

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _____ to _____

Commission File No. 001-03262

COMSTOCK RESOURCES, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

94-1667468

(I.R.S. Employer Identification Number)

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

(Address of principal executive offices including zip code)

(972) 668-8800

(Registrant's telephone number and area code)

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

Common Stock, \$.50 Par Value

(Title of class)

New York Stock Exchange

(Name of exchange on which registered)

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer _____ Non-accelerated filer _____ Smaller reporting company _____ (Do not check if smaller reporting company)

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

Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant, based on the closing price of common stock on the New York Stock Exchange on June 30, 2013 (the last business day of the registrant's most recently completed second fiscal quarter), was \$705.7 million.

As of February 26, 2014, there were 47,837,224 shares of common stock of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement for the 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

COMSTOCK RESOURCES, INC.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2013

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information contained in this report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are identified by their use of terms such as “expect,” “estimate,” “anticipate,” “project,” “plan,” “intend,” “believe” and similar terms. All statements, other than statements of historical facts, included in this report, are forward-looking statements, including statements mentioned under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” regarding:

- amount and timing of future production of oil and natural gas;
- the availability of exploration and development opportunities;
- amount, nature and timing of capital expenditures;
- the number of anticipated wells to be drilled after the date hereof;
- our financial or operating results;
- our cash flow and anticipated liquidity;
- operating costs including lease operating expenses, administrative costs and other expenses;
- finding and development costs;
- our business strategy; and
- other plans and objectives for future operations.

Any or all of our forward-looking statements in this report may turn out to be incorrect. They can be affected by a number of factors, including, among others:

- the risks described in “Risk Factors” and elsewhere in this report;
- the volatility of prices and supply of, and demand for, oil and natural gas;
- the timing and success of our drilling activities;
- the numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and actual future production rates and associated costs;
- our ability to successfully identify, execute or effectively integrate future acquisitions;
- the usual hazards associated with the oil and natural gas industry, including fires, well blowouts, pipe failure, spills, explosions and other unforeseen hazards;
- our ability to effectively market our oil and natural gas;
- the availability of rigs, equipment, supplies and personnel;
- our ability to discover or acquire additional reserves;
- our ability to satisfy future capital requirements;
- changes in regulatory requirements;
- general economic conditions, status of the financial markets and competitive conditions;
- our ability to retain key members of our senior management and key employees; and
- hostilities in the Middle East and other sustained military campaigns and acts of terrorism or sabotage that impact the supply of crude oil and natural gas.

DEFINITIONS

The following are abbreviations and definitions of terms commonly used in the oil and gas industry and this report. Natural gas equivalents and crude oil equivalents are determined using the ratio of six Mcf to one barrel. All references to “us,” “our,” “we” or “Comstock” mean the registrant, Comstock Resources, Inc. and where applicable, its consolidated subsidiaries.

“**Bbl**” means a barrel of U.S. 42 gallons of oil.

“**Bcf**” means one billion cubic feet of natural gas.

“**Bcfe**” means one billion cubic feet of natural gas equivalent.

“**BOE**” means one barrel of oil equivalent.

“**Btu**” means British thermal unit, which is the quantity of heat required to raise the temperature of one pound of water from 58.5 to 59.5 degrees Fahrenheit.

“**Completion**” means the installation of permanent equipment for the production of oil or gas.

“**Condensate**” means a hydrocarbon mixture that becomes liquid and separates from natural gas when the gas is produced and is similar to crude oil.

“**Development well**” means a well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

“**Dry hole**” means a well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

“**Exploratory well**” means a well drilled to find and produce oil or natural gas reserves not classified as proved, to find a new productive reservoir in a field previously found to be productive of oil or natural gas in another reservoir or to extend a known reservoir.

“**GAAP**” means generally accepted accounting principles in the United States of America.

“**Gross**” when used with respect to acres or wells, production or reserves refers to the total acres or wells in which we or another specified person has a working interest.

“**MBbls**” means one thousand barrels of oil.

“**MBbls/d**” means one thousand barrels of oil per day.

“**Mcf**” means one thousand cubic feet of natural gas.

“**Mcfe**” means one thousand cubic feet of natural gas equivalent.

“**MMBbls**” means one million barrels of oil.

“**MMBOE**” means one million barrels of oil equivalent.

“**MMBtu**” means one million British thermal units.

“**MMcf**” means one million cubic feet of natural gas.

“**MMcf/d**” means one million cubic feet of natural gas per day.

“**MMcfe/d**” means one million cubic feet of natural gas equivalent per day.

“**MMcfe**” means one million cubic feet of natural gas equivalent.

“**Net**” when used with respect to acres or wells, refers to gross acres of wells multiplied, in each case, by the percentage working interest owned by us.

“**Net production**” means production we own less royalties and production due others.

“**Oil**” means crude oil or condensate.

“**Operator**” means the individual or company responsible for the exploration, development, and production of an oil or gas well or lease.

“**PV 10 Value**” means the present value of estimated future revenues to be generated from the production of proved reserves calculated in accordance with the Securities and Exchange Commission guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to non-property related expenses such as general and administrative expenses, debt service, future income tax expense and depreciation, depletion and amortization, and discounted using an annual discount rate of 10%. This amount is the same as the standardized measure of discounted future net cash flows related to proved oil and natural gas reserves except that it is determined without deducting future income taxes. Although PV 10 Value is not a financial measure calculated in accordance with GAAP, management believes that the presentation of PV 10 Value is relevant and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves prior to taking into account corporate future income taxes and our current tax structure. We use this measure when assessing the potential return on investment related to our oil and gas properties. Because many factors that are unique to any given company affect the amount of estimated future income taxes, the use of a pre-tax measure is helpful to investors when comparing companies in our industry.

“**Proved developed reserves**” means reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

“**Proved developed non-producing**” means reserves (i) expected to be recovered from zones capable of producing but which are shut-in because no market outlet exists at the present time or whose date of connection to a pipeline is uncertain or (ii) currently behind the pipe in existing wells, which are considered proved by virtue of successful testing or production of offsetting wells.

“**Proved developed producing**” means reserves expected to be recovered from currently producing zones under continuation of present operating methods. This category includes recently completed shut-in gas wells scheduled for connection to a pipeline in the near future.

“**Proved reserves**” means the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided by contractual arrangements.

“Proved undeveloped reserves” means reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those drilling locations offsetting productive wells that are reasonably certain of production when drilled or where it can be demonstrated with certainty that there is continuity of production from the existing productive formation.

“Recompletion” means the completion for production of an existing well bore in another formation from which the well has been previously completed.

“Reserve life” means the calculation derived by dividing year-end reserves by total production in that year.

“Reserve replacement” means the calculation derived by dividing additions to reserves from acquisitions, extensions, discoveries and revisions of previous estimates in a year by total production in that year.

“Royalty” means an interest in an oil and gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage. Royalties may be either landowner’s royalties, which are reserved by the owner of the leased acreage at the time the lease is granted, or overriding royalties, which are usually reserved by an owner of the leasehold in connection with a transfer to a subsequent owner.

“3-D seismic” means an advanced technology method of detecting accumulations of hydrocarbons identified by the collection and measurement of the intensity and timing of sound waves transmitted into the earth as they reflect back to the surface.

“Tcfe” means one trillion cubic feet of natural gas equivalent.

“Working interest” means an interest in an oil and gas lease that gives the owner of the interest the right to drill for and produce oil and gas on the leased acreage and requires the owner to pay a share of the costs of drilling and production operations. The share of production to which a working interest owner is entitled will always be smaller than the share of costs that the working interest owner is required to bear, with the balance of the production accruing to the owners of royalties. For example, the owner of a 100% working interest in a lease burdened only by a landowner’s royalty of 12.5% would be required to pay 100% of the costs of a well but would be entitled to retain 87.5% of the production.

“Workover” means operations on a producing well to restore or increase production.

PART I

ITEMS 1 and 2. BUSINESS AND PROPERTIES

We are engaged in the acquisition, development, production and exploration of oil and natural gas. Our common stock is listed and traded on the New York Stock Exchange. In May 2013, we divested all of our oil and gas properties in West Texas and, accordingly, the discussion which follows pertains solely to our continuing oil and gas operations.

Our oil and gas operations are concentrated in Texas and Louisiana. Our oil and natural gas properties are estimated to have proved reserves of 585 Bcfe with an estimated PV 10 Value of \$1.1 billion as of December 31, 2013 and a standardized measure of discounted future net cash flows of \$0.8 billion. Our proved oil and natural gas reserve base is 77% natural gas and 23% oil and are 73% developed as of December 31, 2013.

Our proved reserves at December 31, 2013 and our 2013 average daily production are summarized below:

	Proved Reserves at December 31, 2013				2013 Average Daily Production			
	Oil (MMBbls)	Natural Gas (Bcf)	Total (Bcfe)	% of Total	Oil (MBbls/d)	Natural Gas (MMcf/d)	Total (MMcfe/d)	% of Total
East Texas / North Louisiana	0.4	341.3	343.8	58.8%	0.1	128.4	129.5	68.0%
South Texas	21.5	98.6	227.6	38.9%	6.1	19.7	56.3	29.5%
Other Regions	0.1	12.8	13.1	2.3%	0.1	4.5	4.8	2.5%
Total	<u>22.0</u>	<u>452.7</u>	<u>584.5</u>	<u>100.0%</u>	<u>6.3</u>	<u>152.6</u>	<u>190.6</u>	<u>100.0%</u>

Strengths

High Quality Properties. Our operations are currently focused in two operating areas: East Texas/North Louisiana and South Texas. Our properties have an average reserve life of approximately 8.4 years and have extensive development and exploration potential. In response to the low natural gas price environment in recent years, we have focused our drilling activity primarily on oil projects and limited our natural gas drilling to wells required to hold acreage. Our Eagleville field includes 31,755 acres (25,316 net to us) located in the oil window of the Eagle Ford shale in South Texas. In 2013 94% of our drilling and completion expenditures were related to our Eagleville field development. During 2013, we acquired acreage in two additional areas that are prospective for oil, including 33,624 acres (21,034 net to us) in the oil window of the Eagleford shale in or near Burleson County, Texas, and 53,470 acres (51,017 net to us) in Mississippi and Louisiana that are prospective for development in the Tuscaloosa Marine shale. Our properties in the East Texas/North Louisiana region, which are primarily prospective for natural gas, include 84,875 acres (72,232 net to us) in the Haynesville or Bossier shale formations.

Successful Exploration and Development Program. In 2013 we spent \$481.1 million on exploration and development activities. We spent \$338.0 million on drilling and completing wells in 2013. We drilled 77 wells (53.6 net to us) and completed 67 wells (44.1 net to us). We also spent \$137.1 million in 2013 to acquire additional leasehold, \$0.4 million to acquire seismic data and \$5.6 million for recompletions, workovers, abandonment, and production facilities. Of our 2013 capital expenditures, 95% were directed towards oil projects. Our drilling activities in 2013 added 13.2 MMBOE to our proved reserves and increased our oil production in 2013 by 29% from 2012's oil production.

Efficient Operator. We operated 95% of our proved reserve base as of December 31, 2013. As operator we are better able to control operating costs, the timing and plans for future development, the

level of drilling and lifting costs and the marketing of production. As an operator, we receive reimbursements for overhead from other working interest owners, which reduces our general and administrative expenses.

Successful Acquisitions. We have had significant growth over the years as a result of our acquisition activity. In recent years we have focused primarily on acquiring undrilled acreage rather than producing properties. We apply strict economic and reserve risk criteria in evaluating acquisitions. Over the last twenty years, we have added 1.1 Tcfe of proved oil and natural gas reserves from 38 acquisitions of producing oil and gas properties at an average cost of \$1.17 per Mcfe. Our application of strict economic and reserve risk criteria have enabled us to successfully evaluate and integrate acquisitions.

Business Strategy

Pursue Exploration Opportunities. Each year, we conduct exploration activities to grow our reserve base and to replace our production. In recent years we have been focused on oil development, and we limited our drilling on natural gas properties due to weak natural gas prices.

In 2013 our Eagleville field in South Texas was the primary focus of our drilling activity. From 2010 through 2013, we spent approximately \$169.5 million leasing acreage in McMullen, Atascosa, Frio, La Salle, Karnes and Wilson Counties in South Texas, which we believe to be prospective for oil in the Eagle Ford shale formation. In 2012 we entered into a joint venture arrangement to allow us to accelerate the development of this field. Our joint venture partner participates for a one-third interest in the wells that we drill in exchange for paying \$25,000 per net acre that is earned by their participation. Through December 31, 2013, we have drilled 128 wells (94.3 net to us) in our Eagleville field including 75 wells (51.6 net to us) drilled in 2013. Our joint venture partner participated in 96 of these wells and contributed \$61.3 million through December 31, 2013 for acreage and an additional \$5.0 million to reimburse us for a portion of common production facilities. In 2013, we added 6.1 MMBOE to our proved reserves from our drilling activity in Eagleville. We have budgeted to spend \$344.0 million in 2014, net of reimbursements from our joint venture partner, to drill 59 wells (40.2 net to us) and to complete 18 wells (13.3 net to us) that were drilled in 2013.

In May 2013 we completed the divestiture of our West Texas properties that were acquired in 2011. We received proceeds of \$823.1 million from the sale and recognized a gain of \$230.0 million (\$148.6 million after income taxes). We divested of the properties due to the substantial drilling required to maintain the leases, the opportunity to earn a substantial profit from our investment and the low returns we were realizing from our 2012 drilling activity. The divestiture allowed us to repay \$722.0 million of our long-term debt and to accelerate the development of our Eagleville field.

We spent \$67.4 million in 2013 to lease 33,624 acres (21,034 net to us) in or near Burleson County, Texas which are prospective for oil in the Eagle Ford shale formation, and we spent \$53.3 million to acquire 53,470 acres (51,017 net to us) in Louisiana and Mississippi, which are prospective for oil in the Tuscaloosa Marine shale. We have budgeted \$77.0 million in 2014 for drilling 12 wells (7.4 net to us) on the new acreage.

We have a significant acreage position of 84,875 acres (72,232 net to us) in East Texas and North Louisiana with Haynesville or Bossier shale natural gas potential, but in 2013 we elected to defer most of our drilling operations until natural gas prices improve. We drilled two Haynesville and Bossier shale horizontal wells (2.0 net to us) in 2013, which added 37 Bcfe to our proved reserves.

Exploit Existing Reserves. We seek to maximize the value of our oil and gas properties by increasing production and recoverable reserves through development drilling and workover, recompletion and exploitation activities. We utilize advanced industry technology, including 3-D seismic data, horizontal drilling, enhanced logging tools, and formation stimulation techniques.

Maintain Flexible Capital Expenditure Budget. The timing of most of our capital expenditures is discretionary because we have not made any significant long-term capital expenditure commitments except for contracted drilling and completion services. We operate most of the drilling projects in which we participate. Consequently, we have a significant degree of flexibility to adjust the level of such expenditures according to market conditions. We have budgeted to spend approximately \$450.0 million in 2014 on our development and exploration projects and \$28.0 million for lease acquisition activity.

Acquire High Quality Properties at Attractive Costs. Historically, we have had a successful track record of increasing our oil and natural gas reserves through opportunistic acquisitions. Over the last twenty years, we have added 1.1 Tcfe of proved oil and natural gas reserves from 38 acquisitions of producing oil and gas properties at a total cost of \$1.3 billion, or \$1.17 per Mcfe. The acquisitions were acquired at an average of 67% of their PV 10 Value in the year the acquisitions were completed. In evaluating acquisitions, we apply strict economic and reserve risk criteria. We target properties in our core operating areas with established production and low operating costs that also have potential opportunities to increase production and reserves through exploration and exploitation activities. We also evaluate our existing properties and consider divesting of non-strategic assets when market conditions are favorable.

Primary Operating Areas

The following table summarizes the estimated proved oil and natural gas reserves for our fifteen largest field areas as of December 31, 2013:

	Oil (MBbls)	Natural Gas (MMcf)	Total (MMcfe) ⁽¹⁾	%	PV 10 Value ⁽²⁾ (000's)	%
East Texas / North Louisiana:						
Logansport	28	232,642	232,811	39.8%	\$ 169,649	16.1%
Toledo Bend	—	31,071	31,071	5.3%	31,503	3.0%
Beckville	142	29,762	30,616	5.2%	30,663	2.9%
Waskom	66	12,285	12,678	2.2%	13,435	1.3%
Blocker	47	11,864	12,146	2.1%	12,513	1.2%
Mansfield	—	7,092	7,092	1.2%	4,934	0.5%
Douglass	—	3,584	3,584	0.6%	2,007	0.2%
Darco	8	2,724	2,772	0.5%	2,403	0.2%
Other	114	10,301	10,988	1.9%	11,433	1.0%
	<u>405</u>	<u>341,325</u>	<u>343,758</u>	<u>58.8%</u>	<u>278,540</u>	<u>26.4%</u>
South Texas:						
Eagleville	21,324	18,669	146,613	25.1%	688,227	65.3%
Fandango	—	45,405	45,405	7.8%	32,520	3.1%
Rosita	—	16,283	16,283	2.8%	10,315	1.0%
Javelina	34	7,552	7,757	1.3%	10,497	1.0%
Las Hermanitas	—	5,736	5,736	1.0%	5,124	0.5%
Lopeno	31	2,298	2,483	0.4%	4,624	0.4%
Other	113	2,622	3,299	0.5%	7,874	0.7%
	<u>21,502</u>	<u>98,565</u>	<u>227,576</u>	<u>38.9%</u>	<u>759,181</u>	<u>72.0%</u>
Other:						
San Juan Basin	8	2,796	2,846	0.5%	3,720	0.4%
Other	61	9,967	10,331	1.8%	12,554	1.2%
	<u>69</u>	<u>12,763</u>	<u>13,177</u>	<u>2.3%</u>	<u>16,274</u>	<u>1.6%</u>
Total	<u>21,976</u>	<u>452,653</u>	<u>584,511</u>	<u>100.0%</u>	<u>1,053,995</u>	<u>100.0%</u>
Discounted Future Income Taxes					(246,778)	
Standardized Measure of Discounted Future Cash Flows					<u>\$ 807,217</u>	

(1) Oil is converted to natural gas equivalents by using a conversion factor of one barrel of oil for six Mcf of natural gas based upon the approximate relative energy content of oil to natural gas, which is not indicative of oil and natural gas prices.

(2) The PV 10 Value represents the discounted future net cash flows attributable to our proved oil and gas reserves before income tax, discounted at 10%. Although it is a non-GAAP measure, we believe that the presentation of the PV 10 Value is relevant and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves prior to taking into account corporate future income taxes and our current tax structure. We use this measure when assessing the potential return on investment related to our oil and gas properties. The standardized measure of discounted future net cash flows represents the present value of future cash flows attributable to our proved oil and natural gas reserves after income tax, discounted at 10%.

East Texas/North Louisiana Region

Approximately 59% or 343.8 Bcfe of our proved reserves are located in East Texas and North Louisiana where we own interests in 956 producing wells (584.8 net to us) in 28 field areas. We operate 662 of these wells. The largest of our fields in this region are the Logansport, Toledo Bend, Beckville, Waskom, Blocker, Mansfield, Douglass and Darco fields. Production from this region averaged 128 MMcf of natural gas per day and 175 barrels of oil per day during 2013 or 130 MMcfe per day. Most of the reserves in this area produce from the upper Jurassic aged Haynesville or Bossier shale or Cotton Valley formations and the Cretaceous aged Travis Peak/Hosston formation. In 2013, we spent \$16.7 million drilling two wells (2.0 net to us) and \$2.3 million on workovers and recompletions in this region. The two wells we drilled in 2013 were Bossier shale horizontal wells. We have not budgeted to drill any wells in this region in 2014.

Logansport

The Logansport field located in DeSoto Parish, Louisiana primarily produces from the Haynesville and Bossier shale formations at a depth of 11,100 to 11,500 feet and from multiple sands in the Cotton Valley and Hosston formations at an average depth of 8,000 feet. Our proved reserves of 232.8 Bcfe in the Logansport field represent approximately 40% of our proved reserves. We own interests in 252 wells (161.9 net to us) and operate 178 of these wells in this field.

Toledo Bend

The Toledo Bend field in DeSoto and Sabine Parishes, Louisiana was discovered in 2008 with our first horizontal Haynesville shale well. Production from the Haynesville shale in the Toledo Bend field ranges from 11,400 to 11,800 feet and from 10,880 to 11,300 feet in the Bossier shale. Our proved reserves of 31.1 Bcfe in the Toledo Bend field represent approximately 5% of our reserves. We own interests in 76 producing wells (39.3 net to us) and operate 41 of these wells in this field. During 2013 we drilled two horizontal wells (2.0 net to us) at Toledo Bend and we completed two wells (0.1 net to us) that were drilled in 2012.

Beckville

The Beckville field, located in Panola and Rusk Counties, Texas, has estimated proved reserves of 30.6 Bcfe which represents approximately 5% of our proved reserves. We operate 191 wells in this field and own interests in 78 additional wells for a total of 269 wells (159.3 net to us). The Beckville field produces primarily from the Cotton Valley formation at depths ranging from 9,000 to 10,000 feet. The field is also prospective for future Haynesville shale development.

Waskom

The Waskom field, located in Harrison and Panola Counties in Texas, represents approximately 2% (12.7 Bcfe) of our proved reserves as of December 31, 2013. We own interests in 63 wells in this field (39.8 net to us) and operate 47 wells in this field. The Waskom field produces from the Cotton Valley formation at depths ranging from 9,000 to 10,000 feet and from the Haynesville shale formation at depths of 10,800 to 10,900 feet.

Blocker

Our proved reserves of 12.1 Bcfe in the Blocker field located in Harrison County, Texas represent approximately 2% of our proved reserves. We own interests in 77 wells (71.0 net to us) and operate 71 of these wells. Most of this production is from the Cotton Valley formation between 8,600 and 10,150 feet and the Haynesville shale formation between 11,100 and 11,450 feet.

Mansfield

The Mansfield field is located in DeSoto Parish, Louisiana and produces from the Haynesville shale between 12,250 and 12,350 feet. We own interests in 17 wells (4.6 net to us) and operate 4 of these wells. Our proved reserves in this field of 7.1 Bcfe represent approximately 1% of our total reserves.

Douglass

The Douglass field is located in Nacogdoches County, Texas and is productive from stratigraphically trapped reservoirs in the Pettet Lime and Travis Peak formations. These reservoirs are found at depths from 9,200 to 10,300 feet. Our proved reserves of 3.6 Bcfe in the Douglass field represent less than 1% of our reserves. We own interests in 40 wells (25.8 net to us) and operate 33 of these wells.

Darco

The Darco field is located in Harrison County, Texas and produces from the Cotton Valley formation at depths from approximately 9,800 to 10,200 feet. Our proved reserves of 2.8 Bcfe in the Darco field represent less than 1% of our reserves. We own interests in 23 wells (18 net to us) and operate all of these wells.

South Texas Region

Approximately 39%, or 37.9 MMBOE (227.6 Bcfe), of our proved reserves are located in South Texas, where we own interests in 240 producing wells (151.7 net to us). We own interests in 13 field areas in the region, the largest of which are the Eagleville, Fandango, Rosita, Javelina, Las Hermanitas and Lopeno fields. Net daily production rates from this region averaged 6,110 barrels of oil and 20 MMcf of natural gas during 2013 or 9,388 BOE per day. We spent \$325.0 million in 2013 to drill 75 oil wells (51.6 net to us) targeting the Eagle Ford shale and for other development activity. We also spent \$77.2 million in this region in 2013 to acquire acreage, including \$67.4 million for 33,624 acres (21,034 net to us) in or near Burleson County, Texas which are prospective in the Eagle Ford shale formation. We plan to spend approximately \$264.0 million in 2014 to drill 59 horizontal wells (40.2 net to us) in our Eagleville field, \$50.0 million to drill ten wells (5.6 net to us) in our newly acquired Eagle Ford shale acreage, \$80.0 million to complete 18 Eagleville wells (13.3 net to us) that were drilled in 2013 and \$25.0 million on facilities, recompletions and other capital projects.

Eagleville

We have 31,755 acres (25,316 net to us) in McMullen, Atascosa, Frio, La Salle, Karnes and Wilson Counties which comprise our Eagleville field. The Eagle Ford shale is found between 7,500 feet and 11,500 feet across our acreage position. At December 31, 2013 we had 101 wells (74.6 net to us) producing in the Eagleville field. Our proved reserves in this field are estimated to be 24.4 MMBOE (146.6 Bcfe) (87% oil) and represent 25% of our total proved reserves. We plan to spend approximately \$264.0 million in 2014 to drill 59 horizontal wells (40.2 net to us) and \$80.0 million to complete wells that were drilled in 2013 in the Eagleville field.

Fandango

We own interests in 19 wells (19.0 net to us) in the Fandango field located in Zapata County, Texas. We operate all of these wells which produce from the Wilcox formation at depths from approximately 13,000 to 18,000 feet. Our proved reserves of 45.4 Bcfe in this field represent approximately 8% of our total proved reserves.

Rosita

We own interests in 29 wells (15.7 net to us) in the Rosita field, located in Duval County, Texas. We operate 28 of these wells which produce from the Wilcox formation at depths from approximately 9,300 to 17,000 feet. Our proved reserves of 16.3 Bcfe in this field represent approximately 3% of our total proved reserves.

Javelina

We own interests in and operate 18 wells (18.0 net to us) in the Javelina field in Hidalgo County in South Texas. These wells produce primarily from the Vicksburg formation at a depth of approximately 10,900 to 12,500 feet. Proved reserves attributable to our interests in the Javelina field are 7.8 Bcfe, which represents approximately 1% of our total proved reserves.

Las Hermanitas

We own interests in and operate 11 natural gas wells (11.0 net to us) in the Las Hermanitas field, located in Duval County, Texas. These wells produce from the Wilcox formation at depths from approximately 11,400 to 11,800 feet. Our proved reserves of 5.7 Bcfe in this field represent approximately 1% of our total proved reserves.

Lopeno

The Lopeno Field located in Zapata County, Texas has estimated proved reserves of 2.5 Bcfe which represents less than 1% of our total company proved reserves. Production is from shallow Queen City sands between 2,200 feet and 2,600 feet and deeper Wilcox sands between 6,400 feet and 12,500 feet. We own interests in 17 wells (2.7 net to us) and operate one of these wells.

Other Regions

Approximately 2%, or 13.1 Bcfe, of our proved reserves are in other regions, primarily in New Mexico and the Mid-Continent region. We own interests in 339 producing wells (85.3 net to us) in 15 fields within these regions. The field with the largest proved reserves is our San Juan Basin properties in New Mexico. Net daily production from our other regions during 2013 totaled 5 MMcf of natural gas and 54 barrels of oil or 5 MMcfe per day.

During 2013, we spent \$53.3 million to acquire 53,470 acres (51,017 net to us) in Louisiana and Mississippi which are prospective for oil in the Tuscaloosa Marine shale. We have budgeted \$27.0 million in 2014 to drill two wells (1.8 net to us) on this acreage.

San Juan

Our San Juan Basin properties are located in the west-central portion of San Juan County, New Mexico. These wells produce from multiple sands of the Cretaceous Dakota formation and the Fruitland Coal seams. The Dakota is generally found at about 6,000 feet with the shallower Fruitland seams encountered at 2,500 to 3,000 feet. Our proved reserves of 2.8 Bcfe in the San Juan field represent less than 1% of our reserves. We own interests in 92 wells (14.0 net to us) in this field.

Major Property Acquisitions

As a result of our acquisitions of producing oil and gas properties, we have added 1.1 Tcfe of proved oil and natural gas reserves since 1991. Our ten largest acquisitions include the following:

Delaware Basin Acquisition. In December 2011, we acquired certain oil and gas properties from Eagle Oil & Gas Co. and other third parties for \$348.7 million. The properties acquired had estimated

proved reserves of approximately 151.2 Bcfe and included approximately 65,000 exploratory acres (39,100 net to us). We divested of these properties in May 2013.

Shell Wilcox Acquisition. In December 2007, we completed the acquisition of certain oil and natural gas properties and related assets from SWEPI LP, an affiliate of Shell Oil Company for \$160.1 million. The properties acquired had estimated proved reserves of approximately 70.1 Bcfe. Major fields acquired in the acquisition include the Fandango and Rosita fields.

Javelina Acquisition. In June 2007, we acquired additional working interests in oil and gas properties in the Javelina field in South Texas from Abaco Operating LLC for \$31.2 million. The properties acquired had estimated proved reserves of approximately 9.1 Bcfe.

Denali Acquisition. In September 2006, we acquired proved and unproved oil and gas properties in the Las Hermanitas field in South Texas from Denali Oil & Gas Partners LP and other working interest owners for \$67.2 million. The properties acquired had estimated proved reserves of approximately 16.5 Bcfe.

Ensign Acquisition. In May 2005, we completed the acquisition of certain oil and natural gas properties and related assets from Ensign Energy Partners, L.P., Laurel Production, LLC, Fairfield Midstream Services, LLC and Ensign Energy Management, LLC (collectively, "Ensign") for \$190.9 million. We also purchased additional interests in those properties from other owners for \$10.9 million in July 2005. The properties acquired had estimated proved reserves of approximately 121.5 billion cubic feet of natural gas equivalent and included 312 active wells, of which 119 are operated by us. Major fields acquired include the Darco, Douglass, Cadeville, and Laurel fields. We divested of the Laurel field in 2010.

Ovation Energy Acquisition. In October 2004, we acquired producing oil and gas properties in the East Texas, Arkoma, Anadarko and San Juan basins from Ovation Energy, L.P. for \$62.0 million. The properties acquired had estimated proved reserves of approximately 41.0 billion cubic feet of gas equivalent and included 165 active wells, of which 69 were operated by us.

DevX Energy Acquisition. In December 2001, we completed the acquisition of DevX Energy, Inc. by acquiring 100% of the common stock of DevX for \$92.6 million. The total purchase price including debt and other liabilities assumed in the acquisition was \$160.8 million. The acquisition included 600 producing wells located onshore primarily in East and South Texas, Kentucky, Oklahoma and Kansas with 1.2 MMBbls of oil reserves and 156.5 Bcf of natural gas reserves at the time of the acquisition.

Bois d'Arc Acquisition. In December 1997, Comstock acquired working interests in certain producing offshore Louisiana oil and gas properties as well as interests in undeveloped offshore oil and natural gas leases for approximately \$200.9 million from Bois d'Arc Resources and certain of its affiliates and working interest partners. We acquired interests in 43 wells (29.6 net to us) and eight separate production complexes located in the Gulf of Mexico offshore of Plaquemines and Terrebonne Parishes, Louisiana. The acquisition included interests in the Louisiana state and federal offshore areas of Main Pass Block 21, Ship Shoal Blocks 66, 67, 68 and 69 and South Pelto Block 1. The net proved reserves acquired in this acquisition were estimated at 14.3 MMBbls of oil and 29.4 Bcf of natural gas. We divested of these offshore properties in 2008.

Black Stone Acquisition. In May 1996, we acquired 100% of the capital stock of Black Stone Oil Company and interests in producing and undeveloped oil and gas properties located in South Texas for \$100.4 million. We acquired interests in 19 wells (7.7 net to us) that were located in the Double A Wells field in Polk County, Texas and we became the operator of most of the wells in the field. The net proved

reserves acquired in this acquisition were estimated at 5.9 MMBbls of oil and 100.4 Bcf of natural gas. We divested of these properties in 2012.

Sonat Acquisition. In July 1995, we purchased interests in certain producing oil and gas properties located in East Texas and North Louisiana from Sonat Inc. for \$48.1 million. We acquired interests in 319 producing wells (188.0 net to us). The acquisition included interests in the Logansport, Beckville, Waskom, Hico-Knowles, and Blocker fields. The net proved reserves acquired in this acquisition were estimated at 0.8 MMBbls of oil and 104.7 Bcf of natural gas. We divested of the Hico-Knowles field in 2012.

Oil and Natural Gas Reserves

The following table sets forth our estimated proved oil and natural gas reserves and the PV 10 Value as of December 31, 2013:

	Oil (MBbls)	Natural Gas (MMcf)	Total (MMcfe)	PV 10 Value (000's)
Proved Developed:				
Producing	10,526	290,260	353,418	\$ 787,095
Non-producing	3,388	54,018	74,346	188,596
Total Proved Developed	13,914	344,278	427,764	975,691
Proved Undeveloped	8,062	108,375	156,747	78,304
Total Proved	21,976	452,653	584,511	1,053,995
Discounted Future Income Taxes				(246,778)
Standardized Measure of Discounted Future Net Cash Flows ⁽¹⁾				\$ 807,217

(1) The PV 10 Value represents the discounted future net cash flows attributable to our proved oil and natural gas reserves before income tax, discounted at 10%. Although it is a non-GAAP measure, we believe that the presentation of the PV 10 Value is relevant and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves prior to taking into account corporate future income taxes and our current tax structure. We use this measure when assessing the potential return on investment related to our oil and gas properties. The standardized measure of discounted future net cash flows represents the present value of future cash flows attributable to our proved oil and natural gas reserves after income tax, discounted at 10%.

The following table sets forth our year end reserves as of December 31 for each of the last three fiscal years:

	2011		2012		2013	
	Oil (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas (MMcf)
Proved Developed	6,499	546,627	8,389	362,426	13,914	344,278
Proved Undeveloped	6,735	534,017	10,510	75,019	8,062	108,375
Total Proved Reserves	13,234	1,080,644	18,899	437,445	21,976	452,653

Proved reserves that are attributable to existing producing wells are primarily determined using decline curve analysis and rate transient analysis, which incorporates the principles of hydrocarbon flow. Proved reserves attributable to producing wells with limited production history and for undeveloped locations are estimated using performance from analogous wells in the surrounding area and geologic data to assess the reservoir continuity. Technologies relied on to establish reasonable certainty of economic producibility include, but are not limited to, electrical logs, radioactivity logs, core analyses, geologic maps and available production data, seismic data and well test data.

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves. Oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify

revision of such estimate. Accordingly, reserves estimates are often different from the quantities of oil and natural gas that are ultimately recovered.

The average prices that we realized from sales of oil and natural gas and lifting costs including severance and ad valorem taxes and transportation costs, for each of the last three fiscal years were as follows:

	Year Ended December 31,		
	2011	2012	2013
Oil Price - \$/Bbl	\$95.73	\$101.09	\$100.20
Natural Gas Price - \$/Mcf	\$3.91	\$2.49	\$3.38
Lifting costs - \$/Mcfe	\$0.82	\$0.96	\$1.22

Prices used in determining quantities of oil and natural gas reserves and future cash inflows from oil and natural gas reserves represent the average first of the month prices received at the point of sale for the last twelve months. These prices have been adjusted from posted prices for both location and quality differences. The oil and natural gas prices used for reserves estimation were as follows:

Year	Oil Price (per Bbl)	Natural Gas Price (per Mcf)
2011	\$94.73	\$4.01
2012	\$101.75	\$2.58
2013	\$104.38	\$3.37

Reserves may be classified as proved undeveloped if there is a high degree of confidence that the quantities will be recovered, and they are scheduled to be drilled within five years of their initial inclusion as proved reserves, unless specific circumstances justify a longer time. In connection with estimating proved undeveloped reserves for our December 31, 2013 reserve report, reserves on undrilled acreage were limited to those that are reasonably certain of production when drilled where we can verify the continuity of the reservoir. Using empirical evidence, we utilize control points and sample sizes to show continuity in the reservoir. We reflect changes to undeveloped reserves that occur in the same field as revisions to the extent that proved undeveloped locations are revised due to changes in future development plans, including changes to proposed lateral lengths, development spacing and timing of development.

As of December 31, 2013, our proved undeveloped reserves included 8.1 MMBbls of oil and 108.4 Bcf of natural gas, for a total of 157 Bcfe of undeveloped reserves. All of our undeveloped oil reserves and 5 Bcf of natural gas of our proved undeveloped reserves were associated with our Eagleville properties in South Texas. The proved undeveloped reserves associated with our Haynesville and Bossier shale properties represented approximately 87 Bcf of our proved undeveloped natural gas reserves at December 31, 2013. The remaining proved undeveloped natural gas reserves are primarily associated with developing reserves in our Wilcox and Vicksburg reservoirs in South Texas. In 2013, we focused on drilling oil properties due to the weak natural gas prices. 28 of the Eagle Ford shale wells we drilled in 2013 resulted in conversions of proved undeveloped reserves to proved developed producing reserves at December 31, 2013. Our proved undeveloped oil reserves decreased by 2.4 MMBbls during 2013. This decrease was primarily due to converting 3.0 MMBbls of our proved undeveloped oil reserves to developed in 2013 and new reserves additions of 0.6 MMBbls. Our proved undeveloped natural gas reserves increased by 33 Bcf at December 31, 2013 as compared with December 31, 2012. This increase was primarily related to reserve additions of 36 Bcf of natural gas which were partially offset by undeveloped reserves converted to developed reserves of 3 Bcf.

As of December 31, 2012, our proved undeveloped reserves included 10.5 MMBbls of oil and 75 Bcf of natural gas, for a total of 138 Bcfe of undeveloped reserves. All of our undeveloped oil reserves and 7 Bcf of natural gas were associated with our Eagleville shale properties in South Texas. The proved undeveloped natural gas reserves associated with our Haynesville and Bossier shale properties represented approximately 55 Bcf of our total natural gas proved undeveloped reserves at December 31, 2012. The remaining proved undeveloped reserves are primarily associated with developing reserves in our Cotton Valley and Hosston sand reservoirs in East Texas/North Louisiana and our Wilcox and Vicksburg reservoirs in South Texas. In 2012, we focused on drilling oil wells due to the weak natural gas prices. Seven of the Eagleville wells we drilled in 2012 resulted in conversions of proved undeveloped reserves to proved developed producing reserves at December 31, 2012. Our oil proved undeveloped reserves increased by 3.8 MMBbls during 2012. This increase was primarily due to our drilling program which added 8.1 MMBbls in the Eagle Ford shale. Sales of oil reserves in 2012 of 3.1 MMBbls and conversions of proved developed oil reserves of 1.3 MMBbls partially offset the increase from reserve adds. Our natural gas proved undeveloped reserves decreased by 459 Bcf during 2012. This decrease was primarily related to the decline of natural gas prices which caused 465 Bcf of our natural gas proved undeveloped reserves to become uneconomical under the natural gas prices used to determine proved reserves in 2012.

The following table presents the changes in our estimated proved undeveloped oil and natural gas reserves for the years ended December 31, 2011, 2012 and 2013:

	Proved Undeveloped Reserves					
	2011		2012		2013	
	Oil (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas (MMcf)
Beginning Balance	1,258	518,824	6,735	534,017	10,510	75,019
Sales and Disposals	—	—	(3,143)	(16,125)	—	—
Acquisitions	—	11,651	—	—	—	—
Extension & Discoveries	5,151	66,978	8,142	7,007	583	36,578
Conversions from undeveloped to developed	—	(39,761)	(1,341)	(1,095)	(3,060)	(2,930)
Price, Performance and Other Revisions	326	(23,675)	117	(448,785)	29	(292)
Total Change	5,477	15,193	3,775	(458,998)	(2,448)	33,356
Ending Balance	6,735	534,017	10,510	75,019	8,062	108,375

The timing, by year, when our proved undeveloped reserve quantities were estimated to be converted to proved developed reserves is as follows:

Year ended December 31,	Proved Undeveloped Reserves					
	2011		2012		2013	
	Oil (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas (MMcf)
2012	4,275	43,084	—	—	—	—
2013	1,169	256,989	2,205	11,832	—	—
2014	1,000	198,903	988	27,581	6,392	4,617
2015	291	35,041	845	17,624	1,328	369
2016	—	—	3,933	14,896	342	1,242
2017	—	—	2,539	3,086	—	56,129
2018	—	—	—	—	—	46,018
Total	6,735	534,017	10,510	75,019	8,062	108,375

Our estimates of oil and natural gas reserves at December 31, 2013 include 47 Bcfe related to undrilled wells that have positive undiscounted future cash flows but which, based upon oil and natural

gas prices that we use to prepare the proved reserve estimates, have a rate of return that is less than the 10% discount rate used in the Standardized Measure of Discounted Future Cash Flows attributable to the proved reserve estimates. We intend to drill the proved undeveloped wells in the time frame reflected in the estimates of proved oil and natural gas reserves as of December 31, 2013 based upon the oil and natural gas prices that we used to prepare the reserve estimates. We anticipate drilling such proved undeveloped locations based on our current development plans for our properties. Certain of these wells may be drilled to retain leasehold interests or to properly manage reservoir performance. To the extent that actual oil or natural gas prices are substantially weaker, we may have to modify our development plans or we may not fully recover our investment in drilling these wells from future cash flows.

The following table presents the estimated timing of our estimated future development capital costs to be incurred for the years ended December 31, 2011, 2012 and 2013:

Year ended December 31,	Future Development Costs Total Proved Undeveloped Reserves		
	2011	2012	2013
	<i>(in millions)</i>		
2012	\$ 240.2	\$ —	\$ —
2013	572.3	73.6	—
2014	452.5	53.3	265.2
2015	85.2	91.8	70.6
2016	—	130.0	24.1
2017	—	104.7	98.1
2018	—	—	85.2
Total	<u>\$ 1,350.2</u>	<u>\$ 453.4</u>	<u>\$ 543.2</u>

The following table presents the changes in our estimated future development costs for the years ended December 31, 2012 and 2013:

	Haynesville /Bossier Shale	Eagle Ford Shale	All Other Properties	Total
	<i>(in millions)</i>			
Total as of December 31, 2011	\$ 886.1	\$ 218.0	\$ 246.1	\$ 1,350.2
Development Costs Incurred	(24.7)	(43.4)	—	(68.1)
Sales and Disposals	—	—	(48.1)	(48.1)
Additions and Revisions	(777.5)	174.2	(177.3)	(780.6)
Total Changes	<u>(802.2)</u>	<u>130.8</u>	<u>(225.4)</u>	<u>(896.8)</u>
Total as of December 31, 2012	83.9	348.8	20.7	453.4
Development Costs Incurred	—	(105.7)	—	(105.7)
Additions and Revisions	68.2	114.5	12.8	195.5
Total Changes	<u>68.2</u>	<u>8.8</u>	<u>12.8</u>	<u>89.8</u>
Total as of December 31, 2013	<u>\$ 152.1</u>	<u>\$ 357.6</u>	<u>\$ 33.5</u>	<u>\$ 543.2</u>

Our estimated future capital costs to develop proved undeveloped reserves as of December 31, 2013 of \$543.2 million increased by \$89.8 million from our estimated future capital costs of \$453.4 million as of December 31, 2012. We incurred approximately \$105.7 million during 2013 to develop proved undeveloped reserves, primarily in our Eagle Ford shale properties. Our oil focused future capital expenditures increased by \$114.5 million and our natural gas focused capital expenditures increased by \$68.2 million.

Our estimated future capital costs to develop proved undeveloped reserves as of December 31, 2012 of \$453.4 million decreased by \$896.8 million from our estimated future capital costs of \$1.4 billion as of December 31, 2011. During 2012, we incurred approximately \$43.4 million to develop proved undeveloped reserves in our Eagle Ford shale properties. Our oil focused future capital expenditures increased by \$174.2 million and our natural gas focused capital expenditures decreased by \$954.8 million. Approximately \$749.0 million of the reduction in our estimated future development costs in 2012 was associated with wells that, as of December 31, 2011, had positive undiscounted cash flows but had a rate of return of less than 10%.

The estimates of our oil and natural gas reserves were determined by Lee Keeling and Associates, Inc. ("Lee Keeling"), an independent petroleum engineering firm. Lee Keeling has been providing consulting engineering and geological services for over fifty years. Lee Keeling's professional staff is comprised of qualified petroleum engineers who are experienced in all productive areas of the United States. The technical person responsible for review of our reserve estimates at Lee Keeling meets the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. Lee Keeling does not own any interests in our properties and is not employed on a contingent fee basis.

We have established, and maintain, internal controls designed to provide reasonable assurance that the estimates of proved reserves are computed and reported in accordance with rules and regulations promulgated by the SEC. These internal controls include documented process workflows, employing qualified professional engineering and geological personnel, and on-going education for personnel involved in our reserves estimation process. Our internal audit function routinely tests our processes and controls. Inputs to our reserves estimation process, which we provide to Lee Keeling for use in their reserves evaluation, are based upon our historical results for production history, oil and natural gas prices, lifting and development costs, ownership interests and other required data. Our Reservoir Engineering Department, comprised of qualified petroleum engineers and technical support staff, works with our operating, accounting, land and marketing departments in order to accumulate the information required for the reserves estimation process. Our Vice President of Reservoir Engineering is the primary person in charge of overseeing our reserve estimates and our Reservoir Engineering Department. He has a BS Degree and a Masters Degree in Petroleum Engineering, is a Registered Professional Engineer and has over thirty-five years of experience in various technical roles within the oil and gas industry. During the reserves estimation process our petroleum engineers work with Lee Keeling to ensure that all data we provide is properly reflected in the final reserves estimates and they consult with Lee Keeling throughout the reserves estimation process on technical questions regarding the reserve estimates. We also regularly communicate with Lee Keeling throughout the year about our operations and the potential impact of operational changes and events on our reserve estimates.

We did not provide estimates of total proved oil and natural gas reserves during the years ended December 31, 2011, 2012 or 2013 to any federal authority or agency, other than the SEC.

Drilling Activity Summary

During the three-year period ended December 31, 2013, we drilled development and exploratory wells as set forth in the table below:

	2011		2012		2013	
	Gross	Net	Gross	Net	Gross	Net
Development:						
Oil	17	16.2	78	51.0	75	51.6
Gas	61	26.6	7	3.2	2	2.0
Dry	—	—	—	—	—	—
	<u>78</u>	<u>42.8</u>	<u>85</u>	<u>54.2</u>	<u>77</u>	<u>53.6</u>
Exploratory:						
Oil	3	3.0	—	—	—	—
Gas	6	1.9	—	—	—	—
Dry	—	—	—	—	—	—
	<u>9</u>	<u>4.9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>87</u>	<u>47.7</u>	<u>85</u>	<u>54.2</u>	<u>77</u>	<u>53.6</u>

In 2014 to the date of this report, we have drilled eleven wells (8.6 net to us) and we have nine wells (6.0 net to us) in the process of being drilled.

Producing Well Summary

The following table sets forth the gross and net producing oil and natural gas wells in which we owned an interest at December 31, 2013:

	Oil		Natural Gas	
	Gross	Net	Gross	Net
Arkansas	—	—	15	8.0
Kansas	—	—	9	5.0
Louisiana	17	5.4	452	252.4
New Mexico	1	—	91	14.0
Oklahoma	10	1.2	132	18.5
Texas	121	79.1	661	436.3
Wyoming	—	—	26	1.9
Total	<u>149</u>	<u>85.7</u>	<u>1,386</u>	<u>736.1</u>

We operate 895 of the 1,535 producing wells presented in the above table. As of December 31, 2013, we owned interests in 14 wells containing multiple completions, which means that a well is producing from more than one completed zone. Wells with more than one completion are reflected as one well in the table above.

Acreage

The following table summarizes our developed and undeveloped leasehold acreage at December 31, 2013, all of which is onshore in the continental United States. We have excluded acreage in which our interest is limited to a royalty or overriding royalty interest.

	Developed		Undeveloped	
	Gross	Net	Gross	Net
Arkansas	1,280	684	—	—
Kansas	6,400	4,064	—	—
Louisiana	95,138	60,726	34,699	30,298
Mississippi	—	—	34,616	32,455
New Mexico	10,240	1,896	—	—
Oklahoma	38,080	5,707	—	—
Texas	110,761	68,454	43,044	27,816
Wyoming	13,440	927	—	—
Total	<u>275,339</u>	<u>142,458</u>	<u>112,359</u>	<u>90,569</u>

Our undeveloped acreage expires as follows:

Expires in 2014	13%
Expires in 2015	11%
Expires in 2016	15%
Thereafter	61%
	<u>100%</u>

Title to our oil and natural gas properties is subject to royalty, overriding royalty, carried and other similar interests and contractual arrangements customary in the oil and gas industry, liens incident to operating agreements and for current taxes not yet due and other minor encumbrances. All of our oil and natural gas properties are pledged as collateral under our bank credit facility. As is customary in the oil and gas industry, we are generally able to retain our ownership interest in undeveloped acreage by production of existing wells, by drilling activity which establishes commercial reserves sufficient to maintain the lease, by payment of delay rentals or by the exercise of contractual extension rights. We anticipate retaining ownership of a substantial amount of the acreage with primary terms expiring in 2014 through drilling activity or by extending the leases.

Markets and Customers

The market for our production of oil and natural gas depends on factors beyond our control, including the extent of domestic production and imports of oil and natural gas, the proximity and capacity of natural gas pipelines and other transportation facilities, demand for oil and natural gas, the marketing of competitive fuels and the effects of state and federal regulation. The oil and gas industry also competes with other industries in supplying the energy and fuel requirements of industrial, commercial and individual consumers.

Our oil production is currently sold under short-term contracts with a duration of six months or less. The contracts require the purchasers to purchase the amount of oil production that is available at prices tied to the spot oil markets. Our natural gas production is primarily sold under contracts with various terms and priced on first of the month index prices or on daily spot market prices. Approximately 87% of our 2013 natural gas sales were priced utilizing first of the month index prices and approximately 13% were priced utilizing daily spot prices. BP Energy Company and its subsidiaries and Shell Oil Company and its subsidiaries accounted for 51% and 36%, respectively, of our total 2013 sales. The loss of either of these customers would not have a material adverse effect on us as there is an available market for our crude oil and natural gas production from other purchasers.

We have entered into longer term marketing arrangements to ensure that we have adequate transportation to get our natural gas production in North Louisiana to the markets. As an alternative to constructing our own gathering and treating facilities, we have entered into a variety of gathering and treating agreements with midstream companies to transport our natural gas to the long-haul natural gas pipelines. We have entered into certain agreements with a major natural gas marketing company to provide us with firm transportation for 55,000 MMBtus per day for our North Louisiana natural gas production on the long-haul pipelines. These agreements expire from 2015 to 2019. To the extent we are not able to deliver the contracted natural gas volumes, we may be responsible for the transportation costs. Our production available to deliver under these agreements in North Louisiana is expected to exceed the firm transportation arrangements we have in place. In addition, the marketing company managing the firm transportation is required to use reasonable efforts to supplement our deliveries should we have a shortfall during the term of the agreements.

Competition

The oil and gas industry is highly competitive. Competitors include major oil companies, other independent energy companies and individual producers and operators, many of which have financial resources, personnel and facilities substantially greater than we do. We face intense competition for the acquisition of oil and natural gas properties and leases for oil and gas exploration.

Regulation

General. Various aspects of our oil and natural gas operations are subject to extensive and continually changing regulation, as legislation affecting the oil and natural gas industry is under constant review for amendment or expansion. Numerous departments and agencies, both federal and state, are authorized by statute to issue, and have issued, rules and regulations binding upon the oil and natural gas industry and its individual members. The Federal Energy Regulatory Commission, or “FERC,” regulates the transportation and sale for resale of natural gas in interstate commerce pursuant to the Natural Gas Act of 1938, or “NGA,” and the Natural Gas Policy Act of 1978, or “NGPA.” In 1989, however, Congress enacted the Natural Gas Wellhead Decontrol Act, which removed all remaining price and nonprice controls affecting all “first sales” of natural gas, effective January 1, 1993, subject to the terms of any private contracts that may be in effect. While sales by producers of natural gas and all sales of crude oil, condensate and natural gas liquids can currently be made at uncontrolled market prices, in the future Congress could reenact price controls or enact other legislation with detrimental impact on many aspects of our business. Under the provisions of the Energy Policy Act of 2005 (the “2005 Act”), the NGA has been amended to prohibit any form of market manipulation with the purchase or sale of natural gas, and the FERC has issued new regulations that are intended to increase natural gas pricing transparency. The 2005 Act has also significantly increased the penalties for violations of the NGA. The FERC has issued Order No. 704 et al. which requires a market participant to make an annual filing if it has sales or purchases equal to or greater than 2.2 million MMBtu in the reporting year to facilitate price transparency.

Regulation and transportation of natural gas. Our sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms for access to pipeline transportation are subject to extensive regulation. The FERC requires interstate pipelines to provide open-access transportation on a not unduly discriminatory basis for similarly situated shippers. The FERC frequently reviews and modifies its regulations regarding the transportation of natural gas, with the stated goal of fostering competition within the natural gas industry.

Intrastate natural gas transportation is subject to regulation by state regulatory agencies. The Texas Railroad Commission has been changing its regulations governing transportation and gathering services provided by intrastate pipelines and gatherers. While the changes by these state regulators affect us only

indirectly, they are intended to further enhance competition in natural gas markets. We cannot predict what further action the FERC or state regulators will take on these matters; however, we do not believe that we will be affected differently in any material respect than other natural gas producers with which we compete by any action taken.

Additional proposals and proceedings that might affect the natural gas industry are pending before Congress, the FERC, state commissions and the courts. The natural gas industry historically has been very heavily regulated; therefore, there is no assurance that the less stringent regulatory approach pursued by the FERC, Congress and state regulatory authorities will continue.

Federal leases. Some of our operations are located on federal oil and natural gas leases that are administered by the Bureau of Land Management (“BLM”) of the United States Department of the Interior. These leases are issued through competitive bidding and contain relatively standardized terms. These leases require compliance with detailed Department of Interior and BLM regulations and orders that are subject to interpretation and change. These leases are also subject to certain regulations and orders promulgated by the Department of Interior’s Bureau of Ocean Energy Management, Regulation & Enforcement (“BOEMRE”), through its Minerals Revenue Management Program, which is responsible for the management of revenues from both onshore and offshore leases.

Oil and natural gas liquids transportation rates. Our sales of crude oil, condensate and natural gas liquids are not currently regulated and are made at market prices. In a number of instances, however, the ability to transport and sell such products is dependent on pipelines whose rates, terms and conditions of service are subject to FERC jurisdiction under the Interstate Commerce Act. In other instances, the ability to transport and sell such products is dependent on pipelines whose rates, terms and conditions of service are subject to regulation by state regulatory bodies under state statutes. The price received from the sale of these products may be affected by the cost of transporting the products to market.

The FERC’s regulation of pipelines that transport crude oil, condensate and natural gas liquids under the Interstate Commerce Act is generally more light-handed than the FERC’s regulation of natural gas pipelines under the NGA. FERC-regulated pipelines that transport crude oil, condensate and natural gas liquids are subject to common carrier obligations that generally ensure non-discriminatory access. With respect to interstate pipeline transportation subject to regulation of the FERC under the Interstate Commerce Act, rates generally must be cost-based, although settlement rates agreed to by all shippers are permitted and market-based rates are permitted in certain circumstances. Effective January 1, 1995, the FERC implemented regulations establishing an indexing system (based on inflation) for transportation rates governed by the Interstate Commerce Act that allowed for an increase or decrease in the transportation rates. The FERC’s regulations include a methodology for such pipelines to change their rates through the use of an index system that establishes ceiling levels for such rates. The mandatory five year review in 2005 revised the methodology for this index to be based on Producer Price Index for Finished Goods (PPI-FG) plus 1.3 percent for the period July 1, 2006 through June 30, 2011. The mandatory five year review in 2012 revised the methodology for this index to be based on PPI-FG plus 2.65 percent for the period July 1, 2011 through June 30, 2016. The regulations provide that each year the Commission will publish the oil pipeline index after the PPI-FG becomes available.

With respect to intrastate crude oil, condensate and natural gas liquids pipelines subject to the jurisdiction of state agencies, such state regulation is generally less rigorous than the regulation of interstate pipelines. State agencies have generally not investigated or challenged existing or proposed rates in the absence of shipper complaints or protests. Complaints or protests have been infrequent and are usually resolved informally.

We do not believe that the regulatory decisions or activities relating to interstate or intrastate crude oil, condensate or natural gas liquids pipelines will affect us in a way that materially differs from the way it affects other crude oil, condensate and natural gas liquids producers or marketers.

Environmental regulations. We are subject to stringent federal, state and local laws. These laws, among other things, govern the issuance of permits to conduct exploration, drilling and production operations, the amounts and types of materials that may be released into the environment, the discharge and disposition of waste materials, the remediation of contaminated sites and the reclamation and abandonment of wells, sites and facilities. Numerous governmental departments issue rules and regulations to implement and enforce such laws, which are often difficult and costly to comply with and which carry substantial civil and even criminal penalties for failure to comply. Some laws, rules and regulations relating to protection of the environment may, in certain circumstances, impose strict liability for environmental contamination, rendering a person liable for environmental damages and cleanup cost without regard to negligence or fault on the part of such person. Other laws, rules and regulations may restrict the rate of oil and natural gas production below the rate that would otherwise exist or even prohibit exploration and production activities in sensitive areas. In addition, state laws often require various forms of remedial action to prevent pollution, such as closure of inactive pits and plugging of abandoned wells. The regulatory burden on the oil and natural gas industry increases our cost of doing business and consequently affects our profitability. These costs are considered a normal, recurring cost of our on-going operations. Our domestic competitors are generally subject to the same laws and regulations.

We believe that we are in substantial compliance with current applicable environmental laws and regulations and that continued compliance with existing requirements will not have a material adverse impact on our operations. However, environmental laws and regulations have been subject to frequent changes over the years, and the imposition of more stringent requirements or new regulatory schemes such as carbon “cap and trade” programs could have a material adverse effect upon our capital expenditures, earnings or competitive position, including the suspension or cessation of operations in affected areas. As such, there can be no assurance that material cost and liabilities will not be incurred in the future.

