terminate this Agreement and the rights and obligations of Company and Employee hereunder shall be of no further force or effect.

24. Law Governing. This Agreement made, accepted and delivered in Collin County, Texas, is performable in Collin County, Texas, and it shall be construed and enforced according to the laws of the State of Texas. Venue shall lie in Collin County, Texas for the purpose of resolving and enforcing any dispute which may arise under this Agreement and the parties agree that they will submit themselves to the jurisdiction of the competent State or Federal Court situated in Collin County, Texas.

25. Invalid Provision. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be impaired thereby.

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26. Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

IF TO THE EMPLOYEE:

Mr. M. Jay Allison  
#3 Post-N-Paddock  
Frisco, TX 75035

IF TO THE COMPANY:

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

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

EXECUTED and effective as to this 1st day of June, 2002.

COMSTOCK RESOURCES, INC.

By: /s/ROLAND O. BURNS

-----  
Name: Roland O. Burns  
Title: Senior Vice President and  
Chief Financial Officer

EMPLOYEE:

By: /s/M. JAY ALLISON

-----  
Name: M. Jay Allison

## EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") executed by and between COMSTOCK RESOURCES, INC., a Nevada corporation (the "Company") with principal offices in Frisco, Texas, and ROLAND O BURNS ("Employee").

1. Employment. The Company hereby agrees to employ Employee, and Employee hereby agrees to render his exclusive service to the Company, in his current capacity of Senior Vice President and Chief Financial Officer of the Company, with such duties as may be assigned to him from time to time by the Board of Directors.

2. Term of Agreement. This Agreement shall be effective commencing on June 1, 2002 (the effective date of this Agreement). This Agreement shall, as of its first anniversary, and on each annual anniversary thereof, be extended automatically, without further action by the Employee or the Company, for an additional one (1) year, so that there shall, as of June 1 of each year, be three (3) years remaining in the term of this Agreement (the "Employment Period"), subject to earlier termination as hereinafter provided.

3. Place of Employment. Unless otherwise agreed by the Company and Employee, throughout the term of this Agreement, Employee's business office shall be located in Frisco, Texas.

4. Base Compensation. Employee shall be compensated by the Company at a minimum base rate of \$15,833.33 per month, payable semimonthly on the fifteenth and final days of each month during the period of Employee's employment under this Agreement, subject to such increases and additional payments as may be determined from time to time by the Board of Directors of the Company in its sole discretion. Employee shall also be entitled to participate in any Company discretionary bonus plan. Such compensation shall be in addition to any group insurance, pension, profit sharing, and other employee benefits, which are extended from time to time to Employee in the discretion of the Board of Directors of the Company and for which Employee is eligible. Subject to such rules and procedures as are from time to time specified by the Company, the Company shall also reimburse Employee for all reasonable expenses incurred by him on behalf of the Company.

5. Performance of Services. Employee shall devote his full working time to the business of the Company; provided, however, Employee shall be excused from performing any services for the Company hereunder during periods of temporary incapacity and during vacations conforming to the Company's standard vacation policy, without thereby in any way affecting the compensation to which he is entitled hereunder.

6. Continuing Obligations. In order to induce the Company to enter into this Agreement, the Employee hereby agrees that all documents, records, techniques, business secrets and other information which have come into his possession from time to time during his employment by the Company or which may come into his possession during his employment hereunder, shall be deemed to be

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confidential and proprietary to the Company and the Employee further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed. In the event of a breach or threatened breach by the Employee of the provisions of this Paragraph 6, the Company shall, in addition to any other available remedies, be entitled to an injunction restraining Employee from disclosing, in whole or in part, any such information or from rendering any services to any person, firm or corporation to whom any of such information may have been disclosed or is threatened to be disclosed.

7. Property of Company. All data, drawings, and other records and written material prepared or compiled by Employee or furnished to Employee while in the employ of the Company shall be the sole and exclusive property of the Company, and none of such data, drawings or other records, or copies thereof, shall be retained by Employee upon termination of his employment. Notwithstanding the foregoing, Employee shall be under no obligation to return public information.

8. Surviving Provisions. The provisions of Paragraphs 6 and 7 of this Agreement shall continue to be binding upon Employee in accordance with their terms, notwithstanding termination of Employee's employment hereunder for any reason.

9. Death or Disability. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period. If the Company determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice of its intention to terminate the Employee's employment. In such event, the Employee's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to

full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with the Company on a full-time basis for 150 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee's legal representative.

