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**

For the quarterly period ended September 30, 2021

or

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

Commission File No. 001-03262

COMSTOCK RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Nevada	**94-1667468**
(State or other jurisdiction of incorporation or organization)	**(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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.50 (per share)	CRK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer x Non-accelerated ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No x

The number of shares outstanding of the registrant's common stock, par value $0.50, as of November 3, 2021 was 232,924,646.

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT

For the Quarter Ended September 30, 2021

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PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2021	December 31, 2020
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 27,841	$ 30,272
Accounts receivable:		
Oil and gas sales	213,661	125,016
Joint interest operations	20,241	14,615
From affiliates	9,263	6,155
Derivative financial instruments	26,392	8,913
Other current assets	12,194	14,839
Total current assets	309,592	199,810
Property and equipment:		
Oil and natural gas properties, successful efforts method:		
Proved	5,180,782	4,647,188
Unproved	307,593	332,765
Other	6,630	6,858
Accumulated depreciation, depletion and amortization	(1,260,528)	(902,261)
Net property and equipment	4,234,477	4,084,550
Goodwill	335,897	335,897
Derivative financial instruments	342	661
Operating lease right-of-use assets	6,792	3,025
Other assets	37	40
	$ 4,887,137	$ 4,623,983
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 324,811	$ 259,284
Accrued costs	109,122	133,019
Operating leases	2,356	2,284
Derivative financial instruments	627,166	47,005
Total current liabilities	1,063,455	441,592
Long-term debt	2,801,312	2,517,149
Deferred income taxes	115,585	200,583
Derivative financial instruments	50,127	2,364
Long-term operating leases	4,486	740
Reserve for future abandonment costs	21,867	19,290
Other non-current liabilities	24	492
Total liabilities	4,056,856	3,182,210
Commitments and contingencies		
Mezzanine equity:		
Series B 10% Convertible Preferred stock — 5,000,000 shares authorized, 175,000 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	175,000	175,000
Stockholders' equity:		
Common stock—$0.50 par, 400,000,000 shares authorized, 232,924,646 and 232,414,718 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	116,462	116,206
Additional paid-in capital	1,098,851	1,095,384
Accumulated earnings (deficit)	(560,032)	55,183
Total stockholders' equity	655,281	1,266,773
	$ 4,887,137	$ 4,623,983

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands, except per share amounts)			
Revenues:				
Natural gas sales	$ 488,303	$ 168,374	$ 1,133,783	$ 547,975
Oil sales	22,873	9,637	61,571	35,449
Total oil and gas sales	511,176	178,011	1,195,354	583,424
Operating expenses:				
Production and ad valorem taxes	16,675	9,798	36,468	27,768
Gathering and transportation	35,402	22,422	96,596	77,423
Lease operating	26,576	25,412	77,150	79,110
Depreciation, depletion and amortization	128,739	99,056	359,313	312,828
General and administrative	8,052	8,974	23,952	25,991
Exploration	—	—	—	27
Gain on sale of assets	(14)	(16)	(93)	(16)
Total operating expenses	215,430	165,646	593,386	523,131
Operating income	295,746	12,365	601,968	60,293
Other income (expenses):				
Loss from derivative financial instruments	(510,319)	(121,579)	(756,026)	(71,978)
Other expense	197	489	1,008	793
Interest expense	(49,954)	(63,890)	(170,645)	(168,764)
Loss on early retirement of debt	—	—	(352,599)	(861)
Total other expenses	(560,076)	(184,980)	(1,278,262)	(240,810)
Loss before income taxes	(264,330)	(172,615)	(676,294)	(180,517)
Benefit from (provision for) income taxes	(23,976)	46,123	74,168	46,177
Net loss	(288,306)	(126,492)	(602,126)	(134,340)
Preferred stock dividends and accretion	(4,411)	(4,398)	(13,089)	(26,596)
Net loss available to common stockholders	$ (292,717)	$ (130,890)	$ (615,215)	$ (160,936)
Net loss per share:				
Basic	$ (1.26)	$ (0.57)	$ (2.66)	$ (0.77)
Diluted	$ (1.26)	$ (0.57)	$ (2.66)	$ (0.77)
Weighted average shares outstanding:				
Basic	231,747	231,223	231,519	209,760
Diluted	231,747	231,223	231,519	209,760

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Shares	Common Stock-Par Value	Additional Paid-in Capital	Accumulated Earnings (Deficit)	Total
			(In thousands)		
Balance at January 1, 2020	190,007	$ 95,003	$ 909,423	$ 138,596	$ 1,143,022
Stock-based compensation	(24)	(12)	1,442	—	1,430
Income tax withholdings on equity awards	(2)	(1)	(14)	—	(15)
Net income	—	—	—	42,028	42,028
Preferred stock accretion	—	—	—	(2,500)	(2,500)
Payment of preferred dividends	—	—	—	(9,572)	(9,572)
Balance at March 31, 2020	189,981	$ 94,990	$ 910,851	$ 168,552	$ 1,174,393
Stock-based compensation	507	254	1,298	—	1,552
Issuances of common stock	42,092	21,046	190,592	—	211,638
Stock issuance costs	—	—	(10,079)	—	(10,079)
Net loss	—	—	—	(49,876)	(49,876)
Preferred stock accretion	—	—	—	(2,917)	(2,917)
Payment of preferred dividends	—	—	—	(7,210)	(7,210)
Balance at June 30, 2020	232,580	$ 116,290	$ 1,092,662	$ 108,549	$ 1,317,501
Stock-based compensation	(46)	(22)	1,774	—	1,752
Income tax withholdings on equity awards	(113)	(58)	(619)	—	(677)
Stock issuance costs	—	—	(6)	—	(6)
Net loss	—	—	—	(126,492)	(126,492)
Payment of preferred dividends	—	—	—	(4,398)	(4,398)
Balance at September 30, 2020	232,421	$ 116,210	$ 1,093,811	$ (22,341)	$ 1,187,680
Balance at January 1, 2021	232,415	$ 116,206	$ 1,095,384	$ 55,183	$ 1,266,773
Stock-based compensation	(4)	—	1,690	—	1,690
Stock issuance costs	—	—	(30)	—	(30)
Net loss	—	—	—	(134,125)	(134,125)
Payment of preferred dividends	—	—	—	(4,315)	(4,315)
Balance at March 31, 2021	232,411	$ 116,206	$ 1,097,044	$ (83,257)	$ 1,129,993
Stock-based compensation	472	235	1,564	—	1,799
Income tax withholdings on equity awards	(33)	(16)	(182)	—	(198)
Stock issuance costs	—	—	(126)	—	(126)
Net loss	—	—	—	(179,695)	(179,695)
Payment of preferred dividends	—	—	—	(4,363)	(4,363)
Balance at June 30, 2021	232,850	$ 116,425	$ 1,098,300	$ (267,315)	$ 947,410
Stock-based compensation	298	149	1,653	—	1,802
Income tax withholdings on equity awards	(223)	(112)	(1,102)	—	(1,214)
Net loss	—	—	—	(288,306)	(288,306)
Payment of preferred dividends	—	—	—	(4,411)	(4,411)
Balance at September 30, 2021	232,925	$ 116,462	$ 1,098,851	$ (560,032)	$ 655,281

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2021	**2020**
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (602,126)	$ (134,340)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deferred income taxes	(84,942)	(46,443)
Exploration	—	27
Gain on sale of assets	(93)	(16)
Depreciation, depletion and amortization	359,313	312,828
Loss on derivative financial instruments	756,026	71,978
Cash settlements of derivative financial instruments	(145,262)	132,725
Amortization of debt discount and issuance costs	17,587	24,231
Stock-based compensation	5,291	4,734
Loss on early retirement of debt	352,599	861
(Increase) decrease in accounts receivable	(97,379)	79,382
Decrease in other current assets	850	8,291
Increase (decrease) in accounts payable and accrued expenses	56,689	(64,303)
Net cash provided by operating activities	618,553	389,955
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(508,051)	(332,628)
Proceeds from sales of assets	261	283
Net cash used for investing activities	(507,790)	(332,345)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on bank credit facility	275,000	157,000
Repayments on bank credit facility	(350,000)	(907,000)
Issuance of Senior Notes	2,222,500	751,500
Retirement of Senior Notes	(2,210,626)	—
Issuance of common stock	—	206,626
Redemption of Series A Preferred Stock	—	(210,000)
Preferred stock dividends paid	(13,089)	(21,180)
Debt and stock issuance costs	(35,567)	(24,128)
Income tax withholdings on equity awards	(1,412)	(692)
Net cash used for financing activities	(113,194)	(47,874)
Net increase (decrease) in cash and cash equivalents	(2,431)	9,736
Cash and cash equivalents, beginning of period	30,272	18,532
Cash and cash equivalents, end of period	$ 27,841	$ 28,268

The accompanying notes are an integral part of these statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –

Basis of Presentation

These unaudited consolidated financial statements include the accounts of Comstock Resources, Inc. and its wholly-owned subsidiaries (collectively, "Comstock" or the "Company"). In management's opinion, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position of Comstock as of September 30, 2021, and the related results of operations and cash flows for the periods being presented. Net income and comprehensive income are the same in all periods presented. All adjustments are of a normal recurring nature unless otherwise disclosed.

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 accounting principles generally accepted in the United States 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 unaudited 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, 2020.

The results of operations for the period through September 30, 2021 are not necessarily an indication of the results expected for the full year.

Property and Equipment

The Company follows the successful efforts method of accounting for its oil and natural gas properties. Costs incurred to acquire oil and gas leasehold are capitalized.

The Company assesses the need for an impairment of the capitalized costs for its proved oil and gas properties on a property basis. No impairments were recognized to adjust the carrying value of the Company's proved oil and gas properties during any of the periods presented. Unproved oil and gas properties are also periodically assessed and any impairment in value is charged to expense. The costs related to unproved properties are transferred to proved oil and gas properties and amortized on an equivalent unit-of-production basis when they are reflected in proved oil and natural gas reserves. Exploratory drilling costs are initially capitalized as proved property but charged to expense if and when the well is determined not to have found commercial quantities of proved oil and gas reserves. Exploratory drilling costs are evaluated within a one-year period after the completion of drilling.