The Comprehensive Environmental Response, Compensation and Liability Act, or “CERCLA,” imposes liability, without regard to fault, on certain classes of persons that are considered to be responsible for the release of a “hazardous substance” into the environment. These persons include the current or former owner or operator of the disposal site or sites where the release occurred and companies that disposed or arranged for the disposal of hazardous substances. Under CERCLA, such persons may be subject to joint and several liability for the cost of investigating and cleaning up hazardous substances that have been released into the environment, for damages to natural resources and for the cost of certain health studies. In addition, companies that incur liability frequently also confront third party claims because it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment from a polluted site.

The Federal Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, or “RCRA,” regulates the generation, transportation, storage, treatment and disposal of hazardous wastes and can require cleanup of hazardous waste disposal sites. RCRA currently excludes drilling fluids, produced waters and other wastes associated with the exploration, development or production of oil and natural gas from regulation as “hazardous waste.” Disposal of such non-hazardous oil and natural gas exploration, development and production wastes usually are regulated by state law. Other wastes handled at exploration and production sites or used in the course of providing well services may not fall within this exclusion. Moreover, stricter standards for waste handling and disposal may be imposed on the oil and natural gas industry in the future. From time to time, legislation is proposed in

Congress that would revoke or alter the current exclusion of exploration, development and production wastes from RCRA's definition of "hazardous wastes," thereby potentially subjecting such wastes to more stringent handling, disposal and cleanup requirements. If such legislation were enacted, it could have a significant impact on our operating costs, as well as the oil and natural gas industry in general. The impact of future revisions to environmental laws and regulations cannot be predicted.

Our operations are also subject to the Clean Air Act, or "CAA," and comparable state and local requirements. Amendments to the CAA were adopted in 1990 and contain provisions that may result in the gradual imposition of certain pollution control requirements with respect to air emissions from our operations. On April 17, 2012, the U. S. Environmental Protection Agency or "EPA" promulgated new emission standards for the oil and gas industry. These rules require a nearly 95 percent reduction in volatile organic compounds ("VOCs") emitted from hydraulically fractured gas wells by January 1, 2015. This significant reduction in emissions is to be accomplished primarily through the use of "green completions" (i.e., capturing natural gas that currently escapes to the air). These rules also have notification and reporting requirements. On September 23, 2013, EPA revised the emission requirements for storage tanks emitting certain levels of VOCs requiring a 95% reduction of VOC emissions by April 15, 2014 and April 15, 2015 (depending upon the date of construction of the storage tank). We may be required to incur certain capital expenditures in the future for air pollution control equipment in connection with obtaining and maintaining operating permits and approvals for air emissions. However, we believe our operations will not be materially adversely affected by any such requirements, and the requirements are not expected to be any more burdensome to us than to other similarly situated companies involved in oil and natural gas exploration and production activities.

The Federal Water Pollution Control Act of 1972, as amended, or the "Clean Water Act," imposes restrictions and controls on the discharge of produced waters and other wastes into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. Certain state regulations and the general permits issued under the Federal National Pollutant Discharge Elimination System program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the oil and natural gas industry into certain coastal and offshore waters, unless otherwise authorized. Further, the EPA has adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans. The Clean Water Act and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges for oil and other pollutants and impose liability on parties responsible for those discharges for the cost of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

The Federal Safe Drinking Water Act of 1974, as amended, requires EPA to develop minimum federal requirements for Underground Injection Control ("UIC") programs and other safeguards to protect public health by preventing injection wells from contaminating underground sources of drinking water. The UIC program does not regulate wells that are solely used for production. However, EPA has authority to regulate hydraulic fracturing when diesel fuels are used in fluids or propping agents. In 2012, EPA issued draft guidance on when UIC permitting requirements apply to fracking fluids containing diesel. We are not able to predict at this time the effect on our operations should EPA impose changes to the UIC permitting program when utilizing diesel as a fracking agent. However, we believe our operations will not be materially adversely affected by any such requirements, and the requirements are not expected to be any more burdensome to us than to other similarly situated companies involved in oil and natural gas exploration and production activities.

Federal regulators require certain owners or operators of facilities that store or otherwise handle oil to prepare and implement spill prevention, control, countermeasure and response plans relating to the possible discharge of oil into surface waters. The Oil Pollution Act of 1990 (“OPA”) contains numerous requirements relating to the prevention and response to oil spills in the waters of the United States. The OPA subjects owners of facilities to strict joint and several liability for all containment and cleanup costs and certain other damages relating to a spill. Noncompliance with OPA may result in varying civil and criminal penalties and liabilities.

Executive Order 13158, issued on May 26, 2000, directs federal agencies to safeguard existing Marine Protected Areas, or “MPAs,” in the United States and establish new MPAs. The order requires federal agencies to avoid harm to MPAs to the extent permitted by law and to the maximum extent practicable. It also directs the EPA to propose new regulations under the Clean Water Act to ensure appropriate levels of protection for the marine environment. This order has the potential to adversely affect our operations by restricting areas in which we may carry out future exploration and development projects and/or causing us to incur increased operating expenses.

Certain flora and fauna that have officially been classified as “threatened” or “endangered” are protected by the Endangered Species Act. This law prohibits any activities that could “take” a protected plant or animal or reduce or degrade its habitat area. If endangered species are located in an area we wish to develop, the work could be prohibited or delayed and/or expensive mitigation might be required.

Other statutes that provide protection to animal and plant species and which may apply to our operations include, but are not necessarily limited to, the Oil Pollution Act, the Emergency Planning and Community Right to Know Act, the Marine Mammal Protection Act, the Marine Protection, Research and Sanctuaries Act, the Fish and Wildlife Coordination Act, the Fishery Conservation and Management Act, the Migratory Bird Treaty Act and the National Historic Preservation Act. These laws and regulations may require the acquisition of a permit or other authorization before construction or drilling commences and may limit or prohibit construction, drilling and other activities on certain lands lying within wilderness or wetlands and other protected areas and impose substantial liabilities for pollution resulting from our operations. The permits required for our various operations are subject to revocation, modification and renewal by issuing authorities. In addition, laws such as the National Environmental Policy Act and the Coastal Zone Management Act may make the process of obtaining certain permits more difficult or time consuming, resulting in increased costs and potential delays that could affect the viability or profitability of certain activities.

Certain statutes such as the Emergency Planning and Community Right to Know Act require the reporting of hazardous chemicals manufactured, processed, or otherwise used, which may lead to heightened scrutiny of the company’s operations by regulatory agencies or the public. In 2012, the EPA adopted a new reporting requirement, the Petroleum and Natural Gas Systems Greenhouse Gas Reporting Rule (40 C.F.R. Part 98, Subpart W), which requires certain onshore petroleum and natural gas facilities to begin collecting data on their emissions of greenhouse gases (“GHGs”) in January 2012, with the first annual reports of those emissions due on September 28, 2012. GHGs include gases such as methane, a primary component of natural gas, and carbon dioxide, a byproduct of burning natural gas. Different GHGs have different global warming potentials with CO₂ having the lowest global warming potential, so emissions of GHGs are typically expressed in terms of CO₂ equivalents, or CO₂e. The rule applies to facilities that emit 25,000 metric tons of CO₂e or more per year, and requires onshore petroleum and natural gas operators to group all equipment under common ownership or control within a single hydrocarbon basin together when determining if the threshold is met. We have determined that these reporting requirements apply to us and we believe we have met all of the EPA required reporting deadlines and strive to ensure accurate and consistent emissions data reporting. Other EPA actions with respect to the reduction of greenhouse gases (such as EPA’s Greenhouse Gas Endangerment Finding, and

EPA's Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule) and various state actions have or could impose mandatory reductions in greenhouse gas emissions. We are unable to predict at this time how much the cost of compliance with any legislation or regulation of greenhouse gas emissions will be in future periods.

Such changes in environmental laws and regulations which result in more stringent and costly reporting, or waste handling, storage, transportation, disposal or cleanup activities, could materially affect companies operating in the energy industry. Adoption of new regulations further regulating emissions from oil and gas production could adversely affect our business, financial position, results of operations and prospects, as could the adoption of new laws or regulations which levy taxes or other costs on greenhouse gas emissions from other industries, which could result in changes to the consumption and demand for natural gas. We may also be assessed administrative, civil and/or criminal penalties if we fail to comply with any such new laws and regulations applicable to oil and natural gas production.

We maintain insurance against "sudden and accidental" occurrences, which may cover some, but not all, of the risks described above. Most significantly, the insurance we maintain will not cover the risks described above which occur over a sustained period of time. Further, there can be no assurance that such insurance will continue to be available to cover all such cost or that such insurance will be available at a cost that would justify its purchase. The occurrence of a significant event not fully insured or indemnified against could have a material adverse effect on our financial condition and results of operations.

Regulation of oil and natural gas exploration and production. Our exploration and production operations are subject to various types of regulation at the federal, state and local levels. Such regulations include requiring permits and drilling bonds for the drilling of wells, regulating the location of wells, the method of drilling and casing wells and the surface use and restoration of properties upon which wells are drilled. Many states also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from oil and natural gas wells and the regulation of spacing, plugging and abandonment of such wells. Some state statutes limit the rate at which oil and natural gas can be produced from our properties.

State regulation. Most states regulate the production and sale of oil and natural gas, including requirements for obtaining drilling permits, the method of developing new fields, the spacing and operation of wells and the prevention of waste of oil and gas resources. The rate of production may be regulated and the maximum daily production allowable from both oil and gas wells may be established on a market demand or conservation basis or both.

Office and Operations Facilities

Our executive offices are located at 5300 Town and Country Blvd., Suite 500 in Frisco, Texas 75034 and our telephone number is (972) 668-8800. We lease office space in Frisco, Texas covering 66,382 square feet at a monthly rate of \$118,934, which escalates to \$124,466 beginning August 1, 2014. This lease expires on December 31, 2021. We also own production offices and pipe yard facilities near Marshall, Pleasanton and Zapata, Texas and Logansport, Louisiana.

Employees

As of December 31, 2013, we had 131 employees and utilized contract employees for certain of our field operations. We consider our employee relations to be satisfactory.

Directors and Executive Officers

The following table sets forth certain information concerning our executive officers and directors.

<u>Name</u>	<u>Position with Company</u>	<u>Age</u>
M. Jay Allison	Chief Executive Officer and Chairman of the Board of Directors	58
Roland O. Burns	President, Chief Financial Officer, Secretary and Director	53
Mark A. Williams	Chief Operating Officer and Vice President of Operations	52
Gerry L. Blackshear	Vice President of Exploration	55
D. Dale Gillette	Vice President of Land and General Counsel	68
Michael D. McBurney	Vice President of Marketing	58
Daniel K. Presley	Vice President of Accounting, Controller and Treasurer	53
Russell W. Romoser	Vice President of Reservoir Engineering	62
Richard D. Singer	Vice President of Financial Reporting	59
Blaine M. Stribling	Vice President of Corporate Development	43
David K. Lockett	Director	59
Cecil E. Martin	Director	72
Frederic D. Sewell	Director	79
David W. Sledge	Director	57
Nancy E. Underwood	Director	62

Executive Officers

A brief biography of each person who serves as a director or executive officer follows below.

M. Jay Allison has been a director since 1987, and our Chief Executive Officer since 1988. Mr. Allison was elected Chairman of the board of directors in 1997. From 1988 to 2013, Mr. Allison served as our President and before that he served as our Vice President and Secretary. From 1981 to 1987, he was a practicing oil and gas attorney with the firm of Lynch, Chappell & Alsup in Midland, Texas. Mr. Allison was Chairman of the Board of Directors of Bois d'Arc Energy, Inc. from the time of its formation in 2004 until its merger with Stone Energy Corporation in 2008. He received B.B.A., M.S. and J.D. degrees from Baylor University in 1978, 1980 and 1981, respectively. Mr. Allison also currently serves as a Director of Tidewater, Inc. and is on the Board of Regents for Baylor University.

Roland O. Burns has been our President since 2013, Chief Financial Officer since 1990, Secretary since 1991 and a director since 1999. Mr. Burns served as our Senior Vice President from 1994 to 2013 and Treasurer from 1990 to 2013. From 1982 to 1990, Mr. Burns was employed by the public accounting firm, Arthur Andersen. During his tenure with Arthur Andersen, Mr. Burns worked primarily in the firm's oil and gas audit practice. Mr. Burns was a director, Senior Vice President and the Chief Financial Officer of Bois d'Arc Energy, Inc. from the time of its formation in 2004 until its merger with Stone Energy Corporation in 2008. Mr. Burns received B.A. and M.A. degrees from the University of Mississippi in 1982 and is a Certified Public Accountant. Mr. Burns also serves on the Board of Directors of the University of Mississippi Foundation and the Cotton Bowl Athletic Association.

Mark A. Williams has been our Chief Operating Officer since 2012. From 2011 to early 2012, he served as Vice President of Operations. From 2007 to 2011, he served as our Engineering and Operations Manager. From 1996 until 2007, Mr. Williams served as our Drilling Manager and as our South Texas District Engineer. Prior to joining Comstock Mr. Williams was a production engineer at Mitchell Energy Corporation and Citation Oil & Gas. Mr. Williams received a B.S. degree in Petroleum Engineering from Texas A&M University in 1984.

Gerry L. Blackshear has been our Vice President of Exploration since 2012. From 2007 to early 2012 Mr. Blackshear served as our Geoscience Manager. Prior to joining us, Mr. Blackshear was a lead geologist at Encana Oil & Gas from 2004 to 2007. Prior to 2004 he worked as a senior geologist for several large independent oil and gas exploration and development companies. Mr. Blackshear received a B.S. degree in Geology from East Texas State University in 1981 and is a Certified Petroleum Geologist.

D. Dale Gillette has been our Vice President of Land and General Counsel since 2006. Prior to joining us, Mr. Gillette practiced law extensively in the energy sector for 34 years, most recently as a partner with Gardere Wynne Sewell LLP, and before that with Locke Liddell & Sapp LLP (now known as Locke Lord LLP). During that time he represented independent exploration and production companies and large financial institutions in numerous oil and gas transactions. Mr. Gillette has also served as corporate counsel in the legal department of Mesa Petroleum Co. and in the legal department of Enserch Corp. Mr. Gillette holds B.A. and J.D. degrees from the University of Texas and is a member of the State Bar of Texas.

Michael D. McBurney was named our Vice President of Marketing in July 2013. Mr. McBurney has over 32 years of energy industry experience within the oil, natural gas, LNG, and power segments. For the past seven years Mr. McBurney worked for EXCO Resources, Inc., an independent exploration and production company where he was responsible for natural gas and natural gas liquids marketing. From 2000 to 2006, Mr. McBurney was with FPL Energy of Florida, where he was responsible for Fuel and Transportation logistics for large scale power generation facilities located throughout the U.S. Mr. McBurney received a B.B.A. in Finance from the University of North Texas in 1978.

Daniel K. Presley was named our Treasurer in 2013. Mr. Presley, who has been with us since 1989, also continues to serve as our Vice President of Accounting and controller, positions he has had held since 1997 and 1991, respectively. Prior to joining us, Mr. Presley had six years of experience with several independent oil and gas companies including AmBrit Energy, Inc. Prior thereto, Mr. Presley spent two and one-half years with B.D.O. Seidman, a public accounting firm. Mr. Presley received a B.B.A. degree from Texas A & M University in 1983.

Russell W. Romoser has been our Vice President of Reservoir Engineering since 2012. Mr. Romoser has over 35 years of experience as a reservoir engineer both with industry and with a petroleum engineering consulting firm. Prior to joining us, Mr. Romoser served eleven years as the Acquisitions Engineering Manager for EXCO Resources, Inc. Mr. Romoser received a B.S. Degree in Petroleum Engineering in 1975 and a Masters Degree in Petroleum Engineering in 1976 from the University of Texas and is a Registered Professional Engineer in Oklahoma and Texas.

Richard D. Singer has been our Vice President of Financial Reporting since 2005. Mr. Singer has over 35 years of experience in financial accounting and reporting. Prior to joining us, Mr. Singer most recently served as an assistant controller for Holly Corporation from 2004 to 2005 and as assistant controller for Santa Fe International Corporation from 1988 to 2002. Mr. Singer received a B.S. degree from the Pennsylvania State University in 1976 and is a Certified Public Accountant.

Blaine M. Stribling has been our Vice President of Corporate Development since 2012. From 2007 to early 2012, Mr. Stribling served as our Asset & Corporate Development Manager. Prior to joining us, Mr. Stribling managed a development project team at Encana Oil & Gas from 2005 to 2007. Prior to 2005 he worked in various petroleum engineering operations management positions of increasing responsibility for several independent oil and gas exploration and development companies. Mr. Stribling received a B.S. Degree in Petroleum Engineering from the Colorado School of Mines.

Outside Directors

David K. Lockett has served as a director since 2001. Mr. Lockett was a Vice President with Dell Inc. and held executive management positions in several divisions within Dell from 1991 until his retirement from Dell in 2012. Mr. Lockett, who has over 35 years of experience in the technology industry, is presently providing consulting services to small and mid-size companies. Mr. Lockett was a director of Bois d'Arc Energy, Inc. from May 2005 until its merger with Stone Energy Corporation in August 2008. Mr. Lockett received a B.B.A. degree from Texas A&M University in 1976.

Cecil E. Martin has served as a director since 1989 and is currently the chairman of our audit committee and our Lead Director. Mr. Martin is an independent commercial real estate investor who has primarily been managing his personal real estate investments since 1991. From 1973 to 1991, he also served as chairman of a public accounting firm in Richmond, Virginia. Mr. Martin was a director and chairman of the Audit Committee of Bois d'Arc Energy, Inc. from May 2005 until its merger with Stone Energy Corporation in August 2008. Mr. Martin also serves on the board of directors of Crosstex Energy, Inc. and Crosstex Energy, L.P. and on the Board of Directors and Audit Committee of Garrison Capital, a privately held business development company. Mr. Martin holds a B.B.A. degree from Old Dominion University and is a Certified Public Accountant.

Frederic D. Sewell has served as a director since May 2012. Mr. Sewell has extensive experience in the oil and gas industry, where he has had a distinguished career as an executive leader and a petroleum engineer. Mr. Sewell was the co-founder of Netherland, Sewell & Associates, Inc., a worldwide oil and gas consulting firm, where he served as the chairman and chief executive officer until his retirement in 2008. Mr. Sewell is presently the President and Chief Executive Officer of Sovereign Resources LLC, an exploration and production company that he founded. Mr. Sewell holds a B.S. Degree in Petroleum Engineering from the University of Texas.

David W. Sledge has served as a director since 1996. Mr. Sledge is the Chief Operating Officer of ProPetro Services, Inc. Mr. Sledge was President and Chief Operating Officer of Sledge Drilling Company until it was acquired by Basic Energy Services, Inc. in April 2007 and served as a Vice President of Basic Energy Services, Inc. from April 2007 to February 2009. He served as an area operations manager for Patterson-UTI Energy, Inc. from May 2004 until January 2006. From March 2009 through October 2011, and from October 1996 until May 2004, Mr. Sledge managed his personal investments in oil and gas exploration activities. Mr. Sledge was a director of Bois d'Arc Energy, Inc. from May 2005 until its merger with Stone Energy Corporation in August 2008. Mr. Sledge is a past director of the International Association of Drilling Contractors and is a past chairman of the Permian Basin chapter of this association. He received a B.B.A. degree from Baylor University in 1979.

Nancy E. Underwood has served as a director since 2004. Ms. Underwood is owner and President of Underwood Financial Ltd., a position she has held since 1986. Ms. Underwood holds B.S. and J.D. degrees from Emory University and practiced law at an Atlanta, Georgia based law firm before joining River Hill Development Corporation in 1981. Ms. Underwood currently serves on the Executive Board and Campaign Steering Committee of the Southern Methodist University Dedman School of Law and on the Board of Directors of Texas Health Presbyterian Foundation.

Available Information

Our executive offices are located at 5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034. Our telephone number is (972) 668-8800. We file annual, quarterly and current reports, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference

Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website that contains reports, proxy and information statements, and other information that is electronically filed with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov. We also make available free of charge on our website (www.comstockresources.com) our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we file such material with, or furnish it to, the SEC.

ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors as well as the other information contained or incorporated by reference in this report, as these important factors, among others, could cause our actual results to differ from our expected or historical results. It is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete statement of all of our potential risks or uncertainties.

A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition, cash flow, liquidity or results of operations and our ability to meet our capital expenditure obligations and financial commitments and to implement our business strategy.

Our business is heavily dependent upon the prices of, and demand for, oil and natural gas. Historically, the prices for oil and natural gas have been volatile and are likely to remain volatile in the future. Prices for oil remained strong in 2013, and our realized natural gas prices increased by 36% in 2013 to \$3.38 per Mcf. However natural gas prices by historical standards remain low.

The prices we receive for our oil and natural gas production continue to be subject to wide fluctuations and depend on numerous factors beyond our control, including the following:

- the domestic and foreign supply of oil and natural gas;
- weather conditions;
- the price and quantity of imports of oil and natural gas;
- political conditions and events in other oil-producing and natural gas-producing countries, including embargoes, hostilities in the Middle East and other sustained military campaigns, and acts of terrorism or sabotage;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- domestic government regulation, legislation and policies;
- the level of global oil and natural gas inventories;
- technological advances affecting energy consumption;
- the price and availability of alternative fuels; and
- overall economic conditions.

Lower oil and natural gas prices will adversely affect:

- our revenues, profitability and cash flow from operations;
- the value of our proved oil and natural gas reserves;
- the economic viability of certain of our drilling prospects;
- our borrowing capacity; and
- our ability to obtain additional capital.

We pursue acquisitions as part of our growth strategy and there are risks in connection with acquisitions.

Our growth has been attributable in part to acquisitions of producing properties and companies. More recently we have been focused on acquiring acreage for our drilling program. We expect to continue to evaluate and, where appropriate, pursue acquisition opportunities on terms we consider favorable. However, we cannot assure you that suitable acquisition candidates will be identified in the future, or that we will be able to finance such acquisitions on favorable terms. In addition, we compete against other companies for acquisitions, and we cannot assure you that we will successfully acquire any material property interests. Further, we cannot assure you that future acquisitions by us will be integrated successfully into our operations or will increase our profits.

The successful acquisition of producing properties requires an assessment of numerous factors beyond our control, including, without limitation:

- recoverable reserves;
- exploration potential;
- future oil and natural gas prices;
- operating costs; and
- potential environmental and other liabilities.

In connection with such an assessment, we perform a review of the subject properties that we believe to be generally consistent with industry practices. The resulting assessments are inexact and their accuracy uncertain, and such a review may not reveal all existing or potential problems, nor will it necessarily permit us to become sufficiently familiar with the properties to fully assess their merits and deficiencies. Inspections may not always be performed on every well, and structural and environmental problems are not necessarily observable even when an inspection is made.

Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may be substantially different in operating and geologic characteristics or geographic location than our existing properties. While our current operations are focused in Texas, Louisiana and Mississippi, we may pursue acquisitions or properties located in other geographic areas.

Our future production and revenues depend on our ability to replace our reserves.

Our future production and revenues depend upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. Our proved reserves will generally decline as reserves are depleted, except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, or both. To increase reserves and production, we must continue our acquisition and drilling activities. We cannot assure you, however, that our acquisition and drilling activities will result in significant additional reserves or that we will have continuing success drilling productive wells at low finding and development costs. Furthermore, while our revenues may increase if prevailing oil and natural gas prices increase significantly, our finding costs for additional reserves could also increase.

Prospects that we decide to drill may not yield oil or natural gas in commercially viable quantities or quantities sufficient to meet our targeted rate of return.

A prospect is a property in which we own an interest or have operating rights and that has what our geoscientists believe, based on available seismic and geological information, to be an indication of

potential oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to be drilled to a prospect that will require substantial additional evaluation and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. The analysis that we perform using data from other wells, more fully explored prospects and/or producing fields may not be useful in predicting the characteristics and potential reserves associated with our drilling prospects. If we drill additional unsuccessful wells, our drilling success rate may decline and we may not achieve our targeted rate of return.

Our business involves many uncertainties and operating risks that can prevent us from realizing profits and can cause substantial losses.

Our future success will depend on the success of our exploration and development activities. Exploration activities involve numerous risks, including the risk that no commercially productive natural gas or oil reserves will be discovered. In addition, these activities may be unsuccessful for many reasons, including weather, cost overruns, equipment shortages and mechanical difficulties. Moreover, the successful drilling of a natural gas or oil well does not ensure we will realize a profit on our investment. A variety of factors, both geological and market-related, can cause a well to become uneconomical or only marginally economical. In addition to their costs, unsuccessful wells can hurt our efforts to replace production and reserves.

Our business involves a variety of operating risks, including:

- unusual or unexpected geological formations;
- fires;
- explosions;
- blow-outs and surface cratering;
- uncontrollable flows of natural gas, oil and formation water;
- natural disasters, such as hurricanes, tropical storms and other adverse weather conditions;
- pipe, cement, or pipeline failures;
- casing collapses;
- mechanical difficulties, such as lost or stuck oil field drilling and service tools;
- abnormally pressured formations; and
- environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases.

If we experience any of these problems, well bores, gathering systems and processing facilities could be affected, which could adversely affect our ability to conduct operations.

We could also incur substantial losses as a result of:

- injury or loss of life;
- severe damage to and destruction of property, natural resources and equipment;
- pollution and other environmental damage;
- clean-up responsibilities;
- regulatory investigation and penalties;
- suspension of our operations; and
- repairs to resume operations.

We operate in a highly competitive industry, and our failure to remain competitive with our competitors, many of which have greater resources than we do, could adversely affect our results of operations.

The oil and natural gas industry is highly competitive in the search for and development and acquisition of reserves. Our competitors often include companies that have greater financial and personnel resources than we do. These resources could allow those competitors to price their products and services more aggressively than we can, which could hurt our profitability. Moreover, our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to evaluate and select suitable properties and to close transactions in a highly competitive environment.

If oil and natural gas prices decline, we may be required to write-down the carrying values and/or the estimates of total reserves of our oil and natural gas properties, which would constitute a non-cash charge to earnings and adversely affect our results of operations.

Accounting rules applicable to us require that we review periodically the carrying value of our oil and natural gas properties for possible impairment. Based on specific market factors and circumstances at the time of prospective impairment reviews and the continuing evaluation of development plans, production data, economics and other factors, we may be required to write down the carrying value of our oil and natural gas properties. A write-down constitutes a non-cash charge to earnings. We may incur non-cash charges in the future, which could have a material adverse effect on our results of operations in the period taken. We may also reduce our estimates of the reserves that may be economically recovered, which could have the effect of reducing the total value of our reserves.

Our hedging transactions could result in financial losses or could reduce our income. To the extent we have hedged a significant portion of our expected production and actual production is lower than we expected or the costs of goods and services increase, our profitability would be adversely affected.

To achieve more predictable cash flows and to reduce our exposure to adverse fluctuations in the prices of oil and gas, we have entered into and may in the future enter into hedging transactions for certain of our expected oil and natural gas production. These transactions could result in both realized and unrealized hedging losses.

The extent of our commodity price exposure is related largely to the effectiveness and scope of our derivative activities. For example, the derivative instruments we utilize are primarily based on New York Mercantile Exchange ("NYMEX") futures prices, which may differ significantly from the actual crude oil and gas prices we realize in our operations. Furthermore, we have adopted a policy that requires, and our revolving credit facility also requires, that we enter into derivative transactions related to only a portion of our expected production volumes and, as a result, we will continue to have direct commodity price exposure on the portion of our production volumes not covered by these derivative financial instruments.

Our actual future production may be significantly higher or lower than we estimate at the time we enter into derivative transactions. If our actual future production is higher than we estimated, we will have greater commodity price exposure than we intended. If our actual future production is lower than the nominal amount that is subject to our derivative financial instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale or purchase of the underlying physical commodity, resulting in a substantial diminution in our profitability and liquidity. As a result of these factors, our derivative activities may not be as effective as we intend in reducing the volatility of our cash flows, and in certain circumstances may actually increase the volatility of our cash flows.

In addition, our hedging transactions are subject to the following risks:

- we may be limited in receiving the full benefit of increases in oil and gas prices as a result of these transactions;
- a counterparty may not perform its obligation under the applicable derivative financial instrument or may seek bankruptcy protection;
- there may be a change in the expected differential between the underlying commodity price in the derivative instrument and the actual price received; and
- the steps we take to monitor our derivative financial instruments may not detect and prevent violations of our risk management policies and procedures, particularly if deception or other intentional misconduct is involved.

Our reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in our reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

Reserve engineering is a subjective process of estimating the recovery from underground accumulations of oil and natural gas that cannot be precisely measured. The accuracy of any reserve estimate depends on the quality of available data, production history and engineering and geological interpretation and judgment. Because all reserve estimates are to some degree imprecise, the quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas prices may all differ materially from those assumed in these estimates. The information regarding present value of the future net cash flows attributable to our proved oil and natural gas reserves is only estimated and should not be construed as the current market value of the oil and natural gas reserves attributable to our properties. Thus, such information includes revisions of certain reserve estimates attributable to proved properties included in the preceding year's estimates. Such revisions reflect additional information from subsequent activities, production history of the properties involved and any adjustments in the projected economic life of such properties resulting from changes in product prices. Any future downward revisions could adversely affect our financial condition, our borrowing ability, our future prospects and the value of our common stock.

As of December 31, 2013, 27% of our total proved reserves were undeveloped and 13% were developed non-producing. These reserves may not ultimately be developed or produced. Furthermore, not all of our undeveloped or developed non-producing reserves may be ultimately produced at the time periods we have planned, at the costs we have budgeted, or at all. As a result, we may not find commercially viable quantities of oil and natural gas, which in turn may result in a material adverse effect on our results of operations.

The unavailability or high cost of drilling rigs, equipment, supplies or qualified personnel and oilfield services could adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget.

Our industry has experienced a shortage of drilling rigs, equipment, supplies and qualified personnel in prior years as the result of higher demand for these services. Shortages of drilling rigs, equipment or supplies or qualified personnel in the areas in which we operate could delay or restrict our exploration and development operations, which in turn could adversely affect our financial condition and results of operations because of our concentration in those areas.

If we are unsuccessful at marketing our oil and natural gas at commercially acceptable prices, our profitability will decline.

Our ability to market oil and natural gas at commercially acceptable prices depends on, among other factors, the following:

- the availability and capacity of gathering systems and pipelines;
- federal and state regulation of production and transportation;
- changes in supply and demand; and
- general economic conditions.

Our inability to respond appropriately to changes in these factors could negatively affect our profitability.

Market conditions or operational impediments may hinder our access to oil and natural gas markets or delay our production.

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and processing facilities. Our ability to market our production depends in a substantial part on the availability and capacity of gathering systems, pipelines and processing facilities, in some cases owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business. We may be required to shut in wells for a lack of a market or because of the inadequacy or unavailability of pipelines or gathering system capacity. If that were to occur, then we would be unable to realize revenue from those wells until arrangements were made to deliver our production to market.

We are subject to extensive governmental laws and regulations that may adversely affect the cost, manner or feasibility of doing business.

Our operations and facilities are subject to extensive federal, state and local laws and regulations relating to the exploration for, and the development, production and transportation of, oil and natural gas, and operating safety. Future laws or regulations, any adverse changes in the interpretation of existing laws and regulations or our failure to comply with existing legal requirements may harm our business, results of operations and financial condition. We may be required to make large and unanticipated capital expenditures to comply with governmental laws and regulations, such as:

- lease permit restrictions;
- drilling bonds and other financial responsibility requirements, such as plug and abandonment bonds;
- spacing of wells;
- unitization and pooling of properties;

- safety precautions;
- regulatory requirements; and
- taxation.

Under these laws and regulations, we could be liable for:

- personal injuries;
- property and natural resource damages;
- well reclamation costs; and
- governmental sanctions, such as fines and penalties.

Our operations could be significantly delayed or curtailed and our cost of operations could significantly increase as a result of regulatory requirements or restrictions. We are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations.

Recently approved final rules regulating air emissions from natural gas production operations could cause us to incur increased capital expenditures and operating costs, which may be significant.

On August 16, 2012, the EPA adopted final regulations under the Clean Air Act that, among other things, require additional emissions controls for natural gas and natural gas liquids production, including New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds ("VOCs") and a separate set of emission standards to address hazardous air pollutants frequently associated with such production activities. The final regulations require the reduction of VOC emissions from natural gas wells through the use of reduced emission completions or "green completions" on all hydraulically fractured wells constructed or refractured after January 1, 2015. For well completion operations occurring at such well sites before January 1, 2015, the final regulations allow operators to capture and direct flowback emissions to completion combustion devices, such as flares, in lieu of performing green completions. These regulations also establish specific new requirements regarding emissions from dehydrators, storage tanks and other production equipment. On September 23, 2013, the EPA revised the emission requirements for storage tanks emitting certain levels of VOCs requiring a 95% reduction of VOC emissions by April 15, 2014 and April 15, 2015 (depending on the date of construction of the storage tank). Compliance with these requirements could increase our costs of development and production, though we do not expect these requirements to be any more burdensome to us than to other similarly situated companies involved in oil and natural gas exploration and production activities.

Our operations are substantially dependent on the availability of water. Restrictions on our ability to obtain water may have an adverse effect on our financial condition, results of operations and cash flows.

Water is an essential component of both the drilling and hydraulic fracturing processes. Historically, we have been able to purchase water from various sources for use in our operations. In recent years South Texas has experienced the lowest inflows of water in recent history. As a result of this severe drought, some local water districts may begin restricting the use of water subject to their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If we are unable to obtain water to use in our operations from local sources, we may be unable to economically produce oil and natural gas, which could have an adverse effect on our financial condition, results of operations and cash flows.

Our operations may incur substantial liabilities to comply with environmental laws and regulations.

Our oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment and otherwise relating to environmental protection. These laws and regulations:

- require the acquisition of one or more permits before drilling commences;
- impose limitations on where drilling can occur and/or requires mitigation before authorizing drilling in certain locations;
- restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities;
- require reporting of significant releases, and annual reporting of the nature and quantity of emissions, discharges and other releases into the environment;
- limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; and
- impose substantial liabilities for pollution resulting from our operations.

Failure to comply with these laws and regulations may result in:

- the assessment of administrative, civil and criminal penalties;
- the incurrence of investigatory and/or remedial obligations; and
- the imposition of injunctive relief.

In June 2009 the United States House of Representatives passed the American Clean Energy and Security Act of 2009. A similar bill, the Clean Energy Jobs and American Power Act, introduced in the Senate, did not pass. Both bills contained the basic feature of establishing a “cap and trade” system for restricting greenhouse gas emissions in the United States. Under such a system, certain sources of greenhouse gas emissions would be required to obtain greenhouse gas emission “allowances” corresponding to their annual emissions of greenhouse gases. The number of emission allowances issued each year would decline as necessary over time to meet overall emission reduction goals. As the number of greenhouse gas emission allowances declines each year, the cost or value of allowances is expected to escalate significantly. It appears that the prospects for a cap and trade system such as that proposed in these bills have dimmed significantly; however, the EPA has moved ahead with its efforts to regulate GHG emissions from certain sources by rule. The EPA issued Subpart W of the Final Mandatory Reporting of Greenhouse Gases Rule, which required petroleum and natural gas systems that emit 25,000 metric tons of CO₂e or more per year to begin collecting GHG emissions data under a new reporting system. We believe we have met all of the reporting requirements under these new regulations. Beyond measuring and reporting, the EPA issued an “Endangerment Finding” under section 202(a) of the Clean Air Act, concluding greenhouse gas pollution threatens the public health and welfare of current and future generations. The EPA has adopted regulations that would require permits for and reductions in greenhouse gas emissions for certain facilities. States in which we operate may also require permits and reductions in GHG emissions. Since all of our oil and natural gas production is in the United States, these laws or regulations that have been or may be adopted to restrict or reduce emissions of greenhouse gases could require us to incur substantial increased operating costs, and could have an adverse effect on demand for the oil and natural gas we produce.

In 2010 the Bureau of Land Management began implementation of a proposed oil and gas leasing reform. The leasing reform requires, among other things, a more detailed environmental review prior to leasing oil and natural gas resources on federal lands, increased public engagement in the development of Master Leasing Plans prior to leasing areas where intensive new oil and gas development is anticipated, and a comprehensive parcel review process with greater public involvement in the identification of key

environmental resource values before a parcel is leased. New leases would incorporate adaptive management stipulations, requiring lessees to monitor and respond to observed environmental impacts, possibly through the implementation of expensive new control measures or curtailment of operations, potentially reducing profitability. The leasing reform policy could have the effect of reducing the amount of new federal lands made available for lease, increasing the competition for and cost of available parcels.

Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly restrictions on emissions, and/or waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to reach and maintain compliance and may otherwise have a material adverse effect on our industry in general and on our own results of operations, competitive position or financial condition. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or contamination or if our operations met previous standards in the industry at the time they were performed. Future environmental laws and regulations, including proposed legislation regulating climate change, may negatively impact our industry. The costs of compliance with these requirements may have an adverse impact on our financial condition, results of operations and cash flows.

The enactment of derivatives legislation and regulation could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.

On July 21, 2010, new comprehensive financial reform legislation, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), was enacted that established federal oversight regulation of over-the-counter derivatives market and entities, such as us, that participate in that market. Dodd-Frank requires the Commodities Futures Trading Commission, or CFTC, the SEC and other regulators to promulgate rules and regulations implementing the new legislation. The final rules adopted under Dodd-Frank identify the types of products and the classes of market participants subject to regulation and will require us in connection with certain derivatives activities to comply with clearing and trade-execution requirements (or take steps to qualify for an exemption from such requirements). In addition, new regulations may require us to comply with margin requirements, although these regulations are not finalized and their application to us is uncertain at this time. Other regulations also remain to be finalized, and the CFTC recently has delayed the compliance dates for various regulations already finalized. As a result, it is not possible at this time to predict with certainty the full effects of Dodd-Frank and CFTC rules on us or the timing of such effects. Dodd-Frank may also require the counterparties to our derivative instruments to spin off some of their derivatives activities to separate entities, which may not be as creditworthy as the current counterparties. Dodd-Frank and associated regulations could significantly increase the cost of derivative contracts from additional recordkeeping and reporting requirements and through requirements to post collateral which could adversely affect our available liquidity. Dodd-Frank could also materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks that we encounter, reduce our ability to monetize or restructure our existing derivative contracts and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of Dodd-Frank and associated regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Finally, Dodd-Frank was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of Dodd-Frank is to lower commodity prices. Any of these consequences could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

Federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays as well as restrict our access to our oil and gas reserves.

Hydraulic fracturing is an essential and common practice that is used to stimulate production of oil and natural gas from dense subsurface rock formations such as shale and tight sands. We routinely apply hydraulic fracturing techniques in completing our wells. The process involves the injection of water, sand and additives under pressure into a targeted subsurface formation. The water and pressure create fractures in the rock formations, which are held open by the grains of sand, enabling the oil or natural gas to flow to the wellbore. The use of hydraulic fracturing is necessary to produce commercial quantities of oil and natural gas from many reservoirs including the Haynesville shale, Bossier shale, Eagle Ford shale, Tuscaloosa Marine shale, Cotton Valley and other tight natural gas and oil reservoirs. Substantially all of our proved oil and gas reserves that are currently not producing and our undeveloped acreage require hydraulic fracturing to be productive. All of the wells being drilled by us in 2014 utilize hydraulic fracturing in their completion. We estimate we will incur approximately \$132.0 million for hydraulic fracturing services in connection with our 2014 drilling and completion program.

The use of hydraulic fracturing in our well completion activities could expose us to liability for negative environmental effects that might occur. Although we have not had any incidents related to hydraulic fracturing operations that we believe have caused any negative environmental effects, we have established operating procedures to respond and report any unexpected fluid discharge which might occur during our operations, including plans to remediate any spills that might occur. In the event that we were to suffer a loss related to hydraulic fracturing operations, our insurance coverage will be net of a deductible per occurrence and our ability to recover costs will be limited to a total aggregate policy limit of \$26.0 million, which may or may not be sufficient to pay the full amount of our losses incurred.

Drilling and completion activities are typically regulated by state oil and natural gas commissions. Our drilling and completion activities are conducted primarily in Louisiana and Texas. Texas adopted a law in June 2012 requiring disclosure to the Railroad Commission of Texas and the public of certain information regarding the components used in the hydraulic-fracturing process. Several proposals are before the United States Congress that, if implemented, would subject the process of hydraulic fracturing to regulation under the Safe Drinking Water Act. At the direction of Congress, the EPA is currently conducting an extensive, multi-year study into the potential effects of hydraulic fracturing on underground sources of drinking water, and the results of that study have the potential to impact the likelihood or scope of future legislation or regulation.

Potential changes to US federal tax regulations, if passed, could have an adverse effect on us.

The United States Congress continues to consider imposing new taxes and repealing many tax incentives and deductions that are currently used by independent oil and gas producers. Such changes include, but are not limited to:

- the repeal of the percentage depletion allowance for oil and gas properties;
- the elimination of current deductions for intangible drilling and development costs;
- an elimination of the deduction for U.S. oil and gas production activities;
- an extension of the amortization period for certain geological and geophysical expenditures; and
- implementation of a fee on non-producing leases located on federal lands.

It is unclear, however, whether any such changes will be enacted or how soon such changes could be effective. The passage of any legislation containing these or similar changes in U.S. federal income tax law could eliminate or defer certain tax deductions that are currently available with respect to oil and gas

exploration and development, and any such changes could negatively affect our financial condition and results of operations. A reduction in operating cash flow could require us to reduce our drilling activities. Since none of these proposals have yet been included in new legislation, we do not know the ultimate impact they may have on our business.

Our debt service requirements could adversely affect our operations and limit our growth.

We had \$798.7 million in debt as of December 31, 2013, and our ratio of total debt to total capitalization was approximately 46%.

Our outstanding debt will have important consequences, including, without limitation:

- a portion of our cash flow from operations will be required to make debt service payments;
- our ability to borrow additional amounts for capital expenditures (including acquisitions) or other purposes will be limited; and
- our debt could limit our ability to capitalize on significant business opportunities, our flexibility in planning for or reacting to changes in market conditions and our ability to withstand competitive pressures and economic downturns.

In addition, future acquisition or development activities may require us to alter our capitalization significantly. These changes in capitalization may significantly increase our debt. Moreover, our ability to meet our debt service obligations and to reduce our total debt will be dependent upon our future performance, which will be subject to general economic conditions and financial, business and other factors affecting our operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our indebtedness and to meet other commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or seeking to raise additional debt or equity capital. We cannot assure you that any of these actions could be effected on a timely basis or on satisfactory terms or that these actions would enable us to continue to satisfy our capital requirements.

Our bank credit facility contains a number of significant covenants. These covenants will limit our ability to, among other things:

- borrow additional money;
- merge, consolidate or dispose of assets;
- make certain types of investments;
- enter into transactions with our affiliates; and
- pay dividends.

Our failure to comply with any of these covenants could cause a default under our bank credit facility and the respective indentures governing our senior notes. A default, if not waived, could result in acceleration of our indebtedness, in which case the debt would become immediately due and payable. If this occurs, we may not be able to repay our debt or borrow sufficient funds to refinance it given the current status of the credit markets. Even if new financing is available, it may not be on terms that are acceptable to us. Complying with these covenants may cause us to take actions that we otherwise would not take or not take actions that we otherwise would take.

Substantial exploration and development activities could require significant outside capital, which could dilute the value of our common shares and restrict our activities. Also, we may not be able to obtain needed capital or financing on satisfactory terms, which could lead to a limitation of our future business opportunities and a decline in our oil and natural gas reserves.

We expect to expend substantial capital in the acquisition of, exploration for and development of oil and natural gas reserves. In order to finance these activities, we may need to alter or increase our capitalization substantially through the issuance of debt or equity securities, the sale of non-strategic assets or other means. The issuance of additional equity securities could have a dilutive effect on the value of our common shares, and may not be possible on terms acceptable to us given the current volatility in the financial markets. The issuance of additional debt would require that a portion of our cash flow from operations be used for the payment of interest on our debt, thereby reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions, dividends and general corporate requirements, which could place us at a competitive disadvantage relative to other competitors. Additionally, if our revenues decrease as a result of lower oil or natural gas prices, operating difficulties or declines in reserves, our ability to obtain the capital necessary to undertake or complete future exploration and development programs and to pursue other opportunities may be limited, which could result in a curtailment of our operations relating to exploration and development of our prospects, which in turn could result in a decline in our oil and natural gas reserves.

We depend on our key personnel and the loss of any of these individuals could have a material adverse effect on our operations.

We believe that the success of our business strategy and our ability to operate profitably depend on the continued employment of M. Jay Allison, Chief Executive Officer, and Roland O. Burns, our President and Chief Financial Officer, and a limited number of other senior management personnel. Loss of the services of Mr. Allison, Mr. Burns or any of those other individuals could have a material adverse effect on our operations.

Our insurance coverage may not be sufficient or may not be available to cover some liabilities or losses that we may incur.

If we suffer a significant accident or other loss, our insurance coverage will be net of our deductibles and may not be sufficient to pay the full current market value or current replacement value of our lost investment, which could result in a material adverse impact on our operations and financial condition. Our insurance does not protect us against all operational risks. We do not carry business interruption insurance. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. Because third party drilling contractors are used to drill our wells, we may not realize the full benefit of workers' compensation laws in dealing with their employees. In addition, some risks, including pollution and environmental risks, generally are not fully insurable.

Provisions of our articles of incorporation, bylaws and Nevada law will make it more difficult to effect a change in control of us, which could adversely affect the price of our common stock.

Nevada corporate law and our articles of incorporation and bylaws contain provisions that could delay, defer or prevent a change in control of us. These provisions include:

- allowing for authorized but unissued shares of common and preferred stock;
- a classified board of directors;

- requiring special stockholder meetings to be called only by our chairman of the board, our chief executive officer, a majority of the board or the holders of at least 10% of our outstanding stock entitled to vote at a special meeting;
- requiring removal of directors by a supermajority stockholder vote;
- prohibiting cumulative voting in the election of directors; and
- Nevada control share laws that may limit voting rights in shares representing a controlling interest in us.

These provisions could make an acquisition of us by means of a tender offer or proxy contest or removal of our incumbent directors more difficult. As a result, these provisions could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders, which may limit the price that investors are willing to pay in the future for shares of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any legal proceedings which management believes will have a material adverse effect on our consolidated results of operations or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed for trading on the New York Stock Exchange under the symbol "CRK." The following table sets forth, on a per share basis for the periods indicated, the high and low sales prices by calendar quarter for the periods indicated as reported by the New York Stock Exchange.

		High	Low
2012 –	First Quarter	\$17.79	\$11.05
	Second Quarter	\$18.54	\$12.56
	Third Quarter	\$20.46	\$14.95
	Fourth Quarter	\$21.16	\$14.40
2013 –	First Quarter	\$18.86	\$12.83
	Second Quarter	\$18.22	\$14.11
	Third Quarter	\$18.42	\$14.21
	Fourth Quarter	\$18.91	\$15.83

As of February 26, 2014, we had 47,837,224 shares of common stock outstanding, which were held by 219 holders of record and approximately 9,000 beneficial owners who maintain their shares in "street name" accounts.

We paid cash dividends on our common stock in 2013 of 12.5¢ per share on June 17, September 16 and December 16, 2013. Any future determination as to the payment of dividends will depend upon the results of our operations, capital requirements, our financial condition and such other factors as our board of directors may deem relevant.

Our Board of Directors approved an open market share repurchase plan in 2013 which provides for the repurchase of common stock on the open market. We made various open market purchases of a total of 631,096 shares at an aggregate cost of \$9.2 million during 2013 but we did not repurchase any shares during the fourth quarter of 2013.

Stockholder Return Performance

A peer group of companies is used by our compensation committee to benchmark our executives' compensation and to determine total stockholder return performance for purposes of vesting of performance share units granted to executives under our 2009 Long-term Incentive Plan. Our Prior Peer Group represents those companies previously included in our peer group of companies for benchmarking our executives' compensation and determining vesting of performance share unit awards made in 2012.

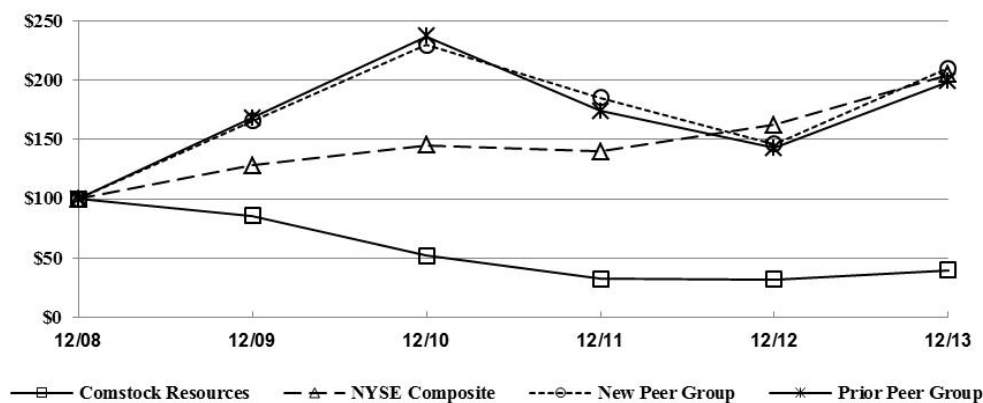
Prior Peer Group. Our prior peer group consisted of Bill Barrett Corporation, Cheniere Energy Inc., Cimarex Energy Co., Clayton Williams Energy Inc., Contango Oil & Gas Co., EPL Oil & Gas Inc., Exco Resources Inc., Forest Oil Corp., Newfield Exploration Co., Northern Oil & Gas Inc., PDC Energy Inc., QEP Resources, Inc., SM Energy, Inc., Swift Energy Co., Ultra Petroleum Corp., W&T Offshore Inc., Whiting Petroleum Corp., and WPX Energy, Inc.

New Peer Group. During 2013, our compensation committee engaged a new independent compensation consultant to review our executive compensation plans, including the composition of our peer group. The compensation consultant recommended that larger peer companies including Newfield Exploration, QEP Resources, Whiting Petroleum and WPX Energy, should be removed from our peer group and smaller companies including Approach Resources, Carrizo Oil & Gas, Kodiak Oil & Gas,

Laredo Petroleum, Oasis Petroleum, Quicksilver Resources, Rosetta Resources, and Stone Energy should be added to our peer group. The compensation committee approved our New Peer Group, which consists of Approach Resources, Inc., Bill Barrett Corporation, Carrizo Oil & Gas Inc., Cimarex Energy Co., Forest Oil Corp., Kodiak Oil & Gas Corp., Laredo Petroleum Holdings Inc., Oasis Petroleum Inc., PDC Energy Inc., Quicksilver Resources Inc., Rosetta Resources Inc., SM Energy, Inc., Stone Energy Corporation, Swift Energy Co., and Ultra Petroleum Corp.

The following graph compares the yearly percentage change in the cumulative total stockholder return on our common stock during the five years ended December 31, 2013 with the cumulative return on the New York Stock Exchange Index, the cumulative return for our New Peer Group, and the cumulative return for our Prior Peer Group. The graph assumes that \$100.00 was invested on the last trading day of 2008, and that dividends, if any, were reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN(1)(2)
Among Comstock Resources, the NYSE Composite Index,
Our New Peer Group, and our Prior Peer Group



(1) \$100 invested on December 31, 2008 in stock or index, including reinvestment of dividends, fiscal year ending December 31.

(2) The data contained in the above graph is deemed to be furnished and not filed pursuant to Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

As of December 31,

Total Return Analysis	2008	2009	2010	2011	2012	2013
Comstock Resources	\$ 100.00	\$ 85.86	\$ 51.98	\$ 32.38	\$ 32.00	\$ 39.63
NYSE Composite	\$ 100.00	\$ 128.28	\$ 145.46	\$ 139.87	\$ 162.23	\$ 204.87
New Peer Group	\$ 100.00	\$ 165.77	\$ 229.92	\$ 185.35	\$ 146.22	\$ 210.24
Prior Peer Group	\$ 100.00	\$ 168.49	\$ 237.26	\$ 173.95	\$ 142.82	\$ 198.94

ITEM 6. SELECTED FINANCIAL DATA

The historical financial data presented in the table below as of and for each of the years in the five-year period ended December 31, 2013 are derived from our consolidated financial statements. The financial results are not necessarily indicative of our future operations or future financial results. The data presented below should be read in conjunction with our consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations." During 2013, we divested all of our interests in our West Texas operations. Accordingly, we have adjusted the presentation of selected financial data to reflect these operations on a discontinued basis.

Statement of Operations Data:

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	<i>(In thousands, except per share data)</i>				
Revenues:					
Oil sales	\$ 39,457	\$ 48,848	\$ 80,244	\$ 181,163	\$ 231,837
Natural gas sales	253,126	300,293	354,123	203,651	188,453
Total oil and gas sales	292,583	349,141	434,367	384,814	420,290
Gain on sales of oil and gas properties	213	—	—	24,271	—
Total revenues	<u>292,796</u>	<u>349,141</u>	<u>434,367</u>	<u>409,085</u>	<u>420,290</u>
Operating expenses:					
Production taxes	8,643	9,894	3,670	11,727	14,524
Gathering and transportation	8,696	17,256	28,491	26,265	17,245
Lease operating ⁽¹⁾	53,560	53,525	46,552	51,248	52,844
Exploration	907	2,605	10,148	61,449	33,423
Depreciation, depletion and amortization	213,238	213,809	290,776	343,858	337,134
General and administrative, net	39,172	37,200	35,172	33,798	34,767
Impairment of oil and gas properties	115	224	60,817	25,368	652
Loss on sales of oil and gas properties	—	26,632	57	—	2,033
Total operating expenses	<u>324,331</u>	<u>361,145</u>	<u>475,683</u>	<u>553,713</u>	<u>492,622</u>
Operating loss	(31,535)	(12,004)	(41,316)	(144,628)	(72,332)
Other income (expenses):					
Gain on sale of marketable securities	—	16,529	35,118	26,621	7,877
Gains (losses) on derivative financial instruments	—	—	—	21,256	(8,388)
Loss on early extinguishment of debt	—	—	(1,096)	—	(17,854)
Other income	378	499	790	944	1,059
Interest expense	(16,086)	(29,456)	(41,592)	(57,906)	(73,242)
Total other income (expenses)	<u>(15,708)</u>	<u>(12,428)</u>	<u>(6,780)</u>	<u>(9,085)</u>	<u>(90,548)</u>
Loss from continuing operations before income taxes	(47,243)	(24,432)	(48,096)	(153,713)	(162,880)
Benefit from income taxes	10,772	4,846	14,624	50,634	56,157
Loss from continuing operations	(36,471)	(19,586)	(33,472)	(103,079)	(106,723)
Income from discontinued operations	—	—	—	3,019	147,752
Net income (loss)	<u>\$ (36,471)</u>	<u>\$ (19,586)</u>	<u>\$ (33,472)</u>	<u>\$ (100,060)</u>	<u>\$ 41,029</u>
Basic net income (loss) per share:					
Loss from continuing operations	\$ (0.81)	\$ (0.43)	\$ (0.73)	\$ (2.22)	\$ (2.22)
Income from discontinued operations	—	—	—	0.06	3.07
Net Income (loss)	<u>\$ (0.81)</u>	<u>\$ (0.43)</u>	<u>\$ (0.73)</u>	<u>\$ (2.16)</u>	<u>\$ 0.85</u>
Diluted net income (loss) per share:					
Loss from continuing operations	\$ (0.81)	\$ (0.43)	\$ (0.73)	\$ (2.22)	\$ (2.22)
Income from discontinued operations	—	—	—	0.06	3.07
Net Income (loss)	<u>\$ (0.81)</u>	<u>\$ (0.43)</u>	<u>\$ (0.73)</u>	<u>\$ (2.16)</u>	<u>\$ 0.85</u>
Dividends per common share	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.375</u>
Weighted average shares outstanding:					
Basic	<u>45,004</u>	<u>45,561</u>	<u>45,997</u>	<u>46,422</u>	<u>46,553</u>
Diluted ⁽²⁾	<u>45,004</u>	<u>45,561</u>	<u>45,997</u>	<u>46,422</u>	<u>46,553</u>

(1) Includes ad valorem taxes.

(2) Basic and diluted weighted average shares are the same due to the net loss from continuing operations.

Balance Sheet Data:

	As of December 31,				
	2009	2010	2011 <i>(In thousands)</i>	2012	2013
Cash and cash equivalents	\$ 90,472	\$ 1,732	\$ 8,460	\$ 4,471	\$ 2,967
Property and equipment, net	1,576,287	1,816,248	2,509,845	1,958,687	2,066,735
Total assets	1,858,961	1,964,214	2,639,884	2,569,897	2,139,398
Total debt	470,836	513,372	1,196,908	1,324,383	798,700
Stockholders' equity	1,066,111	1,068,531	1,037,625	933,534	952,005

Cash Flow Data:

	Year Ended December 31,				
	2009	2010	2011 <i>(In thousands)</i>	2012	2013
Cash flows provided by operating activities from continuing operations	\$ 176,257	\$ 311,662	\$ 275,433	\$ 219,721	\$ 268,994
Cash flows used for investing activities from continuing operations	(348,777)	(440,473)	(597,809)	(205,393)	(408,678)
Cash flows provided by (used for) financing activities from continuing operations	256,711	40,071	673,381	117,502	(576,140)
Cash flows provided by (used for) operating activities of discontinued operations	—	—	—	42,508	(7,715)
Cash flows provided by (used for) investing activities of discontinued operations	—	—	(344,277)	(178,327)	722,035

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our selected historical consolidated financial data and our accompanying consolidated financial statements and the notes to those financial statements included elsewhere in this report. The following discussion includes forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Overview

We are an independent energy company engaged in the acquisition, exploration, development and production of oil and natural gas in the United States. We own interests in 1,535 producing oil and natural gas wells (821.8 net to us) and we operate 895 of these wells. In managing our business, we are concerned primarily with maximizing return on our stockholders' equity. To accomplish this goal, we focus on profitably increasing our oil and natural gas reserves and production.