10. Termination for Good Reason. The Employee's employment may be terminated by the Employee for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

- (a) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by paragraph 1. of this Agreement;
- (b) any purported termination by the Company of the Employee's employment otherwise than as expressly permitted by this Agreement;
- (c) any failure by the Company to comply with and satisfy paragraph 18(a) of this Agreement,

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- (d) the Company's requiring the Employee to reside in or be based at any office or location other than as provided in Paragraph 3 of this Agreement, or
- (e) following a Change in Control, the Company's requiring the Employee to travel on Company business to a substantially greater extent than during any period prior to the Change in Control.

Any good faith determination of "Good Reason" made by the Employee shall be conclusive.

11. Termination for Cause. It is agreed and understood that the Company cannot terminate the employment of the Employee under this Agreement except for Cause, which shall mean:

- (a) Should Employee for reasons other than illness or injury absent himself from his duties without the consent of the Company (which consent shall not be unreasonably withheld) for more than twenty (20) consecutive days;
- (b) Should Employee be convicted of a felony involving moral turpitude;
- (c) Should Employee during the period of his employment by the Company engage in any activity that would in the opinion of the Board of Directors of the Company constitute a material conflict of interest with the Company; provided that termination for Cause based on this subparagraph (c) shall not be effective unless the Employee shall have received written notice from the Board of Directors of the Company of such activity (which notice shall also include a demand for the Employee to cease the activity giving rise to the conflict of interest) fifteen (15) days prior to his termination and the Employee has failed after receipt of such notice to cease all activities creating the conflict of interest; or
- (d) Should Employee be grossly negligent in the performance of his duties hereunder, or materially in breach of his duties and obligations under this Agreement; provided that termination for Cause based on this subparagraph (d) shall not be effective unless the Employee shall have received written notice from the Board of Directors of the Company (which notice shall include a description of the reasons and circumstances giving rise to such notice) fifteen (15) days prior to his termination and the Employee has failed after receipt of such notice to satisfactorily discharge the performance of his duties hereunder or to comply with the terms of this Agreement, as the case may be.

The Company may terminate Employee's employment for Cause under this Agreement without advance notice, except as otherwise specifically provided for in subparagraphs (c) and (d) above. Termination shall not affect any of the Company's other rights and remedies.

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12. Obligations of the Company upon Termination.

- (a) Good Reason or Involuntary Termination Other Than for Cause. If, during the Employment Period, the Company shall terminate the Employee's employment other than for Cause or the Employee shall terminate employment for Good Reason, the Company shall pay to the Employee in a lump sum in cash within 30 days after the date of termination the aggregate of the following amounts:

- (1) the sum of (A) the Employee's annual base salary through the date of termination to the extent not theretofore paid, (B) the product of the annual bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Employee was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period (the "Fiscal Year Bonus"), if any, and a fraction, the numerator of which is the number of days in the current fiscal year through the date of termination, and the denominator of which is 365, and (C) any compensation previously deferred by the Employee (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (A), (B) and (C) shall be hereinafter referred to as the "Accrued Obligations"); and
- (2) an amount equal to 1.5 times the sum of the Employee's annual base salary and the Fiscal Year Bonus; and for eighteen (18) months after the Employee's date of termination, the Company shall continue group medical benefits to the Employee and/or the Employee's family at least equal to those which would have been provided to them in accordance with the plans if the Employee's employment had not been terminated; provided, however, that if the Employee becomes re-employed with another employer and is eligible to receive group medical benefits under another employer-provided plan, the medical benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility.

In addition, the Company shall, at its sole expense as incurred, provide the Employee with outplacement services, the scope and provider of which shall be selected by the Employee in his sole discretion, and the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.

- (b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, the Company shall pay to the Employee's legal representatives the sum of (1) the Accrued Obligations, and (2) an amount equal to six months'

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annualized total compensation. Such amounts shall be paid in a lump sum in cash within 30 days of the date of termination.

- (c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment of Accrued Obligations. Accrued Obligations shall be paid to the Employee in a lump sum in cash within 30 days of the date of termination. In addition, the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.
- (d) Cause or Voluntary Termination Other than for Good Reason. If the Employee's employment shall be terminated for Cause during the Employment Period, or if the Employee voluntarily terminates his employment other than for Good Reason, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his annual base salary through the date of termination and the amount of any compensation previously deferred by the Employee. Such amounts shall be paid to the Employee in a lump sum in cash within 30 days of the date of termination.

