
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For The Quarter Ended June 30, 2006

OR

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

Commission File No. 0-16741

COMSTOCK RESOURCES, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

94-1667468

(I.R.S. Employer
Identification Number)

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

(Address of principal executive offices)

Telephone No.: **(972) 668-8800**

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Yes No

The number of shares outstanding of the registrant's common stock, par value \$.50, as of August 7, 2006 was 43,105,762.

COMSTOCK RESOURCES, INC.
QUARTERLY REPORT
For The Quarter Ended June 30, 2006
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PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	<i>(In thousands)</i>	
ASSETS		
Cash and Cash Equivalents	\$ 671	\$ 89
Accounts Receivable:		
Oil and gas sales	26,204	37,646
Joint interest operations	8,327	5,553
Other Current Assets	5,521	9,482
Total current assets	<u>40,723</u>	<u>52,770</u>
Property and Equipment:		
Unevaluated oil and gas properties	10,731	10,723
Oil and gas properties, successful efforts method	1,095,203	1,018,341
Other	3,474	3,342
Accumulated depreciation, depletion and amortization	<u>(357,227)</u>	<u>(325,478)</u>
Net property and equipment	752,181	706,928
Assets Held for Sale	6,518	—
Investment in Bois d'Arc Energy	267,269	252,134
Other Assets	4,340	4,831
	<u>\$ 1,071,031</u>	<u>\$ 1,016,663</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts Payable	\$ 37,353	\$ 44,216
Accrued Expenses	12,622	12,659
Unrealized Loss on Derivatives	1,111	11,242
Total current liabilities	51,086	68,117
Long-term Debt	243,000	243,000
Deferred Income Taxes Payable	139,383	119,481
Reserve for Future Abandonment Costs	3,349	3,206
Total liabilities	436,818	433,804
Commitments and Contingencies		
Stockholders' Equity:		
Common stock—\$0.50 par, 50,000,000 shares authorized, 43,105,762 and 42,969,262 shares outstanding at June 30, 2006 and December 31, 2005, respectively	21,553	21,485
Additional paid-in capital	345,065	338,996
Retained earnings	267,595	222,378
Total stockholders' equity	634,213	582,859
	<u>\$ 1,071,031</u>	<u>\$ 1,016,663</u>

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<i>(In thousands, except per share amounts)</i>			
Oil and gas sales	\$ 64,571	\$ 68,529	\$ 134,462	\$ 138,351
Operating expenses:				
Oil and gas operating	13,200	12,879	27,055	26,066
Exploration	—	15,201	344	17,286
Depreciation, depletion and amortization	16,568	15,979	32,860	33,332
Loss on disposal of oil and gas properties	7,934	—	7,934	—
General and administrative, net	4,592	3,769	9,486	7,957
Total operating expenses	<u>42,294</u>	<u>47,828</u>	<u>77,679</u>	<u>84,641</u>
Income from operations	22,277	20,701	56,783	53,710
Other income (expenses):				
Interest income	172	459	340	1,207
Other income	48	32	102	136
Interest expense	(4,537)	(4,719)	(8,943)	(10,517)
Equity in earnings (loss) of Bois d'Arc Energy	7,088	(61,225)	15,135	(61,225)
Gain on sale of stock by Bois d'Arc Energy	—	28,797	—	28,797
Gain (loss) on derivatives	1,303	7	9,428	(3,231)
Total other income (expenses)	<u>4,074</u>	<u>(36,649)</u>	<u>16,062</u>	<u>(44,833)</u>
Income (loss) before income taxes	26,351	(15,948)	72,845	8,877
(Provision for) benefit from income taxes	(10,768)	5,070	(27,628)	(3,867)
Net income (loss)	<u>\$ 15,583</u>	<u>\$ (10,878)</u>	<u>\$ 45,217</u>	<u>\$ 5,010</u>
Net income per share:				
Basic	<u>\$ 0.37</u>	<u>\$ (0.27)</u>	<u>\$ 1.07</u>	<u>\$ 0.13</u>
Diluted	<u>\$ 0.36</u>	<u>\$ (0.27)</u>	<u>\$ 1.04</u>	<u>\$ 0.12</u>
Weighted average common and common stock equivalent shares outstanding:				
Basic	<u>42,077</u>	<u>39,762</u>	<u>42,070</u>	<u>37,393</u>
Diluted	<u>43,521</u>	<u>39,762</u>	<u>43,481</u>	<u>39,570</u>