In 2011, we acquired an undeveloped acreage position and some producing oil wells in Gaines and Reeves Counties in West Texas. We operated these properties, which we designated as our West Texas region, through May 2013 when we sold all of these properties for total proceeds of \$823.1 million. Accordingly, we are presenting our West Texas operations as discontinued operations in our financial statements for all periods presented. Unless indicated otherwise, the amounts in the accompanying tables and discussion relate to our continuing operations.

Our growth is driven primarily by acquisition, development and exploration activities. In 2013 our growth in production and proved reserves was primarily driven by our successful oil focused drilling

activities. Under our current drilling budget, we plan to spend approximately \$478.0 million in 2014 for development and exploration activities, which will primarily be focused on oil projects. We plan to drill 71 horizontal wells (47.6 net to us) in 2014, of which 59 wells (40.2 net to us) will be drilled in our Eagleville field in South Texas, ten wells (5.6 net to us) wells will be in our newly acquired acreage in Burleson County, Texas and two wells (1.8 net to us) in our Tuscaloosa Marine shale properties in Mississippi and Louisiana. However, we could increase or decrease the number of wells that we drill depending on oil and natural gas prices. We do not specifically budget for acquisitions as the timing and size of acquisitions are not predictable.

We use the successful efforts method of accounting, which allows only for the capitalization of costs associated with developing proven oil and natural gas properties as well as exploration costs associated with successful exploration activities. Accordingly, our exploration costs consist of costs we incur to acquire and reprocess 3-D seismic data, impairments of our unevaluated leasehold where we were not successful in discovering reserves and the costs of unsuccessful exploratory wells that we drill.

We generally sell our oil and natural gas at current market prices at the point our wells connect to third party purchaser pipelines. We have entered into certain transportation and treating agreements with midstream and pipeline companies to transport a substantial portion of our natural gas production in North Louisiana to long-haul gas pipelines. We market our products several different ways depending upon a number of factors, including the availability of purchasers for the product, the availability and cost of pipelines near our wells, market prices, pipeline constraints and operational flexibility. Accordingly, our revenues are heavily dependent upon the prices of, and demand for, oil and natural gas. Oil and natural gas prices have historically been volatile and are likely to remain volatile in the future.

Our operating costs are generally comprised of several components, including costs of field personnel, insurance, repair and maintenance costs, production supplies, fuel used in operations, transportation costs, workover expenses and state production and ad valorem taxes.

Like all oil and natural gas exploration and production companies, we face the constant challenge of replacing our reserves. Although in the past we have offset the effect of declining production rates from existing properties through successful acquisition and drilling efforts, there can be no assurance that we will be able to continue to offset production declines or maintain production at current rates through future acquisitions or drilling activity. Our future growth will depend on our ability to continue to add new reserves in excess of production.

Our operations and facilities are subject to extensive federal, state and local laws and regulations relating to the exploration for, and the development, production and transportation of, oil and natural gas, and operating safety. Future laws or regulations, any adverse changes in the interpretation of existing laws and regulations or our failure to comply with existing legal requirements may have an adverse effect on our business, results of operations and financial condition. Applicable environmental regulations require us to remove our equipment after production has ceased, to plug and abandon our wells and to remediate any environmental damage our operations may have caused. The present value of the estimated future costs to plug and abandon our oil and gas wells and to dismantle and remove our production facilities is included in our reserve for future abandonment costs, which was \$14.5 million as of December 31, 2013.

Results of Operations

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Our operating data for 2012 and 2013 is summarized below:

	Year Ended December 31,	
	2012	2013
Oil & Gas Sales (in thousands):		
Oil sales	\$ 181,163	\$ 231,837
Natural gas sales	203,651	188,453
Total oil and gas sales	<u>\$ 384,814</u>	<u>\$ 420,290</u>
Net Production Data:		
Natural gas (MMcf)	81,762	55,694
Oil (MBbls)	1,792	2,314
Natural gas equivalent (MMcfe)	92,515	69,577
Average Sales Price:		
Oil (\$/Bbl)	\$101.09	\$100.20
Natural gas (\$/Mcf)	\$2.49	\$3.38
Average equivalent price (\$/Mcf)	\$4.16	\$6.04
Expenses (\$ per Mcfe):		
Production taxes	\$0.13	\$0.21
Gathering and transportation	\$0.28	\$0.25
Lease operating ⁽¹⁾	\$0.55	\$0.76
Depreciation, depletion and amortization ⁽²⁾	\$3.76	\$4.83

(1) Includes ad valorem taxes.

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

Oil and gas sales. Our oil and gas sales increased \$35.5 million (9%) in 2013 to \$420.3 million from \$384.8 million in 2012. Oil sales in 2013 increased by \$50.7 million (28%) from 2012 while our natural gas sales decreased by \$15.2 million (8%) from 2012. The increase in oil sales was attributable to the 29% growth in oil production offset by a 1% decrease in our realized oil prices in 2013. Our drilling activity in the Eagleville field in South Texas generated the oil production growth. With limited drilling in our natural gas properties in 2013, our natural gas production fell by 32% from 2012 while our realized natural gas prices increased by 36%.

Production taxes. Production taxes increased \$2.8 million or 24% to \$14.5 million in 2013 from \$11.7 million in 2012. The increase in 2013 is due to the 28% growth in our oil sales during the year. Much of our natural gas sales in 2012 and 2013 qualified for exemption from state production taxes.

Gathering and transportation. Gathering and transportation costs in 2013 decreased \$9.1 million (34%) to \$17.2 million as compared to \$26.3 million in 2012 due to the lower natural gas volumes that we produced in North Louisiana in 2013.

Lease operating expenses. Our lease operating expenses, including ad valorem taxes, of \$52.8 million in 2013 were \$1.6 million or 3% higher than our operating expenses of \$51.2 million in 2012. Our lease operating expense per Mcfe produced increased by 38% to \$0.76 per Mcfe in 2013 as compared to \$0.55 per Mcfe in 2012. The increase in operating costs mainly reflects our growing oil production. Our oil wells are typically more costly to operate than our natural gas wells. Oil production comprised 20% of

our total production in 2013 as compared to 12% in 2012. The increase in the per unit costs is largely attributable to the lower production on a Mcfe basis. Much of our operating costs are fixed in nature.

Exploration expense. We incurred \$33.4 million in exploration expense in 2013 as compared to \$61.4 million in 2012. Exploration expense in 2013 consisted of \$33.0 million of impairments of unevaluated leasehold costs and \$0.4 million for the acquisition of seismic data. Our 2012 exploration cost consisted of \$61.3 million of impairments of unevaluated leasehold costs and \$0.1 million for the acquisition of seismic data.

Depreciation, depletion and amortization expense (“DD&A”). DD&A of \$337.1 million decreased by \$6.8 million (2%) from DD&A of \$343.9 million in 2012. Our DD&A rate per Mcfe produced averaged \$4.83 in 2013 as compared to \$3.76 for 2012. The decrease in DD&A primarily resulted from the decline in our natural gas production during 2013, which was partially offset by the increased development costs per Mcfe associated with the oil wells drilled in 2013 and the reduction in proved undeveloped natural gas reserves recognized in 2012 which increased our per unit DD&A rate on our natural gas properties.

General and administrative expenses. General and administrative expense of \$34.8 million for 2013 was 3% higher than general and administrative expense of \$33.8 million for 2012. Stock based compensation decreased by \$0.9 million to \$12.8 million in 2013 as compared to \$13.7 million in 2012.

Impairment of oil and gas properties. We recorded impairments to our oil and gas properties of \$0.7 million and \$25.4 million in 2013 and 2012, respectively. These impairments relate to fields where an impairment was indicated based on estimated future net cash flows from the properties.

Gains (losses) from derivative financial instruments. We utilized oil price swaps to manage our exposure to oil prices and protect returns on investment from our drilling activities in 2012 and 2013. Gains (losses) on derivative financial instruments were a loss of \$8.4 million in 2013 and a gain of \$21.3 million in 2012. Our total net cash received from derivative financial instruments was \$2.3 million in 2013 and \$9.8 million in 2012. The following table presents our crude oil equivalent prices before and after the effect of cash settlements of our derivative financial instruments:

Average Realized Oil Price:	<u>2012</u>	<u>2013</u>
Oil, per barrel	\$101.09	\$100.20
Cash settlements on derivative financial instruments, per barrel	5.44	0.99
Price per barrel, including cash settlements on derivative financial instruments	<u>\$106.53</u>	<u>\$101.19</u>

Interest expense. Interest expense increased \$15.3 million (26%) to \$73.2 million in 2013 from interest expense of \$57.9 million in 2012. The increase was primarily related to a reduction in the interest we capitalized in 2013. We capitalized interest of \$4.7 million and \$20.9 million in 2013 and 2012, respectively, which reduced interest expense. We had interest expense allocated to discontinued operations of \$8.4 million and \$16.3 million in 2013 and 2012, respectively, of which \$2.0 million and \$9.6 million, respectively, was capitalized. Average borrowings under our bank credit facility decreased to \$201.5 million in 2013 as compared to \$482.7 million for 2012 and the average interest rate on the outstanding borrowings under our credit facility of 2.6% in 2013 was lower than the interest rate of 3.0% in 2012. Interest expense related to our outstanding senior notes increased by 11% due to the issuance of 9½% senior notes in June 2012 offset in part the redemption of 8¾% senior notes in November 2013.

Income taxes. The benefit from income taxes from continuing operations increased in 2013 to \$56.2 million from \$50.6 million in 2012 due to the higher net loss from continuing operations in 2013. Our

effective tax rate of 34.5% in 2013 and 32.9% in 2012 differed from the federal income tax rate of 35% primarily due to the effect of nondeductible compensation and state income taxes.

Net income. We reported a loss from continuing operations of \$106.7 million or \$2.22 per share for 2013 as compared to a loss of \$103.1 million or \$2.22 per share for 2012. The loss in 2013 included impairments of proved and unproved properties of \$33.6 million (\$21.9 million after income taxes), loss on early extinguishment of debt of \$17.9 million (\$11.6 million after income taxes), losses on our oil derivatives of \$8.4 million (\$5.5 million after income taxes) and losses on sales of properties of \$2.0 million (\$1.3 million after income taxes) which were offset in part by gains on sales of marketable securities of \$7.9 million (\$5.1 million after income taxes). The loss in 2012 included impairments of proved and unproved properties of \$86.7 million (\$56.3 million after income taxes) which were offset in part by gains on sales of properties of \$24.3 million (\$15.8 million after income taxes), sales of marketable securities of \$26.6 million (\$17.3 million after income taxes) and gains on our oil derivatives of \$21.3 million (\$13.8 million after tax).

Net income from discontinued operations for 2013 of \$147.8 million, or \$3.07 per share, included a gain on the sale of our West Texas oil and gas properties of \$230.0 million (\$148.6 million after income taxes). Excluding the gain, the net loss from discontinued operations for the year ended December 31, 2013 was \$0.8 million as compared to net income of \$3.0 million for the year ended December 31, 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Our operating data for 2011 and 2012 is summarized below:

	Year Ended December 31,	
	2011	2012
Oil & Gas Sales (in thousands):		
Oil sales	\$ 80,244	\$ 181,163
Natural gas sales	354,123	203,651
Total oil and gas sales	<u>\$ 434,367</u>	<u>\$ 384,814</u>
Net Production Data:		
Natural gas (MMcf)	90,593	81,762
Oil (MBbls)	838	1,792
Natural gas equivalent (MMcfe)	95,622	92,515
Average Sales Price:		
Oil (\$/Bbl)	\$95.73	\$101.09
Natural gas (\$/Mcf)	\$3.91	\$2.49
Average equivalent price (\$/Mcfe)	\$4.54	\$4.16
Expenses (\$ per Mcfe):		
Production taxes	\$0.04	\$0.13
Gathering and transportation	\$0.30	\$0.28
Lease operating ⁽¹⁾	\$0.48	\$0.55
Depreciation, depletion and amortization ⁽²⁾	\$3.00	\$3.76

(1) Includes ad valorem taxes.

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

Oil and gas sales. Our oil and gas sales decreased \$49.6 million (11%) in 2012 to \$384.8 million from sales of \$434.4 million in 2011. Our oil production in 2012 increased by 114% while our natural gas production decreased by 10% from our 2011 production levels. On an equivalent unit basis, our production in 2012 decreased by 3% over 2011. Our successful drilling program grew our oil production which offset the decline in natural gas production. Prices realized for oil sales increased by 6% in 2012 as

compared to 2011 while the average price we realized for natural gas sales decreased by 36% in 2012 as compared to 2011.

Production taxes. Production taxes increased \$8.0 million or 220% to \$11.7 million in 2012 from \$3.7 million in 2011. The increase in 2012 is due to the significant growth in our oil sales during the year. Much of our natural gas sales in 2011 and 2012 qualified for exemption from state production taxes.

Gathering and transportation. Gathering and transportation costs in 2012 decreased \$2.2 million (8%) to \$26.3 million as compared to \$28.5 million in 2011 due to the lower natural gas volumes that we produced in North Louisiana in 2012.

Lease operating expenses. Our lease operating expenses, including ad valorem taxes, of \$51.2 million in 2012 were \$4.6 million or 10% higher than our operating expenses of \$46.6 million in 2011. Our lease operating expense per Mcfe produced increased by 15% to \$0.55 per Mcfe in 2012 as compared to \$0.48 per Mcfe in 2011. The increase mainly reflects our growing oil production. Our oil wells are typically more costly to operate than our natural gas wells. Oil production comprised 12% of our total production in 2012 as compared to 5% in 2011.

Exploration expense. We incurred \$61.4 million in exploration expense in 2012 as compared to \$10.1 million in 2011. Exploration expense in 2012 consisted of \$61.3 million of impairments of unevaluated leasehold costs and \$0.1 million for the acquisition of seismic data. Our 2011 exploration cost consisted of \$9.8 million of impairments of unevaluated leasehold costs and \$0.3 million for the acquisition of seismic data.

DD&A. DD&A of \$343.9 million was an increase of \$53.1 million (18%) over DD&A of \$290.8 million in 2011. Our DD&A rate per Mcfe produced averaged \$3.76 in 2012 as compared to \$3.00 for 2011. The increase in DD&A primarily resulted from increased development costs per Mcfe associated with the oil wells drilled in 2012, and the substantial decline in our proved natural gas reserves due to the low natural gas prices in 2012.

General and administrative expenses. General and administrative expense of \$33.8 million for 2012 was 4% lower than general and administrative expense of \$35.2 million for 2011. The decrease primarily reflects lower stock based compensation in 2012. Stock based compensation decreased by \$1.3 million to \$13.7 million in 2012 as compared to \$15.0 million in 2011.

Impairment of oil and gas properties. We recorded impairments to our oil and gas properties of \$25.4 million and \$60.8 million in 2012 and 2011, respectively. These impairments relate to fields where an impairment was indicated based on estimated future cash flows from the properties.

Interest expense. Interest expense increased \$16.3 million (39%) to \$57.9 million in 2012 from interest expense of \$41.6 million in 2011. The increase was primarily related to the increase in outstanding debt during 2012 including the issuance of \$300.0 million in senior notes in June 2012. Average borrowings under our bank credit facility increased to \$482.7 million in 2012 as compared to \$121.4 million for 2011. The average interest rate on the outstanding borrowings under our credit facility of 3.0% in 2012 was higher than the interest rate of 2.2% in 2011. We capitalized interest of \$20.9 million and \$13.2 million in 2012 and 2011, respectively, which amounts reduced interest expense. Interest expense allocated to discontinued operations was \$16.3 million in 2012, of which \$9.6 million was capitalized. No interest was allocated to discontinued operations in 2011.

Derivative financial instruments. We utilize oil price swaps to manage our exposure to commodity prices and protect returns on investment from our drilling activities. We had gains on derivative financial instruments of \$21.3 million and cash receipts on derivative financial instruments of \$9.8 million in 2012. We had no derivative financial instruments during 2011. The following table presents our crude oil equivalent prices before and after the effect of cash settlements of our derivative financial instruments:

Average Realized Oil Price:	<u>2011</u>	<u>2012</u>
Oil, per barrel	\$95.73	\$101.09
Cash settlements on derivative financial instruments, per barrel	—	5.44
Price per barrel, including cash settlements on derivative financial instruments	<u>\$95.73</u>	<u>\$106.53</u>

Income taxes. The benefit from income taxes increased in 2012 to \$50.6 million from \$14.6 million in 2011 due to the higher net loss in 2012. Our effective tax rate of 32.9% in 2012 and 30.4% in 2011 differed from the federal income tax rate of 35% primarily due to the effect of nondeductible compensation and state income taxes.

Net loss. We reported a loss from continuing operations of \$103.1 million or \$2.22 per share for 2012 as compared to a loss of \$33.5 million or \$0.73 per share for 2011. The loss in 2012 included impairments of proved and unproved properties of \$86.7 million (\$56.3 million after income taxes) which were offset in part by gains on sales of properties of \$24.3 million (\$15.8 million after income taxes) and sales of marketable securities of \$26.6 million (\$17.3 million after income taxes) and gains on our oil derivatives of \$21.3 million (\$13.8 million after tax). The loss in 2011 included impairments to proved and unproved properties in 2011 of \$70.6 million (\$45.9 million after income taxes) and a loss on early extinguishment of debt of \$1.1 million (\$0.7 million after tax) offset in part by gains on sales of marketable securities of \$35.1 million (\$22.8 million after income taxes). Net income from discontinued operations for 2012 was \$3.0 million or \$0.06 per share.

Liquidity and Capital Resources

Funding for our activities has historically been provided by our operating cash flow, debt or equity financings and asset dispositions. For 2013, our primary source of funds was proceeds from sales of assets of \$836.6 million, including the proceeds from the sale of our West Texas properties. Cash provided by operating activities from continuing operations in 2013 of \$269.0 million increased \$49.3 million (22%) from \$219.7 million in 2012. In 2012, our cash flow provided by operating activities of continuing operations totaled \$219.7 million, while our other primary sources of funds included \$285.9 million of proceeds from a senior notes offering and \$179.6 million from sales of assets. In 2011, our cash flow provided by operating activities from continuing operations totaled \$275.4 million. Our other primary source of funds in 2011 included \$293.4 million of proceeds from a senior note offering, \$555.0 million of borrowings under our bank credit facility and \$53.4 million of proceeds from sales of marketable securities.

Our cash flow from operating activities from continuing operations in 2013 of \$269.0 million represented an increase of \$49.3 million (22%) from our cash from operating activities of \$219.7 million in 2012. Cash flow from continuing operations excluding changes in working capital accounts was \$249.3 million in 2013 and was 7% higher than 2012 due to increased revenues related to the increased oil production and higher natural gas prices in 2013. Our cash flow from operating activities from continuing operations in 2012 decreased by \$55.7 million to \$219.7 million as compared to \$275.4 million in 2011 primarily due to the lower revenues related to lower natural gas prices in 2012 which was partially offset by higher oil production.

Our primary need for capital, in addition to funding our ongoing operations, relates to the acquisition, development and exploration of our oil and gas properties and the repayment of our debt. During 2013 our capital expenditures of \$480.9 million increased by \$132.7 million as compared to 2012 capital expenditures of \$348.2 million due primarily to the acquisitions of oil and gas properties we made in 2013. In 2012, our capital expenditures of \$348.2 million decreased by \$346.0 million as compared to 2011 capital expenditures of \$694.2 million, mainly due to the lower spending on acquisitions of oil and gas properties in 2011 and lower natural gas directed drilling activity. During 2013 we also reduced our debt outstanding by \$530.0 million through the early extinguishment of our 8³/₈% senior notes and a reduction in the amounts outstanding under our bank credit facility, primarily using funds generated from the sale of our West Texas properties.

Our capital expenditure activity related to our continuing operations is summarized in the following table:

	Year Ended December 31,		
	2011	2012	2013
	<i>(In thousands)</i>		
Exploration and development:			
Acquisitions of proved oil and gas properties	\$ 16,879	\$ —	\$ 6,450
Acquisitions of unproved oil and gas properties	103,945	13,742	130,113
Developmental leasehold costs	798	2,157	461
Development drilling	483,816	321,924	338,030
Exploratory drilling	82,028	5,317	—
Workovers and recompletions	6,516	3,728	5,559
	<u>693,982</u>	<u>346,868⁽¹⁾</u>	<u>480,613⁽²⁾</u>
Other	225	1,311	260
Total	<u>\$ 694,207</u>	<u>\$ 348,179⁽¹⁾</u>	<u>\$ 480,873⁽²⁾</u>

(1) Excludes reimbursements from joint venture partner for preformation well costs of \$23.8 million in 2012.

(2) Net of reimbursements received from joint venture partner of \$51.5 million in 2013.

The timing of most of our capital expenditures is discretionary because we have no material long-term capital expenditure commitments except for contracted drilling and completion services. Consequently, we have a significant degree of flexibility to adjust the level of our capital expenditures as circumstances warrant. We currently expect to spend approximately \$478.0 million in 2014 for development and exploration projects and lease acquisitions, which will be funded primarily by cash flows from operating activities and borrowings under our bank credit facility. Our operating cash flow and, therefore, our capital expenditures are highly dependent on oil and natural gas prices that we realize in 2014.

We do not have a specific acquisition budget for 2014 because the timing and size of acquisitions are unpredictable. We intend to use 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.

We have a \$1.0 billion bank credit facility with Bank of Montreal, as the administrative agent. The bank credit facility is a five-year revolving credit commitment that matures on November 22, 2018. Indebtedness under the bank credit facility is secured by all of our assets and is guaranteed by all of our wholly owned subsidiaries. The bank credit facility is subject to borrowing base availability, which is redetermined semiannually based on the banks' estimates of the future net cash flows of our oil and gas properties. As of December 31, 2013, the borrowing base was \$625.0 million, of which \$415.0 million

was available. The borrowing base may be affected by the performance of our properties and changes in oil and natural gas prices. The determination of the borrowing base is at the sole discretion of the administrative agent and the bank group. Borrowings under the bank credit facility bear interest, based on the utilization of the borrowing base, at our option at either (1) LIBOR plus 1.5% to 2.5% or (2) the base rate (which is the higher of the administrative agent's prime rate, the federal funds rate plus 0.5% or 30 day LIBOR plus 1.0%) plus 0.5% to 1.5%. A commitment fee of 0.375% to 0.5%, based on the utilization of the borrowing base, is payable annually on the unused borrowing base. The bank credit facility contains covenants that, among other things, restrict the payment of cash dividends and repurchases of common stock in excess of \$120.0 million per year, limit the amount of consolidated debt that we may incur and limit our ability to make certain loans and investments. The only financial covenants are the maintenance of a leverage ratio and the maintenance of an interest coverage ratio. We were in compliance with these covenants as of December 31, 2013.

At December 31, 2012 we had \$300.0 million in principal amount of $8\frac{3}{8}\%$ senior notes outstanding with a maturity date of October 15, 2017 (the "2017 Notes"). In June 2013, we repurchased \$2.2 million in principal amount of the 2017 Notes at 103.3% of the par value and on September 13, 2013, we called all of the remaining 2017 Notes at the call price of 104.2% of par value for redemption on October 15, 2013. The redemption amount of \$310.2 million was funded with cash on hand of \$210.2 million and borrowings under our bank credit facility. As a result of this redemption, we recognized a loss on early extinguishment of debt, before income taxes, of approximately \$17.9 million comprised of the premium paid for the redemption, the costs incurred related to the redemption and the write-off of unamortized debt issuance costs, including original issuance discount.

We have \$300.0 million of $7\frac{3}{4}\%$ senior notes (the "2019 Notes") outstanding which are due on April 1, 2019 and bear interest which is payable semi-annually on each April 1 and October 1. We also have \$300.0 million of $9\frac{1}{2}\%$ senior notes (the "2020 Notes") which are due on June 15, 2020 and bear interest which is payable semi-annually on each June 15 and December 15. The 2019 and 2020 Notes are unsecured obligations which are guaranteed by all of our material subsidiaries. Such subsidiary guarantors are 100% owned and all of the guarantees are full and unconditional and joint and several obligations. As of December 31, 2013, we had no material assets or operations which are independent of our subsidiaries. There are no restrictions on our ability to obtain funds from our subsidiaries through dividends or loans.

On January 1, 2011, we had \$172.0 million in principal amount of $6\frac{7}{8}\%$ senior notes outstanding due in 2012 (the "2012 Notes"). We redeemed all of the 2012 Notes in 2011 for \$172.4 million. The early extinguishment of the 2012 Notes resulted in a loss of \$1.1 million. This loss is comprised of the premium paid for the redemption of the 2012 Notes, the costs incurred related to the tender offer, and the write-off of unamortized debt issuance costs related to the 2012 Notes.

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

The following table summarizes our aggregate liabilities and commitments by year of maturity:

	2014	2015	2016	2017	2018	Thereafter	Total
	<i>(In thousands)</i>						
Bank credit facility	\$ —	\$ —	\$ —	\$ —	\$ 210,000	\$ —	\$ 210,000
7 ³ / ₄ % senior notes	—	—	—	—	—	300,000	300,000
9 ¹ / ₂ % senior notes	—	—	—	—	—	300,000	300,000
Interest on debt	55,782	55,782	55,782	55,782	55,356	47,376	325,860
Operating leases	1,955	1,994	1,993	2,021	2,060	4,680	14,703
Natural gas transportation agreements	7,874	5,112	2,201	1,781	1,697	691	19,356
Contracted drilling services	31,136	13,754	—	—	—	—	44,890
	<u>\$ 96,747</u>	<u>\$ 76,642</u>	<u>\$ 59,976</u>	<u>\$ 59,584</u>	<u>\$ 269,113</u>	<u>\$ 652,747</u>	<u>\$ 1,214,809</u>

Future interest costs are based upon the effective interest rates of our outstanding senior notes and the December 31, 2013 rate for our bank credit facility.

We have obligations to incur future payments for dismantlement, abandonment and restoration costs of oil and gas properties. These payments are currently estimated to be incurred primarily after 2018. We record a separate liability for the fair value of these asset retirement obligations, which totaled \$14.5 million as of December 31, 2013.

Federal Taxation

At December 31, 2013 we had U.S. federal net operating loss carryforwards of approximately \$80.2 million and Louisiana state net operating loss carryforwards of approximately \$810.6 million. Utilization of \$34.7 million of our U.S. federal net operating loss carryforwards is limited to approximately \$1.1 million per year pursuant to a prior change of control of an acquired company and a valuation allowance of \$23.0 million, with a tax effect of \$8.0 million, has been established for the estimated U.S. federal net operating loss carryforwards that will not be utilized. Realization of the remaining U.S. federal net operating loss carryforwards requires Comstock to generate taxable income within the carryforward period. A valuation allowance of \$528.1 million, with a tax effect of \$27.5 million, has been established against our Louisiana state net operating loss carryforwards due to the uncertainty of generating taxable income in the state of Louisiana prior to the expiration of the carryforward period.

Our federal income tax returns for the years subsequent to December 31, 2009 remain subject to examination. Our income tax returns in major state income tax jurisdictions remain subject to examination for various periods subsequent to December 31, 2008. We currently believe that our significant filing positions are highly certain and that all of our significant income tax filing positions and deductions would be sustained upon audit or the final resolution would not have a material effect on our consolidated financial statements. Therefore, we have not established any significant reserves for uncertain tax positions. Interest and penalties resulting from audits by tax authorities have been immaterial and are included in the provision for income taxes in the consolidated statements of operations.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and use assumptions that can affect the reported amounts of assets, liabilities, revenues or expenses.

Successful efforts accounting. We are required to select among alternative acceptable accounting policies. There are two generally acceptable methods for accounting for oil and gas producing activities. The full cost method allows the capitalization of all costs associated with finding oil and natural gas reserves, including certain general and administrative expenses. The successful efforts method allows

only for the capitalization of costs associated with developing proven oil and natural gas properties as well as exploration costs associated with successful exploration projects. Costs related to exploration that are not successful are expensed when it is determined that commercially productive oil and gas reserves were not found. We have elected to use the successful efforts method to account for our oil and gas activities and we do not capitalize any of our general and administrative expenses.

Oil and natural gas reserve quantities. The determination of depreciation, depletion and amortization expense is highly dependent on the estimates of the proved oil and natural gas reserves attributable to our properties. The determination of whether impairments should be recognized on our oil and gas properties is also dependent on these estimates, as well as estimates of probable reserves. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured. The accuracy of any reserve estimate depends on the quality of available data, production history and engineering and geological interpretation and judgment. Because all reserve estimates are to some degree imprecise, the quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas prices may all differ materially from those assumed in these estimates. The information regarding present value of the future net cash flows attributable to our proved oil and natural gas reserves are estimates only and should not be construed as the current market value of the estimated oil and natural gas reserves attributable to our properties. Thus, such information includes revisions of certain reserve estimates attributable to proved properties included in the preceding year's estimates. Such revisions reflect additional information from subsequent activities, production history of the properties involved and any adjustments in the projected economic life of such properties resulting from changes in product prices. Any future downward revisions could adversely affect our financial condition, our borrowing ability, our future prospects and the value of our common stock.

Impairment of oil and gas properties. We evaluate our properties on a field area basis for potential impairment when circumstances indicate that the carrying value of an asset may not be recoverable. If impairment is indicated based on a comparison of the asset's carrying value to its undiscounted expected future net cash flows, then it is recognized to the extent that the carrying value exceeds fair value. A significant amount of judgment is involved in performing these evaluations since the results are based on estimated future events. Expected future cash flows are determined using estimated future prices based on market based forward prices applied to projected future production volumes. The projected production volumes are based on the property's proved and risk adjusted probable oil and natural gas reserves estimates at the end of the period. The estimated future cash flows that we use in our assessment of the need for an impairment are based on market prices for oil and natural gas for the next three years, with a 5% escalation of prices for subsequent years. Prices are not escalated to levels that exceed observed historical market prices. Costs are also assumed to escalate at a rate that is based on our historical experience, currently estimated at 2% per annum. The oil and natural gas prices used for determining asset impairments will generally differ from those used in the standardized measure of discounted future net cash flows because the standardized measure requires the use of the average first day of the month historical price for the year. To the extent that oil and natural gas prices do not increase as anticipated in these assumptions or costs increase at a greater rate than assumed, certain of our evaluated properties which presently have a carrying value of \$679.0 million may require impairment in the future. The amount of such impairments would be based on the write down of these properties to their then current estimated fair value. In addition to these properties, other properties may become impaired due to downward revisions in reserve or price estimates or for other reasons.

Stock-based compensation. We follow the fair value based method in accounting for equity-based compensation. Under the fair value based method, compensation cost is measured at the grant date based on the fair value of the award and is recognized on a straight-line basis over the award vesting period.

Related Party Transactions

In recent years, we have not entered into any material transactions with our officers or directors apart from the compensation they are provided for their services. We also have not entered into any business transactions with our significant stockholders or any other related parties.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond our control. Factors influencing oil and natural gas prices include the level of global demand for oil, the foreign supply of oil and natural gas, the establishment of and compliance with production quotas by oil exporting countries, weather conditions which determine the demand for natural gas, the price and availability of alternative fuels and overall economic conditions. It is impossible to predict future oil and natural gas prices with any degree of certainty. Sustained weakness in oil and natural gas prices may adversely affect our financial condition and results of operations, and may also reduce the amount of oil and natural gas reserves that we can produce economically. Any reduction in our oil and natural gas reserves, including reductions due to price fluctuations, can have an adverse affect on our ability to obtain capital for our exploration and development activities. Similarly, any improvements in oil and natural gas prices can have a favorable impact on our financial condition, results of operations and capital resources. Based on our oil and natural gas production in 2013, a \$1.00 change in the price per barrel of oil would have resulted in a change in our cash flow for such period by approximately \$2.2 million and a \$0.10 change in the price per Mcf of natural gas would have changed our cash flow by approximately \$7.9 million.

We have entered into oil price swap agreements covering 2.0 million barrels of our expected 2014 oil production that fix the NYMEX West Texas Intermediate ("WTI") price at \$96.31 per barrel. As of December 31, 2013, our outstanding oil swap agreements had a fair value of \$1.0 million. The change in the fair value of our oil swaps that would result from a 10% change in commodities prices at December 31, 2013 would be \$12.2 million. Such a change in fair value could be a gain or a loss depending on whether prices increase or decrease.

Interest Rates

At December 31, 2013, we had \$798.7 million of long-term debt. Of this amount, \$300.0 million bears interest at a fixed rate of 7³/₄% and \$300.0 million bears interest at a fixed rate of 9¹/₂%. The fair market value of our fixed rate debt as of December 31, 2013 was \$650.3 million based on the market price of approximately 110% of the face amount. At December 31, 2013, we had \$210.0 million of debt outstanding under our bank credit facility, which is subject to variable rates of interest that are tied to LIBOR or a corporate base rate, at our option. Any increase in these interest rates would have an adverse impact on our results of operations and cash flow. Based on borrowings outstanding at December 31, 2013, a 100 basis point change in interest rates would change our annual interest expense on our variable rate debt by approximately \$2.1 million. We had no interest rate derivatives in 2013 or at December 31, 2013.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements are included on pages F-1 to F-30 of this report.

We have prepared these financial statements in conformity with generally accepted accounting principles. We are responsible for the fairness and reliability of the financial statements and other financial data included in this report. In the preparation of the financial statements, it is necessary for us to make informed estimates and judgments based on currently available information on the effects of certain events and transactions.

Our independent public accountants, Ernst & Young LLP, are engaged to audit our financial statements and to express an opinion thereon. Their audit is conducted in accordance with auditing standards generally accepted in the United States to enable them to report whether the financial statements present fairly, in all material respects, our financial position and results of operations in accordance with accounting principles generally accepted in the United States.

The audit committee of our board of directors is comprised of three directors who are not our employees. This committee meets periodically with our independent public accountants and management. Our independent public accountants have full and free access to the audit committee to meet, with and without management being present, to discuss the results of their audits and the quality of our financial reporting.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures. Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2013. The evaluation was performed with the participation of senior management of each business segment and key corporate functions, and under the supervision of the Chief Executive Officer and Chief Financial Officer. In our Form 10-K for the year ended December 31, 2012 we reported that we had identified a material weakness in our internal controls over financial reporting in our accounting for our oil price derivative financial instruments. In 2013, we have designed and implemented a control framework over designating derivative financial instruments as cash flow hedges to ensure that our accounting for designated derivative financial instruments which was affected by the material control weakness is appropriate. We are not presently accounting for any derivative financial instruments as cash flows hedges.

Based on our evaluation of our disclosure controls and procedures, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2013 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.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2013 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting. We are responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, we conducted an assessment, including testing, using the criteria in Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Our system of internal control over financial reporting is designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. As of December 31, 2013, we assessed the effectiveness of the Company's internal control over financial reporting based on the COSO criteria, and based on that assessment we determined that the Company maintained effective internal control over financial reporting as of December 31, 2013.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. The report, which expresses unqualified opinions on the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, is included below.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Comstock Resources, Inc.

We have audited Comstock Resources, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Comstock Resources, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Comstock Resources, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Comstock Resources, Inc. and subsidiaries as of December 31, 2012 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 26, 2014

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference to “Business – Directors and Executive Officers” in this Form 10-K and to our definitive proxy statement which will be filed with the SEC within 120 days after December 31, 2013.

Code of Ethics. We have adopted a Code of Business Conduct and Ethics that is applicable to all of our directors, officers and employees as required by New York Stock Exchange rules. We have also adopted a Code of Ethics for Senior Financial Officers that is applicable to our Chief Executive Officer and Senior Financial Officers. Both the Code of Business Conduct and Ethics and Code of Ethics for Senior Financial Officers may be found on our website at www.comstockresources.com. Both of these documents are also available, without charge, to any stockholder upon request to: Comstock Resources, Inc., Attn: Investor Relations, 5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034, (972) 668-8800. We intend to disclose any amendments or waivers to these codes that apply to our Chief Executive Officer and senior financial officers on our website in accordance with applicable SEC rules. Please see the definitive proxy statement for our 2014 annual meeting, which will be filed with the SEC within 120 days of December 31, 2013, for additional information regarding our corporate governance policies.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to our definitive proxy statement which will be filed with the SEC within 120 days after December 31, 2013.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table summarizes certain information regarding our equity compensation plans as of December 31, 2013:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities authorized for future issuance under equity compensation plans (excluding outstanding options, warrants and rights)
Equity compensation plans approved by stockholders	809,326 ⁽¹⁾	\$32.90	1,588,053

(1) Includes performance share unit awards equivalent to 694,175 shares that would be issuable based upon achievement of the maximum awards under the terms of the performance share unit awards.

We do not have any equity compensation plans that were not approved by stockholders.

Further information required by this item is incorporated herein by reference to our definitive proxy statement which will be filed with the SEC within 120 days after December 31, 2013.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTORS INDEPENDENCE

The information required by this item is incorporated herein by reference to our definitive proxy statement which will be filed with the SEC within 120 days after December 31, 2013.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to our definitive proxy statement which will be filed with the SEC within 120 days after December 31, 2013.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements:

1. The following consolidated financial statements and notes of Comstock Resources, Inc. are included on Pages F-2 to F-30 of this report:

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2012 and 2013	F-3
Consolidated Statements of Operations for the Years Ended December 31, 2011, 2012 and 2013	F-4
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2011, 2012 and 2013	F-5
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2011, 2012 and 2013	F-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2012 and 2013	F-7
Notes to Consolidated Financial Statements	F-8

2. All financial statement schedules are omitted because they are not applicable, or are immaterial or the required information is presented in the consolidated financial statements or the related notes.

(b) Exhibits:

The exhibits to this report required to be filed pursuant to Item 15(c) are listed below.

<u>Exhibit No.</u>	<u>Description</u>
3.1(a)	Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K for the year ended December 31, 1995).
3.1(b)	Certificate of Amendment to the Restated Articles of Incorporation dated July 1, 1997 (incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
3.2	Certificate of Amendment to the Restated Articles of Incorporation dated May 19, 2009 (incorporated by reference to Exhibit 3.1 to our Registration Statement on Form S-3 dated October 5, 2009).
3.3	Bylaws (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated November 8, 2011).

Exhibit No.	Description
4.1	Indenture dated February 25, 2004 between Comstock, the guarantors and The Bank of New York Trust Company, N.A., Trustee for debt securities issued by Comstock Resources, Inc. (incorporated by reference to Exhibit 4.6 to our Annual Report on Form 10-K for the year ended December 31, 2003).
4.2	Third Supplemental Indenture dated March 14, 2011 between Comstock, the guarantors and The Bank of New York Mellon Trust Company, N.A., for the 7 ³ / ₄ % Senior Notes due 2019 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated March 14, 2011).
4.3	Fourth Supplemental Indenture dated June 5, 2012 between Comstock, the guarantors and The Bank of New York Mellon Trust Company, N.A., for the 9 ¹ / ₂ % Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated June 7, 2012).
10.1*#	Amended and Restated Employment Agreement dated February 24, 2014 by and between Comstock and M. Jay Allison.
10.2*#	Amended and Restated Employment Agreement dated February 24, 2014 by and between Comstock and Roland O. Burns.
10.3#	Comstock Resources, Inc. 2009 Long-term Incentive Plan (incorporated by reference to Exhibit 99 to our Registration Statement on Form S-8 dated May 19, 2009).
10.4#	First Amendment to the Comstock Resources, Inc. 2009 Long-term Incentive Plan. (Incorporated by reference to Exhibit 10.4 to our Annual Report on form 10-K for the year ended December 31, 2012).
10.5*#	Form of Performance-Based Restricted Stock Unit Award under the Comstock Resources, Inc. 2009 Long-term Incentive Plan.
10.6*	Fourth Amended and Restated Credit Agreement, dated November 22, 2013, among Comstock Resources, Inc., as the borrower, the lenders from time to time thereto, Bank of Montreal, as administrative agent and issuing bank.
10.7	Lease between Stonebriar I Office Partners, Ltd. and Comstock Resources, Inc. dated May 6, 2004 (incorporated by reference to Exhibit 10.24 to our Annual Report on Form 10-K for the year ended December 31, 2004).
10.8	First Amendment to the Lease Agreement dated August 25, 2005, between Stonebriar I Office Partners, Ltd. and Comstock Resources, Inc. (incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K for the year ended December 31, 2005).
10.9	Second Amendment to the Lease Agreement dated October 15, 2007 between Stonebriar I Office Partners, Ltd. and Comstock Resources, Inc. (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the year ended December 31, 2008).
10.10	Third Amendment to the Lease Agreement dated September 30, 2008 between Stonebriar I Office Partners, Ltd. and Comstock Resources, Inc. (incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K for the year ended December 31, 2008).
10.11	Fourth Amendment to the Lease Agreement dated May 8, 2009 between Stonebriar I Office Partners, Ltd. and Comstock Resources, Inc. (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).
10.12	Fifth Amendment to the Lease Agreement dated June 15, 2011 between Stonebriar I Office Partners, Ltd. and Comstock Resources, Inc. (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011).
10.13	Base Contract for Sale and Purchase of Natural Gas between Comstock Oil & Gas-Louisiana, LLC and BP Energy Company dated November 7, 2008, as amended by Third Amended and Restated Special Provisions dated January 5, 2010 (incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the year ended December 31, 2009).
10.14	Purchase and Sale Agreement dated March 14, 2013 among Comstock Oil & Gas, LP and Rosetta Resources Operating LP (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated Exhibit 2.1 to our Current Report on Form 8-K dated December 5, 2011).
21*	Subsidiaries of the Company.

Exhibit No.**Description**

23.1*	Consent of Ernst & Young LLP.
23.2*	Consent of Independent Petroleum Engineers.
31.1*	Chief Executive Officer certification under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Chief Financial Officer certification under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Chief Executive Officer certification under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Chief Financial Officer certification under Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*	Report of Independent Petroleum Engineers on Proved Reserves as of December 31, 2013.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document

* Filed herewith.

+ Furnished herewith.

Management contract or compensatory plan document.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMSTOCK RESOURCES, INC.

By: /s/ M. JAY ALLISON
M. Jay Allison
Chief Executive Officer
(Principal Executive Officer)

Date: February 26, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ M. JAY ALLISON</u> M. Jay Allison	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	February 26, 2014
<u>/s/ ROLAND O. BURNS</u> Roland O. Burns	President, Chief Financial Officer, Secretary and Director (Principal Financial and Accounting Officer)	February 26, 2014
<u>/s/ DAVID K. LOCKETT</u> David K. Lockett	Director	February 26, 2014
<u>/s/ CECIL E. MARTIN, JR.</u> Cecil E. Martin, Jr.	Director	February 26, 2014
<u>/s/ FREDERIC D. SEWELL</u> Frederic D. Sewell	Director	February 26, 2014
<u>/s/ DAVID W. SLEDGE</u> David W. Sledge	Director	February 26, 2014
<u>/s/ NANCY E. UNDERWOOD</u> Nancy E. Underwood	Director	February 26, 2014

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Comstock Resources, Inc.

We have audited the accompanying consolidated balance sheets of Comstock Resources, Inc. and subsidiaries as of December 31, 2012 and 2013, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Comstock Resources, Inc. and subsidiaries at December 31, 2012 and 2013, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Comstock Resources, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 26, 2014

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 2012 and 2013

	December 31,	
	2012	2013
	<i>(In thousands)</i>	
ASSETS		
Cash and Cash Equivalents	\$ 4,471	\$ 2,967
Accounts Receivable:		
Oil and gas sales	34,673	35,867
Joint interest operations	5,608	15,534
Marketable Securities	12,312	—
Assets of Discontinued Operations	7,568	—
Derivative Financial Instruments	11,651	970
Other Current Assets	3,617	1,796
Total current assets	79,900	57,134
Property and Equipment:		
Unevaluated oil and gas properties	112,851	134,350
Oil and gas properties, successful efforts method	3,373,695	3,781,313
Other	18,628	18,373
Accumulated depreciation, depletion and amortization	(1,546,487)	(1,867,301)
Net property and equipment	1,958,687	2,066,735
Assets of Discontinued Operations	511,366	—
Other Assets	19,944	15,529
	\$ 2,569,897	\$ 2,139,398
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts Payable	\$ 67,798	\$ 101,872
Deferred Income Taxes Payable	5,340	339
Current Income Taxes Payable	—	1,487
Accrued Expenses	37,001	91,297
Liabilities of Discontinued Operations	33,280	—
Total current liabilities	143,419	194,995
Long-term Debt	1,324,383	798,700
Deferred Income Taxes Payable	149,901	177,026
Reserve for Future Abandonment Costs	16,387	14,534
Other Non-Current Liabilities	2,273	2,138
Total liabilities	1,636,363	1,187,393
Commitments and Contingencies		
Stockholders' Equity:		
Common stock—\$0.50 par, 75,000,000 shares authorized, 48,408,734 and 47,680,516 shares issued and outstanding at December 31, 2012 and 2013, respectively	24,204	23,840
Additional paid-in capital	480,595	480,816
Accumulated other comprehensive income	4,418	—
Retained earnings	424,317	447,349
Total stockholders' equity	933,534	952,005
	\$ 2,569,897	\$ 2,139,398

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2011, 2012 and 2013

	2011	2012	2013
	<i>(In thousands, except per share amounts)</i>		
Oil sales	\$ 80,244	\$ 181,163	\$ 231,837
Natural gas sales	354,123	203,651	188,453
Total oil and gas sales	434,367	384,814	420,290
Gain on sale of oil and gas properties	—	24,271	—
Total revenues	434,367	409,085	420,290
Operating expenses:			
Production taxes	3,670	11,727	14,524
Gathering and transportation	28,491	26,265	17,245
Lease operating	46,552	51,248	52,844
Exploration	10,148	61,449	33,423
Depreciation, depletion and amortization	290,776	343,858	337,134
General and administrative, net	35,172	33,798	34,767
Impairment of oil and gas properties	60,817	25,368	652
Loss on sale of oil and gas properties	57	—	2,033
Total operating expenses	475,683	553,713	492,622
Operating loss	(41,316)	(144,628)	(72,332)
Other income (expenses):			
Gain on sale of marketable securities	35,118	26,621	7,877
Gains (losses) from derivative financial instruments	—	21,256	(8,388)
Loss on early extinguishment of debt	(1,096)	—	(17,854)
Other income	790	944	1,059
Interest expense	(41,592)	(57,906)	(73,242)
Total other income (expenses)	(6,780)	(9,085)	(90,548)
Loss from continuing operations before income taxes	(48,096)	(153,713)	(162,880)
Benefit from income taxes	14,624	50,634	56,157
Loss from continuing operations	(33,472)	(103,079)	(106,723)
Income from discontinued operations	—	3,019	147,752
Net income (loss)	\$ (33,472)	\$ (100,060)	\$ 41,029
Net income (loss) per share:			
Basic -loss from continuing operations	\$ (0.73)	\$ (2.22)	\$ (2.22)
-income from discontinued operations	—	0.06	3.07
-net income (loss)	\$ (0.73)	\$ (2.16)	\$ 0.85
Diluted -loss from continuing operations	\$ (0.73)	\$ (2.22)	\$ (2.22)
-income from discontinued operations	—	0.06	3.07
-net income (loss)	\$ (0.73)	\$ (2.16)	\$ 0.85
Dividends per common share	\$ —	\$ —	\$ 0.375
Weighted average shares outstanding:			
Basic	45,997	46,422	46,553
Diluted	45,997	46,422	46,553

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2011, 2012 and 2013

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>(In thousands)</i>		
Net income (loss)	\$ (33,472)	\$ (100,060)	\$ 41,029
Unrealized hedging gains, net of provision for (benefit from) income taxes of \$161, \$(161) and \$—	298	(298)	—
Net change in unrealized gains on marketable securities, net of benefit from income taxes of \$6,543, \$8,487 and \$2,380	(12,152)	(15,760)	(4,418)
Other comprehensive loss	(11,854)	(16,058)	(4,418)
Comprehensive income (loss)	<u>\$ (45,326)</u>	<u>\$ (116,118)</u>	<u>\$ 36,611</u>

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2011, 2012 and 2013

	Common Shares	Common Stock- Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
<i>(In thousands)</i>						
Balance at December 31, 2010	47,706	\$ 23,853	\$ 454,499	\$ 557,849	\$ 32,330	\$ 1,068,531
Stock-based compensation	419	210	14,822	—	—	15,032
Excess income taxes from stock-based compensation	—	—	(612)	—	—	(612)
Net loss	—	—	—	(33,472)	—	(33,472)
Other comprehensive loss	—	—	—	—	(11,854)	(11,854)
Balance at December 31, 2011	<u>48,125</u>	<u>24,063</u>	<u>468,709</u>	<u>524,377</u>	<u>20,476</u>	<u>1,037,625</u>
Stock-based compensation	284	141	13,587	—	—	13,728
Excess income taxes from stock-based compensation	—	—	(1,701)	—	—	(1,701)
Net loss	—	—	—	(100,060)	—	(100,060)
Other comprehensive loss	—	—	—	—	(16,058)	(16,058)
Balance at December 31, 2012	<u>48,409</u>	<u>24,204</u>	<u>480,595</u>	<u>424,317</u>	<u>4,418</u>	<u>933,534</u>
Stock-based compensation	14	7	12,778	—	—	12,785
Tax withholdings related to stock grants	(111)	(55)	(1,625)	—	—	(1,680)
Excess income taxes from stock-based compensation	—	—	(2,016)	—	—	(2,016)
Repurchases of common stock	(631)	(316)	(8,916)	—	—	(9,232)
Net income	—	—	—	41,029	—	41,029
Dividends paid	—	—	—	(17,997)	—	(17,997)
Other comprehensive loss	—	—	—	—	(4,418)	(4,418)
Balance at December 31, 2013	<u><u>47,681</u></u>	<u><u>\$ 23,840</u></u>	<u><u>\$ 480,816</u></u>	<u><u>\$ 447,349</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 952,005</u></u>

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011, 2012 and 2013

	2011	2012	2013
	<i>(In thousands)</i>		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (33,472)	\$ (100,060)	\$ 41,029
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Income from discontinued operations	—	(3,019)	(147,752)
Gain on sale of assets	(35,061)	(50,892)	(5,844)
Deferred income taxes	(14,652)	(50,472)	(56,291)
Dry hole costs and leasehold impairments	9,819	61,300	32,984
Impairment of oil and gas properties	60,817	25,368	652
Depreciation, depletion and amortization	290,776	343,858	337,134
(Gains) losses on derivative financial instruments	—	(21,256)	8,388
Cash settlements of derivative financial instruments	—	9,766	2,293
Loss on early extinguishment of debt	1,096	—	17,854
Debt issuance cost and discount amortization	3,733	5,277	6,074
Stock-based compensation	15,032	13,728	12,785
Excess income taxes from stock-based compensation	612	1,701	2,016
Decrease (increase) in accounts receivable	(9,769)	16,166	(11,120)
Decrease (increase) in other current assets	3,311	(972)	1,905
Increase (decrease) in accounts payable and accrued expenses	(16,809)	(30,772)	26,887
Net cash provided by continuing operations	275,433	219,721	268,994
Net cash provided by (used for) discontinued operations	—	42,508	(7,715)
Net cash provided by operating activities	275,433	262,229	261,279
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(651,226)	(385,034)	(422,244)
Proceeds from sales of oil and gas properties	—	141,936	174
Proceeds from sales of marketable securities	53,417	37,705	13,392
Investing activities of continuing operations	(597,809)	(205,393)	(408,678)
Cash flow from investing activities of discontinued operations:			
Capital expenditures	(344,277)	(203,077)	(101,037)
Proceeds from sale of oil and gas properties	—	24,750	823,072
Investing activities of discontinued operations	(344,277)	(178,327)	722,035
Net cash used for investing activities	(942,086)	(383,720)	313,357
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings	970,000	515,912	305,000
Principal payments on debt	(287,000)	(390,000)	(835,000)
Costs related to early extinguishment of debt	(529)	—	(12,471)
Debt issuance costs	(8,478)	(6,709)	(2,744)
Tax withholding related to stock grants	—	—	(1,680)
Repurchases of common stock	—	—	(9,232)
Excess income taxes from stock-based compensation	(612)	(1,701)	(2,016)
Dividends paid	—	—	(17,997)
Net cash provided by (used for) financing activities	673,381	117,502	(576,140)
Net increase (decrease) in cash and cash equivalents	6,728	(3,989)	(1,504)
Cash and cash equivalents, beginning of the year	1,732	8,460	4,471
Cash and cash equivalents, end of the year	\$ 8,460	\$ 4,471	\$ 2,967

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Accounting policies used by Comstock Resources, Inc. reflect oil and natural gas industry practices and conform to accounting principles generally accepted in the United States of America.

Basis of Presentation and Principles of Consolidation

Comstock Resources, Inc. is engaged in oil and natural gas exploration, development and production, and the acquisition of producing oil and natural gas properties. The Company's operations are primarily focused in Texas and Louisiana. The consolidated financial statements include the accounts of Comstock Resources, Inc. and its wholly owned or controlled subsidiaries (collectively, "Comstock" or the "Company"). The consolidated statement of operations in 2012 includes the accounts of a variable interest entity where the Company was the primary beneficiary of the arrangements. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for its undivided interest in oil and gas properties using the proportionate consolidation method, whereby its share of assets, liabilities, revenues and expenses are included in its financial statements.

Discontinued West Texas Operations

In December 2011, the Company completed an acquisition, from an unrelated party, of oil and gas properties in the Delaware Basin located in Reeves County in West Texas (the "West Texas Properties"). The Company acquired proved oil and gas reserves of 25.2 million barrels of oil equivalent and leases covering 43,591 net acres for total cash consideration of \$337.9 million. Concurrent with acquiring the West Texas Properties, Comstock entered into a transaction structured as a reverse like-kind exchange in accordance with Section 1031 of the Internal Revenue Code. In connection with this reverse like-kind exchange, Comstock assigned the right to acquire ownership in the oil and gas properties that were acquired to a variable interest entity formed by an exchange accommodation titleholder. Comstock operated these properties pursuant to lease and management agreements with that entity, and had a call option which allowed the Company to terminate the exchange transaction at any time up and until the expiration date of the exchange. The exchange transaction was completed in May 2012 and the variable interest entity was then merged into a wholly owned subsidiary of the Company. Because the Company was the primary beneficiary of these arrangements, all revenues earned and expenses incurred related to the properties were included in the Company's consolidated results of operations during the term of the agreements.

On May 14, 2013, the Company sold the West Texas Properties and certain other undeveloped leases to third parties for proceeds of \$823.1 million and realized a gain of \$230.0 million which is reflected as a component of income from discontinued operations in 2013. As a result of this divestiture, the consolidated financial statements and the related notes thereto present the results of the Company's West Texas Properties as discontinued operations. No general and administrative cost incurred by Comstock was allocated to discontinued operations during the periods presented. Unless indicated otherwise, the amounts presented in the accompanying notes to the consolidated financial statements relate to the Company's continuing operations.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Assets and liabilities of discontinued operations as of December 31, 2012 were as follows:

<i>(In thousands)</i>	
Accounts Receivable	\$ 5,924
Other Current Assets	1,644
Total Current Assets	7,568
Unproved Oil and Gas Properties	150,801
Proved Oil and Gas Properties:	
Leasehold Costs	225,546
Wells and related equipment and facilities	180,475
Other	673
Accumulated depreciation, depletion and amortization	(46,129)
Net Property and Equipment	511,366
Total Assets of Discontinued Operations	\$ 518,934
Accounts Payable	\$ 21,302
Accrued Liabilities	10,371
Reserve for Future Abandonment Costs	1,607
Liabilities of Discontinued Operations	\$ 33,280

Income from discontinued operations is comprised of the following:

	Year Ended	
	December 31,	
	2012	2013
<i>(In thousands)</i>		
Revenues:		
Oil and gas sales	\$ 47,109	\$ 25,125
Costs and expenses:		
Production taxes	2,294	1,120
Gathering and transportation	1,047	501
Lease operating	9,372	9,853
Depletion, depreciation and amortization	21,428	8,649
Interest expense ⁽¹⁾	6,669	6,346
Total costs and expenses	40,810	26,469
Gain on sale	—	230,008
Income from discontinued operations before income taxes	6,299	228,664
Income tax expense:		
Current	—	(2,218)
Deferred	(3,280)	(78,694)
Total income tax expense	(3,280)	(80,912)
Net income from discontinued operations	\$ 3,019	\$ 147,752

(1) Interest expense was allocated to discontinued operations based on the ratio of the net assets of discontinued operations to our consolidated net assets plus long-term debt. Interest expense is net of capitalized interest of \$9,582 and \$2,010 for the years ended December 31, 2012 and 2013, respectively.

Reclassifications

Certain reclassifications have been made to prior periods' financial statements consisting primarily of reclassifications to reflect the Company's West Texas oil and gas properties as discontinued operations and a change in the presentation of our derivative financial instruments.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. Changes in the future estimated oil and natural gas reserves or the estimated future cash flows attributable to the reserves that are utilized for impairment analysis could have a significant impact on the future results of operations.

Concentration of Credit Risk and Accounts Receivable

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents, accounts receivable and derivative financial instruments. The Company places its cash with high credit quality financial institutions and its derivative financial instruments with financial institutions and other firms that management believes have high credit ratings. 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. The Company's policy is to assess the collectability 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 provided.