13. Change in Control. For the purposes of this Agreement, a "Change in Control" shall mean:

- (a) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Employer cease for any reason to constitute a majority thereof (unless the election, or nomination for election by Employer's stockholders, of such director was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved);
- (b) a third person, including a "group" as defined in Paragraph 15(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of any class of the Company's stock having 20% or more of the total number of votes that may be cast for the election of directors of the Company; or
- (c) consummation of a merger or other business combination of the Company with or into another corporation pursuant to which the Company does not survive or survives only as a subsidiary of

another corporation, the sale or other disposition of all or substantially all of the assets of the Company, or any combination of the foregoing.

For purposes hereof, a person will be deemed to be the beneficial owner of any voting securities of the Company which it would be considered to beneficially own under Securities and Exchange Commission Rule 13d-3 (or any similar or superseding statute or rule from time to time in effect).

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14. Termination of Employment Following a Change of Control. Following a Change of Control, if the Employee's employment is terminated for any reason other than Cause, death or Disability, or if the Employee voluntarily terminates his employment (a) within a period of six (6) months following the Change of Control, or (b) for Good Reason, then the Company shall pay to the Employee the Accrued Obligations and an amount equal to 2.99 times the sum of the Employee's annual base salary and the highest annual bonus paid to the Employee during the Employee's tenure with the Company; and for eighteen (18) months after the Employee's date of termination, the Company shall continue group medical benefits to the Employee and/or the Employee's family at least equal to those which would have been provided to them in accordance with the plans if the Employee's employment had not been terminated; provided, however, that if the Employee becomes re-employed with another employer and is eligible to receive group medical benefits under another employer provided plan, the medical benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. In addition, the Company shall, at its sole expense as incurred, provide the Employee with outplacement services, the scope and provider of which shall be selected by the Employee in his sole discretion, and the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.

15. Certain Additional Payments by the Company.

- (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Employee (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this paragraph 15) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Employee with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Employee shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Employee of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.
- (b) Subject to the provisions of paragraph 15(c), all determinations required to be made under this paragraph 15, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by KPMG Peat Marwick LLP or such other certified public accounting firm as may be designated by the Employee (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Employee within 15 business days of the receipt of notice from the Employee that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting

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Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Employee shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this paragraph 15 shall be paid by the Company to the Employee within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event

that the Company exhausts its remedies pursuant to paragraph 15(c) and the Employee thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Employee.

- (c) The Employee shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Employee is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Employee shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Employee in writing prior to the expiration of such period that it desires to contest such claim, the Employee shall:
- (1) give the Company any information reasonably requested by the Company relating to such claim,
  - (2) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
  - (3) cooperate with the Company in good faith in order effectively to contest such claim, and
  - (4) permit the Company to participate in any proceedings relating to such claim;

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provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Employee harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation of the foregoing provisions of this paragraph 15(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Employee to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Employee agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Employee to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Employee, on an interest-free basis and shall indemnify and hold the Employee harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Employee with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Employee shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

- (d) If, after the receipt by the Employee of an amount advanced by the Company pursuant to Paragraph 15(c), the Employee becomes entitled to receive any refund with respect to such claim, the Employee shall (subject to the Company's complying with the requirements of Paragraph 15(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Employee of an amount advanced by the Company pursuant to Paragraph 15(c), a determination is made that the Employee shall not be entitled to any refund with respect to such claim and the Company does not notify the Employee in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the

amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

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16. Payment of Certain Costs of Employee. If a dispute arises regarding the interpretation or enforcement of this Agreement, all legal fees and expenses incurred by the Employee in seeking to obtain or enforce any right or benefit provided for in this Agreement or in otherwise pursuing his claim will be paid by the Company, to the extent permitted by law. The Company further agrees to pay prejudgment interest on any money judgment obtained by the Employee calculated at the First National Bank of Chicago N.A. prime interest rate in effect from time to time from the date that payment(s) to him should have been made under this Agreement.