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2006
(Unaudited)

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
		<i>(In thousands)</i>		
Balance at December 31, 2005	\$ 21,485	\$ 338,996	\$ 222,378	\$ 582,859
Stock based compensation	—	3,473	—	3,473
Exercise of stock options	68	1,674	—	1,742
Excess tax benefit from stock-based compensation	—	922	—	922
Net income	<u>—</u>	<u>—</u>	<u>45,217</u>	<u>45,217</u>
Balance at June 30, 2006	<u>\$ 21,553</u>	<u>\$ 345,065</u>	<u>\$ 267,595</u>	<u>\$ 634,213</u>

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2006	2005
<i>(In thousands)</i>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 45,217	\$ 5,010
Adjustments to reconcile net income to net cash provided by operating activities:		
Dry hole costs and leasehold impairments	75	14,460
Depreciation, depletion and amortization	32,860	33,332
Loss on disposal of oil and gas properties	7,934	—
Debt issuance cost amortization	471	471
Stock-based compensation	3,473	3,178
Excess tax benefit from stock-based compensation	(922)	—
Deferred income taxes	24,927	1,763
Equity in (earnings) loss of Bois d'Arc Energy	(15,135)	61,225
Gain on sale of stock by Bois d'Arc Energy	—	(28,797)
(Gain) loss from derivatives	(9,428)	3,231
Decrease in accounts receivable	8,668	2,719
Increase in other current assets	(142)	(4)
Increase (decrease) in accounts payable and accrued expenses	(5,961)	2,245
Net cash provided by operating activities	<u>92,037</u>	<u>98,833</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures and acquisitions	(93,416)	(279,846)
Advances to Bois d'Arc Energy	—	(6,421)
Repayments from Bois d'Arc Energy	—	158,066
Payments to settle derivatives	(703)	—
Net cash used for investing activities	<u>(94,119)</u>	<u>(128,201)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	4,000	166,000
Principal payments on debt	(4,000)	(262,150)
Proceeds from issuance of common stock	1,742	125,941
Stock issuance costs	—	(92)
Excess tax benefit from stock-based compensation	922	—
Net cash provided by financing activities	<u>2,664</u>	<u>29,699</u>
Net increase in cash and cash equivalents	582	331
Cash and cash equivalents, beginning of period	89	2,703
Cash and cash equivalents, end of period	<u>\$ 671</u>	<u>\$ 3,034</u>

The accompanying notes are an integral part of these statements.

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

June 30, 2006
(Unaudited)

(1) SIGNIFICANT ACCOUNTING POLICIES -

Basis of Presentation

In management's opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of Comstock Resources, Inc. and subsidiaries ("Comstock" or the "Company") as of June 30, 2006 and the related results of operations and cash flows for the six months ended June 30, 2006 and 2005.

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to those rules and regulations, although Comstock believes that the disclosures made are adequate to make the information presented not misleading. These unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in Comstock's Annual Report on Form 10-K for the year ended December 31, 2005.

These unaudited consolidated financial statements include the accounts of Comstock and subsidiaries in which it has a controlling interest. Investments in 50% or less owned entities are accounted for using the equity method of accounting. Intercompany balances and transactions have been eliminated in consolidation.

The results of operations for the six months ended June 30, 2006 are not necessarily an indication of the results expected for the full year.

Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform to the current presentation.

Investment in Bois d'Arc Energy

As of March 31, 2005, Comstock owned 60% of Bois d'Arc Energy, LLC, a limited liability company that conducted exploration, development and production operations in state and federal waters in the Gulf of Mexico. Comstock accounted for its interest in Bois d'Arc Energy, LLC based on its proportionate ownership in such entity until May 10, 2005 when Bois d'Arc Energy, LLC was converted to a corporation and changed its name to Bois d'Arc Energy, Inc. ("Bois d'Arc Energy"). On May 11, 2005 Bois d'Arc Energy completed an initial public offering of 13.5 million shares of common stock at \$13.00 per share to the public. Bois d'Arc Energy sold 12.0 million shares of common stock and received net proceeds of \$145.1 million and a selling stockholder sold 1.5 million shares. On May 11, 2005, Bois d'Arc Energy used the proceeds from its initial public offering together with borrowings under a new bank credit facility to repay \$158.1 million in outstanding advances from Comstock. As a result of Bois d'Arc Energy's conversion to a corporation and the initial public offering, Comstock's ownership in Bois d'Arc Energy decreased to 48% and Comstock discontinued accounting for its interest in Bois d'Arc Energy using the proportionate consolidation method and began using the equity method to account for its investment in Bois d'Arc Energy.