The Company determines the fair values of its oil and gas properties using a discounted cash flow model and proved and risk-adjusted probable oil and natural gas reserves. Undrilled acreage can also be valued based on sales transactions in comparable areas. Significant Level 3 assumptions associated with the calculation of discounted future cash flows included in the cash flow model include management's outlook for oil and natural gas prices, production costs, capital expenditures, and future production as well as estimated proved oil and gas reserves and risk-adjusted probable oil and natural gas reserves. Management's oil and natural gas price outlook is developed based on third-party longer-term price forecasts as of each measurement date. The expected future net cash flows are discounted using an appropriate discount rate in determining a property's fair value.

It is reasonably possible that the Company's estimates of undiscounted future net cash flows attributable to its oil and gas properties may change in the future. The primary factors that may affect estimates of future cash flows include future adjustments, both positive and negative, to proved and appropriate risk-adjusted probable oil and gas reserves, results of future drilling activities, future prices for oil and natural gas, and increases or decreases in production and capital costs. As a result of these changes, there may be future impairments in the carrying values of these or other properties.

Goodwill

The Company had goodwill of $335.9 million as of September 30, 2021 that was recorded in 2018. The Company is not required to amortize goodwill as a charge to earnings; however, the Company is required to conduct an annual review of goodwill for impairment. The Company performs an annual assessment of goodwill on October 1 of each year and performs interim assessments if indicators of impairment are present. If the carrying value of goodwill exceeds the fair value, an impairment charge would be recorded for the difference between fair value and carrying value.

Leases

The Company has right-of-use lease assets of $6.8 million related to its corporate office lease, certain office equipment and leased vehicles used in oil and gas operations with corresponding short-term and long-term liabilities. The value of the lease assets and liabilities are determined based upon discounted future minimum cash flows contained within each of the respective contracts. The Company determines if contracts contain a lease at inception of the contract. To the extent that contract terms representing a lease are identified, leases are identified as being either an operating lease or a finance-type lease. Comstock currently has no finance-type leases. Right-of-use lease assets representing the Company's right to use an underlying asset for the lease term and the related lease liabilities represent our obligation to make lease payments under the terms of the contracts. Short-term leases that have an initial term of one year or less are not capitalized; however, amounts paid for those leases are included as part of its lease cost disclosures. Short-term lease costs exclude expenses related to leases with a lease term of one month or less. Leases for the right to explore for and develop oil and natural gas reserves and the related rights to use the land associated with those leases are reflected as oil and gas properties.

Comstock contracts for a variety of equipment used in its oil and natural gas exploration and development activities. Contract terms for this equipment vary broadly, including the contract duration, pricing, scope of services included along with the equipment, cancellation terms, and rights of substitution, among others. The Company's drilling operations routinely change due to changes in commodity prices, demand for oil and natural gas, and the overall operating and economic environment. Comstock accordingly manages the terms of its contracts for drilling rigs so as to allow for maximum flexibility in responding to these changing conditions. The Company's rig contracts are presently either for periods of less than one year, or they are on terms that provide for cancellation with 45 days advance notice without a specified expiration date. Accordingly, the Company has elected not to recognize right-of-use lease assets for these rig contracts. The costs associated with drilling rig operations are accounted for under the successful efforts method, which generally require that these costs be capitalized as part of our proved oil and natural gas properties on our balance sheet unless they are incurred on exploration wells that are unsuccessful, in which case they are charged to exploration expense.

Lease costs recognized during the three months and nine months ended September 30, 2021 and 2020 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Operating lease cost included in general and administrative expense	$ 435	$ 422	$ 1,299	$ 1,249
Operating lease cost included in lease operating expense	218	229	640	578
Short-term lease cost (drilling rig costs included in proved oil and gas properties)	8,239	7,324	27,482	26,605
	$ 8,892	$ 7,975	$ 29,421	$ 28,432

Cash payments for operating leases associated with right-of-use assets included in cash provided by operating activities were $0.7 million in each of the three months ended September 30, 2021 and 2020, and $1.9 million and $1.8 million for the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, expected future payments related to contracts that contain operating leases were as follows:

		(In thousands)
October 1 to December 31, 2021	$	552
2022		2,522
2023		2,188
2024		1,862
2025		3
Total lease payments		7,127
Imputed interest		(285)
Total lease liability	$	6,842

The weighted average term of these operating leases was 3.0 years and the weighted average interest rate used in lease computations was 2.7%. As of September 30, 2021, the Company also had expected future payments for contracted drilling services of $4.3 million.

Accrued Costs

Accrued costs at September 30, 2021 and December 31, 2020 consisted of the following:

		As of September 30, 2021		As of December 31, 2020
		(In thousands)		
Accrued interest payable	$	28,956	$	67,265
Accrued transportation costs		24,703		25,353
Accrued capital expenditures		21,938		24,959
Accrued income and other taxes		12,595		2,168
Accrued ad valorem taxes		9,000		—
Accrued employee compensation		6,518		7,519
Accrued lease operating expenses		2,685		3,466
Other		2,727		2,289
	$	109,122	$	133,019

Reserve for Future Abandonment Costs

Comstock's asset retirement obligations relate to future plugging and abandonment expenses on its oil and gas properties and related facilities disposal. The following table summarizes the changes in Comstock's total estimated liability for such obligations during the periods presented:

	Nine Months Ended September 30,			
		2021		2020
		(In thousands)		
Reserve for future abandonment costs at beginning of period	$	19,290	$	18,151
New wells placed on production		1,666		451
Liabilities settled and assets disposed of		(6)		(80)
Accretion expense		917		880
Reserve for future abandonment costs at end of period	$	21,867	$	19,402

Derivative Financial Instruments and Hedging Activities

All of the Company's derivative financial instruments are used for risk management purposes and, by policy, none are held for trading or speculative purposes. Comstock minimizes credit risk to counterparties of its derivative financial instruments through formal credit policies, monitoring procedures, and diversification. The Company is not required to provide any credit support to its counterparties other than cross collateralization with the assets securing its bank credit facility. None of the Company's derivative financial instruments involve payment or receipt of premiums. The Company classifies the fair value amounts of derivative financial instruments as net current or noncurrent assets or liabilities, whichever the case may be, by commodity contract. All of Comstock's natural gas derivative financial instruments, except for certain basis swaps, are tied to the Henry Hub-NYMEX price index and all of its crude oil derivative financial instruments are tied to the WTI-NYMEX index price.

The Company had the following oil and natural gas price derivative financial instruments at September 30, 2021:

	Future Production Period			
	Three Months Ending December 31, 2021	**Year Ending December 31, 2022**	**Year Ending December 31, 2023**	**Total**
Natural Gas Swap Contracts:				
Volume (MMBtu)	51,520,000 (1)	77,500,000	—	129,020,000
Average Price per MMBtu	$2.53 (1)	$2.76	—	$2.66
Natural Gas Collar Contracts:				
Volume (MMBtu)	37,410,000	140,925,000	6,750,000	185,085,000
Price per MMBtu:				
Average Ceiling	$3.05	$3.91	$4.03	$3.74
Average Floor	$2.48	$2.62	$2.67	$2.60
Natural Gas Swaptions Contracts:				
Volume (MMBtu)	—	43,800,000 (2)	—	43,800,000 (2)
Average Price per MMBtu	—	2.51 (2)	—	$2.51 (2)
Natural Gas Basis Swap Contracts:				
Volume (MMBtu)	3,680,000 (3)	10,950,000 (3)	—	14,630,000 (3)
Average Price per MMBtu	($0.12)	($0.16)	—	($0.15)
Crude Oil Collar Contracts:				
Volume (Bbls)	138,000	—	—	138,000
Price per Bbl:				
Average Ceiling	$51.67	—	—	$51.67
Average Floor	$41.67	—	—	$41.67

(1) For the three months ending December 31, 2021, natural gas price swap contracts include 11,040,000 MMBtu at an average price of $2.51 that are part of certain natural gas price swaption contracts which include a call to extend the price swap by the counterparty as described in (2) below.

(2) The counterparties have the right to exercise a call option to enter into a price swap with the Company on 43,800,000 MMBtu in 2022 at an average price $2.51. The call option was exercised for 36,500,000 MMBtu at an average price of $2.52 on October 29, 2021 and the call option on 7,300,000 MMBtu at an average price of $2.50 expires on November 26, 2021.

(3) Contracts fix the differential between NYMEX Henry Hub and the Houston Ship Channel indices.

The Company has interest rate swap agreements that fix LIBOR at 0.33% for $500.0 million of its floating rate long-term debt. These contracts settle monthly through April 2023. The fair value of these contracts was a net liability of $0.9 million at September 30, 2021.