Marketable Securities

As of December 31, 2012, the Company owned 600,000 shares of Stone Energy Corporation ("Stone") common stock which was reflected in the consolidated balance sheets as marketable securities. During the year ended December 31, 2013 all of these shares were sold. As of December 31, 2012, the estimated fair value of the marketable securities was \$12.3 million after recognizing an unrealized gain after income taxes of \$4.4 million. The Company did not exert influence over the operating and financial policies of Stone, and classified its investment in these shares as an available-for-sale security in the consolidated balance sheet. Available-for-sale securities were accounted for at fair value, with any unrealized gains and unrealized losses not determined to be other than temporary reported in the consolidated balance sheet within accumulated other comprehensive income as a separate component of stockholders' equity. The Company utilized the specific identification method to determine the cost of any securities sold. During each of 2011, 2012 and 2013, the Company sold 1,991,000, 1,206,000 and 600,000 shares of Stone common stock for proceeds of \$53.4 million, \$37.7 million and \$13.4 million, respectively. Comstock realized gains before income taxes of \$35.1 million, \$26.6 million and \$7.9 million on these sales during 2011, 2012 and 2013, respectively.

Fair Value Measurements

Certain accounts within the Company's consolidated balance sheets are required to be measured at fair value. These include cash equivalents held in bank accounts, marketable securities and derivative financial instruments in the form of oil price swap agreements. 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:

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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 cash and marketable securities valuations are based on Level 1 measurements. The Company’s oil price swap agreements were not traded on a public exchange, and their value was determined utilizing a discounted cash flow model based on inputs that are readily available in public markets and, accordingly, the valuation of these swap agreements was categorized as a Level 2 measurement.

The following table summarizes financial assets accounted for at fair value as of December 31, 2013:

	Carrying Value Measured at Fair Value at December 31, 2013	Level 1	Level 2
		<i>(In thousands)</i>	
Assets measured at fair value on a recurring basis:			
Cash held in bank accounts	\$ 2,967	\$ 2,967	\$ —
Derivative financial instruments	970	—	970
Total assets	<u>\$ 3,937</u>	<u>\$ 2,967</u>	<u>\$ 970</u>

At December 31, 2013, the Company had oil price swap agreements covering 1,985,000 barrels of oil to be produced in 2014 with a fair value of \$970,000. At December 31, 2012, the Company had oil price swap agreements for 2,160,000 barrels of oil to be produced in 2013 with a fair value of \$11.7 million.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The following table presents the carrying amounts and estimated fair value of the Company's long-term debt as of December 31, 2012 and 2013:

	2012		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In thousands)</i>			
Fixed rate debt	\$ 884,383	\$ 942,000	\$ 588,700	\$ 650,250
Floating rate debt	\$ 440,000	\$ 440,000	\$ 210,000	\$ 210,000

The fair market value of the Company's fixed rate debt was based on the market prices as of December 31, 2012 and 2013, a Level 1 measurement. The fair value of the floating rate debt outstanding at December 31, 2012 and 2013 approximated its carrying value, a Level 2 measurement.

Property and Equipment

The Company follows the successful efforts method of accounting for its oil and gas properties. Acquisition costs for proved oil and gas properties, costs of drilling and equipping productive wells, and costs of unsuccessful development wells are capitalized and amortized on an equivalent unit-of-production basis over the life of the remaining related oil and gas reserves. Equivalent units are determined by converting oil to natural gas at the ratio of one barrel of oil for six thousand cubic feet of natural gas. This conversion ratio is not based on the price of oil or natural gas, and there may be a significant difference in price between an equivalent volume of oil versus natural gas. Cost centers for amortization purposes are determined on a field area basis. Costs incurred to acquire oil and gas leasehold are capitalized. The estimated future costs of dismantlement, restoration, plugging and abandonment of oil and gas properties and related facilities disposal are capitalized when asset retirement obligations are incurred and amortized as part of depreciation, depletion and amortization expense. The costs of unproved properties which are determined to be productive are transferred to proved oil and gas properties and amortized on an equivalent unit-of-production basis. Exploratory expenses, including geological and geophysical expenses and delay rentals for unevaluated oil and gas properties, are charged to expense as incurred. Unproved oil and gas properties are periodically assessed for impairment on a property by property basis, and any impairment in value is charged to exploration expense. During 2011, 2012 and 2013, impairment charges of \$9.8 million, \$61.3 million and \$33.0 million, respectively, were recognized in exploration expense related to certain leases that the Company no longer expects to drill on. Exploratory drilling costs are initially capitalized as unproved 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 periodically assesses the need for an impairment of the costs capitalized for its oil and gas properties on a property or cost center basis. If impairment is indicated based on undiscounted expected future cash flows attributable to the property, then a provision for impairment is recognized to the extent that net capitalized costs exceed the estimated fair value of the property. The fair value is based upon estimated discounted future cash flows which are derived from Level 3 inputs. Expected future cash flows are determined using estimated future prices based on market based forward prices applied to projected future production volumes. Costs are also projected to escalate at a rate that is based upon the Company's historical experience. The projected production volumes are based on the property's proved and risk adjusted probable oil and natural gas reserve estimates at the end of the period. The oil and natural gas prices used for determining asset impairments will generally differ from those used in the standardized measure of discounted future net cash flows because the standardized measure requires the

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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use of an average price based on the first day of each month of the preceding year and is limited to proved reserves. The Company recognized impairment charges related to its oil and gas properties of \$60.8 million, \$25.4 million and \$0.7 million in 2011, 2012, and 2013, respectively.

Other property and equipment consists primarily of gas gathering systems, computer equipment, furniture and fixtures and an airplane which are depreciated over estimated useful lives ranging from three to 31½ years on a straight-line basis.

Other Assets

Other assets primarily consist of deferred costs associated with issuance of the Company's senior notes and bank credit facility. These costs are amortized over the life of the senior notes and the life of the bank credit facility on a straight-line basis which approximates the amortization that would be calculated using an effective interest rate method.

Accrued Expenses

Accrued expenses at December 31, 2012 and 2013 consist of the following:

	<u>As of December 31,</u>	
	<u>2012</u>	<u>2013</u>
	<i>(In thousands)</i>	
Accrued oil and gas property acquisition costs	\$ 2,413	\$ 40,128
Accrued drilling costs	4,726	34,914
Accrued interest payable	12,351	7,051
Advance from joint venture partner	7,286	—
Other	10,225	9,204
	<u>\$ 37,001</u>	<u>\$ 91,297</u>

Reserve for Future Abandonment Costs

The Company's asset retirement obligations relate to future plugging and abandonment costs of its oil and gas properties and related facilities disposal. The Company records a liability in the period in which an asset retirement obligation is incurred, in an amount equal to the discounted estimated fair value of the obligation that is capitalized. Thereafter, this liability is accreted up to the final retirement cost. Accretion of the discount is included as part of depreciation, depletion and amortization in the accompanying consolidated financial statements.

The following table summarizes the changes in the Company's total estimated liability:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>(In thousands)</i>		
Reserve for Future Abandonment Costs at beginning of the year	\$ 6,674	\$ 13,256	\$ 16,387
New wells placed on production	417	833	1,083
Changes in estimates	5,839	2,900	(3,324)
Liabilities settled and assets disposed of	(56)	(1,281)	(558)
Accretion expense	382	679	946
Reserve for Future Abandonment Costs at end of the year	<u>\$ 13,256</u>	<u>\$ 16,387</u>	<u>\$ 14,534</u>

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Stock-based Compensation

The Company has stock-based employee compensation plans under which stock awards, comprised of restricted stock, stock options and performance share units, are issued to employees and non-employee directors. The Company follows the fair value based method in accounting for equity-based compensation. Under the fair value based method, compensation cost is measured at the grant date based on the fair value of the award and is recognized on a straight-line basis over the award vesting period. Excess tax benefits on stock-based compensation are recognized as an adjustment to additional paid-in capital and as a part of cash flows from financing activities.

Segment Reporting

The Company presently operates in one business segment, the exploration and production of oil and natural gas.

Derivative Financial Instruments and Hedging Activities

The Company accounts for derivative financial instruments (including certain derivative instruments embedded in other contracts) as either an asset or liability measured at its fair value. Changes in the fair value of derivatives are recognized currently in earnings unless specific hedge accounting criteria are met. The Company estimates fair value based on a discounted cash flow model. The fair value of derivative contracts that expire in less than one year are recognized as current assets or liabilities. Those that expire in more than one year are recognized as long-term assets or liabilities. If the derivative is designated as a cash flow hedge, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings.

Major Purchasers

In 2013, the Company had two purchasers of its oil and natural gas production that accounted for 51% and 36% of total oil and gas sales. In 2012, the Company had two purchasers of its oil and natural gas production that accounted for 42% and 27% of total oil and gas sales. In 2011, the Company had two purchasers of its oil and natural gas production that accounted for 49% and 14% of total oil and gas sales. The loss of any of these customers would not have a material adverse effect on the Company as there is an available market for its oil and natural gas production from other purchasers.

Revenue Recognition and Gas Balancing

Comstock utilizes the sales method of accounting for oil and natural gas revenues whereby revenues are recognized at the time of delivery based on the amount of oil or natural gas sold to purchasers. Revenue is typically recorded in the month of production based on an estimate of the Company's share of volumes produced and prices realized. Revisions to such estimates are recorded as actual results are known. 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 December 31, 2012 or 2013. Sales of oil and natural gas generally occur at 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 operating expenses.

General and Administrative Expenses

General and administrative expenses are reported net of reimbursements of overhead costs that are received from working interest owners of the oil and gas properties operated by the Company of \$10.5 million, \$11.5 million and \$11.9 million in 2011, 2012 and 2013, respectively.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Income Taxes

The Company accounts for income taxes using the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis, as well as the future tax consequences attributable to the future utilization of existing tax net operating loss and other types of carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change in rate is enacted.

Earnings Per Share

Basic earnings per share is determined without the effect of any outstanding potentially dilutive stock options and diluted earnings per share is determined with the effect of outstanding stock options that are potentially dilutive. Unvested share-based payment awards containing nonforfeitable rights to dividends are considered to be participatory securities and included in the computation of basic and diluted earnings per share pursuant to the two-class method. Performance share units ("PSUs") represent the right to receive a number of shares of the Company's common stock that may range from zero to up to three 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 contingency period. The treasury stock method is used to measure the dilutive effect of PSUs.

Basic and diluted earnings per share for 2011, 2012 and 2013 were determined as follows:

	2011			2012			2013		
	Loss	Shares	Per Share	Income (Loss)	Shares	Per Share	Income (Loss)	Shares	Per Share
	<i>(In thousands except per share data)</i>								
Net Loss From Continuing Operations	\$ (33,472)			\$ (103,079)			\$ (106,723)		
Loss Allocable to Unvested Stock Grants	—			—			3,424		
Basic Net Loss From Continuing Operations Attributable to Common Stock	\$ (33,472)	45,997	\$ (0.73)	\$ (103,079)	46,422	\$ (2.22)	\$ (103,299)	46,553	\$ (2.22)
Effect of Dilutive Securities:									
Stock Options	—	—		—	—		—	—	
Performance Stock Units	—	—		—	—		—	—	
Diluted Net Loss From Continuing Operations Attributable to Common Stock	\$ (33,472)	45,997	\$ (0.73)	\$ (103,079)	46,422	\$ (2.22)	\$ (103,299)	46,553	\$ (2.22)
Net Income From Discontinued Operations				\$ 3,019			\$ 147,752		
Income Allocable to Unvested Stock Grants				—			(4,742)		
Basic Net Income From Discontinued Operations Attributable to Common Stock				\$ 3,019	46,422	\$ 0.06	\$ 143,010	46,553	\$ 3.07
Effect of Dilutive Securities:									
Stock Options				—	—		—	—	
Performance Stock Units				—	—		—	—	
Diluted Net Income From Discontinued Operations Attributable to Common Stock				\$ 3,019	46,422	\$ 0.06	\$ 143,010	46,553	\$ 3.07

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

At December 31, 2011, 2012 and 2013, 2,114,520, 1,960,835 and 1,515,889 shares of unvested restricted stock, respectively, are included in common stock outstanding as such shares have a nonforfeitable right to participate in any dividends that might be declared and have the right to vote. Weighted average shares of unvested restricted stock included in common stock outstanding were as follows:

	2011	2012	2013
	<i>(In thousands)</i>		
Unvested restricted stock	1,683	1,737	1,544

All stock options, unvested stock and PSUs were anti-dilutive to earnings and excluded from weighted average shares used in the computation of earnings per share due to the net loss from continuing operations in each period.

Options to purchase common stock that were outstanding and that were excluded as anti-dilutive from determination of diluted earnings per share were as follows:

	2011	2012	2013
	<i>(In thousands except per share data)</i>		
Weighted average anti-dilutive stock options	215	168	130
Weighted average exercise price	\$ 36.42	\$ 37.81	\$ 32.90
Weighted average performance share units	—	—	75
Weighted average grant date fair value per unit	\$ —	\$ —	\$ 20.92

Supplementary Information With Respect to the Consolidated Statements of Cash Flows

For the purpose of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Cash payments made for interest and income taxes for the years ended December 31, 2011, 2012 and 2013, respectively, were as follows:

	2011	2012	2013
	<i>(In thousands)</i>		
Cash Payments:			
Interest payments	\$ 49,109	\$ 79,001	\$ 83,560
Income tax payments (refunds)	\$ (1,403)	\$ (58)	\$ 769

The Company capitalizes interest on its unevaluated oil and gas property costs during periods when it is conducting exploration activity on this acreage. The Company capitalized interest of \$13.2 million, \$20.9 million and \$4.7 million in 2011, 2012 and 2013, respectively, which reduced interest expense and increased the carrying value of its unevaluated oil and gas properties.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Comprehensive Loss

Comprehensive loss consists of the following:

	<u>For the Year Ended December 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>(In thousands)</i>		
Net income (loss)	\$ (33,472)	\$ (100,060)	\$ 41,029
Other comprehensive income (loss):			
Realized gains on marketable securities reclassified to earnings, net of income taxes of \$12,291, \$9,318 and \$2,757 in 2011, 2012 and 2013, respectively	(22,827)	(17,303)	(5,120)
Unrealized hedging gains, net of provision for (benefit from) income taxes of \$161, (\$161), and \$— in 2011, 2012 and 2013, respectively	298	(298)	—
Unrealized gains on marketable securities, net of provision for income taxes of \$5,748, \$831, and \$377 in 2011, 2012 and 2013, respectively	10,675	1,543	702
Total comprehensive income (loss)	<u>\$ (45,326)</u>	<u>\$ (116,118)</u>	<u>\$ 36,611</u>

The following table provides a summary of the amounts included in accumulated other comprehensive income, net of income taxes, for the years ended December 31, 2011, 2012 and 2013:

	<u>Oil Price Swap Agreements</u>	<u>Marketable Securities</u>	<u>Total Accumulated Comprehensive Income</u>
	<i>(In thousands)</i>		
Balance as of December 31, 2010	\$ —	\$ 32,330	\$ 32,330
Reclassification to earnings	—	(22,827)	(22,827)
Changes in value	298	10,675	10,973
Balance as of December 31, 2011	<u>298</u>	<u>20,178</u>	<u>20,476</u>
Reclassification to earnings	(298)	(17,303)	(17,601)
Changes in value	—	1,543	1,543
Balance as of December 31, 2012	<u>—</u>	<u>4,418</u>	<u>4,418</u>
Reclassification to earnings	—	(5,120)	(5,120)
Changes in value	—	702	702
Balance as of December 31, 2013	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Subsequent Events

Subsequent events were evaluated through the issuance date of these consolidated financial statements.

(2) Acquisitions and Dispositions of Oil and Gas Properties

During 2013, the Company acquired oil and gas properties in East Texas for \$67.4 million and in Mississippi and Louisiana for \$53.3 million. The East Texas acquisition included one producing well and approximately 21,000 net acres which are prospective for oil in the Eagle Ford shale formation. The Mississippi and Louisiana acquisition included approximately 51,000 net acres which are prospective for oil in the Tuscaloosa Marine shale formation.

During 2012, the Company completed the sale of certain oil and gas properties located in Tyler and Polk counties in South Texas and Lincoln Parish in North Louisiana. The Company received proceeds of \$119.8 million and recognized a total gain of \$26.0 million from these transactions.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

On July 30, 2012, the Company entered into a participation agreement with Kohlberg Kravis Roberts & Co L.P. (together with its affiliates, "KKR") providing for the participation of KKR in Comstock's future development of certain of its Eagle Ford shale properties in South Texas. Under the terms of the participation agreement, KKR has the right to participate for one-third of Comstock's working interest in wells drilled on the Company's acreage comprising its Eagleville field in exchange for KKR paying \$25,000 per acre for the net acreage being acquired and one-third of the wells costs. Each well that KKR participates in is intended to earn KKR approximately one-third of the Company's working interest in approximately 80 acres. The agreement applies to wells spud by the Company on or subsequent to March 31, 2012. The Company retains all of its interest in wells that were spud prior to March 31, 2012. Comstock received \$23.8 million from KKR to fund its participation in drilling activity before the closing on July 30, 2012. The Company received \$8.7 million and \$51.5 million for acreage and facility costs for new wells drilled subsequent to the closing in 2012 and 2013, respectively. Formation costs of \$1.7 million incurred in connection with this joint venture are reflected as a reduction to the gains on sales of oil and gas properties in the consolidated financial statements.

On December 30, 2011, the Company acquired oil and gas properties in North Louisiana from a third party for \$27.1 million. This acquisition included proved oil and gas reserves of 13 billion cubic feet of natural gas equivalent and leases covering 3,500 net acres.

In connection with acquisitions of producing oil and gas properties, the Company estimates the value of proved properties based on estimated future net cash flows and discounts them using a market-based rate that the Company determined appropriate at the acquisition date for the various proved reserve categories. Due to the unobservable nature of the inputs, the fair values of the proved oil and gas properties are considered Level 3 fair value measurements.

(3) Oil and Gas Producing Activities

Set forth below is certain information regarding the aggregate capitalized costs of oil and gas properties and costs incurred by the Company for its oil and gas property acquisition, development and exploration activities:

Capitalized Costs

	As of December 31,	
	2012	2013
	(In thousands)	
Unproved properties	\$ 112,851	\$ 134,350
Proved properties:		
Leasehold costs	899,914	971,239
Wells and related equipment and facilities	2,473,781	2,810,074
Accumulated depreciation depletion and amortization	(1,541,969)	(1,861,894)
	<u>\$ 1,944,577</u>	<u>\$ 2,053,769</u>

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Costs Incurred

	For the Years Ended December 31,		
	2011	2012	2013
	<i>(In thousands)</i>		
Property Acquisitions:			
Unproved property acquisitions	\$ 103,946	\$ 13,742	\$ 130,113
Proved property acquisitions	16,879	—	6,471
Development costs	496,506	331,254	341,970
Exploration costs	83,182	5,522	439
	<u>\$ 700,513</u>	<u>\$ 350,518</u>	<u>\$ 478,993</u>

(4) Long-term Debt

Long-term debt is comprised of the following:

	As of December 31,	
	2012	2013
	<i>(In thousands)</i>	
Bank credit facility	\$ 440,000	\$ 210,000
8 $\frac{3}{8}$ % senior notes due 2017	300,000	—
Discount related to 8 $\frac{3}{8}$ % senior notes due 2017	(2,556)	—
7 $\frac{3}{4}$ % senior notes due 2019	300,000	300,000
9 $\frac{1}{2}$ % senior notes due 2020	300,000	300,000
Discount related to 9 $\frac{1}{2}$ % senior notes due 2020	(13,061)	(11,300)
	<u>\$ 1,324,383</u>	<u>\$ 798,700</u>

The discount on the senior notes is being amortized over the life of the senior notes using the effective interest rate method.

The following table summarizes Comstock's debt as of December 31, 2012 by year of maturity:

	2014	2015	2016	2017	2018	Thereafter	Total
	<i>(In thousands)</i>						
Bank credit facility	\$ —	\$ —	\$ —	\$ —	\$ 210,000	\$ —	\$ 210,000
7 $\frac{3}{4}$ % senior notes	—	—	—	—	—	300,000	300,000
9 $\frac{1}{2}$ % senior notes	—	—	—	—	—	288,700	288,700
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 210,000</u>	<u>\$ 588,700</u>	<u>\$ 798,700</u>

Comstock has a \$1.0 billion bank credit facility with Bank of Montreal, as the administrative agent. The bank credit facility is a five year revolving credit commitment that matures on November 22, 2018. Indebtedness under the bank credit facility is secured by all of Comstock's assets and is guaranteed by all of its wholly owned subsidiaries. The credit facility is subject to borrowing base availability, which is redetermined semiannually based on the banks' estimates of the Company's future net cash flows of oil and natural gas properties. As of December 31, 2013, the borrowing base was \$625.0 million, of which \$415.0 million was available. The borrowing base may be affected by the performance of Comstock's properties and changes in oil and natural gas prices. The determination of the borrowing base is at the sole discretion of the administrative agent and the bank group. Borrowings under the bank credit facility bear interest, based on the utilization of the borrowing base, at Comstock's option at either (1) LIBOR plus 1.5% to 2.5% or (2) the base rate (which is the higher of the administrative agent's prime rate, the federal funds rate plus 0.5% or 30 day LIBOR plus 1.0%) plus 0.5% to 1.5%. A commitment fee of 0.375% to

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

0.5%, based on the utilization of the borrowing base, is payable annually on the unused borrowing base. The bank credit facility contains covenants that, among other things, restrict the payment of cash dividends and repurchases of common stock in excess of \$120.0 million per year, limit the amount of consolidated debt that Comstock may incur and limit the Company's ability to make certain loans and investments. The only financial covenants are the maintenance of a leverage ratio and the maintenance of an interest coverage ratio. The Company was in compliance with these covenants as of December 31, 2013.

At December 31, 2012, Comstock had \$300.0 million in principal amount of $8\frac{3}{8}\%$ senior notes outstanding with a maturity date of October 15, 2017 (the "2017 Notes"). In June 2013, the Company repurchased \$2.2 million in principal amount of the 2017 Notes at 103.3% of the par value and on September 13, 2013, the Company called all of the remaining 2017 Notes at the call price of 104.2% of par value for redemption on October 15, 2013. The redemption amount of \$310.2 million was funded with cash on hand of \$210.2 million and borrowings under the Company's bank credit facility. As a result of this redemption, the Company realized a loss on early extinguishment of debt, before income taxes, of approximately \$17.9 million comprised of the premium paid for the redemption, the costs incurred related to the redemption and the write-off of unamortized debt issuance costs, including original issuance discount.

Comstock has \$300.0 million of $7\frac{3}{4}\%$ senior notes (the "2019 Notes") outstanding which are due on April 1, 2019 and bear interest which is payable semi-annually on each April 1 and October 1. Comstock also has \$300.0 million of $9\frac{1}{2}\%$ senior notes (the "2020 Notes") which are due on June 15, 2020 and bear interest which is payable semi-annually on each June 15 and December 15. The 2019 and 2020 Notes are unsecured obligations of Comstock and are guaranteed by all of Comstock's material subsidiaries. Such subsidiary guarantors are 100% owned and all of the guarantees are full and unconditional and joint and several obligations. As of December 31, 2013, Comstock had no material assets or operations which are independent of its subsidiaries. There are no restrictions on the ability of Comstock to obtain funds from its subsidiaries through dividends or loans.

On January 1, 2011, Comstock had \$172.0 million in principal amount of $6\frac{7}{8}\%$ senior notes outstanding due in 2012 (the "2012 Notes"). Comstock redeemed all of the 2012 Notes in 2011 for \$172.4 million. The early extinguishment of the 2012 Notes resulted in a loss of \$1.1 million. This loss is comprised of the premium paid for the redemption of the 2012 Notes, the costs incurred related to the tender offer, and the write-off of unamortized debt issuance costs related to the 2012 Notes.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(5) Commitments and Contingencies

Commitments

The Company rents office space and other facilities under noncancelable operating leases. Rent expense for the years ended December 31, 2011, 2012 and 2013 was \$1.1 million, \$1.4 million and \$1.4 million, respectively. Minimum future payments under the leases are as follows:

	<i>(In thousands)</i>
2014	\$ 1,955
2015	1,994
2016	1,993
2017	2,021
2018	2,060
Thereafter	4,680
	<u>\$ 14,703</u>

As of December 31, 2013, the Company had commitments for contracted drilling rigs of \$44.9 million through November 2015.

The Company has entered into natural gas transportation and treating agreements through July 2019. Maximum commitments under these transportation agreements as of December 31, 2013 totaled \$19.4 million.

Contingencies

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 or results of operations and no material amounts are accrued relative to these matters at December 31, 2012 or 2013.

(6) Stockholders' Equity

The authorized capital stock of Comstock consists of 75 million shares of common stock, \$0.50 par value per share, and 5 million shares of preferred stock, \$10.00 par value per share. The preferred stock may be issued in one or more series, and the terms and rights of such stock will be determined by the Board of Directors. There were no shares of preferred stock outstanding at December 31, 2012 or 2013.

On each of May 15, 2013, August 22, 2013 and November 26, 2013, the Board of Directors declared a dividend of 12.5¢ per share on the Company's common stock to stockholders of record at the close of business on May 31, 2013, September 6, 2013 and December 6, 2013. Dividends in the aggregate amount of \$18.0 million were paid during 2013. The Board of Directors also approved an open market share repurchase plan which permits the Company to repurchase up to \$100.0 million of its common stock on the open market. The Company made various open market purchases of 631,096 shares at an aggregate cost of \$9.2 million during 2013, and all shares purchased by the Company were cancelled.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(7) Stock-based Compensation

The Company grants restricted shares of common stock, stock options and performance share units to key employees and directors as part of their compensation under the 2009 Long-term Incentive Plan. Future awards of stock options, restricted stock grants or other equity awards under the 2009 Long-term Incentive Plan are available with up to 1,588,053 shares of common stock.

During 2011, 2012 and 2013, the Company had \$15.0 million, \$13.7 million and \$12.8 million, respectively, in stock-based compensation expense which is in general and administrative expenses. The excess income tax provisions from tax deductions associated with stock-based compensation recognized in additional paid in capital were \$0.6 million, \$1.7 million and \$2.0 million for the years ended December 31, 2011, 2012 and 2013, respectively.

Stock Options

The Company amortizes the fair value of stock options granted over the vesting period using the straight-line method.

The Company has not issued any stock options since 2008. The following table summarizes information related to stock options outstanding at December 31, 2013:

Exercise Price	Weighted Average Remaining Life (in years)	Number of Options Outstanding	Number of Options Exercisable
\$32.50	1.9	50,500	50,500
\$33.22	2.9	64,650	64,650
		<u>115,150</u>	<u>115,150</u>

The following table summarizes information related to stock option activity under the Company's incentive plans for the year ended December 31, 2013:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2013	157,150	\$38.36
Expired and forfeited	<u>(42,000)</u>	\$53.34
Outstanding at December 31, 2013	<u>115,150</u>	\$32.90
Exercisable at December 31, 2013	<u>115,150</u>	\$32.90

As of December 31, 2013, all compensation cost related to stock options had been recognized. Stock options outstanding at December 31, 2012 and 2013 had no intrinsic value based on the closing price for the Company's common stock at those dates. There were no stock option exercises in 2011, 2012 or 2013.

Restricted Stock

The fair value of restricted stock grants is amortized over the vesting period, generally one to four years, using the straight-line method. Total compensation expense recognized for restricted stock grants was \$15.0 million, \$13.5 million and \$9.8 million for the years ended December 31, 2011, 2012 and

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

2013, respectively. The fair value of each restricted share on the date of grant is equal to its fair market price.

A summary of restricted stock activity for the year ended December 31, 2013 is presented below:

	Number of Restricted Shares	Weighted Average Grant Price
Outstanding at January 1, 2013	1,960,835	\$28.01
Granted	44,100	\$16.44
Vested	(458,634)	\$40.58
Forfeitures	(30,412)	\$19.74
Outstanding at December 31, 2013	1,515,889	\$24.04

The per share weighted average fair value of restricted stock grants in 2011, 2012 and 2013 was \$18.31, \$15.49 and \$16.44, respectively. Total unrecognized compensation cost related to unvested restricted stock of \$9.5 million as of December 31, 2013 is expected to be recognized over a period of 1.8 years. The fair value of restricted stock which vested in 2011, 2012 and 2013 was \$9.3 million, \$6.7 million and \$7.0 million, respectively.

Performance Share Units

The Company issues PSUs as part of its long-term equity incentive compensation. PSU awards can result in the issuance of common stock to the holder if certain performance criteria is met during a performance period. The performance periods consist of one year, two years and three years, respectively. The performance criteria for the PSUs are based on the Company's annualized total stockholder return ("TSR") for the performance period as compared with the TSR of certain peer companies for the performance period. The costs associated with PSUs are recognized as general and administrative expense over the performance periods of the awards.

The fair value of PSUs was measured at the grant date using a stochastic process method utilizing the Geometric Brownian Motion Model ("GBM Model"). A stochastic process is a mathematically defined equation that can create a series of outcomes over time. These outcomes are not deterministic in nature, which means that by iterating the equations multiple times, different results will be obtained for those iterations. In the case of the Company's PSUs, the Company cannot predict with certainty the path its stock price or the stock prices of its peers will take over the future performance periods. By using a stochastic simulation, the Company can create multiple prospective total return pathways, statistically analyze these simulations, and ultimately make inferences to the most likely path the total return will take. As such, because future stock returns are stochastic, or probabilistic with some direction in nature, the stochastic method, specifically the GBM Model, is deemed an appropriate method by which to determine the fair value of the PSUs. Significant assumptions used in this simulation include the Company's expected volatility and a risk-free interest rate based on U.S. Treasury yield curve rates with maturities consistent with the vesting periods, as well as the volatilities for each of the Company's peers. For the PSUs granted in 2012, the valuation inputs included a risk-free interest rate of 0.4% and a range of volatilities of 29% to 70%.

In 2012 the Company granted 254,133 PSUs with a grant date fair value of \$5.4 million, or \$21.14 per unit. No PSUs were awarded in 2013. The fair value of PSUs is amortized over the vesting period of one to three years, using the straight-line method. Total compensation expense recognized for PSUs was \$0.2 million and \$3.0 million for the years ended December 31, 2012 and 2013, respectively.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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A summary of PSU activity for the year ended December 31, 2013 is presented below:

	<u>Number of PSUs</u>	<u>Weighted Average Grant Price</u>
Outstanding at January 1, 2013	254,133	\$21.14
PSUs issued for dividend equivalents	5,616	—
Forfeitures	<u>(4,831)</u>	\$18.65
Outstanding at December 31, 2013	<u><u>254,918</u></u>	\$20.92

The number of awards assumes a one multiplier. The final number of shares of common stock issued may vary depending upon the performance multiplier, and can result in the issuance of zero to 694,175 shares of common stock based on the achieved performance ranges from zero to three. As of December 31, 2013, there was \$2.2 million of total unrecognized expense related to PSUs, which is being amortized through December 2015.

(8) Retirement Plan

The Company has a 401(k) profit sharing plan which covers all of its employees. At its discretion, Comstock may match a certain percentage of the employees' contributions to the plan. Matching contributions to the plan were \$323,000, \$365,000 and \$702,000 for the years ended December 31, 2011, 2012 and 2013, respectively.

(9) Income Taxes

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
	<i>(In thousands)</i>		
Current	\$ 28	\$ (162)	\$ 134
Deferred	<u>(14,652)</u>	<u>(50,472)</u>	<u>(56,291)</u>
	<u><u>\$ (14,624)</u></u>	<u><u>\$ (50,634)</u></u>	<u><u>\$ (56,157)</u></u>

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

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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. The difference between the Company's customary rate of 35% and the effective tax rate on income before income taxes is due to the following:

	2011	2012	2013
	<i>(In thousands)</i>		
Tax benefit at statutory rate	\$ (16,834)	\$ (53,799)	\$ (57,008)
Tax effect of:			
Nondeductible compensation	2,753	2,545	1,545
State taxes, net of federal tax benefit	(741)	410	(799)
Other	198	210	105
Total	\$ (14,624)	\$ (50,634)	\$ (56,157)
	2011	2012	2013
Statutory rate	35.0%	35.0%	35.0%
Tax effect of:			
Nondeductible compensation	(5.7)	(1.7)	(0.9)
State taxes, net of federal tax benefit	1.5	(0.3)	0.5
Other	(0.4)	(0.1)	(0.1)
Effective tax rate	30.4%	32.9%	34.5%

The tax effects of significant temporary differences representing the net deferred tax asset and liability at December 31, 2012 and 2013 were as follows:

	2012	2013
	<i>(In thousands)</i>	
Current deferred tax liabilities:		
Marketable securities	\$ (1,262)	\$ —
Derivative financial instruments	(4,078)	(339)
Net current deferred tax liability	(5,340)	(339)
Noncurrent deferred tax assets (liabilities):		
Property and equipment	(247,062)	(238,361)
Other assets	8,319	8,221
Net operating loss carryforwards	95,180	70,207
Alternative minimum tax carryforward	19,080	21,178
Valuation allowance on net operating loss carryforwards	(23,009)	(35,507)
Other	(2,409)	(2,764)
Net noncurrent deferred tax liability	(149,901)	(177,026)
Net deferred tax liability	\$ (155,241)	\$ (177,365)

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

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At December 31, 2013, Comstock had the following carryforwards available to reduce future income taxes:

Types of Carryforward	Years of Expiration Carryforward	Amount <i>(In thousands)</i>
Net operating loss - U.S. federal	2017 – 2032	\$ 80,165
Net operating loss - Louisiana	2014 – 2028	\$ 810,567
Alternative minimum tax credits	Unlimited	\$ 21,178

Utilization of \$34.7 million of the U.S. federal net operating loss carryforwards is limited to approximately \$1.1 million per year pursuant to a prior change of control of an acquired company, and a valuation allowance of \$23.0 million, with a tax effect of \$8.0 million, has been established for the estimated U.S. federal net operating loss carryforwards that will not be utilized. Realization of the remaining U.S. federal net operating loss carryforwards requires Comstock to generate taxable income within the carryforward period. A valuation allowance of \$528.1 million, with a tax effect of \$27.5 million, has been established against the Louisiana state net operating loss carryforwards due to the uncertainty of generating taxable income in the state of Louisiana prior to the expiration of the carryforward period.

The Company's federal income tax returns for the years subsequent to December 31, 2009 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, 2008. State tax returns in two state jurisdictions are currently under review. The Company currently believes that resolution of these matters will not have a material impact on its financial statements. The Company currently believes that its significant filing positions are highly certain and that all of its other significant income tax filing positions and deductions would be sustained upon 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. Interest and penalties resulting from audits by tax authorities have been immaterial and are included in the provision for income taxes in the consolidated statements of operations.

(10) Derivative Financial Instruments and Hedging Activities

Comstock periodically uses swaps, floors and collars to hedge oil and natural gas prices and interest rates. Swaps are settled monthly based on differences between the prices specified in the instruments and the settlement prices of futures contracts. Generally, when the applicable settlement price is less than the price specified in the contract, Comstock receives a settlement from the counterparty based on the difference multiplied by the volume or amounts hedged. Similarly, when the applicable settlement price exceeds the price specified in the contract, Comstock pays the counterparty based on the difference. Comstock generally receives a settlement from the counterparty for floors when the applicable settlement price is less than the price specified in the contract, which is based on the difference multiplied by the volumes hedged. For collars, generally Comstock receives a settlement from the counterparty when the settlement price is below the floor and pays a settlement to the counterparty when the settlement price exceeds the cap. No settlement occurs when the settlement price falls between the floor and cap.

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

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

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diversification. All of Comstock's derivative financial instruments are with parties that are lenders under its bank credit facility. 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.

During 2013, the Company hedged 2,160,000 barrels of its oil production at an average NYMEX West Texas Intermediate oil price of \$98.67 per barrel.

As of December 31, 2013, the Company had the following outstanding commodity derivatives:

Commodity and Derivative Type	Weighted-Average Contract Price	Volume (Barrels)	Contract Period
Oil Price Swap Agreements	\$96.31 per Bbl.	1,985,000	Jan. 2014 – Dec. 2014

None of the derivative contracts have been designated as cash flow hedges. The Company recognizes cash settlements and changes in the fair value of its derivative financial instruments as a single component of other income (expenses).

Gains (losses) on derivative financial instruments were a gain of \$21.3 million for the year ended December 31, 2012 and a loss of \$8.4 million for the year ended December 31, 2013. Cash settlements on derivative financial instruments were \$9.8 million and \$2.3 million for the years ended December 31, 2012 and 2013, respectively. The estimated fair value of the Company's derivative financial instruments, which equals their carrying value, was an asset of \$11.7 million and \$1.0 million as of December 31, 2012 and 2013, respectively, which are reflected as current assets based on estimated settlement dates.

(11) Supplementary Quarterly Financial Data (Unaudited)

	2012				
	First	Second	Third	Fourth	Total
	<i>(In thousands, except per share data)</i>				
Total oil and gas sales	\$ 103,772	\$ 90,329	\$ 97,141	\$ 93,572	\$ 384,814
Operating loss	\$ (1,432)	\$ (11,539)	\$ (28,831)	\$ (102,826)	\$ (144,628)
Income (loss) from continuing operations	\$ 1,417	\$ 16,710	\$ (44,212)	\$ (76,994)	\$ (103,079)
Income (loss) from discontinued operations	\$ (42)	\$ (9,545)	\$ 13,763	\$ (1,157)	\$ 3,019
Net income (loss)	\$ 1,375	\$ 7,165	\$ (30,449)	\$ (78,151)	\$ (100,060)
Basic net income (loss) per share:					
Continuing operations	\$ 0.03	\$ 0.35	\$ (0.95)	\$ (1.66)	\$ (2.22)
Discontinued operations	\$ —	\$ (0.20)	\$ 0.29	\$ (0.02)	\$ 0.06
Total	<u>\$ 0.03</u>	<u>\$ 0.15</u>	<u>\$ (0.66)</u>	<u>\$ (1.68)</u>	<u>\$ (2.16)</u>
Diluted net income (loss) per share:					
Continuing operations	\$ 0.03	\$ 0.35	\$ (0.95)	\$ (1.66)	\$ (2.22)
Discontinued operations	\$ —	\$ (0.20)	\$ 0.29	\$ (0.02)	\$ 0.06
Total	<u>\$ 0.03</u>	<u>\$ 0.15</u>	<u>\$ (0.66)</u>	<u>\$ (1.68)</u>	<u>\$ (2.16)</u>

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

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	2013				
	First	Second	Third	Fourth	Total
	<i>(In thousands, except per share data)</i>				
Total oil and gas sales	\$ 95,020	\$ 107,820	\$ 111,590	\$ 105,860	\$ 420,290
Operating loss	\$ (20,856)	\$ (18,004)	\$ (9,086)	\$ (24,386)	\$ (72,332)
Loss from continuing operations	\$ (24,517)	\$ (21,531)	\$ (24,034)	\$ (36,641)	\$ (106,723)
Income (Loss) from discontinued operations	\$ (2,627)	\$ 151,236	\$ —	\$ (857)	\$ 147,752
Net income (loss)	\$ (27,144)	\$ 129,705	\$ (24,034)	\$ (37,498)	\$ 41,029
Basic net income (loss) per share:					
Continuing operations	\$ (0.52)	\$ (0.45)	\$ (0.52)	\$ (0.80)	\$ (2.22)
Discontinued operations	\$ (0.06)	\$ 3.13	\$ —	\$ (0.02)	\$ 3.07
Total	<u>\$ (0.58)</u>	<u>\$ 2.68</u>	<u>\$ (0.52)</u>	<u>\$ (0.82)</u>	<u>\$ 0.85</u>
Diluted net income (loss) per share:					
Continuing operations	\$ (0.52)	\$ (0.45)	\$ (0.52)	\$ (0.80)	\$ (2.22)
Discontinued operations	\$ (0.06)	\$ 3.13	\$ —	\$ (0.02)	\$ 3.07
Total	<u>\$ (0.58)</u>	<u>\$ 2.68</u>	<u>\$ (0.52)</u>	<u>\$ (0.82)</u>	<u>\$ 0.85</u>

Basic and diluted per share amounts are the same for each of the quarters ended September 30, 2012, December 31, 2012, March 31, 2013, June 30, 2013, September 30, 2013, December 31, 2013 and for the years ended December 31, 2012 and 2013 due to the net loss from continuing operations reported during each of these periods.

Results of continuing operations include the following non-routine items of income (expense), which are presented before the effect of income taxes:

	2012				
	First	Second	Third	Fourth	Total
	<i>(In thousands, except per share data)</i>				
Gain on sales of oil and gas properties	\$ 6,727	\$ 20,338	\$ (2,794)	\$ —	\$ 24,271
Gain on sales of marketable securities	\$ 26,621	\$ —	\$ —	\$ —	\$ 26,621
Impairments of unproved oil and gas properties	\$ (1,315)	\$ —	\$ (1,370)	\$ (58,615)	\$ (61,300)
Impairments of proved oil and gas properties	\$ (49)	\$ (5,301)	\$ —	\$ (20,018)	\$ (25,368)
	2013				
	First	Second	Third	Fourth	Total
	<i>(In thousands, except per share data)</i>				
Gain (loss) on sale of oil and gas properties	\$ —	\$ 81	\$ (2,165)	\$ 51	\$ (2,033)
Gain on sales of marketable securities	\$ 7,877	\$ —	\$ —	\$ —	\$ 7,877
Loss on early extinguishment of debt	\$ —	\$ —	\$ —	\$ (17,854)	\$ (17,854)
Impairments of unproved oil and gas properties	\$ (2,443)	\$ (9,465)	\$ (2,995)	\$ (18,081)	\$ (32,984)
Impairments of proved oil and gas properties	\$ —	\$ (652)	\$ —	\$ —	\$ (652)

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

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(12) Oil and Gas Reserves Information (Unaudited)

Set forth below is a summary of the changes in Comstock's net quantities of oil and natural gas reserves for its continuing operations for each of the three years in the period ended December 31, 2013:

	2011		2012		2013	
	Oil (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas (MMcf)
Proved Reserves:						
Beginning of year	4,219	1,025,633	13,234	1,080,644	18,899	437,445
Revisions of previous estimates	8	(36,150)	327	(529,272)	28	23,321
Extensions and discoveries	9,845	169,188	11,953	21,525	5,363	47,581
Purchases of minerals in place	—	12,566	—	—	—	—
Disposals of minerals in place	—	—	(4,823)	(53,690)	—	—
Production	(838)	(90,593)	(1,792)	(81,762)	(2,314)	(55,694)
End of year	<u>13,234</u>	<u>1,080,644</u>	<u>18,899</u>	<u>437,445</u>	<u>21,976</u>	<u>452,653</u>
Proved Developed Reserves:						
Beginning of year	<u>2,961</u>	<u>506,809</u>	<u>6,499</u>	<u>546,627</u>	<u>8,389</u>	<u>362,426</u>
End of year	<u>6,499</u>	<u>546,627</u>	<u>8,389</u>	<u>362,426</u>	<u>13,914</u>	<u>344,278</u>

During 2012, the Company's estimated quantities of proved undeveloped natural gas reserves decreased by 460 Bcf from total proved undeveloped reserves as of December 31, 2011 due to downward revisions related to the lower natural gas price that was used to determine estimated reserve quantities at December 31, 2012. Substantially all of the Company's proved undeveloped natural gas reserves related to undrilled natural gas wells at December 31, 2012 were not economic at the lower natural gas price at December 31, 2012. The decrease in proved undeveloped natural gas reserves in 2012 resulted in an increase to the Company's per unit amortization rate for its proved oil and gas properties and, accordingly, increased depletion, depreciation and amortization expense during 2012 and 2013 as compared to previous periods.

The proved oil and gas reserves utilized in the preparation of the financial statements were estimated by Lee Keeling and Associates, independent petroleum consultants, in accordance with guidelines established by the Securities and Exchange Commission and the Financial Accounting Standards Board, which require that reserve reports be prepared under existing economic and operating conditions with no provision for price and cost escalation except by contractual agreement. All of the Company's reserves are located onshore in the continental United States of America.

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The following table sets forth the standardized measure of discounted future net cash flows relating to proved reserves at December 31, 2012 and 2013:

	2012	2013
	<i>(In thousands)</i>	
Cash Flows Relating to Proved Reserves:		
Future Cash Flows	\$ 3,053,078	\$ 3,817,982
Future Costs:		
Production	(915,053)	(1,307,923)
Development and Abandonment	(544,084)	(649,758)
Future Income Taxes	(372,813)	(451,708)
Future Net Cash Flows	1,221,128	1,408,593
10% Discount Factor	(579,803)	(601,376)
Standardized Measure of Discounted Future Net Cash Flows	\$ 641,325	\$ 807,217

The standardized measure of discounted future net cash flows at the end of 2012 and 2013 was determined based on the simple average of the first of month market prices for oil and natural gas for each year. Prices were \$101.75 per barrel of oil and \$2.58 per Mcf of natural gas for 2012 and \$104.38 per barrel of oil and \$3.37 per Mcf of natural gas for 2013. Prices used in determining quantities of oil and natural gas reserves and future cash inflows from oil and natural gas reserves represent prices received at the Company's sales point. These prices have been adjusted from posted or index prices for both location and quality differences. Future development and production costs are computed by estimating the expenditures to be incurred in developing and producing proved oil and gas reserves at the end of the year, based on year end costs and assuming continuation of existing economic conditions. Future income tax expenses are computed by applying the appropriate statutory tax rates to the future pre-tax net cash flows relating to proved reserves, net of the tax basis of the properties involved. The future income tax expenses give effect to permanent differences and tax credits, but do not reflect the impact of future operations.

The following table sets forth the changes in the standardized measure of discounted future net cash flows relating to proved reserves for the years ended December 31, 2011, 2012 and 2013:

	2011	2012	2013
	<i>(In thousands)</i>		
Standardized Measure, Beginning of Year	\$ 606,136	\$ 887,798	\$ 641,325
Net change in sales price, net of production costs	506	(217,925)	43,117
Development costs incurred during the year which were previously estimated	205,418	179,549	187,643
Revisions of quantity estimates	(50,399)	(886,531)	48,411
Accretion of discount	79,763	117,381	81,434
Changes in future development and abandonment costs	10,962	628,088	(157,207)
Changes in timing and other	(58,304)	27,077	80,348
Extensions and discoveries	540,937	337,223	291,582
Purchases of minerals in place	2,959	—	—
Sales of minerals in place	—	(236,925)	—
Sales, net of production costs	(355,654)	(307,407)	(335,677)
Net changes in income taxes	(94,526)	112,997	(73,759)
Standardized Measure, End of Year	\$ 887,798	\$ 641,325	\$ 807,217

EMPLOYMENT AGREEMENT**(As Amended and Restated****Effective January 1, 2014)**

WHEREAS, Comstock Resources, Inc. (the "Company"), a Nevada corporation with its principal offices in Frisco, Texas, entered into an Employment Agreement with M. Jay Allison ("Employee") with an original effective date of June 1, 2002; and

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") requires that all non-qualified deferred compensation arrangements be amended no later than January 1, 2009, in order to comply with the requirements thereof and the parties previously amended the Agreement effective January 1, 2009 in order to comply therewith; and

WHEREAS, in connection with this Agreement, the Company has complied with the requirements of Section 409A of the Code during the period commencing on January 1, 2005, through the effective date of this amended and restated Agreement; and

WHEREAS, the Company and the Employee desire to further amend the Agreement effective January 1, 2014;

NOW, THEREFORE, the Company and the Employee hereby agree as follows:

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

2. **Term of Agreement.** This Agreement was originally effective commencing on June 1, 2002 (the effective date of this Agreement). This Agreement shall, as of its first anniversary, and on each annual anniversary thereof, be extended automatically, without further action by the Employee or the Company, for an additional one (1) year, so that there shall, as of June 1 of each year, be three (3) years remaining in the term of this Agreement (the "Employment Period"), subject to earlier termination as hereinafter provided. The effective date of this amended and restated Agreement is January 1, 2014.

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

4. **Base Compensation.** The Employee shall be compensated by the Company at a minimum base rate of \$66,833.33 per month, payable semimonthly on the fifteenth and final days of each month during the period of the Employee's employment under this Agreement, subject to such increases and additional payments as may be determined from time to time by the Board of Directors of the Company in its sole discretion. The Employee shall also be entitled to participate in the Company's Annual Incentive Plan. Such compensation shall be in addition to any group insurance, pension, profit sharing, and other employee benefits, which are extended from time to time to the Employee in the discretion of the Board of Directors of the Company and for which the Employee is eligible. Subject to such rules and procedures as are from time to time specified by the Company, the Company shall also reimburse the Employee for all reasonable expenses incurred by him on behalf of the Company.

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

6. **Continuing Obligations.** In order to induce the Company to enter into this Agreement, the Employee hereby agrees that all documents, records, techniques, business secrets and other information which have come into his possession from time to time during his employment by the Company or which may come into his possession during his employment hereunder, shall be deemed to be confidential and proprietary to the Company and the Employee further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed. In the event of a breach or threatened breach by the Employee of the provisions of this paragraph 6, the Company shall, in addition to any other available remedies, be entitled to an injunction restraining the Employee from disclosing, in whole or in part, any such information or from rendering any services to any person, firm or corporation to whom any of such information may have been disclosed or is threatened to be disclosed.

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

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

9. Death or Disability. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period. If the Company determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice of its intention to terminate the Employee's employment. In such event, the Employee's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with the Company on a full-time basis for 150 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee's legal representative.

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

- (a) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by paragraph 1. of this Agreement;
- (b) any failure by the Company to comply with and satisfy paragraph 20(a) of this Agreement,
- (c) the Company's relocation of the Employee's office by more than thirty-five (35) miles from its location in Frisco, Texas, or
- (d) following a Change in Control, the Company's requiring the Employee to travel on Company business to a substantially greater extent than during any period prior to the Change in Control.

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

11. Termination for Cause. The Employee's employment may be terminated by the Company with or without Cause, which shall mean:

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

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

12. Obligations of the Company upon Separation from Service.

- (a) Good Reason or Involuntary Termination Other Than for Cause. If, during the Employment Period, the Company shall terminate the Employee's employment other than for Cause or the Employee shall terminate employment for Good Reason, the Company shall pay to the Employee the aggregate of the following amounts, subject to the provisions of paragraph 16 hereof:
- (1) in a lump sum in cash within 30 days after the date of termination, (A) the Employee's annual base salary through the date of termination to the extent not theretofore paid, and (B) any compensation previously deferred by the Employee (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid;
 - (2) a pro-rata amount of the Annual Incentive Plan bonus for the fiscal year in which the termination occurs provided and only to the extent that any applicable performance goals upon which such bonus is conditioned are attained, and pro-rated by multiplying (i) the actual bonus the Employee would have received based on the attained performance goals had he continued in the Company's employ until the payment date of that bonus (as determined by the Compensation Committee of the Board of Directors of the Company) by (ii) a fraction, the numerator of which is the number of days in the current fiscal year through the date of termination, and the denominator of which is 365. This payment shall be made in the fiscal year following the year of the Employee's termination but no later than the fifteenth day of the third calendar month of such subsequent year. This payment shall be in lieu of any other payment to be made to the Employee under the Annual Incentive Plan for such fiscal year; and
 - (3) in a lump sum in cash within 30 days after the date of termination, (A) an amount equal to 1.5 times the sum of the Employee's annual base salary and his prior fiscal year's cash bonus under the Annual Incentive Plan; and (B) an amount equal to the total cost of COBRA continuation coverage for eighteen (18) months under the Company's group medical and dental plan for benefits equal to those which would have been provided to them in accordance with the plans if the Employee's employment had not been terminated. In addition, the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.
- (b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, the Company shall pay to the Employee's legal representatives the sum of (1) the Employee's annual base salary through the date of termination to the extent not theretofore paid, (2) a pro rated payment equal to the current year's target cash annual bonus under the Annual Incentive Plan multiplied by a fraction, the numerator of which is the number of days in the current fiscal year through the date of termination, and the denominator of which is 365, (3) any compensation previously deferred by the Employee (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2) and (3) shall be hereinafter referred to as the "Accrued Obligations"), and (4) an amount equal to six months' annualized total compensation (the current year's base salary and target bonus). Such amounts shall be paid in a lump sum in cash within 30 days of the date of termination.
- (c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment of Accrued Obligations. Subject to paragraph 16 hereof, Accrued Obligations shall be paid to the Employee at the times set forth in subparagraph (b) above. In addition, the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.
- (d) Cause or Voluntary Termination Other than for Good Reason. If the Employee's employment shall be terminated for Cause during the Employment Period, or if the Employee voluntarily terminates his employment other than for Good Reason, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his annual base salary through the date of termination (in a lump sum in cash within 30 days of the date of termination) and the amount of any compensation previously deferred by the Employee.

13. Change in Control. For the purposes of this Agreement, a "Change in Control" shall mean, in accordance with Treasury Regulation Section 1.409A-3(i)(5), the happening of any of the events described in subparagraphs (a) through (d) below:

- (a) any one Person, or more than one Person acting as a group, acquires ownership of stock of the Company that, together with stock held by such Person or group, constitutes more than 50% of either the total fair market value or total voting power of the stock of the Company; or
- (b) any one Person, or more than one Person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of the Company possessing 50% or more of the total voting power of the stock of the Company; or
- (c) a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or
- (d) any one Person, or more than one Person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) assets from the Company that have a total gross fair market value equal to more than 50% of all of the assets of the Company immediately prior to such acquisition or acquisitions.

provided, however, that there is no Change in Control under paragraph 13(d) hereof when there is a transfer of assets to (i) a shareholder of the Company immediately before the transfer; (ii) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, 50% or more of the total value or voting power of all of the outstanding stock of the Company; or (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in (iii) hereof.

14. Termination of Employment Within Twelve (12) Months Following a Change in Control. Within twelve (12) months following a Change in Control, if the Employee's employment is terminated for any reason other than Cause, death or Disability, or the Employee terminates his employment for Good Reason, then the Company shall pay to the Employee (a) the amounts set forth in sub-paragraphs 12(a)(1) and (2) (in accordance with the terms of paragraph 12(a)(1) and (2)), (b) an amount equal to 2.99 times the sum of the Employee's annual base salary and the highest annual bonus paid to the Employee during his tenure with the Company; and (c) an amount equal to the total cost of COBRA continuation coverage for eighteen (18) months under the Company's group medical and dental plan for benefits equal to those which would have been provided to them in accordance with the plans if the Employee's employment had not been terminated. On the date that is six months and one day following the date of termination, the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life. The provisions of this paragraph 14 are subject to the provisions of paragraph 16.

15. Excise Tax.

- (a) If any payment or distribution by the Company and/or any Affiliate of the Company to or for the Employee's benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the payments and benefits payable or provided under this Agreement (or other Payments as described below) shall be reduced if, and only to the extent that, such reduction will allow the Employee to receive a greater Net After Tax Amount (as defined below) than he would receive absent such reduction.
- (b) The Accounting Firm (as defined below) will first determine the amount of any Parachute Payments (as defined below) that are payable to the Employee. The Accounting Firm also will determine the Net After Tax Amount attributable to the Employee's total Parachute Payments.
- (c) The Accounting Firm will next determine the largest amount of Payments that may be made to the Employee without subjecting the Employee to the Excise Tax (the "Capped Payments"). Thereafter, the Accounting Firm will determine the Net After Tax Amount attributable to the Capped Payments.
- (d) The Employee then will receive the total Parachute Payments or the Capped Payments or such other amount less than the total Parachute Payments, whichever provides the Employee with the higher Net After Tax Amount. If the Employee will receive the Capped Payments or some other amount lesser than the total Parachute Payments, the Accounting Firm will determine which Payments will be reduced so as to achieve the principle set forth in this Section 15. For purposes of making the calculations required by this Section

15, the Accounting Firm may make reasonable assumptions and approximations and may rely on reasonable, good faith interpretations concerning the application of the Code and other applicable legal authority. The Accounting Firm will notify the Employee and the Company if it determines that the Parachute Payments must be reduced and will send the Employee and the Company a copy of its detailed calculations supporting that determination.

- (e) As a result of the uncertainty in the application of Code Sections 280G and 4999 at the time that the Accounting Firm makes its determinations under this Section 15, it is possible that amounts will have been paid or distributed to the Employee that should not have been paid or distributed under this Section 15 (“Overpayments”), or that additional amounts should be paid or distributed to the Employee under this Section 15 (“Underpayments”). If the Accounting Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or the Employee, which assertion the Accounting Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, that Overpayment will be treated for all purposes as a debt ab initio that the Employee must repay to the Company together with interest at the applicable Federal rate under Code Section 7872; provided, however, that no debt will be deemed to have been incurred by the Employee and no amount will be payable by the Employee to the Company unless, and then only to the extent that, the deemed debt and payment would either reduce the amount on which the Employee is subject to tax under Code Section 4999 or generate a refund of tax imposed under Code Section 4999. If the Accounting Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Accounting Firm will notify the Employee and the Company of that determination and the amount of that Underpayment will be paid to the Employee by the Company promptly (and no later than thirty (30) days) after the final determination of the Underpayment, which is when the Employee’s legally binding right to such Underpayment first arises.
- (f) For purposes of this Section 15, the following terms shall have their respective meanings:
 - (1) “Accounting Firm” means the independent accounting firm engaged by the Company in the Company’s sole discretion.
 - (2) “Net After Tax Amount” means the amount of any Parachute Payments, Capped Payments or other payments described in this Section 15, as applicable, net of taxes imposed under Code Sections 1, 3101(b) and 4999 and any State or local income taxes applicable to the Employee on the date of payment. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Payments, as applicable, in effect on the date of payment.
 - (3) “Parachute Payment” means a payment that is described in Code Section 280G(b)(2), determined in accordance with Code Section 280G and the regulations promulgated or proposed thereunder.
- (g) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by the preceding subsections shall be borne by the Company. If such fees and expenses are initially paid by the Employee, the Company shall reimburse the Employee the full amount of such fees and expenses within five (5) business days after receipt from the Employee of a statement therefore and reasonable evidence of the Employee’s payment thereof but in no event later than the end of the year immediately following the year in which the Employee incurs such reimbursable fees and expenses.
- (h) The Company and the Employee shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Employee, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by the preceding subsections. Any determination by the Accounting Firm shall be binding upon the Company and the Employee.
- (i) The federal, state and local income or other tax returns filed by the Employee shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Employee. The Employee, at the request of the Company, shall provide the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such conformity.