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

Comstock's investment in Bois d'Arc Energy represents the value of the assets contributed at the time of Bois d'Arc Energy's formation, the Company's 60% interest in the undistributed earnings of Bois d'Arc Energy from inception through May 10, 2005, the portion of Bois d'Arc Energy's net income attributable to the Company's interest in the outstanding common stock of Bois d'Arc Energy since the adoption of the equity method of accounting for this investment, and the gain recognized based on the Company's share of the amount that Bois d'Arc Energy's equity increased as a result of the sale of shares in Bois d'Arc Energy's initial public offering.

Bois d'Arc Energy's common stock is traded on the New York Stock Exchange under the ticker symbol "BDE." The fair value of the Company's investment in Bois d'Arc Energy as of June 30, 2006 was \$493.0 million based upon the closing price for Bois d'Arc Energy shares on that date of \$16.47 per share.

Financial information reported by Bois d'Arc Energy is summarized below:

Balance Sheet:

	<u>June 30,</u> <u>2006</u>	<i>(In thousands)</i>	<u>December 31,</u> <u>2005</u>
Current assets	\$ 51,452		\$ 50,172
Property and equipment, net	741,164		661,931
Other assets	703		799
Total assets	<u>\$ 793,319</u>		<u>\$ 712,902</u>
Current liabilities	\$ 73,198		\$ 66,406
Long-term debt	90,000		69,000
Deferred taxes payable	138,344		123,256
Reserve for future abandonment costs	37,988		35,034
Total liabilities	<u>339,530</u>		<u>293,696</u>
Stockholders' equity	<u>453,789</u>		<u>419,206</u>
Total liabilities and stockholders' equity	<u>\$ 793,319</u>		<u>\$ 712,902</u>

Income Statement:

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues	\$ 59,607	\$ 48,685	\$ 121,440	\$ 92,161
Operating Income	24,086	20,624	51,314	39,409
Net Income (Loss)	14,783	(92,441) ⁽¹⁾	31,564	(75,379) ⁽¹⁾

(1) Includes a tax provision of \$108.2 million for the conversion of Bois d'Arc Energy from a limited liability company to a corporation.

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

Income Taxes

Deferred income taxes are provided to reflect the future tax consequences or benefits of differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using enacted tax rates. The difference between the Company's customary rate of 35% and the effective tax rate of 40.9% and 37.9% for the three months and six months ended June 30, 2006, respectively is due to permanent book tax differences, primarily nondeductible stock-based compensation and the provision for record deferred taxes related to a state tax law change enacted during the three months ended June 30, 2006.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	<i>(In thousands)</i>			
Current provision	\$ 1,313	\$ 987	\$ 2,701	\$ 2,104
Deferred provision (benefit)	9,455	(6,057)	24,927	1,763
Provision for (benefit from) Income Taxes	<u>\$ 10,768</u>	<u>\$ (5,070)</u>	<u>\$ 27,628</u>	<u>\$ 3,867</u>

Stock-Based Compensation

Effective January 1, 2006 Comstock adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R") in accounting for employee stock-based compensation, including the supplemental guidance provided in Staff Accounting Bulletin No. 107. The Company adopted SFAS 123R utilizing the modified prospective transition method and accordingly the financial results for periods prior to January 1, 2006 have not been adjusted. Prior to adopting SFAS 123R the Company followed the fair value based method prescribed in Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" for all periods beginning January 1, 2004. 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 over the award vesting period. Because the Company previously recorded stock-based compensation using the fair value method, adoption of SFAS 123R did not have a significant impact on the Company's net income or earnings per share for the three months and six months ended June 30, 2006. During the three months ended June 30, 2006 and 2005, the Company recognized \$1.8 million and \$1.4 million, respectively, in stock-based compensation expense within general and administrative expenses. The excess income tax benefit realized from tax deductions associated with stock-based compensation totaled \$0.7 million for the three months ended June 30, 2006. Stock based compensation expense for the six months ended June 30, 2006 and 2005 was \$3.5 million and \$3.2 million, respectively. The excess income tax benefit realized from the deductions associated with stock-based compensation for the six months ended June 30, 2006 and 2005 was \$0.9 million and \$3.5 million, respectively.