None of the Company's derivative contracts were designated as cash flow hedges. The aggregate fair value of the Company's derivative instruments are presented on a gross basis in the accompanying consolidated balance sheets. The classification of derivative financial instruments between assets and liabilities, consists of the following:

Type	Consolidated Balance Sheet Location	September 30, 2021	December 31, 2020
		(in thousands)	
Asset Derivative Financial Instruments:			
Natural gas price derivatives	Derivative Financial Instruments – current	$ 23,815	$ 8,913
Oil price derivatives	Derivative Financial Instruments – current	2,577	—
		$ 26,392	$ 8,913
Natural gas price derivatives	Derivative Financial Instruments – long-term	$ 236	$ 661
Interest rate derivatives	Derivative Financial Instruments – long-term	106	—
		$ 342	$ 661
Liability Derivative Financial Instruments:			
Natural gas price derivatives	Derivative Financial Instruments – current	$ 620,408	$ 45,158
Oil price derivatives	Derivative Financial Instruments – current	5,739	831
Interest rate derivatives	Derivative Financial Instruments – current	1,019	1,016
		$ 627,166	$ 47,005
Natural gas price derivatives	Derivative Financial Instruments – long-term	$ 50,127	$ 1,308
Interest rate derivatives	Derivative Financial Instruments – long-term	—	1,056
		$ 50,127	$ 2,364

The Company recognized cash settlements and changes in the fair value of its derivative financial instruments as a single component of other income (expenses). Gains and losses related to cash settlements and changes in the fair value recognized on the Company's derivative contracts recognized in the consolidated statement of operations were as follows:

Gain (Loss) on Derivatives Recognized in Earnings	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands)			
Natural gas price derivatives	$ (509,777)	$ (120,706)	$ (748,499)	$ (82,872)
Oil price derivatives	(287)	(989)	(7,820)	13,529
Interest rate derivatives	(255)	116	293	(2,635)
	$ (510,319)	$ (121,579)	$ (756,026)	$ (71,978)

Stock-Based Compensation

Comstock accounts for employee stock-based compensation under the fair value method. Compensation cost is measured at the grant date based on the fair value of the award and is recognized over the award vesting period and included in general and administrative expenses for awards of restricted stock and performance stock units ("PSUs") to the Company's employees and directors. The Company recognized $1.8 million of stock-based compensation expense within general and administrative expenses related to awards of restricted stock and PSUs to its employees and directors during each of the three months ended September 30, 2021 and 2020, and $5.3 million and $4.7 million for the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, Comstock had 952,971 shares of unvested restricted stock outstanding at a weighted average grant date fair value of $5.74 per share. Total unrecognized compensation cost related to unvested restricted stock grants of $4.7 million as of September 30, 2021 is expected to be recognized over a period of 1.9 years.

As of September 30, 2021, Comstock had 1,049,910 PSUs outstanding at a weighted average grant date fair value of $8.11 per unit. The number of shares of common stock to be issued related to the PSUs is based on the Company's stock price performance as compared to its peers which could result in the issuance of anywhere from zero to 2,099,820 shares of common stock. Total unrecognized compensation cost related to these grants of $4.2 million as of September 30, 2021 is expected to be recognized over a period of 1.8 years.

Revenue Recognition

Comstock produces oil and natural gas and reports revenues separately for each of these two primary products in its statements of operations. Revenues are recognized upon the transfer of produced volumes to the Company's customers, who take control of the volumes and receive all the benefits of ownership upon delivery at designated sales points. Payment is reasonably assured upon delivery of production. All sales are subject to contracts that have commercial substance, contain specific pricing terms, and define the enforceable rights and obligations of both parties. These contracts typically provide for cash settlement within 25 days following each production month and are cancellable upon 30 days' notice by either party for oil and vary for natural gas based upon the terms set out in the confirmations between both parties. Prices for sales of oil and natural gas are generally based upon terms that are common in the oil and gas industry, including index or spot prices, location and quality differentials, as well as market supply and demand conditions. As a result, prices for oil and natural gas routinely fluctuate based on changes in these factors. Each unit of production (barrel of crude oil and thousand cubic feet of natural gas) represents a separate performance obligation under the Company's contracts since each unit has economic benefit on its own and each is priced separately according to the terms of the contracts.

Comstock has elected to exclude all taxes from the measurement of transaction prices, and its revenues are reported net of royalties and exclude revenue interests owned by others because the Company acts as an agent when selling crude oil and natural gas, on behalf of royalty owners and working interest owners. Revenue is recorded in the month of production based on an estimate of the Company's share of volumes produced and prices realized. The Company recognizes any differences between estimates and actual amounts received in the month when payment is received. Historically, differences between estimated revenues and actual revenue received have not been significant. The amount of oil or natural gas sold may differ from the amount to which the Company is entitled based on its revenue interests in the properties. The Company did not have any significant imbalance positions at September 30, 2021. Sales of oil and natural gas generally occur at or near the wellhead. When sales of oil and gas occur at locations other than the wellhead, the Company accounts for costs incurred to transport the production to the delivery point as gathering and transportation expenses. The Company recognized accounts receivable of $213.7 million as of September 30, 2021 from customers for contracts where performance obligations have been satisfied and an unconditional right to consideration exists.

Credit Losses

Substantially all of the Company's accounts receivable are due from either purchasers of oil and gas or participants in oil and gas wells for which the Company serves as the operator. Generally, operators of oil and gas wells have the right to offset future revenues against unpaid charges related to operated wells. Oil and gas sales are generally unsecured. Comstock assesses the collectibility of its receivables based upon their age, the credit quality of the purchaser or participant and the potential for revenue offset. The Company has not had any significant credit losses in the past and believes its accounts receivable are fully collectible. Accordingly, no allowance for doubtful accounts has been recorded for the nine months ended September 30, 2021 and 2020.

Income Taxes

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

In recording deferred income tax assets, the Company considers whether it is more likely than not that its deferred income tax assets will be realized in the future. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those deferred income tax assets would be deductible. The Company believes that after considering all the available objective evidence, historical and prospective, with greater weight given to historical evidence, management is not able to determine that it is more likely than not that all of its deferred tax assets will be realized. As a result, the Company established valuation allowances for its deferred tax assets and U.S. federal and state net operating loss carryforwards that are not expected to be utilized due to the uncertainty of generating taxable income prior to the expiration of the carryforward periods. The Company will continue to assess the valuation allowances against deferred tax assets considering all available information obtained in future periods.

The following is an analysis of the consolidated income tax benefit (provision):

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(In thousands)			
Current - State	$ (7,637)	$ (67)	$ (10,774)	$ (216)
Deferred - Federal	12,971	35,645	105,934	37,662
Deferred - State	(29,310)	10,545	(20,992)	8,731
	$ (23,976)	$ 46,123	$ 74,168	$ 46,177

The difference between the federal statutory rate of 21% and the effective tax rate is due to the following:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Tax at statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
Tax effect of:				
Change in Louisiana tax law	43.1	—	8.3	—
Valuation allowance on deferred tax assets	(58.3)	1.5	(13.3)	1.0
State income taxes, net of federal benefit	(14.0)	5.2	(4.7)	4.3
Nondeductible stock-based compensation	(0.9)	(1.0)	(0.3)	(0.8)
Other	—	—	—	0.1
Effective tax rate	(9.1) %	26.7 %	11.0 %	25.6 %

The income tax provision for the three months ended September 30, 2021 is attributable to revisions to the estimated future utilization of federal and state net operating loss carryforwards resulting from the loss from derivative financial instruments that was recognized in the period.

The Company's federal income tax returns for the years subsequent to December 31, 2016 remain subject to examination. The Company's income tax returns in major state income tax jurisdictions remain subject to examination for various periods subsequent to December 31, 2013. The Company currently believes that all other significant filing positions are highly certain and that all of its other significant income tax positions and deductions would be sustained under audit or the final resolution would not have a material effect on the consolidated financial statements. Therefore, the Company has not established any significant reserves for uncertain tax positions.

Fair Value Measurements

The Company holds or has held certain financial assets and liabilities that are required to be measured at fair value. These include cash and cash equivalents held in bank accounts and derivative financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level hierarchy is followed for disclosure to show the extent and level of judgment used to estimate fair value measurements:

Level 1 — Inputs used to measure fair value are unadjusted quoted prices that are available in active markets for the identical assets or liabilities as of the reporting date.

Level 2 — Inputs used to measure fair value, other than quoted prices included in Level 1, are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data from actively quoted markets for substantially the full term of the financial instrument.

Level 3 — Inputs used to measure fair value are unobservable inputs that are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The Company's natural gas price swap agreements, basis swap agreements, interest rate swap agreements and its crude oil and natural gas price collars were not traded on a public exchange, and their value is determined utilizing a discounted cash flow model based on inputs that are readily available in public markets and, accordingly, the valuation of these derivative financial instruments, is categorized as a Level 2 measurement. The Company's natural gas swaption agreements are measured at fair value using a third-party pricing service, categorized as a Level 3 measurement.

The following is a reconciliation of the beginning and ending balances for derivative instruments classified as Level 3 in the fair value hierarchy:

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(In thousands)	
Balance at beginning of year	$ (22,588)	$ 4,351
Total unrealized loss included in earnings [(1)]	(113,018)	(27,450)
Settlements, net [(1)]	21,881	(33,143)
Transfers out of Level 3	(6,418)	—
Balance at end of period	$ (120,143)	$ (56,242)

(1) Unrealized gains and losses and net settlements are reported as part of loss from derivative financial instruments on the accompanying consolidated statements of operations.

Fair Values – Reported

The following presents the carrying amounts and the fair values of the Company's financial instruments as of September 30, 2021 and December 31, 2020:

	September 30, 2021 Carrying Value	September 30, 2021 Fair Value	December 31, 2020 Carrying Value	December 31, 2020 Fair Value
	(In thousands)			
Assets:				
Derivative financial instruments [(1)]	$ 26,734	$ 26,734	$ 9,574	$ 9,574
Liabilities:				
Derivative financial instruments [(1)]	$ 677,293	$ 677,293	$ 49,369	$ 49,369
Bank credit facility [(2)]	$ 425,000	$ 425,000	$ 500,000	$ 500,000
7.50% senior notes due 2025 [(3)]	$ 194,339	$ 253,871	$ 473,728	$ 628,691
9.75% senior notes due 2026 [(3)]	$ —	$ —	$ 1,577,824	$ 1,769,625
6.75% senior notes due 2029 [(3)]	$ 1,257,067	$ 1,348,438	$ —	$ —
5.875% senior notes due 2030 [(3)]	$ 965,000	$ 1,007,219	$ —	$ —

(1) The Company's natural gas price swaps and basis swap agreements, its interest rate swap agreements and its crude oil and natural gas price collars are classified as Level 2 and measured at fair value using a market approach using third party pricing services and other active markets or broker quotes that are readily available in the public markets. The Company's natural gas swaption contracts provide the counterparty the right, but not the obligation, to extend terms of an existing swap on predetermined dates. Due to subjectivity of the inputs used to value the counterparty rights in the contracts, these contracts are classified as Level 3 in the fair value hierarchy.
(2) The carrying value of our floating rate debt outstanding approximates fair value.
(3) The fair value of the Company's fixed rate debt was based on quoted prices as of September 30, 2021 and December 31, 2020, respectively, a Level 1 measurement.