16. Compliance with Section 409A of the Internal Revenue Code. This Agreement will be interpreted, applied and to the minimum extent necessary, unilaterally amended by the Company, so that the Agreement does not fail to meet, and is operated in

accordance with, the requirements of, Section 409A of the Code. The following provisions of this paragraph 16 shall apply notwithstanding any contrary provision of paragraphs 12 or 14 of this Agreement:

- (a) Separation from Service. For purposes of this Agreement, all references to “termination of employment” shall mean a Separation from Service. Separation from Service means a termination of employment in accordance with the Company’s policies and procedures; provided, however, that the Company and the Employee reasonably anticipate that no further services will be performed after the termination date or that the level of bona fide services the Employee will perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period.
- (b) Specified Employee. If, upon termination of employment, the Employee is a “specified Employee” (as such term is defined and determined under Section 409A(a)(2)(B)(i):
 - (1) any compensation required to be paid (in cash or by delivery of life insurance policies) to the Employee pursuant to sub-paragraphs 12(a)(1)(B) and (C) and 12(c) will be deferred and paid to the Employee on the first business day after the six-month anniversary of his termination of employment, and all cash amounts which are required to be deferred shall be credited with interest at the short-term applicable federal rate in effect at the date of termination of employment; and
 - (2) if the Employee’s termination of employment follows a Change in Control, any cash payment required to be paid to the Employee pursuant to sub-paragraphs 12(a)(1)(B) and (C) and paragraph 14 (other than sub-paragraph (a) thereof) will, instead of being paid to the Employee, be paid by the Company to a national bank as trustee of a grantor (“rabbi”) trust (the “Trust”) for the benefit of the Employee (on the same schedule as specified in such paragraphs for payments made directly to the Employee) and invested in U.S. Treasury securities. Such lump sum payment to the Trust, together with any earnings on such payment while being held by the Trust, will be distributed (less applicable deductions and withholdings) by the trustee to the Employee on the first business day after the six month anniversary of the Employee’s termination of employment.

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

18. Indemnification; Directors and Officers Insurance. The Company shall (a) during the Employment Period and thereafter without limitation of time, indemnify and advance expenses to the Employee to the fullest extent permitted by the laws of the State of Nevada from time to time in effect and (b) during the Employment Period, acquire and maintain directors and officers liability insurance covering the Employee (and to the extent the Company desires, other directors and officers of the Company and its affiliated companies) to the extent it is available at commercially reasonable rates as determined by the Board; provided, however, that in no event shall the Employee be entitled to indemnification or advancement of expenses under this paragraph 18 with respect to any proceeding, or matter therein, brought or made by the Employee against the Company other than one initiated by the Employee to enforce the Employee's advancement of expenses as provided in this paragraph 18 shall not be deemed exclusive of any other rights to which the Employee may at any time be entitled under applicable law, the certificate of incorporation or bylaws of the Company, any agreement, a vote of stockholders, a resolution of the Board, or otherwise. The provisions of this paragraph 18 shall continue in effect notwithstanding termination of the Employee's employment hereunder for any reason, including, without limitation, the Employee's voluntary termination. In furtherance thereof, and not by way of limitation, the Company shall reimburse the Employee for all reasonable legal fees and expenses incurred by the Employee in connection with the Employee's obtaining and enforcing any right or benefit provided by this Agreement. The reimbursement of such legal fees and expenses shall be made within 30 days after the Employee's request for payment accompanied by evidence of the fees and expenses incurred. For a period of ten (10) years after the termination, for any reason, of the Employee's employment with the Company, the Company shall indemnify, hold harmless and defend the Employee, to the fullest extent permitted by applicable law, from and against any loss, cost or expense related to or arising out of any action or claim with respect to (i) the Company or its affiliated companies or (11) any action taken or omitted by the Employee (INCLUDING, BUT NOT LIMITED TO, MATTERS THAT CONSTITUTE NEGLIGENCE OF THE EMPLOYEE) for or on behalf of the Company or its affiliated companies, whether, in either case, such action or claim, or the facts and circumstances giving rise thereto, occurred or accrued before or after such termination of employment.

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

20. Successors.

- (a) Except as may otherwise be provided under any other written agreement between the Company and the Employee with respect to the terms of the Employee's employment in the event of a Change in Control of the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined, any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this paragraph 20 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.
- (b) This Agreement shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

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

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

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

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

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

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

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

If to the Employee:

Mr. M. Jay Allison
#3 Post-N-Paddock
Frisco, TX 75034

If to the Company:

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

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

EXECUTED this 24th day of February, 2014, to be effective the 1st day of January, 2014.

COMSTOCK RESOURCES, INC.

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

EMPLOYEE:

By: /s/ M. Jay Allison
M. Jay Allison

EMPLOYMENT AGREEMENT

(As Amended and Restated

Effective January 1, 2014)

WHEREAS, Comstock Resources, Inc. (the "Company"), a Nevada corporation with its principal offices in Frisco, Texas, entered into an Employment Agreement with Roland O. Burns ("Employee") with an original effective date of June 1, 2002; and

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") requires that all non-qualified deferred compensation arrangements be amended no later than January 1, 2009, in order to comply with the requirements thereof and the parties previously amended the Agreement effective January 1, 2009 in order to comply therewith; and

WHEREAS, in connection with this Agreement, the Company has complied with the requirements of Section 409A of the Code during the period commencing on January 1, 2005, through the effective date of this amended and restated Agreement; and

WHEREAS, the Company and the Employee desire to further amend the Agreement effective January 1, 2014;

NOW, THEREFORE, the Company and the Employee hereby agree as follows:

1. Employment. The Company hereby agrees to employ the Employee, and the Employee hereby agrees to render his exclusive service to the Company, in his current capacity of President and Chief Financial Officer of the Company, with such duties as may be assigned to him from time to time by the Board of Directors.
2. Term of Agreement. This Agreement was originally effective commencing on June 1, 2002 (the effective date of this Agreement). This Agreement shall, as of its first anniversary, and on each annual anniversary thereof, be extended automatically, without further action by the Employee or the Company, for an additional one (1) year, so that there shall, as of June 1 of each year, be three (3) years remaining in the term of this Agreement (the "Employment Period"), subject to earlier termination as hereinafter provided. The effective date of this amended and restated Agreement is January 1, 2014.
3. Place of Employment. Unless otherwise agreed by the Company and the Employee, throughout the term of this Agreement, the Employee's business office shall be located in Frisco, Texas.
4. Base Compensation. The Employee shall be compensated by the Company at a minimum base rate of \$45,291.67 per month, payable semimonthly on the fifteenth and final days of each month during the period of the Employee's employment under this Agreement, subject to such increases and additional payments as may be determined from time to time by the Board of Directors of the Company in its sole discretion. The Employee shall also be entitled to participate in the Company's Annual Incentive Plan. Such compensation shall be in addition to any group insurance, pension, profit sharing, and other employee benefits, which are extended from time to time to the Employee in the discretion of the Board of Directors of the Company and for which the Employee is eligible. Subject to such rules and procedures as are from time to time specified by the Company, the Company shall also reimburse the Employee for all reasonable expenses incurred by him on behalf of the Company.
5. Performance of Services. The Employee shall devote his full working time to the business of the Company. The Employee shall be excused from performing any services for the Company hereunder during periods of temporary incapacity and during vacations conforming to the Company's standard vacation policy, without thereby in any way affecting the compensation to which he is entitled hereunder.
6. Continuing Obligations. In order to induce the Company to enter into this Agreement, the Employee hereby agrees that all documents, records, techniques, business secrets and other information which have come into his possession from time to time during his employment by the Company or which may come into his possession during his employment hereunder, shall be deemed to be confidential and proprietary to the Company and the Employee further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed. In the event of a breach or threatened breach by the Employee of the provisions of this paragraph 6, the Company shall, in addition to any other available remedies, be entitled to an injunction restraining the Employee from disclosing, in whole or in part, any such information or from rendering any services to any person, firm or corporation to whom any of such information may have been disclosed or is threatened to be disclosed.

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

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

9. Death or Disability. The Employee's employment shall terminate automatically upon the Employee's death during the Employment Period. If the Company determines in good faith that the Disability of the Employee has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Employee written notice of its intention to terminate the Employee's employment. In such event, the Employee's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Employee (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Employee shall not have returned to full-time performance of the Employee's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Employee from the Employee's duties with the Company on a full-time basis for 150 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee's legal representative.

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

- (a) the assignment to the Employee of any duties inconsistent in any respect with the Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by paragraph 1. of this Agreement;
- (b) any failure by the Company to comply with and satisfy paragraph 20(a) of this Agreement,
- (c) the Company's relocation of the Employee's office by more than thirty-five (35) miles from its location in Frisco, Texas, or
- (d) following a Change in Control, the Company's requiring the Employee to travel on Company business to a substantially greater extent than during any period prior to the Change in Control.

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

11. Termination for Cause. The Employee's employment may be terminated by the Company with or without Cause, which shall mean:

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

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

12. Obligations of the Company upon Separation from Service.

- (a) Good Reason or Involuntary Termination Other Than for Cause. If, during the Employment Period, the Company shall terminate the Employee's employment other than for Cause or the Employee shall terminate employment for Good Reason, the Company shall pay to the Employee the aggregate of the following amounts, subject to the provisions of paragraph 16 hereof:
- (1) in a lump sum in cash within 30 days after the date of termination, (A) the Employee's annual base salary through the date of termination to the extent not theretofore paid, and (B) any compensation previously deferred by the Employee (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid;
 - (2) a pro-rata amount of the Annual Incentive Plan bonus for the fiscal year in which the termination occurs provided and only to the extent that any applicable performance goals upon which such bonus is conditioned are attained, and pro-rated by multiplying (A) the actual bonus the Employee would have received based on the attained performance goals had he continued in the Company's employ until the payment date of that bonus (as determined by the Compensation Committee of the Board of Directors of the Company) by (B) a fraction, the numerator of which is the number of days in the current fiscal year through the date of termination, and the denominator of which is 365. This payment shall be made in the fiscal year following the year of the Employee's termination but no later than the fifteenth day of the third calendar month of such subsequent year. This payment shall be in lieu of any other payment to be made to the Employee under the Annual Incentive Plan for such fiscal year; and
 - (3) in a lump sum in cash within 30 days after the date of termination, (A) an amount equal to 1.5 times the sum of the Employee's annual base salary and his prior fiscal year's cash bonus under the Annual Incentive Plan; and (B) an amount equal to the total cost of COBRA continuation coverage for eighteen (18) months under the Company's group medical and dental plan for benefits equal to those which would have been provided to them in accordance with the plans if the Employee's employment had not been terminated. In addition, the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.
- (b) Death. If the Employee's employment is terminated by reason of the Employee's death during the Employment Period, the Company shall pay to the Employee's legal representatives the sum of (1) the Employee's annual base salary through the date of termination to the extent not theretofore paid, (2) a pro rated payment equal to the current year's target cash annual bonus under the Annual Incentive Plan multiplied by a fraction, the numerator of which is the number of days in the current fiscal year through the date of termination, and the denominator of which is 365, (3) any compensation previously deferred by the Employee (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2) and (3) shall be hereinafter referred to as the "Accrued Obligations"), and (4) an amount equal to six months' annualized total compensation (the current year's base salary and target bonus). Such amounts shall be paid in a lump sum in cash within 30 days of the date of termination.
- (c) Disability. If the Employee's employment is terminated by reason of the Employee's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Employee, other than for payment of Accrued Obligations. Subject to paragraph 16 hereof, Accrued Obligations shall be paid to the Employee at the times set forth in subparagraph (b) above. In addition, the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life.
- (d) Cause or Voluntary Termination Other than for Good Reason. If the Employee's employment shall be terminated for Cause during the Employment Period, or if the Employee voluntarily terminates his employment other than for Good Reason, this Agreement shall terminate without further obligations to the Employee other than the obligation to pay to the Employee his annual base salary through the date of termination (in a lump sum in cash within 30 days of the date of termination) and the amount of any compensation previously deferred by the Employee.

13. Change in Control. For the purposes of this Agreement, a "Change in Control" shall mean, in accordance with Treasury Regulation Section 1.409A-3(i)(5), the happening of any of the events described in subparagraphs (a) through (d) below:

- (a) any one Person, or more than one Person acting as a group, acquires ownership of stock of the Company that, together with stock held by such Person or group, constitutes more than 50% of either the total fair market value or total voting power of the stock of the Company; or
- (b) any one Person, or more than one Person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of the Company possessing 50% or more of the total voting power of the stock of the Company; or
- (c) a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or
- (d) any one Person, or more than one Person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) assets from the Company that have a total gross fair market value equal to more than 50% of all of the assets of the Company immediately prior to such acquisition or acquisitions.

provided, however, that there is no Change in Control under paragraph 13(d) hereof when there is a transfer of assets to (i) a shareholder of the Company immediately before the transfer; (ii) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (iii) a person, or more than one person acting as a group, that owns, directly or indirectly, 50% or more of the total value or voting power of all of the outstanding stock of the Company; or (iv) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in (iii) hereof.

14. Termination of Employment Within Twelve (12) Months Following a Change in Control. Within twelve (12) months following a Change in Control, if the Employee's employment is terminated for any reason other than Cause, death or Disability, or the Employee terminates his employment for Good Reason, then the Company shall pay to the Employee (a) the amounts set forth in sub-paragraphs 12(a)(1) and (2) (in accordance with the terms of sub-paragraphs 12(a)(1) and (2)), (b) an amount equal to 2.99 times the sum of the Employee's annual base salary and the highest annual bonus paid to the Employee during his tenure with the Company; and (c) an amount equal to the total cost of COBRA continuation coverage for eighteen (18) months under the Company's group medical and dental plan for benefits equal to those which would have been provided to them in accordance with the plans if the Employee's employment had not been terminated. On the date that is six months and one day following the date of termination, the Company shall assign to the Employee ownership of any life insurance policies owned by the Company insuring the Employee's life. The provisions of this paragraph 14 are subject to the provisions of paragraph 16.

15. Excise Tax.

- (a) If any payment or distribution by the Company and/or any Affiliate of the Company to or for the Employee's benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the payments and benefits payable or provided under this Agreement (or other Payments as described below) shall be reduced if, and only to the extent that, such reduction will allow the Employee to receive a greater Net After Tax Amount (as defined below) than he would receive absent such reduction.
- (b) The Accounting Firm (as defined below) will first determine the amount of any Parachute Payments (as defined below) that are payable to the Employee. The Accounting Firm also will determine the Net After Tax Amount attributable to the Employee's total Parachute Payments.
- (c) The Accounting Firm will next determine the largest amount of Payments that may be made to the Employee without subjecting the Employee to the Excise Tax (the "Capped Payments"). Thereafter, the Accounting Firm will determine the Net After Tax Amount attributable to the Capped Payments.
- (d) The Employee then will receive the total Parachute Payments or the Capped Payments or such other amount less than the total Parachute Payments, whichever provides the Employee with the higher Net After Tax Amount. If the Employee will receive the Capped Payments or some other amount lesser than the total Parachute Payments, the Accounting Firm will determine which Payments will be reduced so as to achieve the principle set forth in this Section 15. For purposes of making the calculations required by this Section

15, the Accounting Firm may make reasonable assumptions and approximations and may rely on reasonable, good faith interpretations concerning the application of the Code and other applicable legal authority. The Accounting Firm will notify the Employee and the Company if it determines that the Parachute Payments must be reduced and will send the Employee and the Company a copy of its detailed calculations supporting that determination.

- (e) As a result of the uncertainty in the application of Code Sections 280G and 4999 at the time that the Accounting Firm makes its determinations under this Section 15, it is possible that amounts will have been paid or distributed to the Employee that should not have been paid or distributed under this Section 15 (“Overpayments”), or that additional amounts should be paid or distributed to the Employee under this Section 15 (“Underpayments”). If the Accounting Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or the Employee, which assertion the Accounting Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, that Overpayment will be treated for all purposes as a debt ab initio that the Employee must repay to the Company together with interest at the applicable Federal rate under Code Section 7872; provided, however, that no debt will be deemed to have been incurred by the Employee and no amount will be payable by the Employee to the Company unless, and then only to the extent that, the deemed debt and payment would either reduce the amount on which the Employee is subject to tax under Code Section 4999 or generate a refund of tax imposed under Code Section 4999. If the Accounting Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Accounting Firm will notify the Employee and the Company of that determination and the amount of that Underpayment will be paid to the Employee by the Company promptly (and no later than thirty (30) days) after the final determination of the Underpayment, which is when the Employee’s legally binding right to such Underpayment first arises.
- (f) For purposes of this Section 15, the following terms shall have their respective meanings:
 - (1) “Accounting Firm” means the independent accounting firm engaged by the Company in the Company’s sole discretion.
 - (2) “Net After Tax Amount” means the amount of any Parachute Payments, Capped Payments or other payments described in this Section 15, as applicable, net of taxes imposed under Code Sections 1, 3101(b) and 4999 and any State or local income taxes applicable to the Employee on the date of payment. The determination of the Net After Tax Amount shall be made using the highest combined effective rate imposed by the foregoing taxes on income of the same character as the Parachute Payments or Capped Payments, as applicable, in effect on the date of payment.
 - (3) “Parachute Payment” means a payment that is described in Code Section 280G(b)(2), determined in accordance with Code Section 280G and the regulations promulgated or proposed thereunder.
- (g) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by the preceding subsections shall be borne by the Company. If such fees and expenses are initially paid by the Employee, the Company shall reimburse the Employee the full amount of such fees and expenses within five (5) business days after receipt from the Employee of a statement therefore and reasonable evidence of the Employee’s payment thereof but in no event later than the end of the year immediately following the year in which the Employee incurs such reimbursable fees and expenses.
- (h) The Company and the Employee shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Employee, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by the preceding subsections. Any determination by the Accounting Firm shall be binding upon the Company and the Employee.
- (i) The federal, state and local income or other tax returns filed by the Employee shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Employee. The Employee, at the request of the Company, shall provide the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such conformity.

16. Compliance with Section 409A of the Internal Revenue Code. This Agreement will be interpreted, applied and to the minimum extent necessary, unilaterally amended by the Company, so that the Agreement does not fail to meet, and is operated in

accordance with, the requirements of, Section 409A of the Code. The following provisions of this paragraph 16 shall apply notwithstanding any contrary provision of paragraphs 12 or 14 of this Agreement:

- (a) Separation from Service. For purposes of this Agreement, all references to “termination of employment” shall mean a Separation from Service. Separation from Service means a termination of employment in accordance with the Company’s policies and procedures; provided, however, that the Company and the Employee reasonably anticipate that no further services will be performed after the termination date or that the level of bona fide services the Employee will perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than twenty percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period.
- (b) Specified Employee. If, upon termination of employment, the Employee is a “specified Employee” (as such term is defined and determined under Section 409A(a)(2)(B)(i):
 - (1) any compensation required to be paid (in cash or by delivery of life insurance policies) to the Employee pursuant to sub-paragraphs 12(a)(1)(B) and (C) and 12(c) will be deferred and paid to the Employee on the first business day after the six-month anniversary of his termination of employment, and all cash amounts which are required to be deferred shall be credited with interest at the short-term applicable federal rate in effect at the date of termination of employment; and
 - (2) if the Employee’s termination of employment follows a Change in Control, any cash payment required to be paid to the Employee pursuant to sub-paragraphs 12(a)(1)(B) and (C) and paragraph 14 (other than sub-paragraph (a) thereof) will, instead of being paid to the Employee, be paid by the Company to a national bank as trustee of a grantor (“rabbi”) trust (the “Trust”) for the benefit of the Employee (on the same schedule as specified in such paragraphs for payments made directly to the Employee) and invested in U.S. Treasury securities. Such lump sum payment to the Trust, together with any earnings on such payment while being held by the Trust, will be distributed (less applicable deductions and withholdings) by the trustee to the Employee on the first business day after the six month anniversary of the Employee’s termination of employment.

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

18. Indemnification; Directors and Officers Insurance. The Company shall (a) during the Employment Period and thereafter without limitation of time, indemnify and advance expenses to the Employee to the fullest extent permitted by the laws of the State of Nevada from time to time in effect and (b) during the Employment Period, acquire and maintain directors and officers liability insurance covering the Employee (and to the extent the Company desires, other directors and officers of the Company and its affiliated companies) to the extent it is available at commercially reasonable rates as determined by the Board; provided, however, that in no event shall the Employee be entitled to indemnification or advancement of expenses under this paragraph 18 with respect to any proceeding, or matter therein, brought or made by the Employee against the Company other than one initiated by the Employee to enforce the Employee's advancement of expenses as provided in this paragraph 18 shall not be deemed exclusive of any other rights to which the Employee may at any time be entitled under applicable law, the certificate of incorporation or bylaws of the Company, any agreement, a vote of stockholders, a resolution of the Board, or otherwise. The provisions of this paragraph 18 shall continue in effect notwithstanding termination of the Employee's employment hereunder for any reason, including, without limitation, the Employee's voluntary termination. In furtherance thereof, and not by way of limitation, the Company shall reimburse the Employee for all reasonable legal fees and expenses incurred by the Employee in connection with the Employee's obtaining and enforcing any right or benefit provided by this Agreement. The reimbursement of such legal fees and expenses shall be made within 30 days after the Employee's request for payment accompanied by evidence of the fees and expenses incurred. For a period of ten (10) years after the termination, for any reason, of the Employee's employment with the Company, the Company shall indemnify, hold harmless and defend the Employee, to the fullest extent permitted by applicable law, from and against any loss, cost or expense related to or arising out of any action or claim with respect to (i) the Company or its affiliated companies or (11) any action taken or omitted by the Employee (INCLUDING, BUT NOT LIMITED TO, MATTERS THAT CONSTITUTE NEGLIGENCE OF THE EMPLOYEE) for or on behalf of the Company or its affiliated companies, whether, in either case, such action or claim, or the facts and circumstances giving rise thereto, occurred or accrued before or after such termination of employment.

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

20. Successors.

- (a) Except as may otherwise be provided under any other written agreement between the Company and the Employee with respect to the terms of the Employee's employment in the event of a Change in Control of the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Employee, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined, any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this paragraph 20 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.
- (b) This Agreement shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

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

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

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

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

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

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

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

If to the Employee:

Mr. Roland O. Burns
6147 Chamberlyne Drive
Frisco, TX 75034

If to the Company:

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

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

EXECUTED this 24th day of February, 2014, to be effective the 1st day of January, 2014.

COMSTOCK RESOURCES, INC.

By: /s/ M. Jay Allison
Name: M. Jay Allison
Title: Chief Executive Officer

EMPLOYEE:

By: /s/ Roland O. Burns
Roland O. Burns

**PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD
UNDER THE COMSTOCK RESOURCES, INC.
2009 LONG-TERM INCENTIVE PLAN**

AGREEMENT made as of _____, by and between Comstock Resources, Inc., a Nevada corporation (“Company”) and _____ (“Award Recipient”):

WHEREAS, the Company maintains the Comstock Resources, Inc. 2009 Long-term Incentive Plan (the “Plan”) under which the Compensation Committee of the Board may, among other things, award performance units to employees of the Company;

WHEREAS, pursuant to the Plan, the Compensation Committee has awarded to the Award Recipient performance-based restricted stock units of common stock of the Company, conditioned upon the execution by the Company and the Award Recipient of an Agreement setting forth all the terms and conditions applicable to such award in accordance with the Plan;

THEREFORE, in consideration of the mutual promise(s) and covenant(s) contained herein, it is hereby agreed as follows:

1. **AWARD OF PERFORMANCE UNITS.** Under the terms of the Plan, the Compensation Committee has awarded to the Award Recipient a performance-based restricted stock unit award (the “Units”) on _____ (“Award Date”), covering a target of _____ shares of Stock, \$.50 par value (the “Target Award”), with a maximum payout of _____ shares of Stock, \$.50 par value (the “Maximum Award”), subject to the terms, conditions, and restrictions set forth in this Agreement. The Units are credited to an unfunded bookkeeping account maintained by the Company. The holder of Units shall have no rights as a stockholder, such as voting or dividend rights, except as set forth in Section 2.

The shares subject to this restricted stock unit are not actual shares of Stock, but a promise to deliver shares of Stock upon the Certification Dates set forth below, to the extent earned through satisfaction of performance requirements. The shares of Stock delivered upon the first two Certification Dates (Tranche 1 and Tranche 2) shall be shares of Restricted Stock subject to vesting conditions set forth in Section 4.

The Award Recipient must remain employed on each Certification Date, except as provided in this paragraph, in order to receive delivery of shares equal to the number of Units that become earned through satisfaction of the performance conditions. If the Award Recipient terminates employment with the Company due to Retirement, death or Disability during a performance period, the Units will be earned on a pro rated basis based on the actual level of achievement of the TSR goals, as certified by the Compensation Committee for the performance period, and such earned Units shall be fully vested upon the Certification Date. The pro rata amount will be determined by multiplying the total number of Units otherwise determined by a fraction, the numerator of which shall be the number of complete months between January 1st of the year of employment termination and the date of employment termination, and the denominator of which shall be twelve. Shares of Stock will be distributed within five (5) business days after the Certification Date.

The Units may be earned in three tranches, and are forfeited to the extent not earned as of the Certification Date for each tranche. The Units covered by each tranche are as follows:

<u>Certification Date</u>	<u>Target Award</u>	<u>Maximum Award</u>
Tranche 1: _____		
Tranche 2: _____		
Tranche 3: _____	_____	_____
	=====	=====

2. **DIVIDEND EQUIVALENTS.** As long as Units are outstanding, on each date that the Company pays a cash dividend to holders of common stock generally, the Company shall credit to Award Recipient a additional number of whole Units (the “Additional Units”) equal to the total number of Units and Additional Units previously credited to Award Recipient multiplied by the dollar amount of the cash dividend paid per share of Stock on such date, divided by the Fair Market Value of a share of Stock on such date. Only whole Units shall be credited and any fractional Units resulting from such calculation shall be rounded down to the nearest whole Unit. A report showing the number of Additional Units credited shall be sent to Award Recipient periodically. The Additional Units so credited shall be subject to the same terms and conditions as the Units to which the Additional Units relate, and the Additional Units shall be forfeited if the Units with respect to which the Additional Units were credited are forfeited.

3. **DETERMINATION OF EARNED UNITS.** At each Certification Date, the number of Units that are earned shall be determined using the table found in Appendix A and subject to the following provisions:

(i) Performance Periods. There are three (3) performance periods: the period commencing _____ and ending on _____; the period commencing _____ and ending on _____; and the period commencing _____ and ending on _____.

(ii) Performance Measures. The Units earned shall be based on the Company's relative ranking of total shareholder return ("TSR") among a group of peer group companies (the "Peer Group"), as set forth on Appendix B; provided, however that no Units are earned for any performance period that the Company does not have a positive TSR. The relative ranking is measured over each performance period and must be certified by the Compensation Committee on or prior to the Certification Date in order for any portion of the Award to be earned. The Compensation Committee will determine in its sole discretion and certify in accordance with the requirements of Section 162(m) of the Code the extent, if any, to which the Units have been earned. The Committee may not increase the number of Units that may be earned as a result of the Company's TSR performance.

(iii) Peer Group. The Peer Group companies are shown on Appendix B. A company will be removed from the Peer Group if, during a performance period, it ceases to have a class of equity securities that is both registered under the Securities Exchange Act of 1934 and actively traded on a U.S. public securities market. If a company is removed from the Peer Group, its TSR shall be calculated by averaging its TSR over any completed years in the performance period and excluding it from calculation for any incomplete years.

(iv) Definition of TSR. "TSR" as applied to a Peer Group company means stock price appreciation from the beginning to the end of the performance period, plus dividends and distributions made or declared (assuming such dividends or distributions are reinvested in the common stock of the Peer Group company) during the performance period, expressed as a percentage return. The stock price at the beginning and end of the performance periods will be the closing price on the relevant date, adjusted for stock splits or similar changes in capital structure.

4. **ISSUANCE OF STOCK FOR EARNED UNITS.** Shares of Stock shall be issued for earned Units as follows:

(i) Certification Dates for Tranche 1 and Tranche 2. The Units that are earned on the Certification Dates for Tranche 1 and Tranche 2 shall be issued to the Award Recipient in the form of shares of Restricted Stock subject to vesting as described in Section 5. During the restriction period, the shares of Restricted Stock are not transferable by the Award Recipient by means of sale, assignment, exchange, pledge, or otherwise. The certificate(s) evidencing the award shall be registered on the Company's books in the name of the Award Recipient as of the Certification Date. Physical possession or custody of such certificate(s) shall be retained by the Company until such time as they are vested (i.e., the restriction period lapses). While in its possession, the Company reserves the right to place a legend on the certificate(s) restricting the transferability of such certificate(s) and referring to the terms and conditions (including forfeiture) approved by the Board and applicable to the shares represented by the certificate(s). During the restriction period, the Award Recipient shall be entitled to all rights of a stockholder of the Company, including the right to receive dividends with respect to such shares.

(ii) Certification Date for Tranche 3. The Units that are earned on the Certification Date for Tranche 3 shall be issued to the Award Recipient in the form of unrestricted shares of Stock within five (5) business days after the Certification Date.

5. **VESTING OF RESTRICTED STOCK.** The shares of Restricted Stock issued for Tranche 1 and Tranche 2 shall become fully vested if the Award Recipient remains employed on _____ (the "Vesting Date"). If the Award Recipient terminates employment with the Company due to Retirement, death or Disability during the restriction period, the restricted stock award shall vest in full as of the date of such termination. Upon termination of the Award Recipient's employment for any other reason prior to the Vesting Date, the Restricted Stock will be forfeited. The Award Recipient may designate a beneficiary(ies) to receive the certificate representing that portion of the award vested upon death. The Award Recipient has the right to change such beneficiary designation at will.

6. **CHANGE IN CONTROL.** Upon a Change in Control, for any tranche of Units for which the Certification Date has not occurred at such time, the number of Units that may be earned for the performance period at the Maximum Award level shall vest upon the effective time of the Change in Control. In the event of a Change in Control of the Company during the restriction period for any shares of Restricted Stock, the Restricted Stock award shall vest in full upon the effective time of the Change in Control.

7. **WITHHOLDING TAXES.** The Company shall have the right to retain and withhold from any payment the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require an Award Recipient receiving shares of Stock to reimburse the Company for any such taxes required to be withheld by the Company and withhold any distribution in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due or to become due from the Company to the Award Recipient an amount equal to such taxes required to be withheld by the Company to reimburse the Company for any such taxes or

retain and withhold a number of shares of Stock having a market value not less than the amount of such taxes and cancel (in whole or in part) any such shares so withheld in order to reimburse the Company for any such taxes.

8. **CLAW-BACK PROVISIONS.** In accordance with the Company's claw-back policies, in the event of an accounting restatement applicable to a performance period due to material noncompliance with financial reporting requirements under the federal securities laws, the Compensation Committee shall have the right to seek to recover from any current or former executive at the vice president level or above who received shares of Stock under this Agreement during the three-year period preceding the date on which the Company is required to prepare an accounting restatement, any excess compensation awarded as a result of the misstatement. The Company's policy will be amended as required by final Security and Exchange Commission regulations interpreting the provisions of the Dodd-Frank Act, and as required by the listing standards of the New York Stock Exchange. Any amended policy will apply to this Agreement.

9. **ADMINISTRATION.** The Board shall have full authority and discretion (subject only to the authority granted to the Compensation Committee under this Award) to decide all matters relating to the administration and interpretation of the Plan and this Agreement. All such Board determinations shall be final, conclusive, and binding upon the Company, the Award Recipient, and any and all interested parties.

10. **NO RIGHT TO CONTINUED EMPLOYMENT.** Nothing in the Plan or this Agreement shall confer on an Award Recipient any right to continue in the employ of the Company or in any way affect the Company's right to terminate the Award Recipient's employment without prior notice at any time for any reason.

11. **AMENDMENT(S).** This Agreement shall be subject to the terms of the Plan as amended except that the award that is the subject of this Agreement may not in any way be restricted or limited by any Plan amendment or termination approved after the date of the award without the Award Recipient's written consent.

12. **NON-TRANSFERABLE.** The Units may not be sold, assigned, transferred, pledged or otherwise encumbered, whether voluntarily or involuntarily, by operation of law or otherwise. Any attempt to transfer, anticipate, alienate, sell, assign, pledge or encumber the Units shall be void.

13. **COMPLIANCE WITH SECTIONS 162(M) AND 409A OF THE INTERNAL REVENUE CODE.** Compensation attributable to the Award is intended to constitute qualified performance-based compensation under Section 162(m) of the Code and the regulations thereunder. This Award shall be construed and administered by the Board in a manner consistent with this intent. This Agreement will be interpreted and applied so that the Award does not fail to meet, and is operated as a "short term deferral" or a restricted stock grant which is exempt from, the requirements of Section 409A of the Internal Revenue Code and the regulations thereunder.

14. **FORCE AND EFFECT.** The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

15. **GOVERNING LAWS.** This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Texas.

16. **SUCCESSORS.** This Agreement shall be binding upon and inure to the benefit of the heirs and permitted successors and assigns of the respective parties.

17. **NOTICES.** Unless waived by the Company, any notice to the Company required under or relating to this Agreement shall be in writing and addressed to:

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

Attention: President or Secretary;

or to such other address as the Company maintains as its principal executive offices.

18. **ENTIRE AGREEMENT.** This Agreement and the Plan contain the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by the parties. In the event of any conflict between the terms and provisions

of this Agreement and those of the Plan, the terms and provisions of the Plan including, without limitation, those with respect to powers of the Board, shall prevail and be controlling. Capitalized terms used herein not otherwise defined shall have the meanings set forth in the Plan. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date hereof.

COMSTOCK RESOURCES,
INC.

By: _____
M. Jay Allison
President and
Chief Executive
Officer

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of November 22, 2013

among

COMSTOCK RESOURCES, INC.,
as the Borrower,

BANK OF MONTREAL,
as Administrative Agent and Issuing Bank,

BANK OF AMERICA, N.A.,
as Syndication Agent

COMERICA BANK, REGIONS BANK and UNION BANK, N.A.
as Co-Documentation Agents

The Other Lenders Party Hereto,

BMO CAPITAL MARKETS, INC.
as Arranger

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FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

This FOURTH AMENDED AND RESTATED CREDIT AGREEMENT is dated as of November 22, 2013, among COMSTOCK RESOURCES, INC., a Nevada corporation (“Borrower”), each lender from time to time party hereto (collectively, the “Lenders” and each individually, a “Lender”), BANK OF MONTREAL, as Administrative Agent and Issuing Bank, BANK OF AMERICA, N.A., as syndication agent, COMERICA BANK, REGIONS BANK and UNION BANK, N.A., as co-documentation agents.

PRELIMINARY STATEMENTS

Borrower, Bank of Montreal, as administrative agent and as issuing bank, and certain lenders party thereto (the “Prior Lenders”) have heretofore entered into a Third Amended and Restated Credit Agreement dated as of November 30, 2010, (as amended, modified or supplemented prior to the date hereof, the “Prior Credit Facility”).

Borrower desires to amend and restate the Prior Credit Facility in order to restructure, rearrange, renew, extend and continue all indebtedness evidenced by and outstanding under the Prior Credit Facility (the “Prior Indebtedness”), and to modify the commitments from the Lenders pursuant to which Loans will be made by the Lenders to the Borrower from time to time prior to the Maturity Date and Letters of Credit will be issued by the Issuing Bank under the several responsibilities of the Lenders for the account of the Borrower from time to time prior to the Letter of Credit Availability Expiration Date.

Borrower has delivered to Bank of Montreal, as administrative agent, certain collateral documents to secure the repayment of the Prior Indebtedness to the Prior Lenders, which collateral documents are being amended or amended and restated in connection with, and concurrently with, the restructuring, rearrangement, renewal, extension and continuation of the Prior Indebtedness pursuant to this Agreement.

The Administrative Agent, the Lenders and the Issuing Bank are willing, on the terms and subject to the conditions hereinafter set forth (including Article IV), to amend and restate the Prior Credit Facility in order to restructure, rearrange, renew, extend and continue all Prior Indebtedness and to modify the commitments and make such Loans to the Borrower and issue and participate in such Letters of Credit for the account of the Borrower.

It is in the best interest of each of the Guarantors to execute and deliver a Guaranty as each Guarantor will receive substantial benefits as a result of the Borrower entering into the borrowing base, revolving credit facility with the Administrative Agent, the Issuing Bank and the Lenders.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I.
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.1 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

“2011 Senior Notes” means those certain senior unsecured notes issued by the Borrower in an aggregate principal amount of \$300,000,000 on the date of issuance thereof under the 2011 Senior Notes Indenture.

“2011 Senior Notes Indenture” means that certain Third Supplemental Indenture dated as of March 14, 2011 by and among Borrower, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, and one or more Loan Parties, as guarantors, and all related documentation entered into in connection therewith pursuant to which the 2011 Senior Notes were issued, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms hereof.

“2012 Senior Notes” means those certain 9 1/2% senior unsecured notes due 2020 issued by the Borrower in an aggregate principal amount of \$300.0 million on the date of issuance thereof under the 2012 Senior Notes Indenture.

“2012 Senior Notes Indenture” means that certain Fourth Supplemental Indenture dated as of June 5, 2012, by and among Borrower, as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee, and one or more Loan Parties, as guarantors, and all related documentation entered into in connection therewith pursuant to which the 2012 Senior Notes were issued, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms hereof.

“Adjusted LIBO Rate” means, with respect to each particular Borrowing comprised of LIBO Rate Loans and the associated LIBO Rate and Reserve Percentage, the rate per annum calculated by the Administrative Agent (rounded upwards, if necessary, to the next higher 1/100%) determined on a daily basis pursuant to the following formula:

$$\text{Adjusted LIBO Rate} = \frac{\text{LIBO Rate}}{(1.00\% - \text{Reserve Percentage})}$$

“Administrative Agent” means Bank of Montreal in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.2, or such other address or account as the Administrative Agent may from time to time designate to the Borrower, the Issuing Bank, and the Lenders.

“Affiliate” means, as to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses, directly or indirectly, the power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“Agent and Arranger Fee Letter” has the meaning set forth in Section 2.10(b).

“Agent-Related Persons” means the Administrative Agent (including any successor administrative agent), together with its Affiliates (including, in the case of BMO in its capacity as the Administrative Agent, the Issuing Bank and the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

“Aggregate Commitments” means, as of any date, the sum of the Commitment Amounts of all the Lenders.

“Agreement” means this Fourth Amended and Restated Credit Agreement, as amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Anti-Terrorism Laws” has the meaning set forth in Section 5.14.

“Arranger” means BMO Capital Markets, Inc., in its capacity as sole arranger.

“Attorney Costs” means and includes all reasonable fees and disbursements of any law firm or other external counsel.

“Attributable Indebtedness” means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

“Base Rate” means, on any date and with respect to all Base Rate Loans, a fluctuating rate of interest per annum equal to the highest of (a) the rate of interest most recently announced by the Administrative Agent at its domestic Lending Office as its base rate for dollar advances made in the United States, (b) the Federal Funds Rate most recently determined by the Administrative Agent plus 1/2% (0.5%) per annum and (c) the rate per annum determined by the Administrative Agent to be the offered rate that appears on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such page) for deposits in Dollars for a one month Interest Period in effect on such day determined as of approximately 11:00 a.m. (London, England time) on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus one percent (1.00%). The Base Rate is not necessarily intended to be the lowest rate of interest determined by the Administrative Agent or any Lender in connection with extensions of credit. Changes in the rate of interest on that portion of any Loans maintained as Base Rate Loans will take effect simultaneously with each change in the Base Rate. The Administrative Agent will promptly give notice to the Borrower of changes in the Base Rate.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Base Rate Spread” means, with respect to any Base Rate Loan for any time prior to the Maturity Date, the percentage per annum set forth below under the caption “Base Rate Spread”, determined by reference to the percentage of the Borrowing Base that the sum of all Loans outstanding plus all L/C Obligations represents at that time.

<u>Percentage of Borrowing Base Usage</u>	<u>Base Rate Spread</u>
≥ 90%	1.500%
≥75% but <90%	1.250%
≥50% but <75%	1.000%
≥25% but <50%	0.750%
<25%	0.500%

Each change in the Base Rate Spread shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change; provided, however, that if at any time the Borrower fails to deliver a reserve report pursuant to Section 6.2(g), then, until the Borrowing Base is redetermined pursuant to the terms hereof, the “Base Rate Spread” means the rate per annum set forth on the grid when the applicable Percentage of Borrowing Base Usage is at its highest level.

“BMO” means Bank of Montreal and its successors and assigns.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrower” has the meaning set forth in the introductory paragraph hereto.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type and having the same Interest Period made by Lenders pursuant to Section 2.1.

“Borrowing Base” means, at the particular time in question, either the amount provided for in Section 2.7 or the amount determined by the Administrative Agent and approved by the Required Borrowing Base Lenders or all of the Lenders, as applicable, in accordance with the provisions of Section 2.8; provided, however, that in no event shall the Borrowing Base ever exceed the Maximum Loan Amount.

“Borrowing Base Deficiency” has the meaning set forth in Section 2.4(b)(ii).

“Business Day” means any day other than a Saturday, Sunday, or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, Chicago, Illinois or Houston, Texas and, if such day relates to any LIBO Rate Loan, means any such day on which dealings in Dollar deposits are conducted in London, England.

“CAM” means Comstock Air Management, LLC, a Nevada limited liability company.

“Cash Collateralize” means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Issuing Bank and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the Issuing Bank (which documents are hereby consented to by the Lenders). Derivatives of such term shall have corresponding meaning. The Borrower hereby grants the Administrative Agent, for the benefit of the Issuing Bank and the Lenders, a Lien on all such cash and deposit account balances. Cash collateral shall be maintained in a blocked account at the Administrative Agent or other institutions satisfactory to the Administrative Agent subject to control arrangements satisfactory to the Administrative Agent.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” means, with respect to any Person, an event or series of events by which:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such Person or its subsidiaries, or any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person shall be deemed to have “beneficial ownership” of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 50% or more of the equity interests of such Person; or

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

“Closing Date” means the first date all the conditions precedent in Section 4.1 are satisfied or waived in accordance with Section 4.1 (or, in the case of Section 4.1(b), waived by the Person entitled to receive the applicable payment).

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

“COGI” means Comstock Oil & Gas, LP, a Nevada limited partnership, successor-by-conversion to Comstock Oil & Gas, Inc.

“COGI GP” means Comstock Oil & Gas GP, LLC, a Nevada limited liability company.

“COGILP” means Comstock Oil & Gas Investments, LLC, a Nevada limited partnership.

“COGH” means Comstock Oil & Gas Holdings, Inc., a Nevada corporation.

“COGLA” means Comstock Oil & Gas – Louisiana, LLC, a Nevada limited liability company, successor-by-conversion to Comstock Oil & Gas – Louisiana, Inc., a Nevada corporation.

“Commitment” means, as to each Lender, its obligation to (a) make Loans to the Borrower pursuant to Section 2.1, and (b) purchase participations in L/C Obligations pursuant to Section 2.3, in an aggregate principal amount at any one time outstanding not to exceed the lesser of (x) such Lender’s Commitment Amount and (y) such Lender’s Percentage Share of the Borrowing Base.

“Commitment Amount” means, as to each Lender, the amount set forth opposite such Lender’s name on Schedule 2.1, as such amount may be increased, reduced or adjusted from time to time in accordance with this Agreement.

“Commitment Fee Rate” means, for any time prior to the Maturity Date, the percentage per annum set forth below under the caption “Commitment Fee”, determined by reference to the percentage of the Borrowing Base that the sum of all Loans outstanding plus all L/C Obligations represents at that time.

<u>Percentage of Borrowing Base Usage</u>	<u>Commitment Fee</u>
≥ 90%	0.500%
≥75% but <90%	0.500%
≥50% but <75%	0.500%
≥25% but <50%	0.375%
<25%	0.375%

Each change in the Commitment Fee Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change; provided, however, that if at any time the Borrower fails to deliver a reserve report pursuant to Section 6.2(g), then, until the Borrowing Base is redetermined pursuant to the terms hereof, the “Commitment Fee Rate” means the rate per annum set forth on the grid when the applicable Percentage of Borrowing Base Usage is at its highest level.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“Communications” has the meaning set forth in Section 10.2(c).

“Compliance Certificate” means a certificate substantially in the form of Exhibit C.

“Consolidated Net Income” means, for any period, for Borrower and its Restricted Subsidiaries on a consolidated basis, the net income of Borrower and its Restricted Subsidiaries from continuing operations after extraordinary items (excluding gains or losses from Dispositions of assets) for that period; provided that the Borrower shall exclude (x) any ceiling test write-down and impairment write-

downs required by GAAP or by the Securities and Exchange Commission, (y) any non-cash charges or losses and any non-cash income or gains, in each case described in, and calculated pursuant to, ASC Topic 410 and 815, formerly FAS 143 and 133, but shall expressly include any cash charges or payments in respect of the termination of any Hedging Agreement; provided that there shall further be excluded from such net income (to the extent otherwise included therein) the following: (a) the net income of any Person (other than the Borrower) if such Person is not a Restricted Subsidiary, except (i) the Borrower's equity in the net income of any such Person shall be included in Consolidated Net Income to the extent of the amount of dividends or distributions actually paid in cash during such period by such other Person to the Borrower or to a Restricted Subsidiary, as the case may be (and in the case of a dividend or other distribution to a Restricted Subsidiary, such Restricted Subsidiary is not precluded from further distributing such amount to the Borrower as described in clause (b)) and (ii) the Borrower's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income; and (b) the net income (but not loss) during such period of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Restricted Subsidiary is not at the time permitted by operation of the terms of its Organization Documents or any agreement, instrument or Laws applicable to such Restricted Subsidiary or is otherwise restricted or prohibited, in each case determined in accordance with GAAP.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Credit Extension” means each of the following: (a) a Borrowing, and (b) an L/C Credit Extension.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States of America or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to (a) the Base Rate plus (b) the Base Rate Spread, if any, applicable to Base Rate Loans plus (c) 2% per annum; provided, however, that with respect to a LIBO Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any LIBOR Spread) otherwise applicable to such Loan plus 2% per annum, in each case to the fullest extent permitted by applicable Laws.

“Defaulting Lender” means, subject to Section 2.16(f), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any Issuing Bank, or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within two Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or any Issuing Bank in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is

based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.16(f)) upon delivery of written notice of such determination to the Borrower, each Issuing Bank and each Lender.

“Disqualified Stock” means any equity interest that, by its terms (or by the terms of any security or other equity interest into which it is convertible or for which it is exchangeable), or upon the happening of any event, (i) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or (ii) is redeemable at the option of the holder thereof, in whole or in part, (iii) provides for scheduled payments or dividends in cash or (iv) is or becomes convertible into or exchangeable for Indebtedness or any other equity interests that would constitute Disqualified Stock.

“Disposition” or “Dispose” means the sale, transfer, license or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Dollar” and “\$” means lawful money of the United States of America.

“EBITDAX” means, for any period, the sum of Consolidated Net Income for such period, *plus*, to the extent deducted from Consolidated Net Income in such period, the sum (determined without duplication) of (i) the aggregate amount of interest expense paid (or payable) in cash during such period on Indebtedness of the Borrower and the Restricted Subsidiaries (including the interest portion of capital leases and Synthetic Lease Obligations), (ii) taxes, (iii) depreciation, depletion, amortization expenses, exploration expenses, impairments, other noncash charges or losses to the Borrower or any Restricted Subsidiary, *minus*, to the extent included in Consolidated Net Income in such period, any noncash income included in Consolidated Net Income. Notwithstanding the foregoing, the items specified in clauses (i) and (iii) for any Restricted Subsidiary shall be added to Consolidated Net Income in calculating EBITDAX only:

(a) in proportion to the percentage of the total equity interests of such Restricted Subsidiary held directly or indirectly by the Borrower, and

(b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to the Borrower by such Restricted Subsidiary pursuant to its Organization Documents and each Applicable Law, agreement or judgment applicable to such distribution.

“Eligible Assignee” has the meaning specified in Section 10.7.6.

“Engineering Report” means the Initial Engineering Report and each engineering report delivered pursuant to Section 6.2(g) or 6.2(h).

“Environmental Laws” means all Laws relating to environmental, health, safety and land use matters applicable to any property.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations issued pursuant thereto.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with the Borrower or any Guarantor within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; (f) the determination that any Pension Plan is considered an at-risk plan within the meaning of Section 430 of the Code or Section 303 of ERISA; (g) the determination that any Multiemployer Plan is in endangered or critical status within the meaning of Sections 431 and 432 of the Code or Sections 304 and 305 of ERISA; or (h) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

“Event of Default” means any of the events or circumstances specified in Article VIII.

“Excluded Swap Obligation” means, with respect to any Loan Party, any obligation or liability in respect of a Hedging Agreement if, and to the extent that, all or a portion of such obligation or liability of such Loan Party with respect to, or the grant by such Loan Party of a security interest to secure, such obligation or liability (or any guaranty thereof or other agreement or undertaking agreeing to guaranty, repay, indemnify or otherwise be liable therefor) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) (a) by virtue of such Loan Party’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the obligation or other liability of such Loan Party or the grant of such security interest becomes or would become effective with respect to such obligation or other liability or (b) in the case of any obligation or liability in respect of a Hedging Agreement subject to a clearing requirement pursuant to section 2(h) of the Commodity Exchange Act (or any successor provision thereto), because such Loan Party is a “financial entity,” as defined in section 2(h)(7)(C)(i) the Commodity Exchange Act

(or any successor provision thereto), at the time the obligation or other liability of such Loan Party becomes or would become effective with respect to such obligation or liability. If any obligation or liability in respect of a Hedging Agreement arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such obligation or liability that is attributable to swaps for which such guaranty obligation or other liability or security interest is or becomes illegal.

“Executive Order” has the meaning set forth in Section 5.14.

“FCPA” has the meaning set forth in Section 5.14.

“Federal Funds Rate” means, for any day, the rate per annum (rounded upwards to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

“Foreign Lender” has the meaning specified in Section 3.8.

“GAAP” means generally accepted accounting principles and practices that are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor). If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and the Borrower or the Majority Lenders or the Administrative Agent shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided that, until so amended, (a) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (b) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Governmental Requirements” means all judgment, orders, writs, injunctions, decrees, awards, laws, ordinances, statutes, regulations, rules, franchises, permits, certificates, licenses, authorizations and the like and any other requirements of any government or any commission, board, court, agency, instrumentality or political subdivision thereof.

“Guarantors” means each of the Subsidiaries listed in Part (b) of Schedule 5.13 and each other Subsidiary of the Borrower that shall have executed and delivered a Guaranty to the Administrative Agent for the benefit of the Lenders; provided that upon the release of any Subsidiary’s Guaranty in accordance with this Agreement, such Subsidiary shall thereafter be excluded from the definition of “Guarantors” (unless and until such Subsidiary shall thereafter deliver another Guaranty).

“Guaranty” means (a) each subsidiary guaranty (including any amended and restated subsidiary guaranty) dated as of the date hereof made by each of the Guarantors in favor of the Administrative Agent on behalf of the Lenders, substantially in the form of Exhibit E and (b) each other guaranty (which shall also be substantially in the form of Exhibit E) in favor of the Administrative Agent on behalf of the Lenders delivered in accordance with this Agreement.

“Guaranty Obligation” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guarantying or having the economic effect of guarantying any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligees in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligees against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person; provided, however, that the term “Guaranty Obligation” shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guaranty Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guarantying Person in good faith.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Hedge Liquidation” means the sale, assignment, novation, liquidation, unwind, cancellation, modification or termination of all or any part of any Hedge Agreement included in the calculation of the Borrowing Base (other than, in each case, at its scheduled maturity).

“Hedging Agreement” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing and any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Hedging Termination Value” means, during any period between two successive scheduled redetermination dates of the Borrowing Base, the net effect of any Hedge Liquidation (after giving effect to any new hedge position or Hedging Agreement previously entered into during such period) (as reasonably determined by the Administrative Agent and the Required Borrowing Base Lenders) on the Borrowing Base then in effect.

“Highest Lawful Rate” has the meaning given to it in Section 10.10.

“Honor Date” has the meaning set forth in Section 2.3(c)(i).

“Hydrocarbon Interest” means all rights, titles, interests and estates now or hereafter acquired in and to oil and gas leases, oil, gas and mineral leases or other liquid or gaseous hydrocarbon leases, mineral fee interests, overriding royalty and royalty interests, operating rights, net profit interests, production payment interests and other similar types of interests, including any reserved or residual interest of whatever nature.

“Hydrocarbons” means oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom.

“ICC” has the meaning set forth in Section 2.3(g).

“Increasing/Additional Lender Agreement” has the meaning set forth in Section 2.15(b).

“Indebtedness” means, as to any Person at a particular time, all of the following:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) any direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), banker’s acceptances, bank guaranties, surety bonds and similar instruments;

(c) net obligations under any Hedging Agreement in an amount equal to (i) if such Hedging Agreement has been closed out, the termination value thereof, or (ii) if such Hedging Agreement has not been closed out, the mark-to-market value thereof determined on the basis of readily available quotations provided by any recognized dealer in such Hedging Agreement;

(d) whether or not so included as liabilities in accordance with GAAP, (i) all obligations of such Person to pay the deferred purchase price of property or services (but excluding accounts payable incurred in the ordinary course of business that are not more than 90 days past due unless contested in good faith by appropriate proceedings and for which adequate reserves under GAAP have been established therefor, and any guaranties by the Borrower or any Subsidiary of such accounts payable), and (ii) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse, provided that the amount of such indebtedness that constitutes Indebtedness shall be the lesser of the amount so such indebtedness or the fair market value of the property owned or being purchased;

(e) capital leases and Synthetic Lease Obligations;

(f) obligations to deliver commodities, goods or services, including, without limitation, Hydrocarbons, in consideration of one or more advance payments, other than gas balancing arrangements in the ordinary course of business (but only to the extent of such advance payments);

(g) obligations under “take or pay” or similar agreements (other than obligations under firm transportation or drilling contracts);

(h) the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment; and

(i) all Guaranty Obligations of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person except for customary exceptions acceptable to the Majority Lenders. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

“Indemnified Liabilities” has the meaning set forth in Section 10.5.

“Indemnitees” has the meaning set forth in Section 10.5.

“Indenture Debt Documents” means, individually and collectively, (i) the 2012 Senior Notes Indenture, (ii) the 2011 Senior Notes Indenture, (iii) any Permitted Additional Notes Indenture and (iv) any documents related to or delivered in connection with the issuance of any Permitted Refinancing Indebtedness.

“Initial Audited Financial Statements” means each of the audited consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2012 and the related consolidated statements of income and cash flows of the Borrower for the fiscal year ended December 31, 2012.

“Initial Engineering Report” means the engineering report dated as of July 1, 2013, prepared by the Borrower.

“Interest Coverage Ratio” means the ratio of (i) EBITDAX for the period of four consecutive fiscal quarters then ending on such date to (ii) Interest Expense for the period of four consecutive fiscal quarters then ending on such date.

“Interest Expense” means, for any period, the total interest expense of the Borrower and its Restricted Subsidiaries, plus, to the extent not included in such total interest expense, and to the extent incurred by the Borrower or its Restricted Subsidiaries, interest expense attributable to capital lease obligations and Synthetic Lease Obligations, capitalized interest, amortization of debt issuance costs and original issue discount, net payments under interest rate Hedging Agreements, any interest expense on Indebtedness of another Person that is Guaranteed by the Borrower or any of its Restricted Subsidiaries or secured by a Lien on the assets of the Borrower or any of its Restricted Subsidiaries, plus all dividends whether paid or accrued on any series of preferred stock of the Borrower or any of its Restricted Subsidiaries (other than dividends on equity interests payable solely in equity interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of the Company).

“Interest Payment Date” means (a) as to any LIBO Rate Loan, the last day of each Interest Period applicable to such Loan; provided, however, that if any Interest Period for a LIBO Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the last Business Day of each March, June, September and December, and the Maturity Date.

“Interest Period” means as to each LIBO Rate Loan, the period commencing on the date such LIBO Rate Loan is disbursed or (in the case of any Base Rate Loan) converted to or continued as a LIBO Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Borrower in its Notice of Advance; provided that:

a. any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of a LIBO Rate Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

b. any Interest Period pertaining to a LIBO Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

c. no Interest Period shall extend beyond the scheduled Maturity Date.

“Investment” means, as to any Person, any acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, guaranty of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“IRS” means the United States Internal Revenue Service.

“Issuing Bank” means Bank of Montreal in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder.

“KKR Participation Agreement” means that certain Participation Agreement dated as of July 30, 2012 by and among KKR Commander Holding L.P., KFH Commander Holding L.P., and Comstock Oil & Gas, LP, as amended from time to time.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“L/C Advance” means, with respect to any Lender, such Lender’s participation in any L/C Borrowing in accordance with its Percentage Share.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit that has not been either reimbursed on the date when made or refinanced as a Borrowing.

“L/C Collateral” has the meaning set forth in Section 2.3(k)(i).

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the renewal or increase of the amount thereof.

“L/C Obligations” means, as at any date of determination, the aggregate undrawn face amount of all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings.

“Lender” has the meaning set forth in the introductory paragraph hereto and, as the context requires, includes the Issuing Bank.

“Lender Assignment” means a Lender Assignment substantially in the form of Exhibit D.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such on Schedule 10.2, or such other office or offices as a Lender may from time to time designate to the Borrower and the Administrative Agent.

“Letter of Credit” means any standby or commercial letter of credit issued hereunder.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a letter of credit in the form from time to time in use by the Issuing Bank.