17. Indemnification; Directors and Officers Insurance. The Company shall (a) during the Employment Period and thereafter without limitation of time, indemnify and advance expenses to the Employee to the fullest extent permitted by the laws of the State of Nevada from time to time in effect and (b) during the Employment Period, acquire and maintain directors and officers liability insurance covering the Employee (and to the extent the Company desires, other directors and officers of the Company and its affiliated companies) to the extent it is available at commercially reasonable rates as determined by the Board; provided, however, that in no event shall the Employee be entitled to indemnification or advancement of expenses under this Paragraph 17 with respect to any proceeding, or matter therein, brought or made by the Employee against the Company other than one initiated by the Employee to enforce the Employee's advancement of expenses as provided in this Paragraph 17 shall not be deemed exclusive of any other rights to which the Employee may at any time be entitled under applicable law, the certificate of incorporation or bylaws of the Company, any agreement, a vote of stockholders, a resolution of the Board, or otherwise. The provisions of this Paragraph 17 shall continue in effect notwithstanding termination of the Employee's employment hereunder for any reason, including, without limitation, Employee's voluntary termination. In furtherance thereof, and not by way of limitation, the Company shall reimburse Employee for all reasonable legal fees and expenses incurred by Employee in connection with Employee's obtaining and enforcing any right or benefit provided by this Agreement. The reimbursement of such legal fees and expenses shall be made within 30 days after Employee's request for payment accompanied by evidence of the fees and expenses incurred. For a period of ten (10) years after the termination, for any reason, of Employee's employment with the Company, the Company shall indemnify, hold harmless and defend Employee, to the fullest extent permitted by applicable law, from and against any loss, cost or expense related to or arising out of any action or claim with respect to (i) the Company or its affiliated companies or (ii) any action taken or omitted by the Employee (INCLUDING, BUT NOT LIMITED TO, MATTERS THAT CONSTITUTE NEGLIGENCE OF THE EMPLOYEE) for or on behalf of the Company or its affiliated companies, whether, in either case, such action or claim, or the facts and circumstances giving rise thereto, occurred or accrued before or after such termination of employment.

18. Mitigation. The Employee is not required to mitigate the amount of any payments to be made by the Company pursuant to this Agreement by seeking other employment or otherwise.

19. Successors.

- (a) Except as may otherwise be provided under any other written agreement between the Company and the Employee with respect to the terms of Employee's employment in the event of a Change of Control of the Company, the Company will require any successor

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(whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined, any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 19 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

- (b) This Agreement shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

20. No Inconsistent Obligations. Employee represents and warrants that he has not previously assumed any obligations inconsistent with those of this

Agreement.

21. Modification. This Agreement shall be in addition to all previous agreements, written or oral, relating to Employee's employment by the Company, and shall not be changed orally, but only by a written instrument to which the Company and the Employee are both parties.

22. Binding Effect. This Agreement and the rights and obligations hereunder shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, and shall also bind and inure to the benefit of any successor of the Company by merger or consolidation or any assignee of all or substantially all of its properties.

23. Bankruptcy. Notwithstanding anything in this Agreement to the contrary, the insolvency or adjudication of bankruptcy of the Company, whether voluntary or involuntary, shall terminate this Agreement and the rights and obligations of Company and Employee hereunder shall be of no further force or effect.

24. Law Governing. This Agreement made, accepted and delivered in Collin County, Texas, is performable in Collin County, Texas, and it shall be construed and enforced according to the laws of the State of Texas. Venue shall lie in Collin County, Texas for the purpose of resolving and enforcing any dispute which may arise under this Agreement and the parties agree that they will submit themselves to the jurisdiction of the competent State or Federal Court situated in Collin County, Texas.

25. Invalid Provision. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be impaired thereby.

26. Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Employee:

Mr. Roland O. Burns  
8430 Edgewood Cove  
Frisco, TX 75035

If to the Company:

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

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

EXECUTED and effective as to this 1st day of June, 2002.

COMSTOCK RESOURCES, INC.

By: /s/M. JAY ALLISON  
-----  
Name: M. Jay Allison  
Title: President and Chief  
Executive Officer

EMPLOYEE:

By: /s/ROLAND O. BURNS  
-----  
Name: Roland O. Burns

August 12, 2002

Comstock Resources, Inc.  
5300 Town and Country Boulevard  
Suite 500  
Frisco, Texas 75034

Re: Registration Statement No. 333-96741  
Registration Statement No. 333-45860  
Registration Statement No. 333-81483  
Registration Statement No. 33-20981  
Registration Statement No. 33-88962

With respect to the subject registration statement, we acknowledge our awareness of the use therein of our report dated August 6, 2002 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an accountant, or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

KPMG LLP  
Dallas, Texas

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Comstock Resources, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Jay Allison, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/M. Jay Allison  
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M. Jay Allison  
Chief Executive Officer  
August 12, 2002

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Comstock Resources, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roland O. Burns, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Roland O. Burns

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Roland O. Burns  
Chief Financial Officer  
August 12, 2002