Earnings Per Share

Unvested restricted stock containing non-forfeitable rights to dividends are included in common stock outstanding and are considered to be participating securities and included in the computation of basic and diluted earnings per share pursuant to the two-class method. At September 30, 2021 and December 31, 2020, 952,971 and 1,038,006 shares of restricted stock, respectively, are included in common stock outstanding as such shares have a non-forfeitable right to participate in any dividends that might be declared and have the right to vote on matters submitted to the Company's stockholders.

Weighted average shares of unvested restricted stock outstanding were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
	(in thousands)			
Unvested restricted stock	1,148	1,285	1,092	1,185

PSUs represent the right to receive a number of shares of the Company's common stock that may range from zero to up to two times the number of PSUs granted on the award date based on the achievement of certain performance measures during a performance period. The number of potentially dilutive shares related to PSUs is based on the number of shares, if any, which would be issuable at the end of the respective period, assuming that date was the end of the performance period. The treasury stock method is used to measure the dilutive effect of PSUs. Weighted average unearned PSUs outstanding were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
	(In thousands, except per unit amounts)			
Weighted average PSUs	1,204	1,136	1,178	1,014
Weighted average grant date fair value per unit	$8.11	$9.33	$8.11	$9.33

The Company redeemed all of the shares of Series A Convertible Preferred Stock on May 19, 2020. The Series B Convertible Preferred Stock became convertible into an aggregate of 43,750,000 shares of common stock on July 16, 2020 at a conversion price of $4.00 per share. The dilutive effect of preferred stock is computed using the if-converted method as if conversion of the preferred shares had occurred at the earlier of the date of issuance or the beginning of the period. Weighted average shares of convertible preferred stock outstanding were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
	(In thousands)			
Weighted average convertible preferred stock	43,750	43,750	43,750	70,575

None of the Company's participating securities participate in losses and as such are excluded from the computation of basic earnings per share during periods of net losses.

Basic and diluted per share amounts are the same for the three months and nine months ended September 30, 2021 and 2020 due to the net losses in the periods.

Supplementary Information with Respect to the Consolidated Statements of Cash Flows

Cash payments made for interest and income taxes and other non-cash investing activities for the nine months ended September 30, 2021 and 2020, respectively, were as follows:

	Nine Months Ended September 30,			
	2021		2020	
	(In thousands)			
Cash payments for:				
Interest payments	$	206,170	$	145,125
Non-cash investing activities include:				
Increase (decrease) in accrued capital expenditures	$	(3,021)	$	16,771
Liabilities assumed in exchange for right-of-use lease assets	$	5,562	$	1,675
Non-cash financing activities include:				
Retirement of debt in exchange for common stock	$	—	$	(4,151)
Issuance of common stock in exchange for debt	$	—	$	5,012

(2) LONG-TERM DEBT

At September 30, 2021, long-term debt was comprised of the following:

	(In thousands)	
7.50% Senior Notes due 2025:		
Principal	$	244,400
Discount, net of amortization		(50,061)
6.75% Senior Notes due 2029:		
Principal		1,250,000
Premium, net of amortization		7,067
5.875% Senior Notes due 2030:		
Principal		965,000
Bank Credit Facility:		
Principal		425,000
Debt issuance costs, net of amortization		(40,094)
	$	2,801,312

As of September 30, 2021, the Company had $425.0 million outstanding under a bank credit facility with a $1.4 billion committed borrowing base which is re-determined on a semi-annual basis and upon the occurrence of certain other events and matures on July 16, 2024. Borrowings under the bank credit facility are secured by substantially all of the assets of the Company and its subsidiaries and bear interest at the Company's option, at either LIBOR plus 2.25% to 3.25% or a base rate plus 1.25% to 2.25%, in each case depending on the utilization of the borrowing base. The Company also pays a commitment fee of 0.375% to 0.5% on the unused portion of the borrowing base. The bank credit facility places certain restrictions upon the Company's and its subsidiaries' ability to, among other things, incur additional indebtedness, pay cash dividends, repurchase common stock, make certain loans, investments and divestitures and redeem the senior notes. The only financial covenants are the maintenance of a leverage ratio of less than 4.0 to 1.0 and an adjusted current ratio of at least 1.0 to 1.0. The Company was in compliance with the covenants as of September 30, 2021.

On March 4, 2021, the Company issued $1.25 billion principal amount of its 6.75% senior notes due 2029 (the "2029 Notes") in a private placement and received net proceeds after offering costs of $1.24 billion, which were used to repurchase a portion of the Company's 7.5% senior notes due 2025 (the "2025 Notes") and 9.75% senior notes due 2026 (the "2026 Notes") pursuant to a tender offer. The 2029 Notes mature on March 1, 2029 and accrue interest at a rate of 6.75% per annum, payable semi-annually on March 1 and September 1 of each year.

Pursuant to the tender offer, Comstock repurchased $375.0 million principal amount of the 2025 Notes and $777.1 million principal amount of the 2026 Notes for an aggregate amount of $1.26 billion, which included premiums paid over face value of $97.9 million, accrued interest of $12.5 million and $1.1 million of costs related to the tender offer.

On June 28, 2021, the Company issued $965.0 million principal amount of its 5.875% senior notes due 2030 (the "2030 Notes") in a private placement and received net proceeds after offering costs of $949.5 million, which were used along with cash on hand to redeem all outstanding 2026 Notes. The 2030 Notes mature on January 15, 2030 and accrue interest at a rate of 5.875% per annum, payable semi-annually on January 15 and July 15 of each year.

On June 29, 2021, Comstock completed the redemption of all outstanding 2026 Notes for an aggregate amount of $978.6 million, which included premiums paid over face value of $74.0 million and accrued interest of $31.7 million.

As a result of the early retirement of the senior notes repurchased in the tender offer and the redemption of the 2026 Notes, the Company recognized a loss of $352.6 million on early retirement of debt for the nine months ended September 30, 2021.

(3) PREFERRED STOCK

In connection with the acquisition of Covey Park Energy LLC in 2019, the Company issued 210,000 shares of Series A Convertible Preferred Stock with a face value of $210.0 million and a fair value of $200.0 million as part of the consideration for the acquisition and sold 175,000 shares of Series B Convertible Preferred Stock for $175.0 million to its majority stockholder. On May 19, 2020, the Company redeemed the 210,000 outstanding shares of the Series A Convertible Preferred Stock for an aggregate redemption price of $210.0 million plus accrued and unpaid dividends of approximately $2.9 million. The holder of the Series B Convertible Preferred Stock is entitled to receive quarterly dividends at a rate of 10% per annum, which are paid in arrears. The holder of the Series B Convertible Preferred Stock may convert any or all shares of such preferred stock into shares of the Company's common stock at $4.00 per share, subject to adjustment pursuant to customary anti-dilution provisions. The Company has the right to redeem the Series B Convertible Preferred Stock at any time at face value plus accrued dividends. The Series B Convertible Preferred Stock is classified as mezzanine equity based on the majority stockholder's ability to control the terms of conversion to common stock.

(4) COMMITMENTS AND CONTINGENCIES

In April 2021, the Company entered into a well stimulation agreement that extends to 2024 for exclusive use of a natural gas powered pressure pumping fleet. The minimum commitment under this contract is $19.2 million per year from 2022 through 2024.

From time to time, the Company is involved in certain litigation that arises in the normal course of its operations. The Company records a loss contingency for these matters when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company does not believe the resolution of these matters will have a material effect on the Company's financial position, results of operations or cash flows and no material amounts are accrued relative to these matters at September 30, 2021 or 2020.

(5) RELATED PARTY TRANSACTIONS

Comstock operates oil and gas properties held by a partnership owned by its majority stockholder. The Company charges the partnership for the costs incurred to drill, complete and produce the wells, as well as drilling and operating overhead fees that are charged other interest owners. Comstock also provides natural gas marketing services to the partnership, including evaluating potential markets and providing hedging services, in return for a fee equal to $0.02 per Mcf for natural gas marketed. The Company received $353 thousand and $1.2 million for the three and nine months ended September 30, 2021, and $54 thousand and $433 thousand for the three and nine months ended September 30, 2020, respectively, for drilling, operating and marketing services provided to the partnership.

In connection with the operation of the wells, the Company had a $9.3 million receivable from the partnership at September 30, 2021, which is expected to be collected in full in November 2021. The Company also had a $25.5 million receivable for the fair market value of oil and natural gas price hedging contracts that were entered into with the partnership.

(6) SUBSEQUENT EVENTS

On October 6, 2021, the Company entered into an agreement to sell certain wells producing from the Bakken shale for $154 million in cash, subject to adjustment and customary closing conditions. The sale is expected to close in the fourth quarter of 2021 and has an effective date of October 1, 2021. The Company expects to recognize a pre-tax loss between $150 million and $160 million on the divestiture.

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

This report contains forward-looking statements that involve risks and uncertainties that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those anticipated in our forward-looking statements due to many factors. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in this report and in our annual report filed on Form 10-K for the year ended December 31, 2020.