“Letter of Credit Availability Expiration Date” means the day that is seven (7) days prior to the Maturity Date (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Sublimit” means an amount equal to the lowest of (x) the Aggregate Commitments, (y) \$50,000,000, and (z) the Borrowing Base. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments.

“LIBO Rate” shall mean, with respect to any LIBO Rate Loan within a Borrowing and with respect to the related Interest Period, the rate of interest per annum equal to the offered quotation appearing on Reuters Screen LIBOR01 Page at approximately 11:00 a.m. (London time) on the date which is two Business Days prior to the beginning of the relevant Interest Period (or if such Reuters Screen LIBOR01 Page shall not be available, the rate per annum determined by the Administrative Agent by reference to the British Bankers’ Association Interest Settlement Rate for deposits in U.S. dollars as set forth by any service which has been nominated by the British Bankers’ Association as an authorized information vendor for the purpose of displaying such rates) for a period most closely approximating such Interest Period, provided that, to the extent that an interest rate is not ascertainable pursuant to the foregoing provision of this definition, the “LIBO Rate” shall be the interest rate per annum, determined by the Administrative Agent to be the average of the rates per annum at which deposits in U.S. dollars are offered for such relevant Interest Period to major banks in the London interbank market in London, England by the Administrative Agent at approximately 11:00 a.m. (London time) on the date which is two Business Days prior to the beginning of such Interest Period.

“LIBO Rate Loan” means a Loan that bears interest at the Adjusted LIBO Rate.

“LIBOR Spread” means with respect to any LIBO Rate Loan for any time prior to the Maturity Date, the percentage per annum set forth below under the caption “LIBOR Spread,” determined by reference to the percentage of the Borrowing Base that the sum of all Loans outstanding plus all L/C Obligations represents at that time.

<u>Percentage of Borrowing Base Usage</u>	<u>LIBOR Spread</u>
≥ 90%	2.500%
≥75% but <90%	2.250%
≥50% but <75%	2.000%
≥25% but <50%	1.750%
<25%	1.500%

Each change in the LIBOR Spread shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change; provided, however, that if at any time the Borrower fails to deliver a reserve report pursuant to Section 6.2(g), then, until the Borrowing Base is redetermined pursuant to the terms hereof, the “LIBOR Spread” means the rate per annum set forth on the grid when the applicable Percentage of Borrowing Base Usage is at its highest level.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable Laws of any jurisdiction), including the interest of a purchaser of accounts receivable.

“Loan” has the meaning set forth in Section 2.1.

“Loan Documents” means this Agreement, each Note, the Agent and Arranger Fee Letter, each Notice of Advance, each Letter of Credit Application, each Letter of Credit, each of the Security Documents, each Compliance Certificate, each Guaranty, each Subordination Agreement and all other written agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith; provided that for the avoidance of doubt, a Hedging Agreement between a Loan Party and a Lender or Affiliate of a Lender shall not constitute a Loan Document.

“Loan Parties” means, collectively, the Borrower and each Guarantor.

“Majority Lenders” means, as of any date of determination, Non-Defaulting Lenders whose Voting Percentages aggregate to greater than 50.0%.

“Mandatory Prepayment Amount” has the meaning set forth in Section 2.4(b)(ii)(A).

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, or condition (financial or otherwise) of the Borrower and its Restricted Subsidiaries taken as a whole; (b) a material impairment of the ability of any Loan Party to

perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party or upon the rights and remedies of the Administrative Agent, the Issuing Bank, or any Lender under any Loan Document.

“Material Subsidiary” means a direct or indirect Subsidiary of the Borrower with, together with its Subsidiaries, assets having a net book value or fair market value (determined in good faith by a Responsible Officer of the Borrower) in excess of \$25,000,000.

“Matured L/C Obligations” means all amounts paid by Issuing Bank on drafts or demands for payment drawn or made under or purported to be under any Letter of Credit (or under or in connection with any L/C Application) that have not been repaid to the Issuing Bank (with the proceeds of a Loan or otherwise).

“Maturity Date” means (a) November 22, 2018, or (b) such earlier date upon which the Commitments may be terminated in accordance with the terms hereof.

“Maximum Loan Amount” means \$1,100,000,000 as such amount may be reduced from time to time pursuant to Section 2.5.

“Mortgage” means each mortgage, deed of trust or similar document described in the Security Schedule and any other mortgage, deed of trust or similar document delivered pursuant to this Agreement, in each case, as amended, supplemented, restated or otherwise modified from time to time.

“Mortgaged Property” has the meaning set forth in the Mortgage.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding three calendar years, has made or been obligated to make contributions.

“Net Sale Proceeds” means, with respect to any Disposition of any asset by the Borrower or any Restricted Subsidiary, the aggregate amount of cash or cash equivalents received by or paid to or for the account of the Borrower or such Restricted Subsidiary from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable out-of-pocket costs and fees, (b) the amount of taxes payable in connection with or as a result of such transaction and (c) the amount of any Indebtedness permitted by Section 7.3 hereof secured by a Lien on such asset permitted by Section 7.1 hereof that, by the terms of the agreement or instrument governing such Indebtedness, is required to be repaid or may be prepaid upon such disposition, in each case, to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of the Borrower or such Restricted Subsidiary and are properly attributable to such transaction or to the asset that is the subject thereof.

“Non-Defaulting Lender” means, at any time, any Lender that is not a Defaulting Lender at such time.

“Non-Recourse Debt” means Indebtedness:

- (a) as to which neither the Borrower nor any of its Restricted Subsidiaries constitutes the lender;

(b) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Borrower or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(c) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Borrower or any of its Restricted Subsidiaries.

“Note” means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit B.

“Notice of Advance” means a notice, which, if in writing, shall be substantially in the form of Exhibit A, of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Loans as the same Type, pursuant to Section 2.2(a).

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest that accrues after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding.

“OFAC” has the meaning set forth in Section 5.14.

“Oil and Gas Properties” means Hydrocarbon Interests; the properties now or hereafter pooled or unitized with Hydrocarbon Interests; all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any Governmental Authority have jurisdiction) that may affect all or any portion of the Hydrocarbon Interests; all operating agreements, contracts and other agreements that relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interest; all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, the lands covered thereby and all oil in tanks and all rents, issues, profits, proceeds, products, revenues and other income from or attributable to the Hydrocarbon Interests; all tenements, hereditaments, appurtenances and properties in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests, properties, rights, titles, interests and estates described or referred to above, including any and all property, real or personal, now owned or hereinafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or property (excluding drilling rigs, automotive equipment or other personal property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing.

“Optional Indebtedness Payment” has the meaning set forth in Section 7.12.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws; (b) with respect to any limited liability company, the articles of formation and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation with the secretary of state or other department in the state of its formation, in each case as amended from time to time.

“Outstanding Amount” means (i) with respect to Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Loans occurring on such date; and (ii) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

“Participant” has the meaning set forth in Section 10.7(c).

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Act” means the Pension Protection Act of 2006.

“Pension Funding Rules” means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and set forth in, with respect to plan years ending prior to the effective date of the Pension Act, Section 412 of the Code and Section 302 of ERISA, each as in effect prior to the Pension Act and, thereafter, Sections 412, 430, 431, 432 and 436 of the Code and Sections 302,303,304 and 305 of ERISA.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years, or with respect to which the Borrower or any ERISA Affiliate otherwise has liability or contingent liability.

“Percentage Share” means, with respect to each Lender, the percentage (carried out to the ninth decimal place) set forth opposite the name of such Lender on Schedule 2.1 (as amended or modified from time to time) or on the relevant Lender Assignment, as the case may be, as such percentage share may be adjusted as provided herein (including pursuant to Section 2.15).

“Permitted Additional Notes” means senior unsecured notes issued by the Borrower from time to time after the Closing Date; provided that (a) the final maturity date of such senior unsecured notes shall not be earlier than 91 days after the Maturity Date (as in effect on the date of issuance of such senior unsecured notes); (b) such senior unsecured notes and any Permitted Additional Notes Indenture under which such senior unsecured notes are issued contain customary terms and conditions for senior unsecured notes of like tenor and amount and do not contain any covenants, events or default or other provisions (other than interest rate and redemption premiums) that, on the whole, are materially more onerous to the Borrower and its Subsidiaries than those imposed by the 2012 Senior Notes Indenture (c) at the time of and immediately after giving effect to each incurrence of such Indebtedness, no Event of Default shall have occurred and be continuing; (d) such Indebtedness does not have any scheduled per

annum principal amortization prior to the date which is 91 days after the Maturity Date as in effect on the date such Indebtedness is incurred; (e) if such Indebtedness is senior subordinated Indebtedness, such Indebtedness is expressly subordinate to the payment in full of all of the Secured Obligations on terms and conditions reasonably satisfactory to the Administrative Agent; (f) such Indebtedness does not have any mandatory prepayment, defeasance, tender, repurchase, sinking fund or redemption provisions (other than customary change of control or asset sale tender offer provisions, in each case to the extent required to be applied first to the Secured Obligations to the extent required by this Agreement); and (g) the stated interest or coupon rate of such new Indebtedness is reasonably acceptable to the Administrative Agent.

“Permitted Additional Notes Indenture” means any indenture, by and between Borrower and a trustee, and related documentation entered into in connection therewith pursuant to which the Permitted Additional Notes shall have been issued, as the same may be amended, restated, modified or supplemented from time to time.

“Permitted Refinancing Indebtedness” means unsecured Indebtedness of the Borrower (for purposes of this definition, “new Indebtedness”) incurred in exchange for, or proceeds of which are used to refinance, all or any portion of the 2012 Senior Notes, the 2011 Senior Notes or any Permitted Additional Notes (the portion refinanced, the “Refinanced Indebtedness”); provided that (a) such new Indebtedness is in an aggregate principal amount not in excess of the sum of (i) the aggregate principal amount of the Refinanced Indebtedness and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing; (b) such new Indebtedness has a stated maturity no shorter than the date that is 91 days after the Maturity Date and weighted average life to maturity equal to or greater than that of the Refinanced Indebtedness; (c) such new Indebtedness does not contain any covenants, events of default or other terms (other than interest rate and redemption premiums) that, on the whole, are materially more onerous to the Borrower and its Subsidiaries than those imposed by the Refinanced Indebtedness; (d) the stated interest or coupon rate of such new Indebtedness is reasonably acceptable to the Administrative Agent; (e) no Event of Default shall exist at the time of, or result from, the issuance of such new Indebtedness; (f) if the Refinanced Indebtedness is subordinated in right of payment to the Secured Obligations, such new Indebtedness is subordinated in right of payment to the Secured Obligations at least to the same extent as the Refinanced Indebtedness; (g) such Indebtedness does not have any scheduled per annum principal amortization prior to the date which is 91 days after the Maturity Date as in effect on the date such Indebtedness is incurred; (h) if such Indebtedness is senior subordinated Indebtedness, such Indebtedness is expressly subordinate to the payment in full of all of the Secured Obligations on terms and conditions reasonably satisfactory to the Administrative Agent; and (i) such Indebtedness does not have any mandatory prepayment, defeasance, tender, repurchase, sinking fund or redemption provisions (other than customary change of control or asset sale tender offer provisions, in each case to the extent required to be applied first to the Secured Obligations to the extent required by this Agreement). For the avoidance of doubt, that portion of any Indebtedness initially issued as Permitted Additional Notes the proceeds of which are used to call, redeem or repurchase 2012 Senior Notes or 2011 Senior Notes and the principal amount of which is ultimately deducted from the Borrowing Base adjustment pursuant to Section 2.8(d)(ii) shall constitute Permitted Refinancing Indebtedness.

“Person” means any individual, trustee, corporation, general partnership, limited partnership, limited liability company, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture or Governmental Authority.

“Plan” means any “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) established by the Borrower or any ERISA Affiliate, or with respect to which the Borrower or any ERISA Affiliate otherwise has liability or contingent liability.

“Platform” has the meaning set forth in Section 10.2(d).

“Pledge Agreement” means each amended and restated Pledge Agreement and Irrevocable Proxy dated as of the date hereof in favor of the Administrative Agent for the benefit of the Lenders in the form of Exhibit H and each other pledge agreement in substantially the same form in favor of the Administrative Agent for the benefit of the Lenders delivered in accordance with this Agreement.

“Pledged Note” mean each Pledged Note described in a Pledge Agreement pledged to the Administrative Agent for the benefit of the Lenders and the Issuing Bank.

“Prior Credit Facility” is defined in the first preliminary statement hereto.

“Prior Indebtedness” is defined in the second preliminary statement hereto.

“Prior Lenders” is defined in the first preliminary statement hereto.

“Proved Reserves” means those Hydrocarbons that have been estimated with reasonable certainty, as demonstrated by geological and engineering data, to be economically recoverable from the Oil and Gas Properties by existing producing methods under existing economic conditions.

“Qualified ECP Obligor” means, in respect of any obligation or liability in respect of a Hedging Agreement, each Loan Party that has total assets exceeding \$10,000,000 at the time the relevant guaranty obligation or other liability or grant of the relevant security interest becomes or would become effective with respect to such any obligation or liability or such other person as constitutes an “eligible contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an “eligible contract participant” at such time by entering into a keepwell under section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

“Register” has the meaning set forth in Section 10.7(b)(ii).

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30-day notice period has been waived.

“Required Borrowing Base Lenders” means, as of any date of determination, Non-Defaulting Lenders whose Voting Percentages aggregate to 66-2/3% or more.

“Reserve Percentage” means, on any day with respect to each particular Borrowing comprised of LIBO Rate Loans, the maximum reserve requirement as determined by the Administrative Agent (including without limitation any basic, supplemental, marginal, emergency or similar reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements), expressed as a percentage, which would then apply under Regulation D with respect to “Eurocurrency liabilities” (as such term is defined in Regulation D) equal in amount to each Lender’s LIBO Rate Loan in such Borrowing, were such Lender to have any such “Eurocurrency liabilities”. If such reserve requirement shall change after the date hereof, the Reserve Percentage shall be automatically increased or decreased, as the case may be, from time to time as of the effective time of each such change in such reserve requirement.

“Responsible Officer” means the president, chief financial officer, treasurer or assistant treasurer of a Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any equity interest of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such equity interest or of any option, warrant or other right to acquire any such equity interest.

“Restricted Subsidiary” means (a) each of COGI GP, COGI LP, COGI, COGH and COGLA and (b) each other Subsidiary of the Borrower that is not designated as an Unrestricted Subsidiary pursuant to Section 1.6.

“Secured Obligations” means, collectively, the Obligations and all liabilities and obligations of the Borrower or any Restricted Subsidiary arising under any Hedging Agreement now or hereafter existing between or among the Borrower or any Restricted Subsidiary and any Lender or any Affiliate of any Lender; provided, however, that the definition of “Secured Obligations” shall not create any guarantee by any Loan Party of (or grant of security interest by any Loan Party to support, as applicable) any Excluded Swap Obligations of such Loan Party for purposes of determining any obligations of any Loan Party.

“Security Agreement” means (a) each amended and restated Security Agreement dated as of the date hereof in favor of the Administrative Agent for the benefit of the Lenders substantially in the form of Exhibit I, and (b) each other security agreement (which shall also be substantially in the form of Exhibit I) in favor of the Administrative Agent on behalf of the Lender delivered in accordance with this Agreement.

“Security Documents” means the instruments listed in the Security Schedule and any other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Person to the Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of all or any part of the Secured Obligations.

“Security Schedule” means Schedule 4.1 hereto.

“Subordination Agreement” means the Fourth Amended and Restated Intercompany Subordination Agreement dated the date hereof and substantially in the form of Exhibit G, as the same may be amended, modified, supplemented or restated from time to time.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Total Debt” means all Indebtedness of the Borrower and the Restricted Subsidiaries on a consolidated basis described under clauses (a) and (c) through (f) of the definition of “Indebtedness”.

“Type” means with respect to a Loan, its character as a Base Rate Loan or a LIBO Rate Loan.

“Unreimbursed Amount” has the meaning set forth in Section 2.3(c)(i).

“Unrestricted Subsidiary” means (a) so long as it otherwise constitutes a Subsidiary and meets the requirements set forth in Section 6.18, CAM, and (b) each other Subsidiary of the Borrower designated by the Borrower as an Unrestricted Subsidiary in accordance with, and subject to the satisfaction of the conditions set forth in, Section 1.6.

“Voting Percentage” means, as to any Non-Defaulting Lender, (a) at any time when the Commitments are in effect, the percentage of all Non-Defaulting Lenders’ Commitment Amounts (including such Non-Defaulting Lender) held by such Non-Defaulting Lender and (b) at any time after the termination of the Commitments, the percentage (carried out to the ninth decimal place) which (i) the sum of (A) the Outstanding Amount of such Non-Defaulting Lender’s Loans, plus (B) such Non-Defaulting Lender’s Percentage Share of the Outstanding Amount of L/C Obligations, then constitutes of (ii) the sum of Outstanding Amount of all Non-Defaulting Lenders’ Loans and L/C Obligations (including such Non-Defaulting Lender’s Loans and L/C Obligations).

SECTION 1.2 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words “herein” and “hereunder” and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Unless otherwise specified herein, Article, Section, Exhibit and Schedule references are to this Agreement.

(iii) The term “including” is by way of example and not limitation.

(iv) The term “documents” includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced.

(c) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(d) Section headings herein and the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

(e) Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

SECTION 1.3 Accounting Terms. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Initial Audited Financial Statements, except as otherwise specifically prescribed herein.

SECTION 1.4 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

SECTION 1.5 References to Agreements and Laws. Unless otherwise expressly provided herein, (a) references to agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

SECTION 1.6 Designation and Conversion of Restricted and Unrestricted Subsidiaries.

(a) Unless designated in writing to the Administrative Agent by the Borrower and approved by the Administrative Agent and the Majority Lenders in accordance with clause (b) below, any Person that becomes a Subsidiary of the Borrower or any of its Restricted Subsidiaries (whether by formation, acquisition or merger) shall be classified as a Restricted Subsidiary; provided, however, that CAM shall be classified and designated as an Unrestricted Subsidiary and shall at all times remain an Unrestricted Subsidiary so long as it is a Subsidiary and meets the requirements set forth in Section 6.18.

(b) Any Subsidiary of the Borrower (including a newly formed or newly acquired Subsidiary), excluding any Guarantor, may be designated (or redesignated) as an Unrestricted Subsidiary if (i) the Administrative Agent shall have received (1) a written request from the Borrower specifying the applicable Subsidiary and such other information as the Administrative Agent may reasonably request, (2) the written consent of the Administrative Agent and the Majority Lenders approving such designation, and (3) a certificate of a Responsible Officer of the Borrower certifying that no Default or Event of Default shall then exist or would result from such designation (after giving effect to such designation), and (ii) such designation is deemed to be an Investment in an amount equal to the fair market value of Borrower's direct and indirect ownership interest in such Subsidiary and such Investment would be permitted under Section 7.2 to be made at the time of such designation. Except as provided in this Section 1.6(b), no Subsidiary may be designated (and no Restricted Subsidiary may be redesignated) as an Unrestricted Subsidiary.

(c) If, at any time, any Unrestricted Subsidiary would fail to meet the requirements for an Unrestricted Subsidiary set forth in Section 6.18, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Agreement and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Borrower as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 7.3, the Borrower shall be in default of such covenant.

(d) Borrower may designate any Unrestricted Subsidiary to be a Restricted Subsidiary if after giving effect to such designation, (i) the representations and warranties of Borrower and its Restricted Subsidiaries contained in each of the Loan Documents are true and correct on and as of such date as if made on and as of the date of such redesignation (or, if stated to have been made expressly as of an earlier date, were true and correct as of such date), (ii) the designation of any Unrestricted Subsidiary as a Restricted Subsidiary shall constitute the incurrence at the time of designation of any Indebtedness or Liens of such Subsidiary existing at such time, and the Borrower is in compliance with Sections 7.1 and 7.3 after giving effect to such designation, (iii) no Default or Event of Default then exists or would result from such redesignation (after giving effect to such redesignation), and (iv) the Borrower complies, or causes such Subsidiary to comply, with the requirements of Sections 6.16 and 6.18. Any such designation shall be evidenced by a certificate of a Responsible Officer of the Borrower delivered to the

Administrative Agent prior to such designation certifying that the conditions of this Section 1.6(c) are satisfied as of the date of such designation (and, as a condition precedent to the effectiveness of any such designation, the Borrower shall deliver to the Administrative Agent a certificate setting forth in reasonable detail the calculations demonstrating compliance on a pro forma basis with the covenants set forth in Section 7.13).

(e) No Subsidiary may be designated as an Unrestricted Subsidiary hereunder unless it is also designated as an “Unrestricted Subsidiary” for purposes of any Indenture Debt Documents and (ii) no Subsidiary designated as an Unrestricted Subsidiary may be designated as a Restricted Subsidiary hereunder unless it is also designated as a “Restricted Subsidiary” for purposes of any Indenture Debt Documents.

ARTICLE II.
THE COMMITMENTS AND CREDIT EXTENSIONS

SECTION 2.1 Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each such loan, a “Loan”) to the Borrower from time to time on any Business Day during the period from the Closing Date to the Maturity Date, in an aggregate amount not to exceed at any time outstanding the lesser of (x) such Lender’s Percentage Share of the aggregate amount of the Loans requested by the Borrower on such day and (y) such Lender’s Commitment Amount; provided, however, that after giving effect to any borrowing, (i) the aggregate Outstanding Amount of all Loans and L/C Obligations shall not exceed the lesser of (A) the Aggregate Commitments on such date and (B) the Borrowing Base then in effect, and (ii) the aggregate Outstanding Amount of the Loans of any Lender, plus such Lender’s Percentage Share of the Outstanding Amount of all L/C Obligations shall not exceed the lesser of such Lender’s Commitment Amount or such Lender’s Percentage Share of the Borrowing Base. Within the limits of each Lender’s Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.1, prepay under Section 2.4 and reborrow under this Section 2.1.

SECTION 2.2 Borrowings, Conversions and Continuations of Loans.

(a) Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Loans as the same Type shall be made upon the Borrower’s irrevocable prior written notice to the Administrative Agent in the form of a Notice of Advance. Each such notice must be received by the Administrative Agent not later than 12:00 p.m., central time, (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of LIBO Rate Loans or of any conversion of LIBO Rate Loans to Base Rate Loans, and (ii) on the requested date of any Borrowing of Base Rate Loans. Each Notice of Advance shall be appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing of, conversion to or continuation of LIBO Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$1,000,000 in excess thereof. Each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof. Each Notice of Advance shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Loans as the same Type, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Notice of Advance or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made or continued as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable LIBO Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of LIBO Rate Loans in any such Notice of Advance, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Notice of Advance, the Administrative Agent shall promptly notify each Lender of its Percentage Share of the applicable Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in the preceding subsection. Each Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent’s Office not later than 2:00 p.m. central time, on the Business Day specified in the applicable Notice of Advance. Upon satisfaction of the applicable conditions set forth in Section 4.2 (and, if such Borrowing is the initial Credit Extension, Section 4.1), the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of the Administrative Agent with the amount of

such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to the Administrative Agent by the Borrower; provided, however, that if, on the date of the Borrowing there are L/C Borrowings outstanding, then the proceeds of such Borrowing shall be applied, first, to the payment in full of any such L/C Borrowings, and second, to the Borrower as provided above. Unless the Administrative Agent shall have received prompt notice from a Lender that such Lender will not make available to the Administrative Agent such Lender's Loans, the Administrative Agent may in its discretion assume that such Lender has made such Loans available to the Administrative Agent in accordance with this section and the Administrative Agent may if it chooses, in reliance upon such assumption, make such Loan available to the Borrower. If and to the extent such Lender shall not so make its Loan available to the Administrative Agent, such Lender and the Borrower severally agree to pay or repay to the Administrative Agent within two Business Days after demand the amount of such Loan together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is paid or repaid to the Administrative Agent, to be calculated as to such Lender at the Federal Funds Rate, and to be calculated as to the Borrower at the interest rate applicable at the time to the other Loans made on such date. If any Lender fails to make such payment to the Administrative Agent within such two Business Day period, such Lender shall in addition to such amount pay interest thereon, for each day from the date such Loan is made available to the Borrower until the date such amount is paid or repaid to the Administrative Agent, at the interest rate applicable at the time to the other Loans made on such date. The failure of any Lender to make any Loan to be made by it hereunder shall not relieve any other Lender of its obligation hereunder, if any, to make its Loan, but no Lender shall be responsible for the failure of any other Lender to make any Loan to be made by such other Lender.

(c) Except as otherwise provided herein, a LIBO Rate Loan may be continued or converted only on the last day of the Interest Period for such LIBO Rate Loan. During the existence of a Default, Event of Default or Borrowing Base Deficiency, no Loans may be requested as, converted to or continued as LIBO Rate Loans.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any LIBO Rate Loan upon determination of such interest rate. The determination of the LIBO Rate by the Administrative Agent shall be conclusive in the absence of manifest error. The Administrative Agent shall notify the Borrower and the Lenders of any change in Administrative Agent's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than ten (10) LIBO Interest Periods in effect with respect to Loans.

SECTION 2.3 Letters of Credit.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) the Issuing Bank agrees, in reliance upon the agreements of the other Lenders set forth in this Section 2.3, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Availability Expiration Date, to issue Letters of Credit for the account of the Borrower and in the name of the Borrower or any of its Restricted Subsidiaries, and to amend or renew Letters of Credit previously issued by it, in accordance with Section 2.3(b) below, and (2) to honor drafts under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower; provided that the Issuing Bank shall not be obligated to make any L/C Credit Extension with respect to any Letter of Credit, and no Lender shall be obligated to participate in, any Letter of Credit if as of the date of such L/C Credit Extension, (w) with respect to any renewal, extension or amendment to any previously issued

Letter of Credit, the Restricted Subsidiary in whose name such Letter of Credit was originally issued (or was most recently renewed, extended or amended, if applicable) has become, or been redesignated as, an Unrestricted Subsidiary, (x) the Outstanding Amount of all L/C Obligations and all Loans would exceed the lesser of (A) the Aggregate Commitments on such date and (B) the Borrowing Base then in effect, (y) the aggregate Outstanding Amount of the Loans of any Lender, plus such Lender's Percentage Share of the Outstanding Amount of all L/C Obligations would exceed the lesser of (A) such Lender's Commitment Amount or (B) such Lender's Percentage Share of the Borrowing Base then in effect, or (z) the Outstanding Amount of the L/C Obligations would exceed the Letter of Credit Sublimit. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(ii) The Issuing Bank shall be under no obligation to issue any Letter of Credit if:

(A) the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last renewal, unless the Majority Lenders acting in their sole discretion have approved in writing such expiry date;

(B) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Availability Expiration Date, unless all the Lenders acting in their sole discretion have approved in writing such expiry date;

(C) the issuance of such Letter of Credit would violate one or more policies of the Issuing Bank;

(D) such Letter of Credit is in a face amount less than \$100,000, or denominated in a currency other than Dollars, unless all the Lenders acting in their sole discretion have approved in writing the issuance of Letters of Credit denominated in a currency other than Dollars; or

(E) such Letter of Credit is to be used directly or indirectly to assure payment of or otherwise support any Person's Indebtedness for borrowed money;

(F) the issuance of such Letter of Credit is not in compliance with all applicable governmental restrictions, policies, and guidelines (whether or not having the force of law) or it subjects the Issuing Bank to any cost not anticipated by the Issuing Bank on the date hereof;

(G) the form and terms of such Letter of Credit are not acceptable to the Administrative Agent and Issuing Bank in their sole and absolute discretion; and

(H) any other condition in this Agreement to the issuance of such Letter of Credit has not been satisfied.

(iii) The Issuing Bank shall be under no obligation to amend any Letter of Credit if (A) the Issuing Bank would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the Issuing Bank (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such Letter of Credit Application must be received by the

Issuing Bank and the Administrative Agent not later than 12:00 p.m., central time at least two Business Days (or such later date and time as the Issuing Bank may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the Issuing Bank: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the Issuing Bank may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the Issuing Bank (w) the Letter of Credit to be amended; (x) the proposed date of amendment thereof (which shall be a Business Day); (y) the nature of the proposed amendment; and (z) such other matters as the Issuing Bank may require.

(ii) Promptly after receipt of any Letter of Credit Application, the Issuing Bank will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, the Issuing Bank will provide the Administrative Agent with a copy thereof. Upon receipt by the Issuing Bank of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the Issuing Bank shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the Issuing Bank's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to and hereby does, purchase from the Issuing Bank a participation in such Letter of Credit in an amount equal to the product of such Lender's Percentage Share times the amount of such Letter of Credit.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon any drawing under any Letter of Credit, the Issuing Bank shall notify the Borrower and the Administrative Agent thereof. Not later than 12:00 p.m., central time, on the date of any payment by the Issuing Bank under a Letter of Credit (each such date, an "Honor Date"), the Borrower shall reimburse the Issuing Bank through the Administrative Agent in an amount equal to the amount of such drawing. If the Borrower fails to so reimburse the Issuing Bank by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and such Lender's Percentage Share thereof. In such event, the Borrower shall be deemed to have requested a Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.2 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the lesser of (x) the Aggregate Commitments and (y) the Borrowing Base then in effect and the conditions set forth in Section 4.2 (other than the delivery of a Notice of Advance). Any notice given by the Issuing Bank or the Administrative Agent pursuant to this Section 2.3(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender (including the Lender acting as Issuing Bank) shall upon any notice from the Administrative Agent pursuant to Section 2.3(c)(i) make funds available to the Administrative Agent for the account of the Issuing Bank at the Administrative Agent's Office in an amount equal to such Lender's Percentage Share of the Unreimbursed Amount not later

than 1:00 p.m., central time, on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.3(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Issuing Bank.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Base Rate Loans because the conditions set forth in Section 4.2 cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the Issuing Bank an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the Issuing Bank pursuant to Section 2.3(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.3(c).

(iv) Until each Lender funds its Loan or L/C Advance pursuant to this Section 2.3(c) to reimburse the Issuing Bank for any amount drawn under any Letter of Credit, interest in respect of such Lender's Percentage Share of such amount shall be solely for the account of the Issuing Bank.

(v) Each Lender's obligation to make Loans or L/C Advances to reimburse the Issuing Bank for amounts drawn under Letters of Credit, as contemplated by this Section 2.3(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Issuing Bank, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default or Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the Issuing Bank for the amount of any payment made by the Issuing Bank under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the Issuing Bank any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.3(c) by the time specified in Section 2.3(c)(ii), the Issuing Bank shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Issuing Bank at a rate per annum equal to (1) for the first two Business Days immediately following the date such payment is required, the Federal Funds Rate from time to time in effect, and (2) for each day thereafter, the Base Rate from time to time in effect. A certificate of the Issuing Bank submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the Issuing Bank has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.3(c), if the Administrative Agent receives for the account of the Issuing Bank any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), or any payment of interest thereon, the Administrative Agent will distribute to such Lender its Percentage Share thereof in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the Issuing Bank pursuant to Section 2.3(c) is required to be returned, each Lender shall pay to the Administrative Agent for the account of the Issuing Bank its Percentage Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to (1) with respect to the first two Business Days immediately following such demand, the Federal Funds Rate from time to time in effect, and (2) with respect to each day thereafter, the Base Rate from time to time in effect.

(e) Obligations Absolute. The obligation of the Borrower to reimburse the Issuing Bank for each drawing under each Letter of Credit, and to repay each L/C Borrowing and each drawing under a Letter of Credit that is refinanced by a Borrowing of Loans, shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the Issuing Bank under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the Issuing Bank under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will promptly notify the Issuing Bank. The Borrower shall be conclusively deemed to have waived any such claim against the Issuing Bank and its correspondents unless such notice is given as aforesaid.

(f) Role of Issuing Bank; Indemnity. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the Issuing Bank shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. No Agent-Related Person nor any of the respective correspondents, participants or assignees of the Issuing Bank shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the

Majority Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit. No Agent-Related Person, nor any of the respective correspondents, participants or assignees of the Issuing Bank, shall be liable or responsible for any of the matters described in clauses (i) through (y) of Section 2.3(e). The Borrower agrees to hold Issuing Bank and each Lender harmless and indemnified against any liability or claim in connection with or arising out of the subject matter of this section, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ISSUING BANK OR ANY LENDER, provided only that the Issuing Bank or such Lender shall not be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct as determined in a final judgment. In furtherance and not in limitation of the foregoing, the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the Issuing Bank shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason. If any Letter of Credit provides that it is transferable, the Issuing Bank shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall the Issuing Bank be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by the Issuing Bank to any purported transferee or transferees as determined by the Issuing Bank is hereby authorized and approved, and the Borrower further agrees to hold the Issuing Bank and each Lender harmless and indemnified against any liability or claim in connection with or arising out of the foregoing, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY THE ISSUING BANK OR ANY LENDER, provided only that the Issuing Bank or such Lender shall not be entitled to indemnification for that portion, if any, of any liability or claim which is caused by its own individual gross negligence or willful misconduct. All of Borrower's Obligations under this Section 2.3.6 shall survive termination of the Commitments or of this Agreement and repayment in full of the Obligations.

(g) Applicability of ISP98 and UCP. Unless otherwise expressly agreed by the Issuing Bank and the Borrower when a Letter of Credit is issued, (i) the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "ICC") at the time of issuance (including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to each commercial Letter of Credit.

(h) Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Percentage Share a Letter of Credit fee for each Letter of Credit equal to the LIBOR Spread then in effect with respect to Loans after giving effect to the L/C Obligations incurred with respect to such Letter of Credit times the actual daily maximum amount available to be drawn under such Letter of Credit. Such fee for each Letter of Credit shall be due and payable on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, and on the Letter of Credit Availability Expiration Date. If there is any change in the LIBOR Spread during any quarter, the actual daily amount of each Letter of

Credit shall be computed and multiplied by the LIBOR Spread with respect to Letters of Credit separately for each period during such quarter that such LIBOR Spread was in effect.

(i) Letter of Credit Fronting Fee and Documentary and Processing Charges Payable to Issuing Bank. The Borrower shall pay directly to the Issuing Bank for its own account a fronting fee in an amount equal to 0.1875% per annum on the daily maximum amount available to be drawn thereunder, due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, and on the Letter of Credit Availability Expiration Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. In addition, the Borrower shall pay directly to the Issuing Bank for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Issuing Bank relating to letters of credit as from time to time in effect. Such fees and charges are due and payable on demand and are nonrefundable. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(j) Conflict with Letter of Credit Application. In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

(k) L/C Collateral.

(i) L/C Obligations in Excess of Borrowing Base. (i) If, after the making of all mandatory prepayments required under Section 2.4(b), the aggregate amount of all Loans outstanding plus all L/C Obligations outstanding excluding L/C Obligations secured by cash collateral pursuant to this Section 2.3(k) will exceed the Borrowing Base, then the Borrower will immediately pay to the Issuing Bank an amount in cash equal to such excess, or (ii) should any L/C Obligations remain outstanding on the Maturity Date, then the Borrower will immediately pay the Issuing Bank an amount in cash equal to the aggregate amount of such Issuing Bank's L/C Obligations. The Issuing Bank will hold such amount as security for the remaining L/C Obligations ("L/C Collateral") until such L/C Obligations become Matured L/C Obligations, at which time such L/C Collateral may be applied to such Matured L/C Obligations. Neither this subsection nor the following subsection shall, however, limit or impair any rights which the Issuing Bank may have under any other document or agreement relating to any Letter of Credit or L/C Obligation, including any Letter of Credit Application, or any rights which the Issuing Bank or Lenders may have to otherwise apply any payments by the Borrower and L/C Collateral under Section 2.3(k).

(ii) Acceleration of L/C Obligations. If the Obligations or any part thereof become immediately due and payable pursuant to Section 8.2 then, unless the Majority Lenders otherwise specifically elect to the contrary (which election may thereafter be retracted by the Majority Lenders at any time), all L/C Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and the Borrower shall be obligated to pay to the Issuing Bank immediately an amount equal to the aggregate L/C Obligations which are then outstanding. All amounts so paid shall first be applied to Matured L/C Obligations and then held by the Issuing Bank as L/C Collateral until such L/C Obligations become Matured L/C Obligations, at which time such L/C Collateral shall be applied to such Matured L/C Obligations.

(iii) Investment of L/C Collateral. Pending application thereof, all L/C Collateral shall be invested by the Issuing Bank in such blocked account as the Issuing Bank may choose in its sole discretion reasonably exercised. All interest on such investments shall be reinvested or applied to Matured L/C Obligations. When all Obligations have been satisfied in full, including all L/C Obligations, all Letters of Credit have expired or been terminated, and all of

the Borrower's reimbursement obligations in connection therewith have been satisfied in full, the Issuing Bank shall release any remaining L/C Collateral. The Borrower hereby assigns and grants to the Issuing Bank a continuing security interest in all L/C Collateral paid by it to the Issuing Bank, all investments purchased with such L/C Collateral, and all proceeds thereof to secure its Matured L/C Obligations and its Obligations under this Agreement, the Notes, and the other Loan Documents, and the Borrower agrees that such L/C Collateral and investments shall be subject to all of the terms and conditions of the Borrower's Security Agreement. The Borrower further agrees that the Issuing Bank shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of New York with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

(iv) Calculations. A written advice setting forth in reasonable detail the amounts owing under this section, submitted by the Issuing Bank to the Borrower or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

SECTION 2.4 Prepayments.

(a) Voluntary Prepayments. The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than 12:00 p.m., central time, (A) three Business Days prior to any date of prepayment of LIBO Rate Loans, and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of LIBO Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (iii) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of such Lender's Percentage Share of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a LIBO Rate Loan shall be accompanied by all accrued interest thereon, together with any additional amounts required pursuant to Section 3.5. Each such prepayment shall be applied to the Loans of the Lenders in accordance with their respective Percentage Shares, provided that at the Borrower's election in connection with any prepayment pursuant to this Section 2.4(a), such prepayment shall not be applied to any Loans of a Defaulting Lender.

(b) Mandatory Prepayments. The Borrower shall make the following prepayments of the Loans:

(i) Outstandings Exceed Commitments. If for any reason the Outstanding Amount of all Loans and L/C Obligations at any time exceeds the Aggregate Commitments then in effect, the Borrower shall first immediately prepay Loans and second following repayment of the Loans, Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess.

(ii) Borrowing Base Deficiency.

(A) Upon any redetermination of or adjustment to the amount of the Borrowing Base in accordance with Sections 2.8(a), 2.8(c) or 2.8(d)(iv), the aggregate unpaid principal balance of the Loans plus the aggregate amount of L/C Obligations exceeds the Borrowing Base (a "Borrowing Base Deficiency"), the Borrower shall, within thirty (30) days after the Administrative Agent sends written notice of such fact to the Borrower, (1) prepay the principal of the Loans (and, upon prepayment of all Loans, shall, to the extent required, provide L/C Collateral as set forth in Section 2.3(k)) in an aggregate amount at least equal to such Borrowing

Base Deficiency (in this section, a “Mandatory Prepayment Amount”), or (2) give notice to the Administrative Agent electing to prepay such Mandatory Prepayment Amount in six (6) (or fewer) monthly installments. Each such installment shall equal or exceed one-sixth of such Borrowing Base Deficiency; the first such installment shall be paid within thirty (30) days of the giving of such notice of the Borrowing Base Deficiency by the Administrative Agent to the Borrower and the five (or fewer) subsequent installments shall be due and payable at one month intervals thereafter until such Borrowing Base Deficiency has been eliminated.

(B) If (1) at any time during the existence or continuation of a Borrowing Base Deficiency, the Borrower or any Guarantor makes a Disposition of assets (other than those described in clauses (a) through (d) of Section 7.5 hereof), or (2) a Disposition of assets included in the Borrowing Base results in a reduction of the Borrowing Base in accordance with Section 7.5(e) such that a Borrowing Base Deficiency occurs, then, in either case, the Borrower shall, or shall cause such Guarantor to, use the Net Sale Proceeds from such Disposition (whether or not such assets are included in the Borrowing Base) to prepay the Loans and, upon prepayment of all Loans, shall provide L/C Collateral as set forth in Section 2.3(k), within one (1) Business Day of such Disposition in an amount equal to 100% of the Borrowing Base Deficiency then existing or occurring as a result of such Disposition. Application of such Net Sale Proceeds shall be applied to the principal amount of the Loans until the Loans are paid in full and then shall be held as L/C Collateral in an amount equal to the aggregate amount of L/C Obligations pursuant to Section 2.3(k).

(C) If, as a result of a reduction in the Borrowing Base pursuant to Section 2.8(d)(ii) or Section 2.8(d)(iii), a Borrowing Base Deficiency results, then the Borrower shall prepay the Loans and, upon prepayment of all Loans, shall provide L/C Collateral as set forth in Section 2.3(k), within three (3) Business Days of the receipt of the proceeds of the Permitted Additional Notes in an amount equal to 100% of the Borrowing Base Deficiency then existing or occurring as a result of such issuance. Application of such proceeds shall be applied to the principal amount of the Loans until the Loans are paid in full and then shall be held as L/C Collateral in an amount equal to the aggregate amount of L/C Obligations pursuant to Section 2.3(k).

(D) Notwithstanding the foregoing, all payments required to be made pursuant to this Section 2.4(b)(ii) must be made on or prior to the Maturity Date.

SECTION 2.5 Reduction or Termination of Commitments and Maximum Loan Amount. The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Commitments and the Maximum Loan Amount, or permanently reduce the Aggregate Commitments and the Maximum Loan Amount to an amount not less than the then Outstanding Amount of all Loans and L/C Obligations; provided that (i) any such notice shall be received by the Administrative Agent not later than 12:00 p.m., central time three (3) Business Days prior to the date of termination or reduction, and (ii) any such partial reduction shall be in an aggregate amount of \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof. The Administrative Agent shall promptly notify the Lenders of any such notice of reduction or termination of the Aggregate Commitments and the Maximum Loan Amount. Once reduced in accordance with this Section, the Commitments may not be increased except in accordance with Section 2.15. Any reduction of the Aggregate Commitments shall be applied to the Commitment Amount of each Lender according to its Percentage Share. All commitment fees accrued until the

effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

SECTION 2.6 Repayment of Loans. The Borrower hereby promises to repay to the Lenders on the Maturity Date the aggregate principal amount of Loans outstanding on such date.

SECTION 2.7 Initial Borrowing Base. On the Closing Date, the Borrowing Base shall be an amount equal to \$625,000,000, which Borrowing Base shall remain in effect until the Borrowing Base is redetermined or reduced in accordance with this Agreement.

SECTION 2.8 Subsequent Determinations of Borrowing Base.

(a) The Borrowing Base shall be redetermined semiannually on or about May 1st and November 1st of each year (commencing May 1, 2014) as provided in this Section. The Borrower shall furnish to the Administrative Agent and each Lender all information, reports and data that the Administrative Agent has then reasonably requested concerning the Borrower's and the Guarantors' businesses and properties (including Borrower's and the Guarantors' Oil and Gas Properties and interests and the reserves and production relating thereto), together with (and by the date required for) any Engineering Report described in Section 6.2(g), if an Engineering Report is then due. Within thirty (30) days after receiving such information, reports and data, or as promptly thereafter as practicable, the Administrative Agent shall recommend a redetermined Borrowing Base to the Lenders. Such recommended Borrowing Base shall become effective upon the receipt by the Administrative Agent of the approval of the Required Borrowing Base Lenders. The failure of a Lender to respond or object to the recommended Borrowing Base within fifteen (15) days after notice thereof is given to such Lender by the Administrative Agent shall be deemed an acceptance and approval of such recommended Borrowing Base by such Lender. If such recommended Borrowing Base is not approved by Required Borrowing Base Lenders within fifteen (15) days after the Administrative Agent submits the recommended Borrowing Base to the Lenders, then each Lender shall submit in writing to the Administrative Agent, on or within fifteen (15) days after the Administrative Agent notifies the Lenders that the Lenders have not approved any such recommended Borrowing Base, such Lender's determination of the redetermined Borrowing Base in such case, the redetermined Borrowing Base shall be the highest amount approved by the Required Borrowing Base Lenders. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, WITHOUT THE PRIOR WRITTEN APPROVAL OF ALL OF THE LENDERS, SUCH APPROVAL TO BE IN EACH LENDER'S SOLE DISCRETION, THE REDETERMINED BORROWING BASE SHALL NOT BE INCREASED ABOVE THE AMOUNT OF THE BORROWING BASE IN EFFECT IMMEDIATELY PRIOR TO SUCH REDETERMINATION. The Administrative Agent shall by notice to the Borrower and the Lenders designate the amount of the Borrowing Base (determined by the Required Borrowing Base Lenders or all of the Lenders, as applicable, in accordance with the foregoing procedures) available to the Borrower hereunder, which designation shall take effect immediately on the date such notice is sent and shall remain in effect until but not including the next date as of which the Borrowing Base is redetermined or reduced in accordance with the terms of this Agreement. If the Borrower does not furnish all such information, reports and data by the date specified in the first sentence of this Section, the Administrative Agent may nonetheless designate the Borrowing Base at any amount which the Lenders determine, and may redesignate the Borrowing Base from time to time thereafter at any amount that the Required Borrowing Base Lenders or all Lenders (in the case of an increase) redetermine, until each Lender receives all such information, reports and data, whereupon Lenders shall designate a new Borrowing Base as described above. The Lenders shall determine the amount of the Borrowing Base based upon the loan collateral value which they, in their sole discretion and in accordance with their respective normal practices and standards for oil and gas loans as such practices and standards exist at the particular time, assign to the various Oil and Gas Properties of the Borrower or the Guarantors at the time in question and based upon such other factors

(including without limitation the assets, liabilities, fixed charges, cash flow, business, properties, prospects, management and ownership of any of the Borrower or the Guarantors or any Subsidiary of any of the Borrower or the Guarantors) as they, in their sole discretion and in accordance with their respective normal practices and standards for oil and gas loans as such practices and standards exist at the particular time, deem significant. It is expressly understood that Lenders and the Administrative Agent have no obligation to agree upon or designate the Borrowing Base at any particular amount, whether in relation to the Maximum Loan Amount or otherwise, and that the Lenders' commitments to advance funds hereunder is determined by reference to the Borrowing Base from time to time in effect. Additional redeterminations at the request of the Lenders, the Administrative Agent or the Borrower shall be subject to a \$5,000 engineering fee payable by Borrower to the Administrative Agent for its own account.

(b) In addition to the redeterminations of the Borrowing Base required pursuant to Section 2.8(a), the Borrower shall have the right to request in its discretion a special redetermination of the Borrowing Base in its sole discretion at any time and from time to time but not more often than two (2) times each between any two consecutive scheduled redeterminations of the Borrowing Base due to the acquisition of additional Oil and Gas Properties. In connection therewith, the Borrower may include additional Oil and Gas Properties of the Borrower or the Guarantors acquired from time to time as Collateral for the Secured Obligations, which the Borrower may then request be included in the calculation of the Borrowing Base by the Borrower or such Guarantor (A) giving written notice to the Administrative Agent of such properties to be included, (B) subjecting such properties to Liens securing the Secured Obligations (pursuant to Security Documents satisfactory to the Administrative Agent) if necessary to comply with the provisions of Section 6.16, (C) including such properties in an Engineering Report submitted to the Administrative Agent and (D) delivering to the Administrative Agent title opinions (or other title reports or title information acceptable to the Administrative Agent) covering at least 80% of the additional present value of such properties addressed to the Administrative Agent for the benefit of the Lenders covering all of such properties and other legal opinions from counsel acceptable to the Administrative Agent, in its sole discretion, in form, scope and substance acceptable to the Administrative Agent opining favorably as to, among such other matters as may be required by the Administrative Agent, (1) the Borrower's or the appropriate Guarantor's ownership of such properties and (2) matters of the type covered by the opinions delivered pursuant to Section 4.1(a)(vi). Any such request and any such redetermination pursuant to this Section 2.8(b) shall be made pursuant to the procedures set forth in Section 2.8(c).

(c) In addition to the redeterminations of the Borrowing Base required pursuant to Section 2.8(a) and (b), the Borrower and the Administrative Agent, at the request of the Required Borrowing Base Lenders, each shall have the right to request in its discretion a special redetermination of the Borrowing Base in its sole discretion at any time and from time to time but not more often than one (1) time each between any two consecutive scheduled redeterminations of the Borrowing Base. To request a special redetermination of the Borrowing Base, (i) if such request is made by the Borrower, the Borrower shall provide written notice of such special redetermination to the Administrative Agent specifying the date as of which the Borrowing Base is to be redetermined (which shall be not sooner than 30 days following the date of such notice) and (ii) if such request is made by the Required Borrowing Base Lenders, such Required Borrowing Base Lenders shall provide written notice of such special redetermination to the Administrative Agent and the Borrower. Any such special redetermination of the Borrowing Base shall be made by all of the Lenders or the Required Borrowing Base Lenders, as applicable, in their respective sole discretion based upon the most recent Engineering Report delivered to the Lenders by the Borrower pursuant to Section 6.2(g) or 6.2(h), as applicable, and such other information, reports and data as any Lender may reasonably request. Following receipt of a request for a special redetermination in accordance with this Section 2.8(c), the Borrowing Base shall be redetermined in accordance with the approval standards set forth in Section 2.8(a). If the special redetermination results

in a decrease in the Borrowing Base such that a Borrowing Base Deficiency exists after giving effect to such redetermined Borrowing Base, the Borrower shall comply with Section 2.4(b)(ii)(A).

(d) In addition to the any scheduled determination or discretionary determination of the Borrowing Base,

(i) the Borrowing Base shall be automatically reduced from time to time as set forth in Section 7.5(e);

(ii) if the Borrower shall issue any Permitted Additional Notes, then the Borrowing Base then in effect shall be reduced automatically by \$0.25 for every \$1 of the stated aggregate principal amount of such Permitted Additional Notes (without giving effect to any discounts) issued or incurred; provided, however, that if the Borrower delivers written notice to the Administrative Agent concurrently with the issuance of any such Permitted Additional Notes that the Borrower intends to use all or a portion of the proceeds of such Permitted Additional Notes to call, redeem or repurchase all or a portion of the 2012 Senior Notes or 2011 Senior Notes within thirty (30) days of the issuance of such Permitted Additional Notes in accordance with Section 7.12(a), then the outstanding principal amount of 2012 Senior Notes or 2011 Senior Notes to be called, redeemed or repurchased shall be deducted from the stated aggregate principal amount of Permitted Additional Notes for purposes of the foregoing automatic Borrowing Base reduction; provided further that the Borrowing Base shall be automatically reduced further by \$0.25 (based on the date such Additional Permitted Notes are issued) for every \$1 of the aggregate outstanding principal amount of any 2012 Senior Notes or 2011 Senior Notes, as applicable, that were the subject of such call, redemption or repurchase but that have not been redeemed or repurchased on or before the last day of such thirty (30) day period;

(iii) if the Borrower or any Restricted Subsidiary shall enter into a Hedge Liquidation, and the aggregate Hedging Termination Value of all such terminations and/or offsetting positions, and the fair market value of any Dispositions of Oil and Gas Properties pursuant to Section 7.5(e) exceeds, during any period between two successive scheduled redetermination dates, five percent (5%) of the then effective Borrowing Base, then the Borrowing Base shall be simultaneously reduced in an amount equal to such Hedging Termination Value, and the Borrowing Base as so reduced shall become the new Borrowing Base immediately upon such redetermination, effective and applicable to the Borrower, the Administrative Agent, the Issuing Bank and the Lenders until the next redetermination or adjustment of the Borrowing Base pursuant to this Agreement; and

(iv) if at any time the Borrower does not satisfy the title requirements of Section 6.19, then the Administrative Agent may redetermine the Borrowing Base pursuant to Section 6.19, and the Borrowing Base as so reduced shall become the new Borrowing Base immediately upon such redetermination, effective and applicable to the Borrower, the Administrative Agent, the Issuing Bank and the Lenders until the next redetermination or adjustment of the Borrowing Base pursuant to this Agreement.

SECTION 2.9 Interest.

(a) Subject to the provisions of subsection (b) below, (i) each LIBO Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Adjusted LIBO Rate for such Interest Period plus the LIBOR Spread; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Base Rate Spread.

(b) While any Event of Default exists or after acceleration, the Borrower shall pay interest on the principal amount of all outstanding Obligations at a fluctuating interest rate per annum at all times

equal to the Default Rate to the fullest extent permitted by applicable Law. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

SECTION 2.10 Fees. In addition to certain fees described in Sections 2.3(h) and 2.3(i):

(a) Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance with its Percentage Share, a commitment fee equal to the Commitment Fee Rate times the actual daily amount by which the lesser of the Aggregate Commitments and the Borrowing Base then in effect exceeds the sum of (i) the Outstanding Amount of Loans and (ii) the Outstanding Amount of L/C Obligations. The commitment fee shall accrue at all times from the Closing Date until the Maturity Date and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the Maturity Date. The commitment fee shall be calculated quarterly in arrears, and if there is any change in the Commitment Fee Rate with respect to commitment fees during any quarter, the actual daily amount shall be computed and multiplied by the Commitment Fee Rate with respect to commitment fees separately for each period during such quarter that such Commitment Fee Rate was in effect. The commitment fee shall accrue at all times, including at any time during which one or more of the conditions in Article IV is not met.

(b) Arrangement and Agency Fees. The Borrower shall pay an arrangement fee to the Arranger for the Arranger's own account, and shall pay an agency fee to the Administrative Agent for the Administrative Agent's own account, in the amounts and at the times specified in the letter agreement, dated November 22, 2013 (the "Agent and Arranger Fee Letter"), among the Borrower, the Arranger and the Administrative Agent. Such fees shall be fully earned when paid and shall be nonrefundable for any reason whatsoever.

SECTION 2.11 Computation of Interest and Fees. Computation of interest on Base Rate Loans and commitment fees shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Computation of all other types of interest and all fees shall be calculated on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to the payee thereof than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall bear interest for one day.

SECTION 2.12 Notes and Other Evidence of Debt.

(a) Each Lender may record the date, Type (if applicable), amount and maturity of the applicable Loans and payments with respect thereto on one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business or on one or more schedules to its Note (if applicable). The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Loans and L/C Obligations.

(b) If requested by a Lender, the obligation of the Borrower to repay to such Lender the aggregate amount of all Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single Note made by the Borrower in the amount of such Lender's Commitment Amount payable to the order of such Lender, which Note shall be substantially in the form of Exhibit B with appropriate insertions.

(c) In addition to the accounts and records referred to in subsection (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control.

SECTION 2.13 Payments Generally.

(a) All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 12:00 noon, central time, on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Percentage Share (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 12:00 noon, central time, shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the definition of "Interest Period," if any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(c) Unless the Borrower or any Lender has notified the Administrative Agent prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon (1) in respect of each of the first two Business Days from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds, at the Federal Funds Rate from time to time in effect, and (2) in respect of each day after the first two Business Days from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds, at the Base Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the “Compensation Period”) at a rate per annum equal to (1) for the first two Business Days of any Compensation Period, the Federal Funds Rate from time to time in effect, and (2) for each other day of any Compensation Period, the interest rate applicable to the applicable Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender’s Loan included in the applicable Borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent’s demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable Borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights that the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender with respect to any amount owing under this subsection (c) shall be conclusive, absent manifest error.

(d) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(e) The obligations of the Lenders hereunder to make Loans and to fund participations in Letters of Credit are several and not joint. The failure of any Lender to make any Loan or to fund any such participation on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or purchase its participation.

(f) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

SECTION 2.14 Sharing of Payments. If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans made by it, or the participations in L/C Obligations held by it, any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the Loans made by them and/or such subparticipations in the participations in L/C Obligations held by them, as the case may be, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Loan or such participations, as the case may be, pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender’s ratable share (according to the proportion of (i) the amount of such paying Lender’s required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but

subject to Section 10.9) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

SECTION 2.15 Increase in Commitment Amounts and Aggregate Commitments.

(a) Upon prior notice to, and the written consent (which consent shall not be unreasonably withheld or delayed) of, the Administrative Agent and the Issuing Bank (which shall promptly notify the Lenders), the Borrower may from time to time, (i) request that the Lenders increase the Aggregate Commitments pro rata among the Lenders up to an amount not exceeding the Maximum Loan Amount or (ii) invite one or more Lenders to increase its respective Commitment Amount or one or more additional Eligible Assignees to become Lenders party to the Agreement, in each case so as to increase the Aggregate Commitments to an amount not exceeding the Maximum Loan Amount. Anything herein contained to the contrary notwithstanding, no Lender shall have any obligation whatsoever to increase its respective Commitment Amount hereunder. The consent of the Lenders shall not be required in order for one or more Lender to increase its Commitment Amount hereunder or for any Eligible Assignee to become a party to this Agreement pursuant to this Section 2.15.

(b) If the Aggregate Commitments are increased in accordance with this Section 2.15, the Administrative Agent and the Borrower shall determine the effective date of such increase (the "Increase Effective Date"). The Administrative Agent and the Borrower shall promptly notify the Lenders of the final allocation of such increase and the Increase Effective Date. Each existing Lender that increases its Commitment Amount and each additional Lender, if any, and the Borrower shall execute and deliver to the Administrative Agent (which the Administrative Agent shall also execute to acknowledge its acceptance thereof) an agreement substantially in the form of Exhibit J hereto (as applicable, an "Increasing/Additional Lender Agreement"). Upon receipt by the Administrative Agent of Increasing/Additional Lender Agreement from existing Lenders or additional Lenders (if any), as applicable, in an amount sufficient to effectuate the increase requested by the Borrower: (1) the Aggregate Commitments shall be increased, (2) the Administrative Agent shall amend and distribute to the Borrower and the Lenders a revised Schedule 2.1 of the Commitment Amounts and Percentage Shares of each Lender adding or amending, as applicable, the Commitment Amount and Percentage Share of any Lender executing the Increasing/Additional Lender Agreement and the revised Percentage Shares of the other Lenders, as applicable (which shall be deemed incorporated into this Agreement), (3) any additional Lender shall be deemed to be a party in all respects to this Agreement and the other Loan Documents to which the Lenders are party as of the Increase Effective Date and (4) upon the Increase Effective Date, any increasing or additional Lender party to the Increasing/Additional Lender Agreement shall purchase from each of the (other) Lenders party to the Agreement immediately prior to the Increase Effective Date a pro rata portion of the outstanding Loans (and participations L/C Obligations) of each such (other) Lender such that each Lender (including any additional Lender, if any) shall hold its respective Percentage Share of the outstanding Loans (and participations in L/C Obligations) as reflected in the revised Schedule 2.1 required by this Section 2.15, provided that the Borrower shall pay any amounts due under Section 3.5 to the extent that any such purchase gives rise to the costs indemnified thereby.