Prior to adopting SFAS 123R, the Company presented all tax benefits of the deductions that resulted from stock-based compensation as cash flows from operating activities. SFAS 123R requires that excess tax benefits on stock-based compensation be recognized as a part of cash flows from financing activities. Upon adoption of SFAS 123R effective January 1, 2006, \$0.9 million of tax benefits have been included in cash flows from financing activities for the six months ended June 30, 2006.

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

Stock options. The Company amortizes the fair value of stock options granted over the vesting period using the straight-line method. The fair value of each award is estimated as of the date of grant using the Black-Scholes options pricing model. There were no options granted during the six months ended June 30, 2006. Total compensation expense recognized for all outstanding stock options for the three months ended June 30, 2006 and 2005 was \$0.3 million and \$0.3 million, respectively. Total compensation expense recognized for all outstanding stock options for the six months ended June 30, 2006 and 2005 was \$0.4 million and \$0.8 million, respectively. During the six months ended June 30, 2006, options to purchase 136,500 shares were exercised with an intrinsic value of \$2.4 million. Total unrecognized compensation cost related to non-vested stock options of \$2.1 million is expected to be recognized over a period of 3.4 years. A summary of outstanding and exercisable options as of June 30, 2006 is presented below:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Intrinsic Value</u> <i>(In thousands)</i>
Options Outstanding	1,627,470	\$10.00	2.9	\$32,662
Options Exercisable	1,495,970	\$ 8.03	2.4	\$32,662

Restricted stock. The fair value of restricted stock grants is amortized over the vesting period using the straight-line method. The fair value of each restricted share on the date of grant is equal to its fair market price. There were no restricted stock grants made during the six months ended June 30, 2006. Total compensation expense recognized for restricted stock grants for the three months ended June 30, 2006 and 2005 was \$1.5 million and \$1.1 million, respectively. Total compensation expense for restricted stock grants for the six months ended June 30, 2006 and 2005 was \$3.1 million and \$2.4 million, respectively. Total unrecognized compensation cost related to non-vested restricted stock of \$15.9 million as of June 30, 2006 is expected to be recognized over a weighted average period of 3.5 years. As of June 30, 2006 the Company had 919,500 shares of unvested restricted stock outstanding at a weighted average grant date fair value of \$23.45 per share.

Asset Retirement Obligations

Comstock's primary asset retirement obligations relate to future plugging and abandonment expenses on its oil and gas properties and related facilities disposal. The following table summarizes the changes in Comstock's total estimated liability during the six months ended June 30, 2006 and 2005:

	<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
	<i>(In thousands)</i>	
Future abandonment liability — beginning of period	\$ 3,206	\$ 19,248
Accretion expense	101	74
New wells placed on production	70	299
Liabilities settled	(28)	—
Bois d'Arc Energy abandonment liability ⁽¹⁾	—	(16,915)
Future abandonment liability — end of period	<u>\$ 3,349</u>	<u>\$ 2,706</u>

(1) Comstock's share of the asset retirement obligations of Bois d'Arc Energy were reclassified to the investment in Bois d'Arc Energy upon the change to the equity accounting method.

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

Earnings Per Share

Basic earnings per share is determined without the effect of any outstanding potentially dilutive stock options or other convertible securities and diluted earnings per share is determined with the effect of outstanding stock options and other convertible securities that are potentially dilutive. Basic and diluted earnings per share for the three months and six months ended June 30, 2006 and 2005, respectively, were determined as follows:

	Three Months Ended June 30,					
	2006			2005		
	Income	Shares	Per Share	Income	Shares	Per Share
	<i>(In thousands, except per share amounts)</i>					
Basic Earnings Per Share:						
Net Income	<u>\$ 15,583</u>	<u>42,077</u>	<u>\$ 0.37</u>	<u>\$ (10,878)</u>	<u>39,762</u>	<u>\$ (0.27)</u>
Diluted Earnings Per Share:						
Net Income	\$ 15,583	42,077		\$ (10,878)	39,762	
Effect of Dilutive Securities:						
Stock Grants and Options	<u>—</u>	<u>1,444</u>		<u>—</u>	<u>(1)</u>	
Net Income Available to Common Stockholders With Assumed Conversions	<u>\$ 15,583</u>	<u>43,521</u>	<u>\$ 0.36</u>	<u>\$ (10,878)</u>	<u>39,762⁽¹⁾</u>	<u>\$ (0.27)⁽¹⁾</u>
	Six Months Ended June 30,					
	2006			2005		
	Income	Shares	Per Share	Income	Shares	Per Share
Basic Earnings Per Share:						
Net Income	<u>\$ 45,217</u>	<u>42,070</u>	<u>\$ 1.07</u>	<u>\$ 5,010</u>	<u>37,393</u>	<u>\$ 0.13</u>
Diluted Earnings Per Share:						
Net Income	\$ 45,217	42,070		\$ 5,010	37,393	
Effect of Dilutive Securities:						
Stock Grants and Options	<u>—</u>	<u>1,411</u>		<u>—</u>	<u>2,177</u>	
Net Income Available to Common Stockholders With Assumed Conversions	<u>\$ 45,217</u>	<u>43,481</u>	<u>\$ 1.04</u>	<u>\$ 5,010</u>	<u>39,570</u>	<u>\$ 0.12</u>

(1) For the three months ended June 30, 2005, the effect of stock grants and options of 1,995 shares would have been antidilutive due to the net loss.

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

Derivative 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 counter party 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 counter party based on the difference. Comstock generally receives a settlement from the counter party 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 volume amounts hedged. For collars, generally Comstock receives a settlement from the counter party when the settlement price is below the floor and pays a settlement to the counter party when the settlement price exceeds the cap. No settlement occurs when the settlement price falls between the floor and cap.

The following table sets forth the derivative financial instruments outstanding at June 30, 2006 which relate to Comstock's natural gas production:

<u>Period Beginning</u>	<u>Period Ending</u>	<u>Volume MMBtu</u>	<u>Delivery Location</u>	<u>Type of Instrument</u>	<u>Floor Price</u>	<u>Ceiling Price</u>
July 1, 2006	December 31, 2006	1,536,000	Henry Hub	Collar	\$4.50	\$9.02
July 1, 2006	December 31, 2006	1,200,000	Houston Ship Channel	Collar	\$4.50	\$8.25

The fair value of the Company's derivative contracts held for price risk management at June 30, 2006 was a liability of \$1.1 million. Comstock did not designate these instruments as cash flow hedges and accordingly, an unrealized gain on derivatives of \$1.3 million and \$10.1 million was recorded for the three months and six months ended June 30, 2006, respectively and an unrealized loss of \$3.2 million was recorded for the six months ended June 30, 2005 to reflect the change in this liability. The Company realized losses of \$0.7 million for the six months ended June 30, 2006 to settle derivative positions.

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

	<u>For the Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
	<i>(In thousands)</i>	
Cash Payments —		
Interest payments	\$8,682	\$10,453
Income tax payments	\$4,651	\$ 1,554

(2) LONG-TERM DEBT -

At June 30, 2006, Comstock's long-term debt was comprised of the following:

	<i>(In thousands)</i>
Revolving Bank Credit Facility	\$ 68,000
67/8% Senior Notes due 2012	175,000
	<u>\$ 243,000</u>

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

Comstock has \$175.0 million of 67/8% senior notes which are due March 1, 2012, with interest payable semiannually on each March 1 and September 1. These notes are unsecured obligations of the Company and are guaranteed by the Company's wholly owned subsidiaries. Comstock also has a \$400.0 million bank credit facility with Bank of Montreal, as the administrative agent. The credit facility is a four-year revolving credit commitment that matures on February 25, 2008. Indebtedness under the credit facility is secured by Comstock's wholly-owned subsidiaries' oil and gas properties 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 future net cash flows of Comstock's oil and natural gas properties. 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. The borrowing base was \$350.0 million as of June 30, 2006. Borrowings under the credit facility bear interest, based on the utilization of the borrowing base, at Comstock's option at either LIBOR plus 1.25% to 1.75% or the base rate (which is the higher of the prime rate or the federal funds rate) plus 0% to 0.5%. A commitment fee of 0.375% is payable on the unused borrowing base. The credit facility contains covenants that, among other things, restrict the payment of cash dividends, limit the amount of consolidated debt that Comstock may incur and limit its ability to make certain loans and investments. The only financial covenants are the maintenance of a current ratio and maintenance of a minimum tangible net worth. Comstock was in compliance with these covenants as of June 30, 2006.