Results of Operations

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	(In thousands except per unit amounts)			
Net Production Data:				
Natural gas (MMcf)	128,896	102,560	366,272	341,823
Oil (MBbls)	346	354	1,034	1,168
Natural gas equivalent (MMcfe)	130,968	104,687	372,474	348,831
Revenues:				
Natural gas sales	$ 488,303	$ 168,374	$ 1,133,783	$ 547,975
Oil sales	22,873	9,637	61,571	35,449
Total oil and gas sales	$ 511,176	$ 178,011	$ 1,195,354	$ 583,424
Expenses:				
Production and ad valorem taxes	$ 16,675	$ 9,798	$ 36,468	$ 27,768
Gathering and transportation	$ 35,402	$ 22,422	$ 96,596	$ 77,423
Lease operating	$ 26,576	$ 25,412	$ 77,150	$ 79,110
Depreciation, depletion and amortization	$ 128,739	$ 99,056	$ 359,313	$ 312,828
Exploration	$ —	$ —	$ —	$ 27
Average Sales Price:				
Natural gas (per Mcf)	$ 3.79	$ 1.64	$ 3.10	$ 1.60
Oil (per Bbl)	$ 66.11	$ 27.20	$ 59.55	$ 30.35
Average equivalent (Mcfe)	$ 3.90	$ 1.70	$ 3.21	$ 1.67
Expenses ($ per Mcfe):				
Production and ad valorem taxes	$ 0.13	$ 0.09	$ 0.09	$ 0.08
Gathering and transportation	$ 0.27	$ 0.21	$ 0.26	$ 0.22
Lease operating	$ 0.20	$ 0.25	$ 0.21	$ 0.23
Depreciation, depletion and amortization	$ 0.98	$ 0.95	$ 0.96	$ 0.90

Revenues –

Oil and natural gas sales of $511.2 million for the third quarter of 2021 increased by $333.2 million (187%) as compared to $178.0 million for the third quarter of 2020. The increase was primarily due to higher prices received for our oil and natural gas production as well as higher natural gas production. Our natural gas production for the third quarter of 2021 increased 26% to 128.9 billion cubic feet ("Bcf") (1.4 Bcf per day), and was sold at an average price of $3.79 per Mcf as compared to 102.6 Bcf (1.1 Bcf per day) sold at an average price of $1.64 per Mcf in the third quarter of 2020. Oil production of 346 MBbls (3,761 Bbls per day) was sold at an average price of $66.11 per Bbl in the third quarter of 2021 as compared to 354 MBbls (3,851 Bbls per day) sold at an average price of $27.20 per Bbl in the third quarter of 2020.

Oil and natural gas sales of $1.2 billion increased by $611.9 million (105%) for the nine months ended September 30, 2021 compared to $583.4 million for the nine months ended September 30, 2020, due primarily to higher prices received for our oil and natural gas production. Our natural gas production for the first nine months of 2021 was 366.3 Bcf (1.3 Bcf per day), which was sold at an average price of $3.10 per Mcf as compared to 341.8 Bcf (1.2 Bcf per day) sold at an average price of $1.60 per Mcf in the first nine months of 2020. Oil production of 1,034 Mbbls (3,788 Bbls per day) was sold at an average price of $59.55 per Bbl in the first nine months of 2021 as compared to 1,168 Mbbls (4,263 Bbls per day) sold at an average price of $30.35 per Bbl in the first nine months of 2020.

We utilize natural gas and oil price derivative financial instruments to manage our exposure to changes in prices of natural gas and oil and to protect returns on investment from our drilling activities. The following table presents our natural gas and oil prices before and after the effect of cash settlements of our derivative financial instruments:

	Three Months Ended Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Average Realized Natural Gas Price:				
Natural gas, per Mcf	$ 3.79	$ 1.64	$ 3.10	$ 1.60
Cash settlements on derivative financial instruments, per Mcf	(0.89)	$ 0.31	$ (0.38)	$ 0.36
Price per Mcf, including cash settlements on derivative financial instruments	$ 2.90	$ 1.95	$ 2.72	$ 1.96
Average Realized Oil Price:				
Oil, per Bbl	$ 66.11	$ 27.20	$ 59.55	$ 30.35
Cash settlements on derivative financial instruments, per Bbl	(7.53)	6.32	(5.31)	9.49
Price per Bbl, including cash settlements on derivative financial instruments	$ 58.58	$ 33.52	$ 54.24	$ 39.84

Costs and Expenses –

Our production and ad valorem taxes increased $6.9 million (70%) to $16.7 million for the third quarter of 2021 from $9.8 million in the third quarter of 2020. Production and ad valorem taxes increased $8.7 million (31%) to $36.5 million for the first nine months of 2021 from $27.8 million in the first nine months of 2020. The increase was primarily related to the higher oil and natural gas prices in 2021.

Gathering and transportation costs for the third quarter of 2021 increased $13.0 million (58%) to $35.4 million as compared to $22.4 million in the third quarter of 2020. Gathering and transportation costs for the first nine months of 2021 increased $19.2 million (25%) to $96.6 million as compared to $77.4 million for the first nine months of 2020. The increase is due primarily to higher average rates and higher production in the third quarter and the first nine months of 2021.

Our lease operating expense of $26.6 million ($0.20 per Mcfe) for the third quarter of 2021 increased $1.2 million (5%) from lease operating expense of $25.4 million ($0.25 per Mcfe) for the third quarter of 2020. Our lease operating expense of $77.2 million ($0.21 per Mcfe) for the first nine months of 2021 decreased $2.0 million (2%) from lease operating expense of $79.1 million ($0.23 per Mcfe) for the first nine months of 2020. The decrease in average per unit cost is related to the growth in our lower cost natural gas production.

Depreciation, depletion and amortization ("DD&A") increased $29.7 million (30%) to $128.7 million in the third quarter of 2021 from $99.1 million in the third quarter of 2020 due to higher production and an increase in the average rate. Our DD&A per equivalent Mcf produced increased $0.03 (3%) to $0.98 per Mcfe for the three months ended September 30, 2021 from $0.95 per Mcfe for the three months ended September 30, 2020. DD&A increased $46.5 million (15%) to $359.3 million in the first nine months of 2021 from $312.8 million in the first nine months of 2020. Our DD&A per equivalent Mcf produced increased $0.06 (7%) to $0.96 per Mcfe for the first nine months of 2021 from $0.90 per Mcfe for the first nine months of 2020.

General and administrative expenses, which are reported net of overhead reimbursements, decreased to $8.1 million for the third quarter of 2021 as compared to $9.0 million in the third quarter of 2020. General and administrative expenses decreased to $24.0 million for the first nine months of 2021 from $26.0 million in the first nine months of 2020. The decreases primarily resulted from higher overhead reimbursements that we received in 2021.

We use derivative financial instruments as part of our price risk management program to protect our capital investments. During the quarter ended September 30, 2021, we had substantial losses related to our derivative financial instruments of $510.3 million, as compared to net losses on derivative financial instruments of $121.6 million during the quarter ended September 30, 2020. Realized net losses from our oil and natural gas price risk management program were $117.1 million for the quarter ended September 30, 2020 as compared to realized net gains of $34.2 million for the quarter ended September 30, 2021. During the nine months ended September 30, 2021, we had total net losses on derivative financial instruments of $756.0 million, as compared to net losses on derivative financial instruments of $72.0 million during the the first nine months of 2020. Realized net losses from our oil and natural gas price risk management program were $144.4 million and net gains of $132.9 million for the nine months ended September 30, 2021 and 2020, respectively.

Interest expense was $50.0 million and $63.9 million for the quarter ended September 30, 2021 and 2020, respectively. The 22% decrease in interest expense is due primarily to the retirement of our 9.75% and 7.50% senior notes during the first six months of 2021. Interest expense was $170.6 million and $168.8 million for the nine months ended September 30, 2021 and 2020, respectively.

Income taxes for the quarter ended September 30, 2021 and 2020 were a provision of $24.0 million and a benefit of $46.1 million, respectively. Income taxes for the nine months ended September 30, 2021 and 2020 were a benefit of $74.2 million and $46.2 million, respectively. The provision and benefit for income taxes for the three months and nine months ended September 30, 2021 reflect an effective tax rate of (9.1)% and 11.0%, respectively. The income tax provision for the three months ended September 30, 2021 is attributable to revisions to the estimated future utilization of federal and state net operating loss carryforwards resulting from the loss from derivative financial instruments that was recognized in the period. The benefit for income taxes for the three months and nine months ended September 30, 2020 reflect an effective tax rate of 26.7% and 25.6%, respectively. The difference between the federal statutory rate of 21% and our effective rate is primarily due to the increased valuation allowances discussed above and the impact of state income taxes.

We reported net loss available to common stockholders of $292.7 million or $1.26 per share, for the quarter ended September 30, 2021 which was caused by the $510.3 million net loss from derivative financial instruments. Income from operations for the third quarter of 2021 was $295.7 million and we had interest expense of $50.0 million and $4.4 million in preferred stock dividends. We reported net loss available to common stockholders of $130.9 million or $0.57 per share for the three months ended September 30, 2020. In the first nine months of 2021, we reported net loss available to common stockholders of $615.2 million or $2.66 per share. Our income from operations for the first nine months of 2021 was $602.0 million, which was offset by losses on derivative financial instruments of $756.0 million, $352.6 million in losses on early retirement of debt and interest expense of $170.6 million. We reported net loss of $160.9 million or $0.77 per share for the nine months ended September 30, 2020.

Liquidity and Capital Resources

Funding for our activities has historically been provided by our operating cash flow, debt or equity financings or proceeds from asset sales. For the nine months ended September 30, 2021, we generated $618.6 million in cash flow from operating activities as compared to $390.0 million in cash flow from operating activities for the nine months ended September 30, 2020.

The following table summarizes our capital expenditure activity:

	Nine Months Ended September 30,	
	2021	2020
	(In thousands)	
Exploration and development:		
Exploratory leasehold costs	$ 18,649	$ 1,457
Development leasehold costs	6,794	7,363
Development drilling and completion costs	454,524	280,383
Other development costs	28,455	26,463
Total capital expenditures	$ 508,422	$ 315,666

We drilled 81 (46.9 net) wells and completed 68 (47.2 net) Haynesville shale wells during the first nine months of 2021. We expect to spend an additional $115 million to $135 million in the remaining three months of 2021 to drill 9 (7.4 net) additional wells, to complete 10 (8.8 net) wells and for other development activity. We expect to fund our future development and exploration activities with future operating cash flow. The timing of most of our future 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. If our plans or assumptions change or our assumptions prove to be inaccurate, we may be required to seek additional capital, including additional equity or debt financings. 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.