(c) As a condition precedent to such increase, the Borrower shall deliver to the Administrative Agent a certificate dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of the Borrower (i) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such increase, (ii) including a Compliance

Certificate demonstrating pro forma compliance with Section 7.13 after giving effect to such increase and (iii) certifying that, before and after giving effect to such increase, the representations and warranties contained in Article V are true and correct on and as of the Increase Effective Date and no Default or Event of Default exists. The Borrower shall execute and deliver (1) replacement Notes in accordance with Section 2.12 reflecting such Lender's Commitment Amount, which Notes shall be dated as of the date of this Agreement and shall otherwise comply with the provisions of Section 2.12, and (2) if requested by the Administrative Agent in its sole discretion, amendments or supplements to any of the Security Documents as may be necessary or desirable to reflect the increase in the Aggregate Commitment Amount.

(d) This Section shall supersede any provision in Section 10.1 to the contrary but shall be subject to Section 2.5.

SECTION 2.16 Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) Commitment fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 2.10(a);

(b) the Commitment and Outstanding Amount of all Loans and L/C Obligations of such Defaulting Lender shall not be included in determining whether all Lenders, the Majority Lenders or the Required Borrowing Base Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 10.1); provided that (i) any waiver, amendment or modification requiring the consent of each affected Lender pursuant to Section 10.1(a), (b) or (c), shall require the consent of such Defaulting Lender (which for the avoidance of doubt would include any change to the Maturity Date applicable to such Defaulting Lender, decreasing or forgiving any principal or interest due to such Defaulting Lender, any decrease of any interest rate applicable to Loans made by such Defaulting Lender (other than the waiving of post-default interest rates) and any increase in such Defaulting Lender's Commitment) and (ii) any redetermination, whether an increase, decrease or affirmation, of the Borrowing Base shall occur without the participation of a Defaulting Lender, but the effective Commitment (i.e., the Percentage Share of an increased Borrowing Base) of a Defaulting Lender may not be increased without the consent of such Defaulting Lender;

(c) if any L/C Obligations exists at the time a Lender becomes a Defaulting Lender, then (i) all or any part of such L/C Obligations of such Defaulting Lender will, subject to the limitation in the first proviso below and subject to the requirement that there is no Default or Event of Default then existing at such time, automatically be reallocated (effective on the day such Lender becomes a Defaulting Lender) among the Non-Defaulting Lenders pro rata in accordance with their respective Voting Percentages; provided that (A) each Non-Defaulting Lender's L/C Obligations plus the aggregate outstanding amount of the Loans of such Non-Defaulting Lender may not in any event exceed the Commitment of such Non-Defaulting Lender as in effect at the time of such reallocation and (B) neither such reallocation nor any payment by a Non-Defaulting Lender pursuant thereto will constitute a waiver or release of any claim the Borrower, the Administrative Agent, the Issuing Bank or any other Lender may have against such Defaulting Lender or cause such Defaulting Lender to be a Non-Defaulting Lender, (ii) to the extent that all or any portion (the "unreallocated portion") of the Defaulting Lender's L/C Obligations cannot, or can only partially, be so reallocated to Non-Defaulting Lenders, whether by reason of the first proviso in this Section 2.16(c)(i) or otherwise, the Borrower shall within two Business Days following notice by the Administrative Agent Cash Collateralize such Defaulting Lender's unreallocated portion of the L/C Obligations in accordance with the procedures set forth in Section 2.3(k) for so long as such L/C Obligations are outstanding, (iii) if the Borrower Cash Collateralizes any portion of such Defaulting Lender's L/C Obligations pursuant to this Section 2.16(c), the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.3(h) with respect to such

Defaulting Lender's L/C Obligations during the period such Defaulting Lender's L/C Obligations is Cash Collateralized, (iv) if the L/C Obligations of the non-Defaulting Lenders are reallocated pursuant to this Section 2.16(c), then the Letter of Credit fees payable for the account of the Lenders pursuant to Section 2.3(h) shall be adjusted in accordance with such non-Defaulting Lenders' Voting Percentages and the Borrower shall not be required to pay any Letter of Credit fees to the Defaulting Lender pursuant to Section 2.3(h) with respect to such Defaulting Lender's L/C Obligations during the period that such Defaulting Lender's L/C Obligations is reallocated, or (v) if any Defaulting Lender's L/C Obligations is neither Cash Collateralized nor reallocated pursuant to this Section 2.16(c), then, without prejudice to any rights or remedies of the Issuing Bank or any Lender hereunder, all Letter of Credit fees payable under Section 2.3(h) with respect to such Defaulting Lender's L/C Obligations shall be payable to the Issuing Bank until such L/C Obligations is Cash Collateralized and/or reallocated;

(d) the Issuing Bank will not be required to issue any new Letter of Credit or amend any outstanding Letter of Credit to increase the stated amount thereof, alter the drawing terms thereunder or extend the expiry date thereof, unless the Issuing Bank is reasonably satisfied that any exposure that would result from the exposure to such Defaulting Lender is eliminated or fully covered by the Commitments of the Non-Defaulting Lenders or by L/C Collateral or a combination thereof in accordance with clause (c) above or otherwise in a manner reasonably satisfactory to the Issuing Bank;

(e) the Borrower shall have the right to remove or replace a Defaulting Lender in accordance with Section 3.9 hereof; and

(f) if the Borrower, the Administrative Agent and the Issuing Bank agree in writing in their discretion that a Lender that is a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon, as of the effective date specified in such notice and subject to any conditions set forth therein, such Lender will cease to be a Defaulting Lender and will be a Non-Defaulting Lender and any applicable L/C Collateral shall be promptly returned to the Borrower and any L/C Obligations of such Lender reallocated pursuant to Section 2.16(c) shall be reallocated back to such Lender; provided that, except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender.

ARTICLE III.
TAXES, YIELD PROTECTION AND ILLEGALITY

SECTION 3.1 Taxes.

(a) Any and all payments by the Borrower to or for the account of the Administrative Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of the Administrative Agent and each Lender, taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which the Administrative Agent or such Lender, as the case may be, is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), the Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, the Borrower shall furnish to the Administrative Agent (which shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies that arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) If the Borrower shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, the Borrower shall also pay to the Administrative Agent (for the account of such Lender) or to such Lender, at the time interest is paid, such additional amount that such Lender specifies as necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) such Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) The Borrower agrees to indemnify the Administrative Agent and each Lender for (i) the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by the Administrative Agent and such Lender, (ii) amounts payable under Section 3.1(c) and (iii) any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, in each case whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Payment under this subsection (d) shall be made within 30 days after the date the Lender or the Administrative Agent makes a demand therefor.

SECTION 3.2 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund LIBO Rate Loans, or materially restricts the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the applicable offshore Dollar market, or to determine or charge interest rates based upon the LIBO Rate, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue LIBO Rate Loans or to convert Base Rate Loans to LIBO Rate Loans shall be suspended until such Lender notifies the

Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all LIBO Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period thereof, if such Lender may lawfully continue to maintain such LIBO Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBO Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay interest on the amount so prepaid or converted. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

SECTION 3.3 Inability to Determine Rates. If the Administrative Agent determines in connection with any request for a LIBO Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the applicable offshore Dollar market for the applicable amount and Interest Period of such LIBO Rate Loan, (b) adequate and reasonable means do not exist for determining the LIBO Rate for such LIBO Rate Loan, or (c) the Adjusted LIBO Rate for such LIBO Rate Loan does not adequately and fairly reflect the cost to the Lenders of funding such LIBO Rate Loan, the Administrative Agent will promptly notify the Borrower and all Lenders. Thereafter, the obligation of the Lenders to make or maintain LIBO Rate Loans shall be suspended until the Administrative Agent revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing, conversion or continuation of LIBO Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

SECTION 3.4 Increased Cost and Reduced Return; Capital Adequacy.

(a) If any Lender determines that, as a result of any Change in Law, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining LIBO Rate Loans or (as the case may be) issuing or participating in Letters of Credit, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this subsection (a) any such increased costs or reduction in amount resulting from (i) Taxes or Other Taxes (as to which Section 3.1 shall govern), (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or any foreign jurisdiction or any political subdivision of either thereof under the Laws of which such Lender is organized or has its Lending Office, and (iii) reserve requirements utilized, as to LIBO Rate Loans, in the determination of the Adjusted LIBO Rate), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any regarding capital adequacy or liquidity, has the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and liquidity and such Lender's desired return on capital), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

SECTION 3.5 Funding Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower; or

(c) any assignment of a LIBO Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 3.9;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.5, each Lender shall be deemed to have funded each LIBO Rate Loan made by it at the LIBO Rate for such Loan by a matching deposit or other borrowing in the applicable offshore Dollar interbank market for a comparable amount and for a comparable period, whether or not such LIBO Rate Loan was in fact so funded.

SECTION 3.6 Matters Applicable to all Requests for Compensation.

(a) A certificate of the Administrative Agent or any Lender claiming compensation under this Article III and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Administrative Agent or such Lender may use any reasonable averaging and attribution methods.

(b) Upon any Lender's making a claim for compensation under Section 3.1 or 3.4, the Borrower may remove or replace such Lender in accordance with Section 3.9; provided that the Borrower shall have the right to replace such Lender only if they also replace any other Lender who has made or is making a similar claim for compensation under Section 3.1 or 3.4.

SECTION 3.7 Survival. All of the Borrower's obligations under this Article III shall survive termination of the Commitments and of this Agreement and payment in full of all the other Obligations.

SECTION 3.8 Foreign Lenders. Each Lender that is a "foreign corporation, partnership or trust" within the meaning of the Code (a "Foreign Lender") shall deliver to the Administrative Agent, prior to receipt of any payment subject to withholding under the Code (or after accepting an assignment of an interest herein), two duly signed completed copies of either IRS Form W-8BEN or any successor thereto (relating to such Person and, where applicable, entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Person by the Borrower pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Person by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower and the Administrative Agent that, where applicable, such Person is entitled to an exemption from, or reduction of, U.S. withholding tax. Thereafter and from time to time, each such Person shall (i) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Borrower and the Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Person by the Borrower pursuant to this Agreement, (ii) promptly notify the Administrative Agent of any change in

circumstances which would modify or render invalid any claimed exemption or reduction, and (iii) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that the Borrower make any deduction or withholding for taxes from amounts payable to such Person. If such Person fails to deliver the above forms or other documentation, then the Administrative Agent may withhold from any interest payment to such Person an amount equivalent to the applicable withholding tax imposed by Sections 1441 and 1442 of the Code, without reduction. If any Governmental Authority asserts that the Administrative Agent did not properly withhold any tax or other amount from payments made in respect of such Person, such Person shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, and costs and expenses (including Attorney Costs) of the Administrative Agent. The obligation of the Lenders under this Section shall survive the payment of all Obligations and the resignation or replacement of the Administrative Agent.

SECTION 3.9 Removal and Replacement of Lenders.

(a) Under any circumstances set forth herein providing that the Borrower shall have the right to remove or replace a Lender as a party to this Agreement, the Borrower may, upon notice to such Lender and the Administrative Agent, (i) remove such Lender by terminating such Lender's Commitment or (ii) replace such Lender by causing such Lender to assign its Commitment (and Commitment Amount) (without payment of any assignment fee) pursuant to Section 10.7(b)(i) to one or more other Lenders or Eligible Assignees procured by the Borrower; provided, however, that if the Borrower elects to exercise such right with respect to any Lender pursuant to Section 3.6(b), it shall be obligated to remove or replace, as the case may be, all Lenders that have made similar requests for compensation pursuant to Section 3.1 or 3.4. The Borrower shall (x) pay in full all principal, interest, fees and other amounts owing to such Lender through the date of termination or assignment (including any amounts payable pursuant to Section 3.5), (y) provide appropriate assurances and indemnities (which may include letters of credit) to the Issuing Bank as may reasonably be required with respect to any continuing obligation to purchase participation interests in any L/C Obligations then outstanding, and (z) release such Lender from its obligations under the Loan Documents. Any Lender being replaced shall execute and deliver a Lender Assignment with respect to such Lender's Commitment, Commitment Amount and outstanding Credit Extensions. The Administrative Agent shall distribute an amended Schedule 2.1, which shall be deemed incorporated into this Agreement, to reflect changes in the identities of the Lenders and adjustments of their respective Commitment Amounts and/or Percentage Shares resulting from any such removal or replacement.

(b) In order to make all the Lenders' interests in any outstanding Credit Extensions ratable in accordance with any revised Percentage Shares after giving effect to the removal or replacement of a Lender, the Borrower shall pay or prepay, if necessary, on the effective date thereof, all outstanding Loans of all Lenders, together with any amounts due under Section 3.5. The Borrower may then request Loans from the Lenders in accordance with their revised Percentage Shares. The Borrower may net any payments required hereunder against any funds being provided by any Lender or Eligible Assignee replacing a terminating Lender. The effect for purposes of this Agreement shall be the same as if separate transfers of funds had been made with respect thereto.

(c) This section shall supersede any provision in Section 10.1 to the contrary.

ARTICLE IV.
CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

SECTION 4.1 Conditions of Initial Credit Extension. The obligation of each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) Unless waived by all the Lenders (or by the Administrative Agent with respect to immaterial matters or items specified in clause (v) or (vi) below with respect to which the Borrower has given assurances satisfactory to the Administrative Agent that such items shall be delivered promptly following the Closing Date), the Administrative Agent's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and its legal counsel:

(i) executed counterparts of this Agreement, an amended and restated Guaranty substantially in the form of Exhibit E from each of the Guarantors, the Fourth Amended and Restated Subordination Agreement substantially in the form of Exhibit G from each of the Guarantors, an amended and restated Security Agreement substantially in the form of Exhibit I from each of the Loan Parties, an amended and restated Pledge Agreement and Irrevocable Proxy substantially in the form of Exhibit H from each Loan Party (other than COGLA), and each Mortgage dated as of the date hereof and each of the Mortgage Amendments described in the Security Schedule, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower, and, in the case of the Security Documents, in form and in sufficient number of counterparts for the prompt completion of all recording and filing of the Security Documents as may be necessary or, in the opinion of the Administrative Agent, desirable to create or continue, as appropriate, a valid perfected first Lien against the collateral covered by such Security Documents, and together with stock certificates, membership interest certificates or such other certificated security as may be part of the collateral covered by the Security Documents and with stock powers or other transfer powers or instruments executed in blank for each such certificate, interest or security;

(ii) Notes executed by the Borrower in favor of each Lender that has requested a Note at least two Business Days prior to the Closing Date, each in a principal amount equal to such Lender's Commitment Amount;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require to establish the identities of and verify the authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) such evidence as the Administrative Agent may reasonably require to verify that each Loan Party is duly organized or formed, validly existing, in good standing and qualified to engage in business in each jurisdiction in which it is required to be qualified to engage in business, including certified copies of each Loan Party's Organization Documents (unless previously delivered pursuant to the Prior Credit Facility), certificates of good standing and/or qualification to engage in business and tax clearance certificates;

(v) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in Sections 4.2(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since the date of the Initial Audited Financial Statements that has or could be reasonably expected to have a Material Adverse Effect;

- (vi) an opinion of counsel to each Loan Party substantially in the form of Exhibits F-1, F-2, and F-3;
- (vii) [Reserved];
- (viii) a certificate of insurance of the Borrower and its Restricted Subsidiaries evidencing that the Borrower and its Restricted Subsidiaries are carrying insurance in accordance with Section 6.7 and that such insurance is in full force and effect;
- (ix) the Initial Engineering Report;
- (x) the Initial Audited Financial Statements;
- (xi) the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as of September 30, 2013 and the related unaudited consolidated statements of income and cash flows of the Borrower for the fiscal quarter ended September 30, 2013, all in form and substance satisfactory to the Administrative Agent;
- (xii) proper financing statements (form UCC-1) or amendments to existing financing statements (form UCC-3), as appropriate, to be filed on or promptly after the date of the initial Borrowing, and, in the case of form UCC-1, naming the Borrower as debtor and the Administrative Agent as secured party, describing all of the Collateral in which the Borrower has granted or purported to grant an interest, filed in the appropriate jurisdictions; proper financing statements (form UCC-1) or amendments to existing financing statements (form UCC-3), as appropriate, to be filed on or promptly after the date of the initial Borrowing, and, in the case of form UCC-1, naming one or more of the Guarantors as debtor(s) and the Administrative Agent as secured party, describing all of the Collateral in which the Guarantor or Guarantors have granted or purported to grant an interest, filed in the appropriate jurisdictions; together with copies of search reports in such jurisdictions as the Administrative Agent may reasonably request, listing all effective financing statements that name any of the Borrower or the Guarantors as debtor and any other documents or instruments as may be necessary or desirable (in the opinion of the Administrative Agent) to perfect or continue the perfection of the Administrative Agent's interest in the Collateral; and
- (xiii) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the Issuing Bank or the Majority Lenders reasonably may require.

(b) Any fees required to be paid on or before the Closing Date pursuant to any of the Loan Documents shall have been paid.

(c) Unless waived by the Administrative Agent, the Borrower shall have paid all costs and expenses payable to the Administrative Agent pursuant to Section 10.4 to the extent invoiced prior to or on the Closing Date, plus such additional amounts of costs and expenses as shall constitute the Administrative Agent's reasonable estimate of the costs and expenses described in Section 10.4 incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

SECTION 4.2 Conditions to all Credit Extensions. The obligation of each Lender to honor any Notice of Advance or Letter of Credit Application (other than a Notice of Advance requesting only a conversion of Loans to the other Type, or a continuation of Loans as the same Type) is subject to the following conditions precedent:

(a) The representations and warranties of the Borrower contained in Article V, or which are contained in any document furnished at any time under or in connection herewith, shall be true and correct on and as of the date of such Credit Extension, except to the extent that such representations and

warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date.

(b) No Default or Event of Default shall exist, or would result from such proposed Credit Extension.

(c) The Administrative Agent or, if applicable, the Issuing Bank shall have received a Notice of Advance or Letter of Credit Application in accordance with the requirements hereof.

(d) The Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as the Administrative Agent or the Majority Lenders reasonably may require.

Each Notice of Advance or Letter of Credit Application (other than a Notice of Advance requesting only a conversion of Loans to the other Type or a continuation of Loans as the same Type) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Section 4.2 have been satisfied on and as of the date of the applicable Credit Extension.

**ARTICLE V.
REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

SECTION 5.1 Existence, Qualification and Power; Compliance with Laws. Each Loan Party (a) is a corporation, partnership or limited liability company duly organized or formed, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business and to execute, deliver, and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and (d) is in compliance with all Laws, except in each case referred to in clause (c) or this clause (d), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 5.2 Authorization; No Contravention. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is a party, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject; or (c) violate any Law.

SECTION 5.3 Governmental Authorization; Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person or entity (including, without limitation, any creditor or stockholder of the Borrower or any Guarantor) is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document.

SECTION 5.4 Binding Effect. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is a party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is a party thereto in accordance with its terms except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

SECTION 5.5 Financial Statements; No Material Adverse Effect.

(a) The Initial Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness in accordance with GAAP consistently applied throughout the period covered thereby.

(b) Since the date of the Initial Audited Financial Statements, there has been no event or circumstance that has or could reasonably be expected to have a Material Adverse Effect.

SECTION 5.6 Litigation. Except as specifically disclosed in Schedule 5.6, there are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower or any of its Restricted Subsidiaries or against any of their properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) if determined adversely, could reasonably be expected to have a Material Adverse Effect.

SECTION 5.7 No Default. Neither the Borrower nor any Subsidiary is in default under or with respect to any Contractual Obligation that could be reasonably expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

SECTION 5.8 Ownership of Property; Liens. The Borrower and each Restricted Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as would not, individually or in the aggregate, have a Material Adverse Effect. As of the Closing Date, the property of the Borrower and its Restricted Subsidiaries is subject to no Liens, other than Liens permitted by Section 7.1.

SECTION 5.9 Environmental Matters. The Borrower and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Borrower has reasonably concluded that, except as would not have a Material Adverse Effect (or with respect to (c), (d) and (e) below, where the failure to take such actions would not have a Material Adverse Effect):

(a) neither any property of any Loan Party or any Subsidiary, nor the operations conducted thereon violate any Environmental Laws;

(b) without limitation of clause (a) above, no property of any Loan Party or any Subsidiary, nor the operations currently conducted thereon or, to the best knowledge of the Borrower, by any prior owner or operator of such property or operation, are in violation of or subject to any existing, pending or, to the Borrower's knowledge, threatened action, suit, investigation, inquiry or proceeding by or before any Governmental Authority or to any remedial obligations under Environmental Laws;

(c) all notices, permits, licenses or similar authorizations, if any, required pursuant to Environmental Laws to be obtained or filed in connection with the operation or use of the property of any Loan Party and each Subsidiary have been duly obtained or filed, and the Loan Party and each Subsidiary are in compliance with the terms and conditions of all such notices, permits, licenses and similar authorizations;

(d) all Hazardous Materials, solid waste, and oil and gas exploration and production wastes, if any, generated at the property of any Loan Party or any Subsidiary have in the past been transported, treated and disposed of in accordance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment, and, to the best knowledge of the Borrower, all such transport carriers and treatment and disposal facilities have been and are operating in compliance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment, and are not the subject of any existing, pending or, to the Borrower's knowledge, threatened action, investigation or inquiry by any Governmental Authority in connection with any Environmental Laws;

(e) the Loan Parties and their Subsidiaries have taken all steps reasonably necessary to determine and have determined that no Hazardous Materials, solid waste, or oil and gas exploration and production wastes, have been disposed of or otherwise released and there has been no threatened release of any Hazardous Materials on or to any property of the Loan Parties or any Subsidiary except, in each case, in compliance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment; and

(f) none of the Loan Parties nor any Subsidiary has any known contingent liability in connection with any release or threatened release of any oil, Hazardous Materials or solid waste into the environment.

SECTION 5.10 Insurance. The properties of the Borrower and its Restricted Subsidiaries are insured with financially sound and reputable insurance companies that are not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or its Restricted Subsidiaries operate.

SECTION 5.11 Taxes. The Borrower, its Restricted Subsidiaries and each of the Borrower's other Subsidiaries that is a member of Borrower's consolidated U.S. federal income tax group, have filed all Federal, state and other material tax returns and reports required to be filed, and have paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Borrower, any Restricted Subsidiary or any of the Borrower's other Subsidiaries that is a member of Borrower's consolidated U.S. federal income tax group, that would, if made, have a Material Adverse Effect.

SECTION 5.12 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto, all amendments to any such Plan for which the remedial amendment period (within the meaning of Section 401(b) of the Code and applicable regulations) has expired are covered by a favorable determination letter from the IRS, and, to the best knowledge of the Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. The Borrower and each ERISA Affiliate of the Borrower has met all applicable requirements under the Pension Funding Rules in respect of each Pension Plan, and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained with respect to any Pension Plan.

(b) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is at least 60%; (iii) neither the Borrower nor any ERISA Affiliate of the Borrower has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate of the Borrower has incurred, or reasonably expects to

incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate of the Borrower has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

SECTION 5.13 Subsidiaries.

(a) The Borrower has no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 5.13. All Restricted Subsidiaries of Borrower are duly organized, validly existing and in good standing under the laws of their respective jurisdictions of organization and are duly qualified to do business in each jurisdiction where failure to so qualify would have an Material Adverse Effect. All outstanding shares of stock of each class of each Restricted Subsidiary of Borrower have been and will be validly issued and are and will be fully paid and nonassessable. Except as otherwise set forth on Schedule 5.13, all outstanding shares of stock of each class of each Restricted Subsidiary of Borrower are and will be owned, beneficially and of record, by Borrower or a wholly-owned Restricted Subsidiary of Borrower. All outstanding shares of stock of each class of each Restricted Subsidiary of Borrower, are and will be free and clear of any Liens.

(b) Part (b) of Schedule 5.13 sets forth each of the Subsidiaries of the Borrower that shall have delivered a Guaranty on the Closing Date. Each such Guarantor is and will remain a wholly-owned Subsidiary of the Borrower.

(c) The Borrower has no equity investments in any other corporation or entity other than those specifically disclosed in Part (c) of Schedule 5.13.

(d) The Borrower has no Unrestricted Subsidiary except as set forth in Part (d) of Schedule 5.13.

(e) Each reference to Schedule 5.13 herein shall mean such schedule as most recently supplemented in accordance with Section 6.2(b).

SECTION 5.14 Margin Regulations; Investment Company Act, Anti-Money Laundering and Anti-Terrorism Finance

Laws.

(a) Neither the Borrower nor any of its Subsidiaries is engaged, and will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Borrower, any Person controlling the Borrower, or any Subsidiary is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

(c) To the extent applicable, the Borrower and each Subsidiary is in compliance with anti-money laundering laws and anti-terrorism finance laws including the Bank Secrecy Act and the PATRIOT Act (the “Anti-Terrorism Laws”) and the United States Foreign Corrupt Practices Act of 1977 (“FCPA”). Neither the Borrower nor any of its Subsidiaries is any of the following (a “Restricted Person”): (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “Executive Order”); (ii) a Person that is named as a “specially designated national and blocked person” on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”) at its official website or any replacement website or other replacement official publication of such list or similarly named by any similar foreign governmental authority; (iii) an agency of the government of a country, an organization controlled by a country, or a Person resident in a country that is subject to a sanctions program identified on the lists maintained by OFAC; or (iv) a Person that derives more than any of its

assets or operating income from investments in or transactions with any such country, agency, organization or person.

SECTION 5.15 Disclosure. No statement, information, report, representation, or warranty made in writing by any Loan Party in any Loan Document or furnished to the Administrative Agent or any Lender by or on behalf of any Loan Party in connection with any Loan Document contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. There is no fact known to the Borrower which has caused, or which likely would in the future in the reasonable judgment of the Borrower cause, a Material Adverse Effect (except for any economic conditions which affect generally the industry in which the Borrower and its Restricted Subsidiaries conduct business), that has not been set forth in this Agreement or in the other documents, certificates, statements, reports and other information furnished in writing to the Lenders by or on behalf of the Borrower or any other Loan Party in connection with the transactions contemplated hereby.

SECTION 5.16 Intellectual Property; Licenses, Etc. The Borrower and its Restricted Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Restricted Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Borrower, threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of the Borrower, proposed, which, in either case, could reasonably be expected to have a Material Adverse Effect.

SECTION 5.17 Direct Benefit. The Loans and Letters of Credit hereunder are for the direct benefit of the Borrower or one or more of the Restricted Subsidiaries of the Borrower, and the initial Loans and Letters of Credit hereunder are used to refinance and replace indebtedness owing, directly or indirectly, by the Borrower and certain of the Guarantors to the Lenders under the Prior Credit Facility. The Borrower and the Guarantors are engaged as an integrated group in the business of oil and gas exploration and related fields, and any benefits to the Borrower or any Guarantor is a benefit to all of them, both directly or indirectly, inasmuch as the successful operation and condition of the Borrower and the Guarantors is dependent upon the continued successful performance of the functions of the integrated group as a whole.

SECTION 5.18 Solvency. Each of the following is true for the Borrower, each Guarantor and the Borrower and the Guarantors on a consolidated basis: (a) the fair saleable value of its or their property is (i) greater than the total amount of its liabilities (including contingent liabilities), and (ii) greater than the amount that would be required to pay its probable aggregate liability on its then existing debts as they become absolute and matured; (b) its or their property is not unreasonable in relation to its business or any contemplated or undertaken transaction; and (c) it or they do not intend to incur, or believe that it or they will incur, debts beyond its or their ability to pay such debts as they become due.

SECTION 5.19 Indenture Debt Documents. Before and after giving effect to all the Credit Extensions contemplated hereunder, all representations and warranties of the Borrower or any Guarantor contained in any Indenture Debt Document are true and correct in all material respects (except to the extent such representations or warranties relate or refer to a specified, earlier date). Before and after giving effect to all the Credit Extensions contemplated hereunder, there is no event of default or event or

condition that could become an event of default with notice or lapse of time or both, under the Indenture Debt Documents and each of the Indenture Debt Documents is in full force and effect.

SECTION 5.20 Hedging Agreements. Schedule 5.20, as of the date hereof, and after the date hereof, each report required to be delivered by the Borrower pursuant to Section 6.2(k), sets forth, a true and complete list of all Hedging Agreements of the Borrower and each Restricted Subsidiary, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark to market value thereof, all credit support agreements relating thereto (including any margin required or supplied) and the counterparty to each such agreement.

SECTION 5.21 Location of Business and Offices. The Borrower's jurisdiction of organization is the State of Nevada; the name of the Borrower as listed in the public records of the State of Nevada is Comstock Resources, Inc.; and the organizational identification number of the Borrower in the State of Nevada is NV19831014871 (or, in each case, as set forth in a notice delivered to the Administrative Agent pursuant to Section 6.2(l)). The Borrower's principal place of business and chief executive offices are located at the address specified in Schedule 10.2 (or as set forth in a notice delivered pursuant to Section 6.2(l)). Each Loan Party's jurisdiction of organization, name as listed in the public records of its jurisdiction of organization, organizational identification number in its jurisdiction of organization, and the location of its principal place of business and chief executive office is stated on Schedule 5.21 (or as set forth in a notice delivered pursuant to Section 6.2(l)).

ARTICLE VI.
AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall, and shall (except in the case of the covenants set forth in Sections 6.1, 6.2, 6.3 and 6.11) cause each of its Restricted Subsidiaries to:

SECTION 6.1 Financial Statements. Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Majority Lenders:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Majority Lenders, which report and opinion shall be prepared in accordance with GAAP and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any qualifications and exceptions not reasonably acceptable to the Majority Lenders; and

(b) as soon as available, but in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income and cash flows for such fiscal quarter and for the portion of the Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

SECTION 6.2 Certificates; Other Information. Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Majority Lenders:

(a) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of its independent certified public accountants certifying such financial statements and stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default or, if any such Default or Event of Default shall exist, stating the nature and status of such event;

(b) concurrently with the delivery of the financial statements referred to in Sections 6.1(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower and, if the Borrower or any Subsidiary has (subject to the requirements and limitations of this Agreement and the other Loan Documents) formed or acquired a new Subsidiary or Disposed or dissolved a Subsidiary, or redesignated an Unrestricted Subsidiary as a Restricted Subsidiary or a Restricted Subsidiary as an Unrestricted Subsidiary (in each case, in accordance with Section 1.6), or made any additional equity investment in any Person or Disposed of any equity investment in any Person, in each case, since the date of the most recently delivered Subsidiary, a substitute (or supplement to) Schedule 5.13;

(c) promptly after requested by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the accounts or books of the Borrower or any Subsidiary, or any audit of any of them;

(d) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(e) upon the reasonable request of the Majority Lenders or the Administrative Agent, a schedule of all oil, gas, and other mineral production attributable to all material Oil and Gas Properties of the Borrower and the Guarantors, and in any event all such Oil and Gas Properties included in the Borrowing Base;

(f) promptly, all title or other information received after the Closing Date by the Borrower or any Guarantor which discloses any material defect in the title to any material asset included in the Borrowing Base;

(g) (A) as soon as available and in any event within 90 days after each January 1, commencing with January 1, 2014, an annual reserve report as of each such January 1 with respect to all Hydrocarbons attributable to the Oil and Gas Properties of the Borrower and the Guarantors prepared by an independent engineering firm of recognized standing acceptable to the Majority Lenders in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Majority Lenders, and including without limitation all assets included in the Borrowing Base, and (B) within 90 days after each July 1 commencing with July 1, 2014, a reserve report as of such July 1, with respect to all Hydrocarbons attributable to the Oil and Gas Properties of the Borrower and the Guarantors prepared by the Borrower in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Majority Lenders, and including without limitation all assets included in the Borrowing Base;

(h) on or within 30 days after the request of the Administrative Agent or the Majority Lenders, in connection with a redetermination of the Borrowing Base permitted under Section 2.8 an updated reserve report with respect to all Hydrocarbons attributable to the Oil and Gas Properties of the Borrower and the Guarantors prepared by an independent engineering firm of recognized standing acceptable to the Majority Lenders in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Majority Lenders, and including without limitation all assets included in the Borrowing Base;

(i) promptly, any management letter from the auditors for the Borrower or any Guarantor and all other information respecting the business, properties or the condition or operations, financial or otherwise, including, without limitation, geological and engineering data of the Borrower or an Guarantor and any title work with respect to any Oil and Gas Properties of the Borrower or any Guarantor as any Bank may from time to time reasonably request;

(j) if requested by the Majority Lenders, title opinions (or other title reports or title information acceptable to the Majority Lenders) and other opinions of counsel, in each case in form and substance acceptable to the Majority Lenders, with respect to at least eighty (80%) percent of the present value of the assets included in the Borrowing Base, for which satisfactory title reports have not been previously delivered to the Administrative Agent, if any;

(k) concurrently with the delivery of each Reserve Report hereunder:

(i) a certificate of a Responsible Officer, in form and substance reasonably satisfactory to the Administrative Agent:

(A) setting forth as of a recent date, a true and complete list of all Hedging Agreements of the Borrower and each Restricted Subsidiary, the material

terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark-to-market value therefor, any new credit support agreements relating thereto not listed on Schedule 5.20, any margin required or supplied under any credit support document, and the counterparty to each such agreement; and

(B) comparing aggregate notional volumes of all Hedging Agreements of the Borrower and each Restricted Subsidiary, which were in effect during such period (other than basis differential hedgings) and the actual production volumes for each of natural gas and crude oil during such period, which certificate shall certify that the hedged volumes for each of natural gas and crude oil did not exceed 100% of actual production or if such hedged volumes did exceed actual production, specify the amount of such excess;

(ii) a report, in a form satisfactory to the Administrative Agent, prepared by or on behalf of the Borrower detailing on a monthly basis for the next twelve month period (i) the projected production of Hydrocarbons by the Borrower and the Restricted Subsidiaries and the assumptions used in calculating such projections, (ii) an annual operating budget for the Borrower and the Restricted Subsidiaries, and (iii) such other information as may be reasonably requested by the Administrative Agent;

(l) prompt written notice (and in any event within thirty (30) days prior thereto) of any change (i) in any Loan Party's corporate name or in any trade name used to identify such Person in the conduct of its business or in the ownership of its Properties, (ii) in the location of any Loan Party's chief executive office or principal place of business, (iii) in any Loan Party's identity or corporate structure or in the jurisdiction in which such Person is incorporated or formed, (iv) in any Loan Party's jurisdiction of organization or such Person's organizational identification number in such jurisdiction of organization, and (v) in any Loan Party's federal taxpayer identification number; and

(m) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower or any Subsidiary as the Administrative Agent, at the request of any Lender, may from time to time reasonably request.

SECTION 6.3 Notices. Promptly notify the Administrative Agent and each Lender:

(a) of the occurrence of any Default or Event of Default;

(b) of any matter that has resulted or may reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Borrower or any Restricted Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Borrower or any Restricted Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting any of the Borrower or any Restricted Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of any litigation, investigation or proceeding affecting any Loan Party in which the amount involved exceeds \$10,000,000 or in which injunctive relief or similar relief is sought, which relief, if granted, could be reasonably expected to have a Material Adverse Effect;

(d) of the occurrence of any ERISA Event; and

(e) of any material change in accounting policies or financial reporting practices by the Borrower or any Subsidiary.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower or the relevant Subsidiary has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.3(a) shall describe with particularity any and all provisions of this Agreement or other Loan Document that have been breached.

SECTION 6.4 Payment of Obligations. Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Restricted Subsidiary; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

SECTION 6.5 Preservation of Existence, Etc. Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization; take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except in a transaction permitted by Section 7.4 or 7.5; and preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

SECTION 6.6 Maintenance of Properties. (a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities.

SECTION 6.7 Maintenance of Insurance. Maintain with financially sound and reputable insurance companies not Affiliates of the Borrower, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

SECTION 6.8 Compliance with Laws. Comply in all material respects with the requirements of all Laws applicable to it or to its business or property, except in such instances in which (i) such requirement of Law is being contested in good faith or a bona fide dispute exists with respect thereto; or (ii) the failure to comply therewith could not be reasonably expected to have a Material Adverse Effect.

SECTION 6.9 Books and Records. (a) Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower or its Subsidiaries, as the case may be; and (b) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over the Borrower or any Subsidiary, as the case may be.

SECTION 6.10 Inspection Rights. Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss

its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

SECTION 6.11 Compliance with ERISA. Do, and cause each of its ERISA Affiliates to do, each of the following: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to the Pension Funding Rules.

SECTION 6.12 Use of Proceeds. Use the proceeds of the Credit Extensions for working capital and other general corporate purposes, in each case, in compliance with, and not in contravention of, Section 7.11, any Law, any Loan Document, or any other Contractual Obligation.

SECTION 6.13 [intentionally omitted]

SECTION 6.14 Additional Covenants Upon Issuance of Additional Permitted Notes or Permitted Refinancing Indebtedness. If the Borrower issues (or proposes to issue) any Additional Permitted Notes or any Permitted Refinancing Indebtedness under Section 7.3(f) hereof, the Borrower shall:

(a) Deliver, or cause to be delivered, to the Administrative Agent not later than five (5) Business Days following the date on which any prospectus or offering memorandum prepared in connection therewith is delivered to the prospective or actual holders thereof, a final, true and correct copy of such prospectus or offering memorandum;

(b) Deliver to the Administrative Agent not more than ten (10) Business Days after the date of issuance of any Permitted Additional Notes or any Permitted Refinancing Indebtedness, by the Borrower, a true and correct copy of the Indenture Debt Documents entered into by the Borrower or any other Loan Party in connection therewith;

(c) Deliver to the Administrative Agent concurrently with the issuance of any Permitted Additional Notes or any Permitted Refinancing Indebtedness, a certificate of an Authorized Officer of the Borrower confirming such issuance and setting forth the aggregate principal amount of Permitted Additional Notes or any Permitted Refinancing Indebtedness issued; and

(d) Deliver to the Administrative Agent and the Lenders promptly following any request from the Administrative Agent in its sole discretion, such other related materials evidencing the issuance of the Permitted Additional Notes or any Permitted Refinancing Indebtedness as the Administrative Agent or the Majority Lenders may reasonably request.

SECTION 6.15 [intentionally omitted]

SECTION 6.16 Security.

(a) The Security. The Secured Obligations will be secured by the Security Documents listed in the Security Schedule and any additional Security Documents hereafter delivered by any Loan Party or any Affiliate of any Loan Party.

(b) Agreement to Deliver Security Documents.

(i) The Borrower shall promptly deliver, and to cause each of the Guarantors to deliver, to further secure the Secured Obligations, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to the Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests in (i) prior to the occurrence of a Default (A) at least eighty percent (80%) of the present value, of the Borrower's and the Guarantors' Oil and Gas Properties constituting Proved Reserves to which value is given in the determination of the then current Borrowing Base, (B) after the occurrence of a Default, at least ninety-five percent (95%) of the present value, of the Borrower's and the Guarantors' Oil and Gas Properties, (ii) all of the equity interests of the Borrower or any Guarantor in any other Guarantor now owned or hereafter acquired by the Borrower or any Guarantor, and (iii) all property of the Borrower or any Guarantor of the type described in the Security Agreement attached hereto as Exhibit I.

(ii) In connection with each redetermination of the Borrowing Base, the Borrower shall review the Engineering Report and the list of current Mortgaged Properties to ascertain whether the Mortgaged Properties represent at least eighty percent (80%) of the present value of the Oil and Gas Properties constituting Proved Reserves evaluated in the most recently completed Engineering Report after giving effect to exploration and production activities, acquisitions, dispositions and production. In the event that the Mortgaged Properties do not represent at least such required percentage, then the Borrower shall, and shall cause its Restricted Subsidiaries to, promptly grant to the Administrative Agent as security for the Secured Obligations a first-priority Lien interest (subject only to Liens permitted by Section 7.1) on additional Oil and Gas Properties not already subject to a Lien of the Security Documents such that after giving effect thereto, the Mortgaged Properties will represent at least such required percentage. All such Liens will be created and perfected by and in accordance with the provisions of deeds of trust, security agreements and financing statements or other Security Documents, all in form and substance reasonably satisfactory to the Administrative Agent and in sufficient executed (and acknowledged where necessary or appropriate) counterparts for recording purposes. In order to comply with the foregoing, if any Restricted Subsidiary places a Lien on its Oil and Gas Properties and such Subsidiary is not a Guarantor, then it shall become a Guarantor and comply with Section 6.16(d).

(iii) The Borrower also agrees to deliver, or to cause to be delivered, to the extent not already delivered, whenever requested by the Administrative Agent in its sole and absolute discretion (a) favorable title information (including, if reasonably requested by the Administrative Agent, title opinions) acceptable to the Administrative Agent with respect to the Borrower's or any Guarantor's Oil and Gas Properties constituting at least eighty percent (80%) of the present value, of the Borrower's and the Guarantors' Oil and Gas Properties constituting Proved Reserves to which value is given in the determination of the then current Borrowing Base, and demonstrating that the Borrower or a Guarantor, as applicable, have good and defensible title to such properties and interests, free and clear of all Liens (other than those permitted by Section 7.1) and covering such other matters as the Administrative Agent may reasonably request and (b) favorable opinions of counsel satisfactory to the Administrative Agent in its sole discretion opining that the forms of Mortgage are sufficient to create valid first deed of trust or mortgage liens in such properties and interests and first priority assignments of and security interests in the Hydrocarbons attributable to such properties and interests and proceeds thereof.

(iv) In addition and not by way of limitation of the foregoing, in the case of the Borrower or any Guarantor granting a Lien in favor of the Administrative Agent upon any

assets having a present value in excess of \$10,000,000 located in a new jurisdiction, the Borrower or Guarantor will at its own expense, obtain and furnish to the Administrative Agent all such opinions of legal counsel as the Administrative Agent may reasonably request in connection with any such security or instrument.

(c) Perfection and Protection of Security Interests and Liens. In addition and not by way of limitation of the foregoing, the Borrower will from time to time deliver, or cause to be delivered, to the Administrative Agent any financing statements, continuation statements, extension agreements and other documents, properly completed (and executed and acknowledged when required) by the Borrower or appropriate Guarantor in form and substance satisfactory to the Administrative Agent, which the Administrative Agent requests for the purpose of perfecting, confirming, or protecting any Liens or other rights in the collateral securing any Secured Obligations. In addition to the foregoing, the Borrower hereby authorizes, and shall cause each Guarantor to authorize, the Administrative Agent, on behalf of the Issuing Bank and the Lenders, to file in the appropriate filing office pursuant to applicable Law such financing statements, assignments and continuation statements as the Administrative Agent shall deem necessary or desirable for the purpose of perfecting, confirming, or protecting any Liens or other rights in the collateral securing any Secured Obligations without the signature of the Borrower or any Guarantor.

(d) Additional Restricted Subsidiaries. Within thirty (30) Business Days after the Borrower or any Loan Party creates, acquires or otherwise forms any other Material Subsidiary (other than a Subsidiary designated as an Unrestricted Subsidiary in accordance with Section 1.6(b)), the Borrower shall:

(i) execute and deliver, or cause each such Loan Party owning any of the outstanding equity interests in such Material Subsidiary to execute and deliver, as applicable, to the Administrative Agent on behalf of the Lenders, a Pledge Agreement, or an amendment or supplement to an existing Pledge Agreement, if appropriate, pursuant to which all of the outstanding equity interests in such Material Subsidiary owned by the Borrower or such Loan Party shall be pledged to the Administrative Agent on behalf of the Lenders, together with any certificates representing all equity interests so pledged, if any, and for each such certificate representing shares of stock, a stock power executed in blank;

(ii) cause such Material Subsidiary to execute and deliver to the Administrative Agent on behalf of the Lenders (i) a Guaranty, (ii) a ratification and acceptance of the Subordination Agreement, (iii) an agreement substantially similar to the Security Documents executed and delivered on the Closing Date and (iv) to the extent required by Section 6.16(b), a Mortgage as to all Oil and Gas Properties containing any proved Hydrocarbon reserves owned or leased by such Material Subsidiary;

(iii) cause such Material Subsidiary to execute and deliver to the Administrative Agent on behalf of the Lenders and the Issuing Bank, or to authorize the Administrative Agent to file or record without such Material Subsidiary's signature, appropriate financing statements covering the collateral of such Material Subsidiary described in the Security Documents required to be delivered pursuant to the foregoing clauses (i) or (ii);

(iv) deliver or cause to be delivered to the Administrative Agent on behalf of the Lenders and the Issuing Bank all agreements, documents, instruments and other writings of the type described in Section 4.1(a)(iii), (iv) and (vi) with respect to such Material Subsidiary and opinions of counsel acceptable to the Administrative Agent and in form and substance satisfactory to the Administrative Agent covering the matters covered by the opinions delivered on the Closing Date with respect to such Material Subsidiary; and

(v) deliver or cause to be delivered to the Administrative Agent on behalf of the Lenders all such information regarding the condition (financial or otherwise), business and operations of such Material Subsidiary as the Administrative Agent, or the Issuing Bank or any Lender through the Administrative Agent, may reasonably request.

(e) **Production Proceeds.** Notwithstanding that, by the terms of the various Security Documents, the Loan Parties are and will be assigning to the Administrative Agent, the Issuing Bank and the Lenders all of the “Production” (as defined therein) and the proceeds therefrom accruing to the properties covered thereby, so long as no Event of Default has occurred, the Loan Parties may continue to receive from the purchasers of production all such Production Proceeds, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified. Upon the occurrence of an Event of Default, the Administrative Agent, the Issuing Bank and the Lenders may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Production Proceeds then held by any Loan Party or to receive directly from the purchasers of production all other Production Proceeds. In no case shall any failure, whether purposeful or inadvertent, by the Administrative Agent, the Issuing Bank or the Lenders to collect directly any such Production Proceeds constitute in any way a waiver, remission or release of any of its or their rights under the Security Documents, nor shall any release of any Production Proceeds by the Administrative Agent or Lenders to any Loan Party constitute a waiver, remission, or release of any other Production Proceeds or of any rights of the Administrative Agent, the Issuing Bank or the Lenders to collect other Production Proceeds thereafter.

SECTION 6.17 Keepwell. The Borrower hereby absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under any Hedging Agreement with a Lender or Affiliate of a Lender or any Guaranty in respect of any obligations or other liabilities under a Hedging Agreement with a Lender or Affiliate of a Lender (provided, however, that the Borrower shall only be liable under this Section 6.17 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 6.17 or otherwise voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of the Borrower under this Section 6.17 shall remain in full force and effect until payment in full of the Secured Obligations and the termination of this Agreement. The Borrower intends that this Section 6.17 constitute, and this Section 6.17 shall be deemed to constitute, a “keepwell, support, or other agreement” for the benefit of each other Credit Party for all purposes of section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

SECTION 6.18 Unrestricted Subsidiaries. The Borrower:

(a) will cause the management, business and affairs of each of Borrower and its Subsidiaries to be conducted in such a manner (including, without limitation, by keeping separate books of account, maintaining separate policies of insurance and by not permitting Properties of Borrower and its respective Subsidiaries to be commingled) so that each Unrestricted Subsidiary will be treated as an entity separate and distinct from Borrower and the Restricted Subsidiaries (except (i) with respect to the treatment for tax purposes of the Borrower or any Restricted Subsidiary holding any interest in an Unrestricted Subsidiary that is regarded as a partnership and (ii) for the common management/directorship between the Borrower and any Unrestricted Subsidiary);

(b) except for unsecured Guaranty Obligations as permitted by Section 7.3(e), will not, and will not permit any of the Restricted Subsidiaries to, incur, assume or suffer to exist Guaranty Obligations or be or become liable for any Indebtedness of any Unrestricted Subsidiary;

(c) will not permit any Unrestricted Subsidiary to hold any equity interest in, or any Indebtedness of, the Borrower or any Restricted Subsidiary;

(d) will not permit any Unrestricted Subsidiary to have any Indebtedness other than Non-Recourse Debt;

(e) will not permit any Unrestricted Subsidiary to be a party to any agreement, contract, arrangement or understanding with the Borrower or any Restricted Subsidiary of the Borrower unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Borrower or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Borrower;

(f) will not, nor will it permit any of its Restricted Subsidiaries to, have any direct or indirect obligation (i) to subscribe for additional equity interests of such Person or (ii) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(g) will not permit any Unrestricted Subsidiary to Guarantee or otherwise directly or indirectly provide credit support for any Indebtedness of the Borrower or any of its Restricted Subsidiaries.

SECTION 6.19 Title Information.

(a) On or before the delivery to the Administrative Agent and the Lenders of each Engineering Report required by Section 6.2(g), the Borrower will deliver title information in form and substance reasonably acceptable to the Administrative Agent covering enough of the Oil and Gas Properties evaluated by such Engineering Report that were not included in the immediately preceding Engineering Report, so that the Administrative Agent shall have received together with title information previously delivered to the Administrative Agent, reasonably satisfactory title information on at least eighty percent (80%) of the present value of the Oil and Gas Properties constituting Proved Reserves evaluated by such Engineering Report.

(b) If the Borrower has provided title information for additional Properties under Section 6.19(a), the Borrower shall, within 60 days of notice from the Administrative Agent that title defects or exceptions exist with respect to such additional Properties, either (1) cure any such title defects or exceptions (including defects or exceptions as to priority) which are not permitted by Section 7.1 raised by such information, (2) substitute acceptable Mortgaged Properties (with no title defects or exceptions except for Liens permitted by Section 7.1) having an equivalent value or (3) deliver title information in form and substance reasonably acceptable to the Administrative Agent so that the Administrative Agent shall have received, together with title information previously delivered to the Administrative Agent, reasonably satisfactory title information on at least eighty percent (80%) of the present value of the Oil and Gas Properties constituting Proved Reserves evaluated by such Engineering Report.

(c) If the Borrower is unable to cure any title defect requested by the Administrative Agent or the Lenders to be cured within the 60-day period or the Borrower does not comply with the requirements to provide acceptable title information covering at least eighty percent (80%) of the present value of the Oil and Gas Properties constituting Proved Reserves evaluated in the most recent Engineering Report, such default shall not be a Default, but instead the Administrative Agent and/or the Required Borrowing Base Lenders shall have the right to exercise the following remedy in their sole discretion from time to time, and any failure to so exercise this remedy at any time shall not be a waiver as to future exercise of the remedy by the Administrative Agent or the Lenders. To the extent that the Administrative Agent or the Required Borrowing Base Lenders are not satisfied with title to any Mortgaged Property after the 60-day period has elapsed, such unacceptable Mortgaged Property shall not count towards the requirement, and the Administrative Agent may send a notice to the Borrower and the Lenders that the then outstanding Borrowing Base shall be reduced by an amount as determined by the Required Borrowing Base Lenders to cause the Borrower to be in compliance with the requirement to provide acceptable title information on at least eighty percent (80%) of the present value of the Oil and Gas Properties constituting Proved Reserves evaluated in the most recent Engineering Report. This new Borrowing Base shall become effective immediately after receipt of such notice.

ARTICLE VII.
NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Borrower shall not, and the Borrower shall not permit any Restricted Subsidiary to, directly or indirectly:

SECTION 7.1 Liens. Create, incur, assume or suffer to exist, any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens existing pursuant to any Loan Document;

(b) Liens existing on the date hereof and listed on Schedule 7.1 and any renewals or extensions thereof, provided that the property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.3(b);

(c) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's, operator's, statutory, royalty owner's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(f) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person; and

(h) Liens on fixed or capital assets acquired, constructed or improved by any Borrower or any Restricted Subsidiary; provided that (i) such Liens secure Indebtedness permitted by clause (e) of Section 7.3, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such Liens shall not apply to any other property or assets of any Borrower or any other Restricted Subsidiaries.

SECTION 7.2 Investments. Make any Investments, except:

(a) Investments (other than those permitted by clauses (b) through (h)) existing on the date hereof and listed on Schedule 7.2;

(b) Investments held by the Borrower or such Restricted Subsidiary in the form of cash or cash equivalents;

(c) advances to officers, directors and employees of the Borrower or any Restricted Subsidiary in an aggregate amount not to exceed \$50,000 at any time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes;

(d) Investments constituting (1) contributions of capital (but not loans or advances) made by the Borrower in any then existing Guarantor or by any Guarantor in any other then existing Guarantor, and (2) loans or advances by the Borrower to any then existing Guarantor, provided that such Investment constituting a loan or advance shall be evidenced by a Pledged Note pledged to the Administrative Agent pursuant to a Pledge Agreement;

(e) Guaranty Obligations permitted by Section 7.3;

(f) Investments permitted by Section 7.4; and

(g) Investments by the Borrower or any Guarantor in any Person other than the Borrower or any then existing Restricted Subsidiary, provided that (1) all such Investments made after the Closing Date do not exceed \$25,000,000 in the aggregate at any time; (2) such Investment shall not violate Section 7.8 or Section 7.11, (3) that the Borrower shall, or shall cause such other Person to, comply with the provisions of Section 6.16(d) in accordance therewith; (4) both before and after giving effect to such Investment (on a pro forma basis acceptable to the Administrative Agent) no Default or Event of Default shall have occurred and be continuing and all representations and warranties contained in Article V hereof shall be true and correct in all material respects as if made both immediately before and immediately after the time of such Investment and (5) this Section 7.2(g) shall not apply to the Disposition of any Oil and Gas Properties.

SECTION 7.3 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness outstanding on the date hereof and listed on Schedule 7.3 and any refinancings, refundings, renewals or extensions thereof; provided that the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing;

(c) Guaranty Obligations of the Borrower or any Restricted Subsidiary in respect of Indebtedness otherwise permitted hereunder of the Borrower or any wholly-owned Restricted Subsidiary provided no Subsidiary other than a Guarantor shall guarantee Indebtedness permitted by Section 7.3(f);

(d) obligations (contingent or otherwise) of the Borrower or any Restricted Subsidiary existing or arising under any Hedging Agreement with any Lender (or any Affiliate of any Lender) or any Person with an investment grade debt rating acceptable to the Administrative Agent at the time such Hedging Agreement is entered into or any other Person acceptable to the Administrative Agent, provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person and not for purposes of speculation or taking a “market view;” and (ii) such Hedging Agreement does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party;

(e) Indebtedness of the Borrower or any Guarantors (excluding Indebtedness of the type otherwise permitted by this Section 7.3) in an aggregate principal amount not to exceed \$25,000,000 at any time outstanding provided that (i) such Indebtedness shall either be unsecured or secured only by Liens satisfying all of the conditions set forth in Section 7.1(h); and (ii) the proceeds of such Indebtedness

shall not be used to refinance, replace, collateralize, redeem or repay any Indebtedness permitted by Section 7.3(f).

(f) unsecured Indebtedness of Borrower (and related Guaranty Obligations of the Guarantors) outstanding under (i) the 2012 Senior Notes Indenture, provided that the aggregate principal amount of any Indebtedness outstanding thereunder shall not exceed \$300,000,000 at any time, (ii) the 2011 Senior Notes, provided that the aggregate principal amount of any Indebtedness outstanding thereunder shall not exceed \$300,000,000 at any time, (iii) any Permitted Additional Notes, provided that the aggregate principal amount of any Indebtedness outstanding thereunder, not including any amount used to call, redeem or repurchase 2012 Senior Notes or 2011 Senior Notes (which shall constitute Permitted Refinancing Indebtedness) shall not exceed \$300,000,000 at any time, and (iv) any Permitted Refinancing Indebtedness;

(g) Indebtedness constituting intercompany loans or advances owing by a Guarantor to the Borrower pursuant to Section 7.2(d), (2) evidenced by a Pledged Note; and

(h) unsecured insurance premium financing in the ordinary course of business.

SECTION 7.4 Fundamental Changes. Merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of related transactions) all or substantially all of its assets, or all or substantially all of the equity interests of any Restricted Subsidiary (whether now owned or hereafter acquired) to or in favor of any Person, or liquidate or dissolve, or permit any Restricted Subsidiary to issue any equity interests, except that, so long as no Default or Event of Default exists or would result therefrom:

(a) any Restricted Subsidiary may merge with (i) the Borrower, provided that the Borrower shall be the continuing or surviving Person, or (ii) any one or more Restricted Subsidiaries, provided that when any wholly-owned Subsidiary is merging with another Restricted Subsidiary, the wholly-owned Subsidiary shall be the continuing or surviving Person;

(b) any Restricted Subsidiary may sell all or substantially all of its assets to the Borrower or to another Restricted Subsidiary; provided that if the seller in such a transaction is a wholly-owned Restricted Subsidiary, then the purchaser must also be a wholly-owned Restricted Subsidiary;

(c) any Restricted Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders;

(d) the Borrower or any Restricted Subsidiary may make any Investment permitted by Section 7.2,

(e) the Borrower or any Restricted Subsidiary may make any Disposition permitted by Section 7.5; and

(f) any Restricted Subsidiary may issue equity interests to the Borrower or other Restricted Subsidiary; provided that a wholly-owned Restricted Subsidiary may only issue equity interests to the Borrower or another wholly-owned Restricted Subsidiary;

provided, however, each Guarantor shall remain a wholly-owned Subsidiary of the Borrower.