(3) COMMITMENTS AND CONTINGENCIES –

From time to time, Comstock 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.

(4) ASSETS HELD FOR SALE –

The Company has entered into an agreement to sell its oil and gas properties in Kentucky to a third party for \$7.0 million. The Company has recorded a \$7.9 million loss on this pending sale which is expected to close in October 2006. The Company's investment in these properties of \$6.5 million is presented as Assets Held for Sale in the accompanying consolidated balance sheet as of June 30, 2006 at its expected realizable value.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the consolidated balance sheet of Comstock Resources, Inc. (a Nevada corporation) and subsidiaries (the Company) as of June 30, 2006, and the related consolidated statements of operations for the three-month and six-month periods ended June 30, 2006 and 2005, the consolidated statement of stockholders' equity for the six months ended June 30, 2006, and the consolidated statements of cash flows for the six-month periods ended June 30, 2006 and 2005. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Comstock Resources, Inc. and subsidiaries as of December 31, 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended not presented herein, and in our report dated March 13, 2006 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2005, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Dallas, Texas
August 2, 2006

BOIS d'ARC ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2006	December 31, 2005
	<i>(In thousands)</i>	
ASSETS		
Cash and Cash Equivalents	\$ 7,360	\$ 12,043
Accounts Receivable:		
Oil and gas sales	21,242	25,520
Joint interest operations	8,170	8,364
Prepaid Expenses	14,680	4,245
Total current assets	51,452	50,172
Oil and Gas Properties:		
Proved properties	301,384	299,947
Unevaluated properties	12,664	13,533
Wells and related equipment and facilities	727,761	620,778
Accumulated depreciation, depletion and amortization	(302,839)	(274,434)
Net oil and gas properties	738,970	659,824
Other Property and Equipment, net of accumulated depreciation of \$1,057 and \$875 as of June 30, 2006 and December 31, 2005, respectively	2,194	2,107
Other Assets	703	799
	<u>\$ 793,319</u>	<u>\$ 712,902</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term Debt	\$ 9,750	\$ —
Accounts Payable	41,136	48,005
Accrued Expenses	22,312	18,401
Total current liabilities	73,198	66,406
Long-Term Debt	90,000	69,000
Deferred Income Taxes Payable	138,344	123,256
Reserve for Future Abandonment Costs	37,988	35,034
Total liabilities	339,530	293,696
Commitments and Contingencies		
Stockholders' Equity:		
Common stock – \$0.01 par, 100,000,000 shares authorized, 64,170,000 and 64,155,000 outstanding at June 30, 2006 and December 31, 2005, respectively	642	642
Additional paid-in capital	458,007	454,988
Retained earnings (deficit)	(4,860)	(36,424)
Total stockholders' equity	453,789	419,206
	<u>\$ 793,319</u>	<u>\$ 712,902</u>

The accompanying notes are an integral part of these statements.