We do not have a specific acquisition budget for 2021 because the timing and size of acquisitions are unpredictable. We intend to use our cash flows from operations, borrowings under our bank credit facility, or other debt or equity financings to the extent available, to finance such 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. Lack of access to the debt or equity markets due to general economic conditions could impede our ability to complete acquisitions.

On March 4, 2021, we issued $1.25 billion principal amount of our 6.75% senior notes due in 2029 (the "2029 Notes") in a private placement and received net proceeds after offering costs of $1.24 billion, which were used to repurchase a portion of our 7.5% senior notes due in 2025 (the "2025 Notes") and 9.75% senior notes due in 2026 (the "2026 Notes") pursuant to a tender offer. The 2029 Notes mature on March 1, 2029 and accrue interest at a rate of 6.75% per annum, payable semi-annually on March 1 and September 1 of each year.

Pursuant to the tender offer, we repurchased $375.0 million principal amount of the 2025 Notes and $777.1 million principal amount of the 2026 Notes for an aggregate amount of $1.26 billion, which included premiums paid over face value of $97.9 million, accrued interest of $12.5 million and $1.1 million of costs related to the tender offer.

On June 28, 2021, we issued $965.0 million principal amount of our 5.875% senior notes due in 2030 (the "2030 Notes") in a private placement and received net proceeds after offering costs of $949.5 million, which were used along with cash on hand to redeem all outstanding 2026 Notes. The 2030 Notes mature on January 15, 2030 and accrue interest at a rate of 5.875% per annum, payable semi-annually on January 15 and July 15 of each year.

On June 29, 2021, we completed the redemption of all outstanding 2026 Notes for $978.6 million, which included premiums paid over face value of $74.0 million and accrued interest of $31.7 million. As a result of the early retirement of the senior notes repurchased in the tender offer and the redemption of the 2026 Notes, we recognized a loss of $352.6 million on early retirement of debt for the nine months ended September 30, 2021.

At September 30, 2021, we had $425.0 million outstanding under our bank credit facility with a $1.4 billion committed borrowing base, which is re-determined on a semi-annual basis and upon the occurrence of certain other events, and matures on July 16, 2024. The borrowing base was redetermined at $1.4 billion on October 22, 2021. Borrowings under the bank credit facility are secured by substantially all of our assets and those of our subsidiaries and bear interest at our option, at either LIBOR plus 2.25% to 3.25% or a base rate plus 1.25% to 2.25%, in each case depending on the utilization of the borrowing base. We also pay a commitment fee of 0.375% to 0.50% on the unused portion of the borrowing base. The bank credit facility places certain restrictions upon our and our subsidiaries' ability to, among other things, incur additional indebtedness, pay cash dividends, repurchase common stock, make certain loans, investments and divestitures and redeem the senior notes. The only financial covenants are the maintenance of a leverage ratio of less than 4.0 to 1.0 and an adjusted current ratio of at least 1.0 to 1.0. We were in compliance with the covenants as of September 30, 2021.

In April 2021, we entered into a well stimulation agreement that extends to 2024 for exclusive use of a natural gas powered pressure pumping fleet. The minimum commitment under this contract is $19.2 million per year from 2022 through 2024.

On October 6, 2021, we entered into an agreement to sell certain wells producing from the Bakken shale for $154 million in cash, subject to adjustment and customary closing conditions. The sale is expected to close in the fourth quarter of 2021 and has an effective date of October 1, 2021.

Income Taxes

At September 30, 2021, we had $960.3 million in U.S. federal net operating loss ("NOL") carryforwards and $1.5 billion in certain state NOL carryforwards. As a result of the change of control in August 2018, our ability to use NOLs to reduce taxable income is generally limited to an annual amount based on the fair market value of our stock immediately prior to the ownership change multiplied by the long-term tax-exempt interest rate. Our NOLs are estimated to be limited to $3.3 million a year as a result of this limitation. In addition to this limitation, IRC Section 382 provides that a corporation with a net unrealized built-in gain immediately before an ownership change may increase its limitation by the amount of recognized built-in gain recognized during a recognition period, which is generally the five-year period immediately following an ownership change. Based on the fair market value of our common stock immediately prior to the ownership change, we believe that we have a net unrealized built-in gain which will increase the Section 382 limitation during the five-year recognition period from 2018 to 2023 by $117.0 million.

Effective June 30, 2021, Louisiana state tax law was amended to provide that all NOL deductions claimed on any corporate income tax return filed on or after January 1, 2022 for NOLs relating to loss years on or after January 1, 2001 may be carried forward indefinitely until such losses are fully recovered, subject to other limitations.

NOLs that exceed the Section 382 limitation in any year continue to be allowed as carryforwards until they expire and can be used to offset taxable income for years within the carryover period subject to the limitation in each year. NOLs incurred prior to 2018 generally have a 20-year life until they expire. NOLs generated in 2018 and after would be carried forward indefinitely. Our use of new NOLs arising after the date of an ownership change would not be affected by the 382 limitation. If we do not generate a sufficient level of taxable income prior to the expiration of the pre-2018 NOL carryforward periods, then we will lose the ability to apply those NOLs as offsets to future taxable income. We estimate that $775.2 million of the U.S. federal NOL carryforwards and $1.2 billion of the estimated state NOL carryforwards will expire unused.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Oil and Natural Gas Prices

Our financial condition, results of operations and capital resources are highly dependent upon the prevailing market prices of natural gas and oil. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors, some of which are beyond our control. Factors influencing oil and natural gas prices include the level of global demand for 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 natural gas and oil 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 natural gas and oil 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 natural gas and oil prices can have a favorable impact on our financial condition, results of operations and capital resources.

As of September 30, 2021, we had natural gas price swap agreements which hedge approximately 129.0 Bcf of our 2021 and 2022 natural gas production at an average price of $2.66 per MMBtu and natural gas swaption contracts where the counterparty has the right to exercise a call option to enter into a price swap with the Company on 43.8 Bcf of our 2022 natural gas production at an average price of $2.51 per MMBtu. We also had natural gas collars to hedge approximately 185.1 Bcf of our 2021 through 2023 natural gas production with an average floor price of $2.60 per MMBtu and an average ceiling price of $3.74 per MMBtu. We also have oil collars to hedge 138,000 Bbls with an average floor price of $41.67 per Bbl and an average ceiling price of $51.67 per Bbl. None of our derivative contracts have margin requirements or collateral provisions that could require funding prior to the scheduled cash settlement date.

An increase of 10% in the market price of natural gas on September 30, 2021 would decrease the fair value of our natural gas swaps and collars by approximately $125.0 million. A decrease of 10% in the market price of natural gas on September 30, 2021 would increase the fair value of our natural gas swaps and collars by approximately $92.5 million. The impact of hypothetical changes in market prices of natural gas on our natural gas derivative financial instruments discussed above does not include the offsetting impact that the same hypothetical changes in market prices of natural gas may have on our physical sales of natural gas. Since our outstanding natural gas derivative financial instruments hedge only a portion of our forecasted physical gas production, a positive or negative impact to the fair value of our natural gas derivative financial instruments would be partially offset by our physical sales of natural gas.

Interest Rates

At September 30, 2021, we had approximately $2.5 billion principal amount of long-term debt outstanding. $965.0 million of our long-term debt bear interest at a fixed rate of 5.875%, $1.25 billion of our long-term debt bear interest at a fixed rate of 6.75% and $244.4 million of our long-term debt bear interest at a fixed rate of 7.50%. The fair market value of the 2030 Notes, 2029 Notes and 2025 Notes as of September 30, 2021 was $1.0 billion, $1.3 billion and $253.9 million, respectively, based on the market price of approximately 104%, 108% and 104% of the face amount of such debt. At September 30, 2021, we had $425.0 million outstanding under our bank credit facility, which is subject to variable rates of interest that are tied to LIBOR or the corporate base rate, at our option. We have interest rate swap agreements that fix LIBOR at 0.33% for $500.0 million of our floating rate long-term debt. Any increase in these interest rates would have an adverse impact on our results of operations and cash flow.

ITEM 4: CONTROLS AND PROCEDURES

As of September 30, 2021, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2021 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by us is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. There were no changes in our internal controls over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during the three months ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 6: EXHIBITS

Exhibit No.	Description
10.1*	Eighth Amendment to Amended and Restated Credit Agreement, dated as of October 22, 2021, by and among the Company, Wells Fargo Bank, N.A. and the lenders party thereto from time to time.
31.1*	Section 302 Certification of the Chief Executive Officer.
31.2*	Section 302 Certification of the Chief Financial Officer.
32.1†	Certification for the Chief Executive Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2†	Certification for the Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Schema Document
101.CAL*	Inline XBRL Calculation Linkbase Document
101.LAB*	Inline XBRL Labels Linkbase Document
101.PRE*	Inline XBRL Presentation Linkbase Document
101.DEF*	Inline XBRL Definition Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.
† Furnished herewith.

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.

Date: November 4, 2021	/s/ M. JAY ALLISON
	M. Jay Allison, Chairman and Chief Executive Officer (Principal Executive Officer)
Date: November 4, 2021	/s/ ROLAND O. BURNS
	Roland O. Burns, President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)

EIGHTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

This EIGHTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "**Amendment**") dated as of October 22, 2021, is among COMSTOCK RESOURCES, INC. (the "**Borrower**"), the Lenders (as defined below) party hereto, and WELLS FARGO BANK, N.A., as administrative agent for the Lenders (in such capacity, together with its successors and assigns, the "**Administrative Agent**").