SECTION 7.5 Dispositions. Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

- (b) Dispositions of inventory in the ordinary course of business;
- (c) Dispositions of property by any Restricted Subsidiary to the Borrower or to a wholly-owned Restricted Subsidiary;
- (d) Dispositions permitted by Section 7.4;

(e) if no Default or Event of Default exists either before or after such Disposition or would result therefrom, Dispositions of Oil and Gas Properties constituting Proved Reserves included in the most recently delivered Engineering Report that, when aggregated with any other Disposition made pursuant to this Section 7.5(e) between the most recent and the next succeeding regularly schedule redeterminations of the Borrowing Base, together with the Hedging Termination Value of any Hedge Liquidations during such period, have a fair market value not exceeding ten percent (10%) of the Borrowing Base in effect at the time of such Disposition, provided that, in connection with any such sales of assets included in the most recently delivered Engineering Report having a fair market value, when aggregated with any other Disposition made pursuant to this Section 7.5(e) between the most recent and the next succeeding regularly schedule redeterminations of the Borrowing Base, together with the Hedging Termination Value of any Hedge Liquidations during such period, in excess of five percent (5%) of the Borrowing Base in effect at the time of such Disposition, the Borrowing Base shall automatically be reduced concurrently with such Disposition in an amount equal to such excess;

(f) if no Default or Event of Default exists either before or after such Disposition or would result therefrom, Dispositions of Oil and Gas Properties that do not constitute Proved Reserves in the most recently delivered Engineering Report;

(g) Dispositions of Oil and Gas Properties pursuant to the KKR Participation Agreement, provided the interests to be disposed of are not included in the most recent Reserve Report; and

(h) if no Default or Event of Default exists either before or after such Disposition or would result therefrom, Dispositions of any other assets (excluding Oil and Gas Properties and equity interests in Subsidiaries owning Oil and Gas Properties) provided that the aggregate fair market value of all such assets shall not exceed \$25,000,000 in any calendar year;

provided, however, that notwithstanding anything in this Agreement to the contrary, (i) any Disposition pursuant to this Section 7.5 (other than clauses (a) and (c)) shall be for fair market value, (ii) each Guarantor shall remain a wholly-owned Subsidiary of the Borrower, (iii) the Borrower shall not permit the Disposition of any asset to any Subsidiary that is not a Guarantor and (iv) the Borrower shall use the Net Sales Proceeds, if any, of any Disposition made while a Borrowing Base Deficiency exists, or which results in such Borrowing Base Deficiency, to reduce such Borrowing Base Deficiency.

SECTION 7.6 Restricted Payments. Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Restricted Subsidiary may make Restricted Payments, directly or indirectly, to the Borrower or a Guarantor;

(b) the Borrower may declare and make dividend payments or other distributions payable solely in the common stock of the Borrower;

(c) the Borrower and each Restricted Subsidiary may purchase, redeem or otherwise acquire shares of its common stock or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issue of new shares of its common stock (other than shares issued or sold to a Subsidiary of the Borrower);

(d) other Restricted Payments that, when aggregated with all Optional Indebtedness Payments made pursuant to Section 7.12(b), if any, do not exceed \$120,000,000 in aggregate amount during any

calendar year; provided that both before and after giving effect to such Restricted Payment, as applicable, (on a pro forma basis acceptable to the Administrative Agent) no Default or Event of Default shall have occurred and be continuing and all representations and warranties contained in Article V hereof shall be true and correct in all material respects as if made at the time of such Restricted Payment;

provided, however, that notwithstanding the foregoing, no Restricted Payment pursuant to clauses (b), (c) or (d) shall be made at any time when the Outstanding Amount exceeds, or would exceed after giving effect to any Credit Extension the proceeds of which are used (or are intended to be used) to fund any portion of such Restricted Payment made pursuant to any such clause, 80% of the Borrowing Base then in effect; and further provided, however, that neither the Borrower nor any Subsidiary shall issue any Disqualified Stock.

SECTION 7.7 ERISA. At any time engage in a transaction which could be subject to Section 4069 or 4212(c) of ERISA, or permit any Plan to (a) engage in any non-exempt “prohibited transaction” (as defined in Section 4975 of the Code); (b) fail to comply with ERISA or any other applicable Laws; (c) fail to maintain the qualified status of any Plan that is intended to qualify under Section 401(a) of the Code; or (d) incur any material “waived funding deficiency” (as defined in Section 412 of the Code), which, with respect to each event listed above, could be reasonably expected to have a Material Adverse Effect.

SECTION 7.8 Change in Nature of Business. Engage in any material line of business substantially different from those lines of business conducted by the Borrower and its Restricted Subsidiaries on the date hereof.

SECTION 7.9 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of the Borrower (including without limitation, the purchase from, sale to, or exchange of property with, or the rendering of any service by or from, any Affiliate), except in the ordinary course of, and pursuant to the reasonable requirements of, the Borrower’s or any Guarantor’s business and upon fair and reasonable terms no less favorable to the Borrower or such Guarantor than would be obtained in a comparable arms-length transaction with a Person other than an Affiliate provided such transactions are otherwise permitted hereunder.

SECTION 7.10 Burdensome Agreements. Enter into any Contractual Obligation (other than this Agreement and the other Loan Documents) that limits the ability of (a) any Restricted Subsidiary to make Restricted Payments to the Borrower or any Guarantor or to otherwise transfer property to the Borrower or any Guarantor, (b) any Restricted Subsidiary to Guarantee the Secured Obligations, or (c) the Borrower or any Restricted Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person, in each case, other than Contractual Obligations pursuant to the Indenture Debt Documents provided, however, that this clause (c) shall not prohibit any negative pledge incurred or provided in favor of any holder of any Lien permitted under Section 7.1(h) solely to the extent any such negative pledge relates to the property encumbered by such Lien.

SECTION 7.11 Use of Proceeds. Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the Board) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

SECTION 7.12 Payments and Modification of Indenture Debt Documents. Make, or permit any Restricted Subsidiary to make, any optional redemption, optional repurchase, optional payment or optional prepayment of principal of, or make any optional payment of interest on, any Indebtedness under any Indenture Debt Document on any day other than the stated, scheduled date for

such payment set forth in the documents and instruments memorializing such Indebtedness, or defease (whether a covenant defeasance, legal defeasance or other defeasance), or enter into any agreement or arrangement providing for any defeasance of any kind of any Indebtedness under any Indenture Debt Document, or make any deposit for any of the foregoing purposes (all of the foregoing defined herein as “Optional Indebtedness Payments”), or amend or modify, or consent or agree to any amendment or modification of, any Indenture Debt Document, except:

(a) the Borrower may optionally call, optionally redeem or optionally repurchase 2012 Senior Notes or 2011 Senior Notes at any time, provided that both before and after giving effect to any such call, redemption or repurchase no Default or Event of Default shall have occurred and be continuing and the Outstanding Amount shall not exceed, after giving effect to any Credit Extension the proceeds of which are used (or are intended to be used) to fund any portion of any such call, redemption or repurchase, 66.6% of the Borrowing Base then in effect (provided that, for the avoidance of doubt, the Borrower acknowledges that the Borrowing Base shall not be increased as result of any such call, redemption or repurchase except to the extent (if any) that the principal amount of the 2012 Senior Notes or 2011 Senior Notes redeemed or repurchased with the proceeds of Permitted Additional Notes is netted against the principal amount of such Permitted Additional Notes for purposes of any reduction in the Borrowing Base pursuant to Section 2.8(d)(ii)); and

(b) in addition to the actions permitted as provided in Section 7.12(a), other Optional Indebtedness Payments in respect of Indebtedness under the Permitted Additional Note Indenture and any Permitted Refinancing Indebtedness that, when aggregated with all Restricted Payments made pursuant to Section 7.6(d), if any, do not exceed \$120,000,000 in aggregate amount during any calendar year, provided that both before and after giving effect to any such Optional Indebtedness Payment (on a pro forma basis acceptable to the Administrative Agent) no Default or Event of Default shall have occurred and be continuing and all representations and warranties contained in Article V hereof shall be true and correct in all material respects as if made at the time of the applicable Optional Indebtedness Payment, and further provided, that the Borrower shall not make any Optional Indebtedness Payments permitted above at any time when the Outstanding Amount exceeds, or would exceed after giving effect to any Credit Extension the proceeds of which are used (or are intended to be used) to fund any portion of any Optional Indebtedness Payments, 80% of the Borrowing Base then in effect;

(c) in addition, the Borrower may make any Optional Indebtedness Payment with the proceeds of, or in exchange for, a substantially simultaneous issuance of common stock of the Borrower, provided that both before and after giving effect to such Optional Indebtedness Payment no Default or Event of Default shall have occurred and be continuing;

provided, however, that the foregoing shall not (i) permit any Optional Indebtedness Payments otherwise prohibited by the terms of any applicable subordination or intercreditor agreement or (ii) prohibit the execution of supplemental agreements in connection with the issuance of Permitted Refinancing Indebtedness or Permitted Additional Notes or the addition of guarantors if required by the terms thereof (provided such guarantor complies with Section 6.16(d), whether or not a Material Subsidiary).

SECTION 7.13 Financial Covenants.

(a) Leverage Ratio. Permit or suffer the ratio of (i) Total Debt to (ii) EBITDAX, as of the last day of any period of four consecutive fiscal quarters ending on March 31, June 30, September 30 and December 31 of each calendar year, to be greater than 4.00 to 1.00.

(b) Interest Coverage Ratio. Permit or suffer the Interest Coverage Ratio, as of the last day of any period of four consecutive fiscal quarters ending on March 31, June 30, September 30 and December 31 of each calendar year, to be less than 2.5 to 1.0.

SECTION 7.14 Limitation on Hedges. Enter into any commodity hedging or derivative transactions except Hedge Agreements related to bona fide hedging activities of the Borrower or any of its Restricted Subsidiaries in an aggregate notional amount not to exceed, with respect to any calendar quarter, 80% of the Borrower's and its Restricted Subsidiaries' projected production of oil (for oil related transactions) and 80% of the Borrower's and its Restricted Subsidiaries' projected production of natural gas (for natural gas related transactions), in each case, during such future calendar quarter, but in no event in excess of actual production in such calendar quarter.

SECTION 7.15 Hedging Agreement Termination. Effect or permit a Hedge Liquidation of any Hedging Agreement utilized in calculating the Borrowing Base unless the Borrower is in compliance with Section 7.13 after calculating the Borrowing Base on a pro forma basis (and the Borrower shall deliver to the Administrative Agent concurrently therewith a certificate of a Responsible Officer setting forth reasonably detailed calculations demonstrating pro forma compliance with Section 7.13) to (i) remove the Hedging Agreement that is the subject of such Hedge Liquidation, (ii) take into account any new Hedging Agreement entered into at or about the same time, and (iii) recalculate Total Debt on a pro forma basis to give effect to any concurrent repayment of Indebtedness; provided that (i) the Hedging Termination Value of any Hedge Liquidations between the most recent and the next succeeding regular schedule redeterminations of the Borrowing Base, together with the fair market value of any Dispositions pursuant to Section 7.5(e) during such period, shall not exceed ten percent (10%) of the Borrowing Base in effect at the time of such Hedge Liquidation and (ii) the Borrowing Base shall be adjusted to the extent provided in Section 2.8(d)(iii).

SECTION 7.16 Sanction Laws. Engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any prohibition set forth in any Anti-Terrorism Law, (ii) cause or permit any of the funds that are used to repay the Loans to be derived from any unlawful activity with the result that the making of the Loans would be in violation of any applicable Laws, (iii) use any part of the proceeds of the Loans, directly or indirectly, for any payment to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the FCPA or (iv) use any of the proceeds from the Loans to finance any operations, investments or activities in, or make any payments to, any Restricted Person or other Person with the result that the Lender would be in violation of any applicable Laws.

ARTICLE VIII.
EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1 Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower fails to pay within two (2) Business Days after the same becomes due any amount of principal of any Loan or any L/C Obligation, or any interest on any Loan or on any L/C Obligation, or any commitment fee or other fee due hereunder, or any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. The Borrower fails to perform or observe any term, covenant or agreement contained in any of Sections 6.3, 6.5, 6.7, 6.10, 6.12, 6.13 or 6.16 or Article VII; or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in clauses (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days after written notice to the Borrower; or

(d) Representations and Warranties. Any representation or warranty made or deemed made by the Borrower or any other Loan Party herein, in any other Loan Document, or in any certificate or document delivered in connection herewith or therewith proves to have been incorrect in any material respect when made or deemed made; or

(e) Cross-Default. Any Loan Party (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guaranty Obligation having an aggregate principal amount (including undrawn or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$25,000,000, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guaranty Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guaranty Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the actual giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased or redeemed (automatically or otherwise) prior to its stated maturity, or such Guaranty Obligation to become payable or cash collateral in respect thereof to be demanded; or

(f) Insolvency Proceedings, Etc. Any Loan Party institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Loan Party and the appointment continues undischarged or unstayed for 30 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 30 calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) Any Loan Party becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Loan Party and is not released, vacated or fully bonded within 30 days after its issue or levy; or

(h) Judgments. There is entered against the Borrower or any Guarantor (i) one or more final judgments or orders for the payment of money which together with other such judgments or orders exceeds the aggregate amount of \$25,000,000 (to the extent not covered by independent third-party

insurance as to which the insurer does not dispute coverage), or (ii) any non-monetary final judgment that has, or would reasonably be expected to have, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of any Loan Party under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC, or (ii) any Loan Party or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan; or

(j) Event of Default Under Other Loan Document. Any event of default described in any Security Document or any other Loan Document shall have occurred and be continuing, or any material provision of any Security Agreement or any other Loan Document shall at any time for any reason cease to be valid, binding and enforceable against any Loan Party that is an obligor thereunder; or

(k) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of all the Lenders or satisfaction in full of all the Obligations or as permitted by Section 9.11, ceases to be in full force and effect, or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(l) Change of Control. There occurs any Change of Control with respect to any of the Borrower or, except as permitted by Section 7.4, any Restricted Subsidiary; or there occurs any "Change of Control Triggering Event" or any comparable event under any Indenture Debt Document; or

(m) Material Adverse Effect. There occurs any event or circumstance that has a Material Adverse Effect which Material Adverse Effect shall not have been cured within 30 days following notice from the Administrative Agent.

SECTION 8.2 Remedies Upon Event of Default. If any Event of Default occurs, the Administrative Agent shall, at the request of, or may, with the consent of, the Majority Lenders,

(a) declare the commitment of each Lender to make Loans and any obligation of the Issuing Bank to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law, including, without limitation, the enforcement of the Administrative Agent's and the Lenders' rights either by suit in equity, or by action at law, or by other appropriate proceedings, whether for the specific performance (to the extent permitted by law) of any covenant or agreement contained in this Agreement or in any then outstanding Note or any Security Document or in aid of the exercise of any power granted in this Agreement or in any then outstanding Note or any Security Document;

provided, however, that upon the occurrence of any event specified in clause (f) of Section 8.1, the obligation of each Lender to make Loans and any obligation of the Issuing Bank to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

SECTION 8.3 Distribution of Proceeds. All proceeds of any realization on the Collateral received by the Administrative Agent pursuant to the Security Documents or any payments on any of the liabilities secured by the Security Documents received by the Administrative Agent or any Lender upon and during the continuance of any Event of Default shall be allocated and distributed as follows (and with respect to any contingent obligation shall be held as cash collateral for application as follows):

(a) First, to the payment of all costs and expenses, including without limitation all attorneys' fees, of the Administrative Agent in connection with the enforcement of the Security Documents and otherwise administering this Agreement;

(b) Second, to the payment of all costs, expenses and fees, including without limitation, commitment fees, letter of credit fees and attorneys' fees, owing to the Issuing Bank and the Lenders pursuant to the Obligations on a pro rata basis in accordance with the Obligations consisting of fees, costs and expenses owing to the Issuing Bank and the Lenders under the Obligations for application to payment of such liabilities;

(c) Third, to the Issuing Bank, the Lenders or any Affiliate of a Lender on a pro rata basis in accordance with (i) the Obligations consisting of interest and principal owing to the Lenders under the Obligations, (ii) any obligations owing to any Lender or any Affiliate of a Lender pursuant to any Hedging Agreement to which it is a party (whether pursuant to a termination thereof or otherwise) and (iii) any reimbursement obligations or other liabilities owing to the Issuing Bank or any Lender with respect to any Letter of Credit or any application for a Letter of Credit, for application to payment of such liabilities;

(d) Fourth, to the payment of any and all other amounts owing to the Administrative Agent, the Issuing Bank and the Lenders on a pro rata basis in accordance with the total amount of such Indebtedness owing to each of the Lenders, for application to payment of such liabilities; and

(e) Fifth, to the Borrower or such other Person as may be legally entitled thereto.

Notwithstanding the foregoing, (i) amounts received from the Borrower or any other Credit Party that is not an "eligible contract participant" under the Commodity Exchange Act or any regulations promulgated thereunder shall not be applied to any Excluded Swap Obligations; provided, however, appropriate adjustments shall be made with respect to payments from other Credit Parties to preserve the allocation of Secured Obligations otherwise set forth above in this Section, and (ii) Secured Obligations arising Hedging Agreements shall be excluded from the application described above if the Administrative Agent has not received written notice thereof, together with such supporting documentation as the Administrative Agent may request, from the applicable Lender or Lender Affiliate, as the case may be.

ARTICLE IX.
ADMINISTRATIVE AGENT

SECTION 9.1 Appointment and Authorization of Administrative Agent.

(a) Each Lender hereby irrevocably (subject to Section 9.9) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term “agent” herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Each Lender hereby agrees to assert no claim against the Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims are hereby expressly waived by each Lender.

(b) The Issuing Bank shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith until such time (and except for so long) as the Administrative Agent may agree at the request of the Majority Lenders to act for the Issuing Bank with respect thereto; provided, however, that the Issuing Bank shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article IX with respect to any acts taken or omissions suffered by the Issuing Bank in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term “Administrative Agent” as used in this Article IX included the Issuing Bank with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the Issuing Bank.

SECTION 9.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

SECTION 9.3 Liability of Administrative Agent. No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, preliminary statement, statement, representation or warranty made by any Loan Party or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Loan Party or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or

performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party or any Affiliate thereof.

SECTION 9.4 Reliance by Administrative Agent.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to any Loan Party), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Lenders or all the Lenders, if required hereunder, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and participants. Where this Agreement expressly permits or prohibits an action unless the Majority Lenders otherwise determine, the Administrative Agent shall, and in all other instances, the Administrative Agent may, but shall not be required to, initiate any solicitation for the consent or a vote of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 4.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender.

SECTION 9.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default.” The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be directed by the Majority Lenders in accordance with Article VIII; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

SECTION 9.6 Credit Decision; Disclosure of Information by Administrative Agent. Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Loan Party or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties and their respective Restricted Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made

its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and the other Loan Parties. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any of the Loan Parties or any of their respective Affiliates which may come into the possession of any Agent-Related Person.

SECTION 9.7 Indemnification of Administrative Agent. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of any Loan Party and without limiting the obligation of any Loan Party to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it (**INCLUDING ANY AND ALL INDEMNIFIED LIABILITIES ARISING OUT OF, IN ANY WAY RELATING TO, OR RESULTING FROM SUCH AGENT-RELATED PARTY'S OWN NEGLIGENCE**); provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting from such Agent-Related Person's gross negligence or willful misconduct; provided, however, that no action taken in accordance with the directions of the Majority Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive termination of the Commitments, the payment of all Obligations hereunder and the resignation or replacement of the Administrative Agent.

SECTION 9.8 Administrative Agent in its Individual Capacity. BMO and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with each of the Loan Parties and their respective Affiliates as though BMO were not the Administrative Agent or the Issuing Bank hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, BMO or its Affiliates may receive information regarding any Loan Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of such Loan Party or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, BMO shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent or the Issuing Bank, and the terms "Lender" and "Lenders" include BMO in its individual capacity.

SECTION 9.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Majority Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders. If no successor administrative agent is appointed prior to the effective date of the

resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor administrative agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article IX and Sections 10.4 and 10.5 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Lenders appoint a successor agent as provided for above.

SECTION 9.10 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower or any of its Restricted Subsidiaries, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower or any other Loan Party) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Bank and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Issuing Bank and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the Issuing Bank and the Administrative Agent under Sections 10.4 or 10.5) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the Issuing Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders or the Issuing Bank, as applicable, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 10.4 and 10.5. Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the Issuing Bank any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or the Issuing Bank or to authorize the Administrative Agent to vote in respect of the claim of any Lender or the Issuing Bank in any such proceeding.

SECTION 9.11 Authority of Administrative Agent to Release Collateral Property, Liens and Guarantees.

(a) Each Lender, on behalf of itself and each of such Lender's Affiliates that is a counterparty to a Hedge Agreement with a Loan Party, and the Issuer hereby authorizes the Administrative Agent to (i) release or subordinate (and execute and deliver to the Borrower (or its designee), at the Borrower's

sole cost and expense, any and all releases or subordination agreements with respect to Liens, termination statements, assignments or other documents reasonably requested by the Borrower in connection therewith) any collateral that is permitted to be sold or released pursuant to the terms of the Loan Documents or that is the subject of a farmout agreement, participation agreement or other similar agreement into which the Borrower or its Restricted Subsidiaries are permitted to enter and (ii) release any Guarantor from its obligations under the Loan Documents if such Person ceases to be a Restricted Subsidiary as a result of a transaction permitted under the Loan Documents. Any such release or subordination agreement shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those being released) upon (or obligations (other than those being released) of the Loan Parties in respect of) all assets or properties retained by the Loan Parties, including the proceeds of any Disposition, all of which shall continue to constitute part of the collateral except to the extent otherwise released in accordance with the provisions of the Loan Documents.

(b) Each Lender, for itself and on behalf of its Affiliates party to a Hedge Agreement with a Loan Party, irrevocably authorizes Administrative Agent to release any Lien granted to or held by the Administrative Agent upon any collateral: (i) upon termination of the Commitments, termination or expiration of all Letters of Credit (other than Letters of Credit as to which other arrangements satisfactory to the Administrative Agent and the Issuing Bank have been made), and payment in full of all Obligations (without regard to whether any obligations remain outstanding under any Hedging Agreement between a Lender or Affiliate of a Lender and any Loan Party); (ii) constituting Oil and Gas Property leased to the Borrower or any Loan Party under a lease that has expired or has been terminated in a transaction permitted under this Agreement or is about to expire and which has not been, and is not intended by the Borrower or such Loan Party to be, renewed or extended; or (iii) if approved, authorized or ratified in writing by the applicable Majority Lenders or all the Lenders, as the case may be, as required by Section 10.1.

(c) Upon the request of the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release or subordinate particular types or items of collateral, or to release any Guarantor from its obligations under the Loan Documents, pursuant to this Section 9.11.

SECTION 9.12 Other Agents; Lead Managers. None of the Lenders identified on the facing page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent" or "lead manager" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

**ARTICLE X.
MISCELLANEOUS**

SECTION 10.1 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Majority Lenders and the Borrower and acknowledged and agreed by each other Loan Party, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall, unless in writing and signed by each of the Lenders directly affected thereby and by the Borrower, and acknowledged and agreed by each other Loan Party and acknowledged by the Administrative Agent, do any of the following:

(a) extend or increase the Commitment Amount of any Lender (or reinstate any Commitment terminated pursuant to Section 8.2); or

(b) postpone any date fixed by this Agreement or any other Loan Document for any payment or mandatory prepayment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document; or

(c) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or any fees or other amounts payable hereunder or under any other Loan Document, or change the manner of computation of any financial covenant used in determining the Base Rate Spread, LIBOR Spread or Commitment Fee Rate that would result in a reduction of any interest rate on any Loan; provided, however, that only the consent of the Majority Lenders shall be necessary to waive any obligation of the Borrower to pay interest at the rate specified in Section 2.9(b); or

(d) change the required approval level that is required for the Lenders or any of them to take any action hereunder or change the definition of "Majority Lenders" or "Required Borrowing Base Lenders"; or

(e) increase the Borrowing Base (but subject to Section 2.16(b)), or take any other action which requires the signing of all the Lenders pursuant to the terms of this Agreement or of any other Loan Document, or change the Percentage Share of any Lender or Voting Percentage of any Non-Defaulting Lender; or

(f) amend this Section, or Section 2.14, or any provision herein providing for consent or other action by all the Lenders; or

(g) permit any termination, amendment, modification, waiver, or release of any Guaranty or any provision thereof; or

(h) release all or substantially all collateral under any of the Security Documents, or permit any termination or release of any Security Document, provided that, notwithstanding the foregoing, the consent of the Lenders shall not be required for any release of any collateral under any of the Security Documents in connection with a Disposition by the Borrower or any Guarantor if such Disposition is permitted by Section 7.5; or

(i) waive, amend or otherwise modify the provisions of Section 5.14(a) or Section 7.11, or any condition set forth therein;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Bank in addition to the Majority Lenders or all the Lenders, as the case may be, affect the rights or duties of the Issuing Bank under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing

and signed by the Administrative Agent in addition to the Majority Lenders or all the Lenders, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iii) the Agent and Arranger Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

SECTION 10.2 Notices and Other Communications; Facsimile Copies.

(a) **General.** Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission) and mailed, faxed or delivered, to the address, facsimile number or (subject to subsection (c) below) electronic mail address specified for notices on Schedule 10.2; or, in the case of the Borrower, the Administrative Agent, or the Issuing Bank, to such other address as shall be designated by such party in a notice to the other parties, and in the case of any other party, to such other address as shall be designated by such party in a notice to the Borrower, the Administrative Agent and the Issuing Bank. All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the intended recipient and (ii) (A) if delivered by hand or by courier, when signed for by the intended recipient; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of subsection (c) below), when delivered; provided, however, that notices and other communications to the Administrative Agent and the Issuing Bank pursuant to Article II shall not be effective until actually received by such Person. Any notice or other communication permitted to be given, made or confirmed by telephone hereunder shall be given, made or confirmed by means of a telephone call to the intended recipient at the number specified on Schedule 10.2, it being understood and agreed that a voicemail message shall in no event be effective as a notice, communication or confirmation hereunder.

(b) **Effectiveness of Facsimile Documents and Signatures.** Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on all Loan Parties, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) **Electronic Communications.** Notices and other communications (including all notices, requests, financial statements, financial and other reports, certificates and other information materials (all such communications being referred to herein collectively as “Communications”) to the Lenders hereunder may be delivered or furnished by electronic communication (including email and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender’s receipt of an acknowledgement from the intended recipient (such as by the “return receipt requested” function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the

intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(d) Electronic Distribution Platforms. The Borrower further agrees that the Administrative Agent may make the Communications available to the Lenders by posting the Communications on Intralinks or a substantially similar electronic transmission system (the "Platform"). THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE". THE INDEMNIFIED PARTIES (AS DEFINED IN SECTION 10.5) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE COMMUNICATIONS OR THE ADEQUACY OF THE PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS IS MADE BY THE INDEMNIFIED PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE PLATFORM. IN NO EVENT SHALL THE INDEMNIFIED PARTIES HAVE ANY LIABILITY TO ANY LOAN PARTY, ANY LENDER OR ANY OTHER PERSON FOR DAMAGES OF ANY KIND, WHETHER OR NOT BASED ON STRICT LIABILITY AND INCLUDING DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF ANY LOAN PARTY'S OR THE ADMINISTRATIVE AGENT'S TRANSMISSION OF COMMUNICATIONS THROUGH THE PLATFORM, EXCEPT TO THE EXTENT THE LIABILITY OF ANY INDEMNIFIED PARTY IS FOUND IN A FINAL RULING BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED PRIMARILY FROM SUCH INDEMNIFIED PARTY'S BAD FAITH, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(e) Other Notices Effective. Nothing herein shall prejudice the right of the Administrative Agent or any Lender to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

(f) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Notice of Advances) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

SECTION 10.3 No Waiver; Cumulative Remedies. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 10.4 Attorney Costs, Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether

or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Administrative Agent, the Issuing Bank and each Lender for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any “workout” or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent or any Lender. The agreements in this Section shall survive the termination of the Commitments and repayment of all the other Obligations.

SECTION 10.5 Indemnification by the Borrower. Whether or not the transactions contemplated hereby are consummated, the Borrower agrees to indemnify, defend, save and hold harmless each Agent-Related Person, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the “Indemnitees”) from and against: (a) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person (other than the Administrative Agent or any Lender) relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against any Loan Party, any Affiliate of any Loan Party or any of their respective officers or directors; (b) any and all claims, demands, actions or causes of action that may at any time (including at any time following repayment of the Obligations and the resignation or removal of the Administrative Agent or the replacement of any Lender) be asserted or imposed against any Indemnitee, arising out of or relating to, the Loan Documents, any predecessor loan documents, the Commitments, the use or contemplated use of the proceeds of any Credit Extension, or the relationship of any Loan Party, the Administrative Agent and the Lenders under this Agreement or any other Loan Document; (c) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in clause (a) or (b) above; and (d) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including Attorney Costs) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action, litigation or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action, litigation or proceeding, in all cases, **WHETHER OR NOT ARISING OUT OF THE NEGLIGENCE OF AN INDEMNITEE**, and whether or not an Indemnitee is a party to such claim, demand, action, cause of action, litigation or proceeding (all the foregoing, collectively, the “Indemnified Liabilities”); provided that no Indemnitee shall be entitled to indemnification for any claim caused by its own gross negligence or willful misconduct or for any loss asserted against it by another Indemnitee. The agreements in this Section shall survive the termination of the Commitments and repayment of all the other Obligations.

SECTION 10.6 Payments Set Aside. To the extent that the Borrower makes a payment to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal

to (i) with respect to the first two Business Days following such demand, the Federal Funds Rate from time to time in effect, and (ii) with respect to each day thereafter, the Base Rate from time to time in effect.

SECTION 10.7 Successors and Assigns; Assignments; Participations.

(a) Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments.

(i) Any Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including in all instances for purposes of this subsection (i), participations in L/C Obligations) at the time owing to it); provided that (A) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder, including as noted above, participations in L/C Obligations) subject to each such assignment, determined as of the date the Lender Assignment with respect to such assignment is delivered to the Administrative Agent, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Default has occurred and is continuing and so long as in the case of Bank of Montreal, such Lender shall have been reduced to its "final hold amount" as described in the commitment letter referred to in the Agent and Arranger Fee Letter, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed), (B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (B) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate Borrowings on a non-pro rata basis, (C) the parties to each assignment shall execute and deliver to the Administrative Agent a Lender Assignment, together with a processing and recordation fee of \$3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (ii) of this Section, from and after the effective date specified in each Lender Assignment, the Eligible Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Lender Assignment, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Lender Assignment, be released from its obligations under this Agreement (and, in the case of an Lender Assignment covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.7, 10.4 and 10.5). Upon request, the Borrower (at its expense) shall execute and deliver new or replacement Notes to the assigning Lender and the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 10.7(c) of this Section.

(ii) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Lender Assignment delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(c) Participations.

(i) Any Lender may, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations) owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification that would (A) postpone any date upon which any payment of money is scheduled to be paid to such Participant, (B) reduce the principal, interest, fees or other amounts payable to such Participant, or (C) release any Guarantor from the Guaranty. Subject to subsection (ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.7(b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.9 as though it were a Lender, provided such Participant agrees to be subject to Section 2.14 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(ii) A Participant shall not be entitled to receive any greater payment under Section 3.1 or 3.4 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.1 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.8 as though it were a Lender.

(d) Pledge of Lender's Interest. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Notes, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(e) Consent to Assignment. If the consent of the Borrower to an assignment or to an Eligible Assignee is required hereunder (including a consent to an assignment which does not meet the minimum assignment threshold specified in clause (A) of the proviso to the first sentence of Section 10.7(b)), the Borrower shall be deemed to have given its consent five Business Days after the date notice thereof has been delivered by the assigning Lender (through the Administrative Agent) unless such consent is expressly refused by the Borrower prior to such fifth Business Day.

(f) Definitions for Section 10.7. As used herein, the following terms have the following meanings:

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund and (d) any other Person (other than a natural Person) approved by the Administrative Agent, the Issuing Bank, and provided that no Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed).

"Fund" means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

(g) Assignment by BMO. Notwithstanding anything to the contrary contained herein, if at any time BMO assigns all of its Commitment and Loans pursuant to Section 10.7(b) above, BMO may, upon 30 days' notice to the Borrower and the Lenders, resign as Issuing Bank. In the event of any such resignation as Issuing Bank, the Borrower shall be entitled to appoint from among the Lenders a successor Issuing Bank hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of BMO as Issuing Bank. BMO shall retain all the rights and obligations of the Issuing Bank hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as Issuing Bank and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund participations in Unreimbursed Amounts pursuant to Section 2.3(c)).

SECTION 10.8 Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory or self-regulatory authority; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or any suit, action

or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any Eligible Assignee of or Participant in, or any prospective Eligible Assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Borrower; (g) with the consent of the Borrower; (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower; or (i) to the National Association of Insurance Commissioners or any other similar organization or any nationally recognized rating agency that requires access to information about a Lender's or its Affiliates' investment portfolio in connection with ratings issued with respect to such Lender or its Affiliates. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 10.9 Set-off. In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Event of Default, each Lender is authorized at any time and from time to time, without prior notice to the Borrower or any other Loan Party, any such notice being waived by the Borrower (on its own behalf and on behalf of each Loan Party) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the respective Loan Parties against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

SECTION 10.10 Interest Rate Limitation. It is the intention of the parties hereto to conform strictly to applicable usury laws and, anything herein to the contrary notwithstanding, the obligations of the Borrower to each Lender and the Issuing Bank under this Agreement shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to such Lender or the Issuing Bank limiting rates of interest which may be charged or collected by such Lender or the Issuing Bank. Accordingly, if the transactions contemplated hereby would be usurious under applicable law (including the Federal and state laws of the United States of America, or of any other jurisdiction whose laws may be mandatorily applicable) with respect to a Lender or the Issuing Bank then, in that event, notwithstanding anything to the contrary in this Agreement, it is agreed as follows: (i) the provisions of this Section 10.10 shall govern and control; (ii) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, charged or received under this Agreement, or under any of the other aforesaid agreements or otherwise in connection with this Agreement by such Lender or the Issuing Bank shall under no circumstances exceed the maximum amount of interest allowed by applicable law (such maximum lawful interest rate, if any, with respect to such Lender or the Issuing Bank herein called the "Highest Lawful Rate"), and any excess shall be credited to the Borrower by such Lender or the Issuing Bank (or, if such consideration shall have been paid in full, such excess promptly refunded to the Borrower); (iii) all sums paid, or agreed to be paid, to the Lender or the Issuing Bank for the use, forbearance and detention of the indebtedness of the

Borrower to such Lender or the Issuing Bank hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest is uniform throughout the full term thereof; and (iv) if at any time the interest provided pursuant to Article II together with any other fees payable pursuant to this Agreement and deemed interest under applicable law, exceeds that amount which would have accrued at the Highest Lawful Rate, the amount of interest and any such fees to accrue to such Lender or the Issuing Bank pursuant to this Agreement shall be limited, notwithstanding anything to the contrary in this Agreement to that amount which would have accrued at the Highest Lawful Rate, but any subsequent reductions, as applicable, shall not reduce the interest to accrue to such Lender or the Issuing Bank pursuant to this Agreement below the Highest Lawful Rate until the total amount of interest accrued pursuant to this Agreement and such fees deemed to be interest equals the amount of interest which would have accrued to such Lender or the Issuing Bank if a varying rate per annum equal to the interest provided pursuant to Article II had at all times been in effect, plus the amount of fees which would have been received but for the effect of this Section 10.10. For purposes of Tex. Fin. Code Ann. Ch. 303, as amended, to the extent, if any, applicable to a Lender or the Issuing Bank, the Borrower agrees that the Highest Lawful Rate shall be the “weekly ceiling” as defined in said Article, provided that such Lender and the Issuing Bank may also rely, to the extent permitted by applicable laws, on alternative maximum rates of interest under other laws applicable to such Lender or such Issuer, as the case may be, if greater. Tex. Fin. Code Ann. Ch. 346 (which regulates certain revolving credit loan accounts and revolving tri-party accounts) shall not apply to this Agreement or the Notes.

SECTION 10.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 10.12 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or Event of Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

SECTION 10.13 Collateral Matters; Hedges.

(a) The benefit of the Security Documents and the provisions of this Agreement and the other Loan Documents relating to the collateral shall also extend to, secure and be available on a pro rata basis (as set forth in Section 8.3 of this Agreement) to each Lender or Affiliate of a Lender that is a counterparty to a Hedging Agreement with the Borrower or any other Loan Party (including any Hedging Agreement in existence prior to the date hereof or prior to such Person or its Affiliate becoming a Lender) with respect to any obligations of the Borrower or any other Loan Party arising under such Hedging Agreement, but only with respect to any such Hedging Agreement, and the transactions thereunder, that were entered into while such Person or its Affiliate was a Lender or prior to such Person or its Affiliate becoming a Lender, until either (x) such obligations are paid in full or otherwise expire or are terminated or (y) the Security Documents are otherwise released in accordance with Section 9.11(b) or terminate; provided that with respect to any Hedging Agreement, or transaction thereunder, that remains secured after the counterparty thereto is no longer a Lender or an Affiliate of a Lender, the provisions of Article IX shall also continue to apply to such counterparty in consideration of its benefits hereunder and each such counterparty shall, if requested by the Administrative Agent, promptly execute and deliver to the Administrative Agent all such other documents, agreements and instruments reasonably requested by the Administrative Agent to evidence the continued applicability of the provisions of Article IX.

Notwithstanding the foregoing, no Lender or Affiliate of a Lender (or former Lender or Affiliate of a former Lender) shall have any voting or consent right under this Agreement or any Security Document as a result of the existence of obligations owed to it under a Hedging Agreement that are secured by any Security Document.

(b) Notwithstanding anything contained in any of the Loan Documents to the contrary, the Borrower, the Administrative Agent, and each Lender, for itself and on behalf of its Affiliates party to a Hedging Agreement with the Borrower or any other Loan Party, hereby agrees that no Secured Party shall have any right individually to realize upon any of the collateral or to enforce any Guaranty, it being understood and agreed that all powers, rights and remedies hereunder and under the Security Documents may be exercised solely by Administrative Agent on behalf of the Lenders and any other secured party in accordance with the terms hereof. By accepting the benefits of the Guaranties and the Liens granted pursuant to the Security Documents, each Affiliate of a Lender hereby agrees to the terms of this Section 10.13(b).

SECTION 10.14 Renewal and Continuation of Prior Indebtedness. Upon the effectiveness of this Agreement, all of the Prior Indebtedness outstanding on such date shall hereby be restructured, rearranged, renewed, extended and continued as provided in this Agreement and all Loans outstanding under the Prior Credit Facility shall become Loans outstanding hereunder.

In connection herewith, the Prior Lenders have sold, assigned, transferred and conveyed, and Lenders party to this Agreement have purchased and accepted, and hereby purchase and accept, so much of the Prior Indebtedness such that each Lender's percentage of the loans and obligations outstanding pursuant to the Prior Credit Facility, as restructured, rearranged, renewed, extended and continued pursuant to this Agreement, shall be equal to such Lender's Percentage Share upon the effectiveness of this Agreement. The Lenders acknowledge and agree that the assignment, transfer and conveyance of the Prior Indebtedness is without recourse to the Prior Lenders and without any warranties whatsoever by any Prior Lender.

SECTION 10.15 Severability. Any provision of this Agreement and the other Loan Documents to which the Borrower is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 10.16 Authorization to Release Subordinate Mortgages. By executing this Agreement, each Lender hereby consents to the execution by the Administrative Agent and delivery to the Borrower or its designee one or more releases of any subordinate mortgages, deeds of trust, assignments, security agreements, financing statements and fixture filings heretofore delivered by a Guarantor in favor of the Borrower to secure any Indebtedness of such Guarantor owing to the Borrower that have been collaterally assigned to the Administrative Agent for the benefit of the Lenders and the other parties secured thereby, together with any and all other documents or instruments of release with respect to the Liens evidenced thereby as the Administrative Agent shall determine are necessary or appropriate (in its sole discretion).

SECTION 10.17 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower and each other Loan Party that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower and each other Loan Party, which information includes the name and address of the Borrower and each other Loan Party and other information that will

allow such Lender or the Administrative Agent, as applicable, to identify the Borrower and each other Loan Party in accordance with the Act.

SECTION 10.18 Governing Law.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICT OF LAW EXCEPT SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW); PROVIDED THAT THE ADMINISTRATIVE AGENT AND EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK SITTING IN MANHATTAN OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

SECTION 10.19 Waiver of Right to Trial by Jury. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

SECTION 10.20 Consents to Renewals, Modifications and Other Actions and Events. This Agreement and all of the obligations of the Borrower hereunder shall remain in full force and effect without regard to and shall not be released, affected or impaired by: (a) any amendment, assignment, transfer, modification of or addition or supplement to the Lenders' Obligations, this Agreement, any Note or any other Loan Document; (b) any extension, indulgence, increase in the Lenders' Obligations or other action or inaction in respect of any of the Loan Documents or otherwise with respect to the Lenders' Obligations, or any acceptance of security for, or guaranties of, any of the Lenders' Obligations or Loan Documents, or any surrender, release, exchange, impairment or alteration of any such security or guaranties including without limitation the failing to perfect a security interest in any such security or abstaining from taking advantage or of realizing upon any guaranties or upon any security interest in any such security; (c) any default by the Borrower under, or any lack of due execution, invalidity or

unenforceability of, or any irregularity or other defect in, any of the Loan Documents; (d) any waiver by the Lenders or any other Person of any required performance or otherwise of any condition precedent or waiver of any requirement imposed by any of the Loan Documents, any guaranties or otherwise with respect to the Lenders' Obligations; (e) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Agreement or any of the other Loan Documents; (f) any sale, lease, transfer or other disposition of the assets of the Borrower or any consolidation or merger of the Borrower with or into any other Person, corporation, or entity, or any transfer or other disposition by the Borrower or any other holder of any shares of capital stock or other ownership interest of the Borrower; (g) any bankruptcy, insolvency, reorganization or similar proceedings involving or affecting the Borrower; (h) the release or discharge of the Borrower from the performance or observance of any agreement, covenant, term or condition under any of the Obligations or contained in any of the Loan Documents by operation of law; or (i) any other cause whether similar or dissimilar to the foregoing which, in the absence of this provision, would release, affect or impair the Obligations, covenants, agreements and duties of the Borrower hereunder, including without limitation any act or omission by the Administrative Agent, or the Lenders or any other Person which increases the scope of the Borrower's risk; and in each case described in this paragraph whether or not the Borrower shall have notice or knowledge of any of the foregoing, each of which is specifically waived by the Borrower. The Borrower warrants to the Administrative Agent and the Lenders that it has adequate means to obtain from the Guarantors on a continuing basis information concerning the financial condition and other matters with respect to the Guarantors and it is not relying on the Administrative Agent or the Lenders to provide such information either now or in the future.

SECTION 10.21 ENTIRE AGREEMENT. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. **THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS 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 UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

SECTION 10.22 FLOOD INSURANCE PROVISIONS. Notwithstanding any provision in this Agreement or any other Loan Document to the contrary, in no event is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Agreement or any other Loan Document. As used herein, "Flood Insurance Regulations" means (a) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (b) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (c) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et seq.), as the same may be amended or recodified from time to time and (d) the Flood Insurance Reform Act of 2004 and any regulations promulgated thereunder.

COMSTOCK RESOURCES, INC.

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

BANK OF MONTREAL,
as Administrative Agent and Issuing Bank and Lender

By: /s/ James Ducote
Name: James Ducote
Title: Director

BANK OF AMERICA, N.A.,
as Syndication Agent and Lender

By: /s/ Michael J. Clayborne
Name: Michael J. Clayborne
Title: Vice President

COMERICA BANK,
as Co-Documentation Agent and Lender

By: /s/ Brandon M. White
Name: Brandon M. White
Title: Assistant Vice President

REGIONS BANK,
as Co-Documentation Agent and Lender

By: /s/ Michael Kutcher
Name: Michael Kutcher
Title: Assistant Vice President

UNION BANK, N.A.,
as Co-Documentation Agent and Lender

By: /s/ Rachel Bowman
Name: Rachel Bowman
Title: Vice President

JPMORGAN CHASE BANK, N.A.,
as Lender

By: /s/ Mark E. Olson
Name: Mark E. Olson
Title: Authorized Officer

TORONTO DOMINION (NEW YORK) LLC,
as Lender

By: /s/ Marie Fernandes
Name: Marie Fernandes
Title: Authorized Signatory

COMPASS BANK, as Lender

By: /s/ Umar Hassan
Name: Umar Hassan
Title: Vice President

NATIXIS, as Lender

By: /s/ Louis P. Laville, III
Name: Louis P. Laville, III
Title: Managing Director

By: /s/ Jarrett Price
Name: Jarrett Price
Title: Vice President

SUNTRUST BANK, as Lender

By: /s/ Shannon Juhan
Name: Shannon Juhan
Title: Vice President

THE BANK OF NOVA SCOTIA,
as Lender

By: /s/ Terry Donovan
Name: Terry Donovan
Title: Managing Director

BRANCH BANKING & TRUST CO.,
as Lender

By: /s/ Ryan K. Michael
Name: Ryan K. Michael
Title: Senior Vice President

FIFTH THIRD BANK, as Lender

By: /s/ Byron Cooley
Name: Byron Cooley
Title: Executive Director

BOKE, NA dba BANK OF TEXAS, as Lender

By: /s/ Thomas E. Stelmar, Jr.
Name: Thomas E. Stelmar, Jr.
Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION, as
Lender

By: /s/ Todd S. Anderson
Name: Todd S. Anderson
Title: Vice President

WHITNEY BANK, as Lender

By: /s/ William Jochetz
Name: William Jochetz
Title: Vice President

ONEWEST BANK, FSB, as Lender

By: /s/ Whitney Randolph
Name: Whitney Randolph
Title: Senior Vice President

ABN AMRO CAPITAL USA LLC, as Lender

By: /s/ Urvashi Zutshi
Name: Urvashi Zutshi
Title: Managing Director

By: /s/ Javier Ramirez

Name: Javier Ramirez

Title: Vice President

**CANADIAN IMPERIAL BANK OF
COMMERCE, NEW YORK BRANCH,**

as Lender

By: /s/ Trudy Nelson

Name: Trudy Nelson

Title: Managing Director

By: /s/ Daria Mahoney

Name: Daria Mahoney

Title: Executive Director

CAPITAL ONE, NATIONAL ASSOCIATION,

as Lender

By: /s/ Nancy M. Mak

Name: Nancy M. Mak

Title: Senior Vice President

IBERIABANK, as Lender

By: /s/ Moni Collins

Name: Moni Collins

Title: Vice President

SUBSIDIARIES OF COMSTOCK RESOURCES, INC.

Name	Incorporation	Business Name
Comstock Oil & Gas GP, LLC	Nevada	Comstock Oil & Gas GP, LLC
Comstock Oil & Gas Investments, LLC	Nevada	Comstock Oil & Gas Investments, LLC
Comstock Air Management, LLC(1)	Nevada	Comstock Air Management, LLC
Comstock Oil & Gas, LP(2)	Nevada	Comstock Oil & Gas, LP
Comstock Oil & Gas Holdings, Inc.(3)	Nevada	Comstock Oil & Gas Holdings, Inc.
Comstock Oil & Gas – Louisiana, LLC(4)	Nevada	Comstock Oil & Gas – Louisiana, LLC

(1) Comstock Resources, Inc. owns an 80% interest in Comstock Air Management, LLC
(2) Comstock Oil & Gas GP, LLC is the general partner and Comstock Oil & Gas Investments, LLC is the limited partner of this partnership
(3) 100% owned by Comstock Oil & Gas, LP
(4) 100% owned by Comstock Oil & Gas Holdings, Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-36854, 033-88962 and 333-159332 and Form S-3 No. 333-184848) of Comstock Resources, Inc. and the related Prospectuses of our reports dated February 26, 2014 with respect to the consolidated financial statements of Comstock Resources, Inc. and the effectiveness of internal control over financial reporting of Comstock Resources, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2013.

/s/ ERNST & YOUNG LLP

Dallas, Texas

February 26, 2014

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-36854, 033-88962 and 333-159332 and Form S-3 No. 333-184848) of Comstock Resources, Inc. and the related Prospectuses of the reference of our firm and to the reserve estimates as of December 31, 2013 and our report thereon in the Annual Report on Form 10-K for the year ended December 31, 2013 of Comstock Resources, Inc., filed with the Securities and Exchange Commission.

/s/ LEE KEELING AND ASSOCIATES, INC.

Tulsa, Oklahoma

February 26, 2014

Section 302 Certification

I, M. Jay Allison, certify that:

1. I have reviewed this December 31, 2013 Form 10-K 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: February 26, 2014

/s/ M. JAY ALLISON
Chief Executive Officer

Section 302 Certification

I, Roland O. Burns, certify that:

1. I have reviewed this December 31, 2013 Form 10-K 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: February 26, 2014

/s/ ROLAND O. BURNS

President and Chief Financial Officer

**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 Annual Report of Comstock Resources, Inc. (the "Company") on Form 10-K for the year ending December 31, 2013 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
February 26, 2014

**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 Annual Report of Comstock Resources, Inc. (the "Company") on Form 10-K for the year ending December 31, 2013 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
February 26, 2014

LEE KEELING AND ASSOCIATES, INC.

PETROLEUM CONSULTANTS

First Place Tower
15 East Fifth Street • Suite 3500
Tulsa, Oklahoma 74103-4350
(918) 587-5521 • Fax: (918) 587-2881

January 14, 2014

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

Attention: Mr. M. Jay Allison
President and C.E.O.

RE: Estimated Reserves and
Future Net Revenue
Comstock Resources, Inc.
Constant Prices and Expenses

Gentlemen:

In accordance with your request, we have prepared an estimate of net reserves and future net revenue to be realized from the interests owned by Comstock Resources, Inc. (Comstock) for 2013 year-end reporting. These interests are in oil and gas properties located in the states of Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas, and Wyoming. Reserves estimated by us reflect all of Comstock's corporate reserves. The effective date of this estimate is December 31, 2013. It was completed January 3, 2014, and the results are summarized as follows:

RESERVE CLASSIFICATION	ESTIMATED REMAINING NET RESERVES		NET GAS* EQUIVALENT	FUTURE NET REVENUE	
	Oil (BBLS)	Gas (MCF)	(MCFE)	Total (\$)	Present Worth Disc.@10% (\$)
Proved Developed					
Producing	10,526,316	290,260,094	353,417,969	1,181,015,125	787,094,875
Non-Producing	1,021,736	13,835,578	19,965,994	106,665,141	68,775,969
Behind-Pipe	2,366,288	40,182,141	54,379,871	225,473,031	119,820,539
Sub-Total	13,914,340	344,277,813	427,763,834	1,513,153,297	975,691,383
Proved Undeveloped	8,061,981	108,375,008	156,746,906	347,148,188	78,304,008
Total All Reserves	21,976,321	452,652,821	584,510,740	1,860,301,485	1,053,995,391

* Net Gas Equivalent is calculated based on a conversion factor of 6 MCF of gas per barrel of oil.

Note: Totals may not agree with schedules due to computer roundoff.

Future net revenue is the amount, exclusive of state and federal income taxes, which will accrue to Comstock's interest from continued operation of the properties to depletion. It should not be construed as a fair market or trading value.

No attempt has been made to quantify or otherwise account for any accumulative gas production imbalances that may exist. Neither has an attempt been made to determine whether the wells and facilities are in compliance with various governmental regulations, nor have costs been included in the event they are not.

This report consists of various summaries. Schedule No. 1 presents summary forecasts of annual gross and net production, severance and ad valorem taxes, operating income, and net revenue by reserve type. Schedule No. 2 is a

sequential listing of the individual properties based on discounted future net revenue. Schedule No. 3 is a sequential listing of the individual properties based on discounted future net revenue by reserve category. An alphabetical one-line summary by property is presented on Schedule No. 4. A one-line listing of the individual properties, ordered by reserve category, state and project, is presented on Schedule No. 5. A geographical one-line summary by state, project and lease is shown on Schedule No. 6.

CLASSIFICATION OF RESERVES

Reserves assigned to the various leases and/or wells have been classified as either “proved developed” or “proved undeveloped” in accordance with the definitions of the proved reserves as promulgated by the Securities and Exchange Commission (SEC). These are as follows:

Proved Developed Oil and Gas Reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as “proved developed reserves” only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved Undeveloped Oil and Gas Reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

Proved Developed Oil and Gas Reserves attributed to the subject leases have been further classified as “proved developed producing,” “proved developed non-producing” and “proved developed behind-pipe.”

Proved Developed Producing Reserves are those reserves expected to be recovered from currently producing zones under continuation of present operating methods.

Proved Developed Non-Producing Reserves are those reserves expected to be recovered from zones that have been completed and tested but are not yet producing due to situations including, but not limited to, lack of market, minor completion problems that are expected to be corrected, or reserves expected from future stimulation treatments based on analogy to nearby wells.

Proved Developed Behind-Pipe Reserves are those reserves currently behind the pipe in existing wells that are considered proved by virtue of successful testing or production in offsetting wells.

ESTIMATION OF RESERVES

The majority of the subject wells have been producing for a considerable length of time. Reserves attributable to wells with a well-defined production and/or pressure decline trend were based upon extrapolation of that trend to an economic limit and/or abandonment pressure.

Reserves anticipated from new wells were based upon volumetric calculations or analogy with similar properties, which are producing from the same horizons in the respective areas. Structural position, net pay thickness, well productivity, gas/oil ratios, water production, pressures, and other pertinent factors were considered in the estimation of these reserves.

Reserves assigned to behind-pipe zones and undeveloped locations have been estimated based on volumetric calculations and/or analogy with other wells in the area producing from the same horizon.

FUTURE NET REVENUE

Oil Income and Prices

Income from the sale of oil was estimated based on the unweighted average price for NYMEX West Texas Intermediate for the first day of each month for January through December of 2013, as provided by the staff of Comstock. The computed reference price of \$96.937 per barrel was held constant throughout the life of each lease. The reference price was adjusted for historical differentials between posted prices and actual field prices to reflect quality, transportation fees and regional price differences. Provisions were made for state severance and ad valorem taxes where applicable.

Gas Income and Prices

Income from the sale of gas was estimated based on the average price for natural gas sold at Henry Hub the first day of each month for January through December of 2013, as provided by staff of Comstock. The computed reference price of \$3.670 per MCF was held constant throughout the life of each lease. The reference price was adjusted for basis differentials, marketing, and transportation costs. Provisions were made for state severance and ad valorem taxes where applicable.

Operating Expenses

Operating expenses were based upon actual operating costs charged by the respective operators as supplied by the staff of Comstock or were based upon the actual experience of the operators in the respective areas. For leases operated by Comstock, monthly operating costs included lease operating expenses and overhead charges. All expenses have been held constant throughout the life of each lease.

Future Expenses and Abandonment Costs

As provided by Comstock, provisions have been made for future expenses required for drilling, recompletion and/or abandonment costs. These costs have been held constant from current estimates.

QUALIFICATIONS OF LEE KEELING AND ASSOCIATES, INC.

Lee Keeling and Associates, Inc. has been offering consulting engineering and geological services to integrated oil companies, independent operators, investors, financial institutions, legal firms, accounting firms and governmental agencies since 1957. Its professional staff is experienced in all productive areas of the United States, Canada, Latin America and many other foreign countries. The firm's reports are recognized by major financial institutions and used as the basis for oil company mergers, purchases, sales, financing of projects and for registration purposes with financial and regulatory authorities throughout the world.

GENERAL

Information upon which this estimate of net reserves and future net revenue has been based was furnished by the staff of Comstock or was obtained by us from outside sources we consider to be reliable. This information is assumed to be correct. No attempt has been made to verify title or ownership of the subject properties. Interests attributed to wells to be drilled at undeveloped locations are based on current ownership. Leases were not inspected by a representative of this firm, nor were the wells tested under our supervision; however, the performance of the majority of the wells was discussed with employees of Comstock.

This report has been prepared utilizing all methods and procedures regularly used by petroleum engineers to estimate oil and gas reserves for properties of this type and character, and we have used all methods and procedures necessary to prepare this report. The recovery of oil and gas reserves and projection of producing rates are dependent upon many variable factors including prudent operation, compression of gas when needed, market demand, installation of lifting equipment, and remedial work when required. The reserves included in this report have been based upon the assumption that the wells will be operated in a prudent manner under the same conditions existing on the effective date. Actual production results and future well data may yield additional facts, not presently available to us, which may require an adjustment to our estimates. The assumptions, data, methods and procedures used in connection with the preparation of this report are appropriate for the purpose served by this report.

The reserves included in this report are estimates only and should not be construed as being exact quantities. They may or may not be actually recovered and if recovered, the revenues therefrom and the actual costs related thereto could be more or less than the estimated amounts. As in all aspects of oil and gas estimation, there are uncertainties inherent in the interpretation of engineering data and, therefore, our conclusions necessarily represent only informed professional judgments.

The projection of cash flow has been made assuming constant prices. There is no assurance that prices will not vary. For this reason and those listed in the previous paragraph, the future net cash from the sale of production from the subject properties may vary from the estimates contained in this report.

It should be pointed out that regulatory authorities could, in the future, change the allocation of reserves allowed to be produced from a particular well in any reservoir, thereby altering the material premise upon which our reserve estimates may be based.

The information developed during the course of this investigation, basic data, maps and worksheets showing recovery determinations are available for inspection in our office.

We appreciate this opportunity to be of service to you.

Very truly yours,

/s/ LEE KEELING AND ASSOCIATES, INC.
LEE KEELING AND ASSOCIATES, INC.