BOIS d'ARC ENERGY, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Oil and gas sales	\$ 59,607	\$ 48,685	\$ 121,440	\$ 92,161
Operating expenses:				
Oil and gas operating	11,821	8,273	24,261	15,980
Exploration	3,718	4,554	8,249	7,690
Depreciation, depletion and amortization	16,495	12,785	30,888	24,606
Impairment	846	—	846	—
Loss on disposal of assets	—	89	—	89
General and administrative, net	2,641	2,360	5,882	4,387
Total operating expenses	<u>35,521</u>	<u>28,061</u>	<u>70,126</u>	<u>52,752</u>
Income from operations	24,086	20,624	51,314	39,409
Other income (expenses):				
Interest income	57	50	126	95
Other income	327	—	327	—
Interest expense	(1,569)	(981)	(2,646)	(2,749)
Total other expenses	<u>(1,185)</u>	<u>(931)</u>	<u>(2,193)</u>	<u>(2,654)</u>
Income before income taxes	22,901	19,693	49,121	36,755
Provision for income taxes	(8,118)	(112,134)	(17,557)	(112,134)
Net income (loss)	<u>\$ 14,783</u>	<u>\$ (92,441)</u>	<u>\$ 31,564</u>	<u>\$ (75,379)</u>
Net income (loss) per share (unit):				
Basic	<u>\$ 0.24</u>	<u>\$ (1.62)</u>	<u>\$ 0.51</u>	<u>\$ (1.41)</u>
Diluted	<u>\$ 0.23</u>	<u>\$ (1.62)</u>	<u>\$ 0.49</u>	<u>\$ (1.41)</u>
Weighted average common and common stock equivalent shares (units) outstanding:				
Basic	<u>62,429</u>	<u>57,118</u>	<u>62,429</u>	<u>53,315</u>
Diluted	<u>64,515</u>	<u>57,118</u>	<u>64,472</u>	<u>53,315</u>
Pro forma computation related to conversion to a corporation for income tax purposes:				
Income before income taxes		\$ 19,693		\$ 36,755
Pro forma provision for income taxes		(7,152)		(13,386)
Pro forma net income		<u>\$ 12,541</u>		<u>\$ 23,369</u>
Pro forma earnings per share (unit):				
Basic		<u>\$ 0.22</u>		<u>\$ 0.44</u>
Diluted		<u>\$ 0.21</u>		<u>\$ 0.42</u>
Weighted average common and common stock equivalent shares (units) outstanding:				
Basic		<u>57,118</u>		<u>53,315</u>
Diluted		<u>58,857</u>		<u>54,997</u>

The accompanying notes are an integral part of these statements.

BOIS d'ARC ENERGY, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2006 (Unaudited)

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
			<i>(In thousands)</i>	
Balance at December 31, 2005	\$ 642	\$ 454,988	\$ (36,424)	\$ 419,206
Stock-based compensation	—	3,019	—	3,019
Net income	—	—	31,564	31,564
Balance at June 30, 2006	<u>\$ 642</u>	<u>\$ 458,007</u>	<u>\$ (4,860)</u>	<u>\$ 453,789</u>

The accompanying notes are an integral part of these statements.

BOIS d'ARC ENERGY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30,	
	2006	2005
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 31,564	\$ (75,379)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred income taxes	15,088	110,954
Dry holes and leasehold impairments	6,554	—
Depreciation, depletion and amortization	30,888	24,606
Impairments	846	—
Stock-based compensation	3,019	2,745
Amortization of loan costs	108	6
Loss on disposal of assets	—	89
(Increase) decrease in accounts receivable	4,472	(17,194)
Increase in prepaid expenses	(685)	(2,191)
Increase (decrease) in accounts payable and accrued expenses	(7,827)	21,294
Net cash provided by operating activities	<u>84,027</u>	<u>64,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(109,610)	(68,502)
Proceeds from sale of assets	—	160
Net cash used for investing activities	<u>(109,610)</u>	<u>(68,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from Comstock Resources	—	16,000
Repayment to Comstock Resources	—	(164,066)
Borrowings under bank credit facility	56,000	11,000
Principal payments on bank credit facility	(35,000)	—
Proceeds from issuance of common stock	—	145,080
Stock and debt issuance costs	(100)	(2,103)
Redemption of Class A units	—	(10)
Net cash provided by financing activities	<u>20,900</u>	<u>5,901</u>
Net increase (decrease) in cash and cash equivalents	(4,683)	2,489
Cash and cash equivalents, beginning of period	12,043	2,416
Cash and cash equivalents at end of period	<u>\$ 7,360</u>	<u>\$ 4,905</u>

The accompanying notes are an integral part of these statements.

BOIS d'ARC ENERGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

(Unaudited)

(1) ORGANIZATION –

Bois d'Arc Energy, Inc. ("Bois d'Arc Energy" or the "Company") is engaged in the exploration for and production of oil and natural gas in the Gulf of Mexico and is the successor to Bois d'Arc Energy, LLC following its conversion from a limited liability company to a corporation on May 10, 2005. References herein to "Bois d'Arc Energy" or the "Company" include Bois d'Arc Energy, LLC prior to its conversion to a corporation.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –

Basis of Presentation

In management's opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of the Company as of June 30, 2006, the related results of operations for the three months and six months ended June 30, 2006 and 2005 and the cash flows of the Company for the six months ended June 30, 2006 and 2005, respectively.