PRELIMINARY STATEMENT

A. The Borrower, the Administrative Agent, certain banks and other financial institutions, as lenders (the "**Lenders**" and each a "**Lender**"), and certain other parties have entered into that certain Amended and Restated Credit Agreement dated as of July 16, 2019 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "**Existing Credit Agreement**"; and the Existing Credit Agreement as amended by this Amendment, the "**Credit Agreement**"), pursuant to which the Lenders have, subject to the terms and conditions set forth therein, made certain credit available to and on behalf of the Borrower.

B. The Borrower, the Administrative Agent and the Lenders party hereto desire to amend the Existing Credit Agreement as set forth herein.

C. Subject to the terms and conditions of this Amendment, the Lenders party hereto, the Administrative Agent and the Borrower have entered into this Amendment in order to amend certain provisions of the Existing Credit Agreement and document the waiver described above, all as set forth herein.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements set forth herein and other good and valuable consideration, the parties agree as follows:

Section 1. ***Definitions***. Unless otherwise defined in this Amendment, each capitalized term used in this Amendment has the meaning assigned to such term in the Credit Agreement.

Section 2. ***Amendments to the Existing Credit Agreement***.

(a) Section 1.1 of the Existing Credit Agreement is hereby amended to add in appropriate alphabetical order the following definition which shall read in its entirety as follows:

> "Bakken Sale" means the sale by the Loan Parties of all of the Oil and Gas Properties of the Loan Parties located in Montana and North Dakota to Northern Oil & Gas, Inc. pursuant to that certain Asset Purchase Agreement dated as of October 6, 2021, by and between Comstock Oil & Gas, LLC, as seller, and Northern Oil and Gas, Inc., as purchaser.

(b) Section 5.10(b) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

(b) Without limiting the foregoing requirements set forth in Section 5.10(a) in any manner (and subject to limitations set forth in Section 6.18), from and after the date that is sixty (60) days after the date on which the Borrower shall have delivered to the Administrative Agent the most recent Reserve Report under Section 5.14 (or in connection with an Interim Redetermination), the Borrower shall enter into (and thereafter, the Borrower shall maintain in effect) Hedge Transactions with Approved Counterparties in respect of natural gas and crude oil so that the notional aggregate volumes of natural gas and crude oil covered by all Hedge Transactions of the Borrower as of any date of determination equal or exceed fifty percent (50%) of the reasonably anticipated projected aggregate amount of production of natural gas and crude oil (calculated on an equivalent basis), from Oil and Gas Properties comprising proved developed producing reserves of the Borrower and its Restricted Subsidiaries evaluated in such Reserve Report for the period of twelve consecutive full calendar months beginning with the first full month following the date such Reserve Report is delivered to the Administrative Agent (and shall, upon request, provide to the Administrative Agent reasonable evidence satisfactory to the Administrative Agent demonstrating the Borrower's compliance with the foregoing); provided that, the requirements set forth in this Section 5.10(b) shall not apply at any time when the ratio of (x) Total Net Debt to (y) EBITDAX as of the last day of the most recent period of four consecutive fiscal quarters for which financial statements have been provided in accordance with clause (a) or (b) of Section 5.1 is less than 2.0 to 1.0 as set forth in the Compliance Certificate delivered in accordance with Section 5.1(c) in connection with the applicable financial statements; provided further, that, notwithstanding the foregoing, the requirements of this Section 5.10(b) shall apply automatically upon the occurrence and during the continuance of an Event of Default under Section 7.1(e) as a result of the Borrower's failure to timely deliver any Compliance Certificate in accordance with Section 5.1(c) and shall continue to apply until such time as such Event of Default shall have been cured or waived and financial statements and a Compliance Certificate satisfying the requirements of the immediately preceding proviso have been delivered to the Administrative Agent.

(c) Section 6.1(a) of the Existing Credit Agreement is hereby amended by amending and restating the first paragraph thereof in its entirety to read as follows:

(a) Ratio of Total Net Debt to EBITDAX. The Borrower will not permit, as of the last day of any fiscal quarter (commencing with the fiscal quarter ending December 31, 2019) its ratio of Total Net Debt as of the last day of such fiscal quarter to EBITDAX for the four fiscal quarters ending on the last day of such fiscal quarter, to be greater than 4.0 to 1.0; provided that the Borrower shall not permit, (i) on any date on or after May 1, 2020, on which the board of directors of the Borrower declares, approves or agrees to pay or make, directly or indirectly, any Restricted Payment pursuant to clause (c) of Section 6.8, its ratio of (x) Total Net Debt as of the date of such declaration, approval or agreement after giving pro forma effect to such Restricted Payment to (y) EBITDAX as of the last day of the most recent period of four consecutive fiscal quarters for which financial statements have been provided in accordance with clause (a) or (b) of Section 5.1, to be greater than 2.25 to 1.0 (notwithstanding any other ratio requirement in this Agreement), (ii) on any date during the period from February 17, 2021 until December 31, 2021, on which the board of directors of the Borrower declares, approves or agrees to pay or make, directly or indirectly, any Restricted Payment pursuant to clause (d) of Section 6.8, the amount of unused borrowing capacity that could be accessed under this Agreement by the Borrower on such date after giving pro forma effect to such Restricted Payment to be less than 25% of the amount of the Loan Limit in effect at such time, or (iii) on any date on or after January 1, 2022, on which the board of directors of the Borrower declares, approves or agrees to pay or make, directly or indirectly, any Restricted Payment pursuant to clause (d) of Section 6.8, (A) its ratio of (x) Total Net Debt as of the date of such declaration, approval or agreement after giving pro forma effect to such Restricted Payment to (y) EBITDAX as of the last day of the most recent period of four consecutive fiscal quarters for which financial statements have been provided in accordance with clause (a) or (b) of Section 5.1, to be greater than 3.0 to 1.0 (notwithstanding any other ratio requirement in this Agreement) or (B) the amount of unused borrowing capacity that could be accessed under this Agreement by the Borrower on such date after giving pro forma effect to such Restricted Payment to be less than 20% of the amount of the Loan Limit in effect at such time.

(d) Section 6.5 of the Existing Credit Agreement is hereby amended by (i) adding “and” at the end of clause (k) and (ii) adding the following new clause (l) to the end of such Section to read in its entirety as follows:

(l) if consummated prior to the Scheduled Redetermination of the Borrowing Base to occur on or about April 1, 2022, the Bakken Sale;

(e) Clause (a) of Section 6.14 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

(a) call, make or offer to make any voluntary or optional Redemption of or otherwise voluntarily or optionally Redeem (whether in whole or in part) any Indebtedness permitted by Section 6.2(k), (l), (m) or (n) except (i) to the extent constituting a Redemption, the conversion of such Indebtedness into Equity Interest of the Borrower (other than Disqualified Equity Interests) and, in connection therewith, the settlement in cash of any such Indebtedness required to avoid the issuance of fractional shares of such Equity Interests, (ii) with the cash proceeds of (A) a concurrent Equity Offering, provided no Default or Borrowing Base deficiency exists or would result therefrom, or (B) a concurrent incurrence of Permitted Refinancing Debt, (iii) the Borrower may redeem or repay the Senior Notes or the Permitted Debt (or any Permitted Refinancing Debt incurred in respect thereof) if (A) no Default or Borrowing Base Deficiency exists or would result therefrom, (B) the Total Net Debt to EBITDAX ratio after giving effect to such redemption or repayment is no greater than 2.50:1.00, and (C) the Borrower would have unused borrowing capacity that can be accessed under this Agreement in an amount not less than 20% of the amount of the Loan Limit in effect at such time, (iv) the Borrower may redeem or repay the Senior Notes or any Permitted Debt (or any Permitted Refinancing Debt incurred in respect thereof) outstanding in an aggregate principal amount of up to $25,000,000 from and after the Effective Date so long as (A) no Default or Borrowing Base Deficiency exists or would result therefrom and (B) the Borrower would have unused borrowing capacity that can be accessed under this Agreement in an amount not less than 20% of the amount of the Loan Limit in effect at such time, and (v) the Borrower may redeem or repay the Covey Park Notes if (A) no Default or Borrowing Base Deficiency exists or would result therefrom, (B) the Total Net Debt to EBITDAX ratio after giving effect to such redemption or repayment is no greater than 3.00:1.00, and (C) the Borrower would have unused borrowing capacity that can be accessed under this Agreement in an amount not less than 20% of the amount of the Loan Limit in effect at such time;

Section 3. ***Limited Waivers***. The Borrower has advised the Lenders that, as a result of the Bakken Sale, it anticipates that the aggregate volume of all commodity Hedge Transactions for which settlement payments will be calculated in the calendar months of November 2021 and December 2021 will exceed 100% of actual production of crude oil in such calendar months (collectively, the "**Specified Over-Hedging Event**"). The Borrower has requested that the Lenders (a) waive any Event of Default that might occur under Section 6.18 of the Credit Agreement solely as a result of the Specified Over-Hedging Event and (b) waive the requirement in Section 6.18(g), with respect to crude oil volumes only, that the Borrower terminate, create off-setting positions, allocate volumes to other production for which the Borrower and the other Loan Parties are marketing, or otherwise unwind existing commodity Hedge Transactions such that, at such time, hedging volumes will not exceed 100% of reasonably anticipated projected production of crude oil for November 2021 or December 2021 (such waivers, collectively, the "***Limited Waivers***"). Subject to the satisfaction or waiver in writing of each of the conditions set forth in Section 5 below and in reliance upon the representations, warranties, covenants and agreements contained in this Agreement, the Lenders party hereto, hereby grant the Limited Waivers. The Limited Waivers provided in this Section 3 shall apply solely with regard to the Specified Over-Hedging Event and solely to the extent the Specified Over-Hedging Event results or resulted from the Bakken Sale, and nothing contained in this Agreement shall be deemed a consent to, or waiver of, any other action or inaction of the Loan Parties that constitutes (or would constitute) a violation of or a departure from any provision of the Credit Agreement or any other Loan Document, or which constitutes (or would constitute) a Default or Event of Default. The Limited Waivers described in this Section 3 are each a one-time waiver limited to the Specified Over-Hedging Event. Neither the Lenders nor the Administrative Agent shall be obligated to grant any future waivers, consents or amendments with respect to Section 6.18 of the Credit Agreement or any other provision of the Credit Agreement or of any other Loan Document. Other than the Limited Waivers expressly provided for in this Section 3, the Loan Parties hereby agree and acknowledge that no course of dealing and no delay in exercising any right, power or remedy conferred on the Administrative Agent or any Lender in the Credit Agreement or in any other Loan Document or now or hereafter existing at law, in equity, by statute or otherwise shall operate as a waiver of or otherwise prejudice any such right, power or remedy.

Section 4. ***Ratification***. The Borrower, for itself and the other Loan Parties, hereby ratifies and confirms all of the Obligations under the Credit Agreement (as amended hereby) and the other Loan Documents, and in particular, affirms that the terms of the Security Documents secure, and will continue to secure, all Obligations after giving effect to this Amendment.

Section 5. ***Effectiveness***. This Amendment shall become effective upon the first date on which all of the conditions set forth in this Section 5 are satisfied (the "**Eighth Amendment Effective Date**"):

(a) the Administrative Agent shall have received executed counterpart signature pages to this Amendment from the Borrower, the Administrative Agent and Lenders comprising at least the Majority Lenders; and

(b) the Borrower shall have confirmed and acknowledged to the Administrative Agent and the Lenders, and by its execution and delivery of this Amendment, the Borrower does hereby confirm and acknowledge to the Administrative Agent and the Lenders, that (i) the execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of the Borrower and each other Loan Party; (ii) the Credit Agreement (as amended hereby) and each other Loan Document constitute valid and legally binding agreements enforceable against the Borrower and each other Loan Party that is a party thereto in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity; (iii) the representations and warranties by the Borrower and each other Loan Party contained in the Credit Agreement and in the other Loan Documents are true and correct on and as of the date hereof as though made as of the date hereof; and (iv) no Default or Event of Default exists under the Credit Agreement or any of the other Loan Documents.

Section 6. ***Governing Law***. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 7. ***Miscellaneous***. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Existing Credit Agreement, and each reference in each other Loan Document to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended or otherwise modified by this Amendment; (b) the execution, delivery and effectiveness of this Amendment shall not, operate as a waiver of any default of the Borrower or any other Loan Party or any right, power or remedy of the Administrative Agent or the Lenders under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents and except as otherwise modified by the terms hereof, the Credit Agreement and such other Loan Documents shall remain in full force and effect; (c) this Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement; and (d) delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment. This Amendment shall constitute a Loan Document for purposes of the Credit Agreement.

Section 8. ***Release of Administrative Agent, Issuing Bank and Lenders; Etc.*** In consideration of the amendments set forth in this Amendment, the Borrower and the Guarantors hereby release, acquit, forever discharge, and covenant not to sue, the Administrative Agent, the Issuing Bank and each Lender, along with all of their respective beneficiaries, officers, directors, shareholders, agents, employees, servants, attorneys and representatives, as well as their respective affiliates, heirs, executors, legal representatives, administrators, predecessors in interest, successors and assigns (each individually, a "**Released Party**" and collectively, the "**Released Parties**") from any and all claims, demands, debts, liabilities, contracts, agreements, obligations, accounts, defenses, suits, offsets against the indebtedness evidenced by the Loan Documents, actions, causes of action or claims for damages or relief of whatever kind or nature, whether equitable or monetary, whether known or unknown, suspected or unsuspected by the Borrower which the Borrower, any Guarantor or any Subsidiary of any of them, has, had or may have against any Released Party, for or by reason of any matter, cause or thing whatsoever occurring on or at any time prior to the date of this Amendment, including, without limitation, any matter that relates to, in whole or in part, directly or indirectly (a) the Credit Agreement, any promissory note, any Security Document, any other Loan Document or the transactions evidenced thereby, including, without limitation, any disbursements under the Credit Agreement, any promissory notes, the negotiation of any of the Credit Agreement, the promissory notes, the Mortgages or the other Loan Documents, the terms thereof, or the approval, administration or servicing thereof; or (b) any notice of default, event of default in reference to any Loan Document or any other matter pertaining to the collection or enforcement by any Released Party of the indebtedness evidenced by any Loan Document or any right or remedy under any Loan Document; or (c) any purported oral agreements or understandings by and between any Released Party and the Borrower or any Guarantor in reference to any Loan Document.

Section 9. ***Final Agreement***. THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, INCLUDING THIS AMENDMENT, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be executed by its officer(s) thereunto duly authorized as of the date first above written.

BORROWER:

COMSTOCK RESOURCES, INC.,
a Nevada corporation

By: /s/ Roland O. Burns
Name: Roland O. Burns
Title: President and Chief Financial Officer

ADMINISTRATIVE AGENT AND LENDERS:

WELLS FARGO BANK, N.A., as Administrative
Agent, Issuing Bank and a Lender

By: /s/ Jonathan Herrick
Name: Jonathan Herrick
Title: Director

BANK OF AMERICA, N.A., as Lender

By: /s/ Raza Jafferi
Name: Raza Jafferi
Title: Director

FIFTH THIRD BANK NATIONAL ASSOCIATION, as Lender

By: /s/ Thomas Kleiderer
Name: Thomas Kleiderer
Title: Managing Director

Mizuho Bank, Ltd., as Lender

By: /s/ Edward Sacks
Name: Edward Sacks
Title: Executive Director

CAPITAL ONE, NATIONAL ASSOCIATION,
as Lender

By: /s/ Christopher Kuna
Name: Christopher Kuna
Title: Senior Director

SOCIETE GENERALE, as Lender

By: /s/ Roberto Simon
Name: Roberto Simon
Title: Managing Director

REGIONS BANK, as Lender

By: /s/ Cody Chance
Name: Cody Chance
Title: Director

KeyBank National Association, as Lender

By: /s/ David M. Bornstein
Name: David M. Bornstein
Title: Senior Vice President

Credit Agricole Corporate and Investment Bank, and a Lender

By: /s/ Darrell Stanley
Name: Darrell Stanley
Title: Managing Director

By: /s/ Michael Willis
Name: Michael Willis
Title: Managing Director

CITIZENS BANK, N.A., as Lender

By: /s/ Hernando Garcia
Name: Hernando Garcia
Title: Director

BARCLAYS BANK PLC, as Lender

By: /s/ Sydney G. Dennis
Name: Sydney G. Dennis
Title: Director

CIT Bank, N.A., as Lender

By: /s/ Seda M. Murphy
Name: Seda M. Murphy
Title: Managing Director

OCM ENGY Holdings, LLC, as Lender

By: Oaktree Fund GP, LLC
Its: Manager

By: Oaktree Fund GP I, LLC
Its: Managing Manager

By: /s/ Robert LaRoche
Name: Robert LaRoche
Title: Authorized Signatory

By: /s/ Brooke Hinchman
Name: Brook Hinchman
Title: Authorized Signatory

Oaktree Opportunities Fund Xb Holdings (Delaware), L.P., as Lender

By: Oaktree Fund GP, LLC
Its: General Partner

By: Oaktree Fund GP I, LLC
Its: Managing Manager

By: /s/ Robert LaRoche
Name: Robert LaRoche
Title: Authorized Signatory

By: /s/ Brooke Hinchman
Name: Brook Hinchman
Title: Authorized Signatory

Banc of America Credit Products, as Lender

By: /s/ Miles Hanes
Name: Miles Hanes
Title: Authorized Signatory

Goldman Sachs Bank USA, as Lender

By: /s/ Mahesh Mohan
Name: Mahesh Mohan
Title: Authorized Signatory

Oaktree Value Opportunities Fund Holdings,
L.P., as Lender

By: Oaktree Value Opportunities Fund GP, LP
Its: General Partner

By: Oaktree Value Opportunities Fund GP, Ltd.
Its: General Partner

By: Oaktree Capital Management, L.P.
Its: Director

By: /s/ Robert LaRoche
Name: Robert LaRoche
Title: Vice President

By: /s/ Brooke Hinchman
Name: Brook Hinchman
Title: Managing Director

Morgan Stanley Senior Funding, Inc., as Lender

By: /s/ Marisa Moss

Name: Marissa Moss

Title: Vice President

ACKNOWLEDGMENT BY GUARANTORS

Each of the undersigned Guarantors hereby (i) consents to the terms and conditions of that certain Eighth Amendment to Amended and Restated Credit Agreement dated effective as of October [_], 2021 (the "**Amendment**") and confirms its release of the Released Parties set forth therein, (ii) acknowledges and agrees that its consent is not required for the effectiveness of the Amendment, (iii) ratifies and acknowledges its respective Obligations under each Loan Document to which it is a party and affirms that the terms of the Guaranty Agreement guarantees, and will continue to guarantee, the Obligations, after giving effect to the Amendment, and (iv) represents and warrants that (a) no Default or Event of Default has occurred and is continuing, (b) it is in full compliance with all covenants and agreements pertaining to it in the Loan Documents, and (c) it has reviewed a copy of the Amendment.

COMSTOCK OIL & GAS, LLC
By Comstock Resources, Inc., its sole member

COMSTOCK OIL & GAS - LOUISIANA, LLC

By: /s/ Roland O. Burns
Name: Roland O. Burns
Title: President

Exhibit 31.1

Section 302 Certification

I, M. Jay Allison, certify that:

1. I have reviewed this September 30, 2021 Form 10-Q of Comstock Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ M. JAY ALLISON

Chief Executive Officer

Exhibit 31.2

Section 302 Certification

I, Roland O. Burns, certify that:

1. I have reviewed this September 30, 2021 Form 10-Q of Comstock Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ ROLAND O. BURNS

President and Chief Financial Officer

Exhibit 32.1

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 three months ending September 30, 2021 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

M. Jay Allison
Chief Executive Officer
November 4, 2021

Exhibit 32.2

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 three months ending September 30, 2021 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

Roland O. Burns
Chief Financial Officer
November 4, 2021