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

The results of operations for the six months ended June 30, 2006 are not necessarily an indication of the results expected for the full year.

Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform to the current presentation.

General and Administrative Expenses

General and administrative expenses were reduced by operating fee income received of \$2.0 million and \$1.6 million for the six months ended June 30, 2006 and 2005, respectively. The operating fee income is a reimbursement of the Company's general and administrative expenses. General and administrative expenses include fees paid to Comstock Resources, Inc. ("Comstock") of \$30,000 and \$120,000 for the six months ended June 30, 2006 and 2005, respectively, for accounting services under a service agreement.

BOIS d'ARC ENERGY, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(Continued)****Stock-Based Compensation***

Effective January 1, 2006 Bois d'Arc Energy adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R") in accounting for employee stock-based compensation, including the supplemental guidance provided in Staff Accounting Bulletin No. 107. The Company adopted SFAS 123R utilizing the modified prospective transition method and accordingly the financial results for periods prior to January 1, 2006 have not been adjusted. Prior to adopting SFAS 123R the Company followed the fair value based method prescribed in Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" for all periods beginning January 1, 2004. 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 over the award vesting period. Because the Company previously recorded stock-based compensation using the fair value method, adoption of SFAS 123R did not have a significant impact on the Company's net income or earnings per share for the six months ended June 30, 2006. During the three months ended June 30, 2006 and 2005, the Company recognized \$1.6 million and \$1.4 million, respectively, in stock-based compensation expense within general and administrative expenses. The Company recognized stock-based compensation expense of \$3.0 million and \$2.7 million during the six months ended June 30, 2006 and 2005, respectively.

Prior to adopting SFAS 123R, the Company presented all tax benefits of the deductions that resulted from stock-based compensation as cash flows from operating activities. SFAS 123R requires that excess tax benefits on stock-based compensation be recognized as a part of cash flows from financing activities. The Company had no excess tax benefits from stock-based compensation for the six months ended June 30, 2006.

Stock options. The Company amortizes the fair value of stock options granted over the vesting period using the straight-line method. The fair value of each award is estimated as of the date of grant using the Black-Scholes options pricing model. Options to purchase 294,000 shares at exercise prices ranging from \$14.23 to \$16.47 per share were granted during the six months ended June 30, 2006. The fair value of the options awarded was \$9.65 per option share. Total compensation expense recognized for all outstanding stock options for the three months ended June 30, 2006 and 2005 was \$0.8 million and \$0.7 million, respectively. Total compensation expense of \$1.6 million and \$1.3 million related to non-vested stock options was recognized during the six months ended June 30, 2006 and 2005 respectively. Total unrecognized compensation cost related to non-vested stock options of \$12.2 million is expected to be recognized over a period of 5.0 years. A summary of outstanding and exercisable options as of June 30, 2006 is presented below:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Intrinsic Value</u> <i>(In thousands)</i>
Options Outstanding	3,351,000	\$ 7.57	8.2	\$ 29,840
Options Exercisable	589,500	\$ 6.33	7.8	\$ 5,975

BOIS d'ARC ENERGY, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(Continued)*

Restricted stock. The fair value of restricted stock grants is amortized over the vesting period using the straight-line method. The fair value of each restricted share on the date of grant is equal to its fair market price. Restricted stock grants for 25,000 shares were made during the six months ended June 30, 2006. The value of the grants awarded were \$15.48 per share. Total compensation cost recognized for restricted stock grants for the three months ended June 30, 2006 and 2005 was \$0.8 million and \$0.7 million, respectively. Total compensation expense of \$1.4 million and \$1.4 million for restricted stock grants was recognized during the six months ended June 30, 2006 and 2005, respectively. Total unrecognized compensation cost related to non-vested restricted stock of \$9.2 million as of June 30, 2006, is expected to be recognized over a period of 4.8 years. As of June 30, 2006 the Company had 1,741,000 shares of unvested restricted stock outstanding at a weighted average grant date fair value of \$6.92 per share.

Income Taxes

Bois d'Arc Energy became a taxable entity as a result of its conversion from a limited liability company to a corporation on May 10, 2005. While Bois d'Arc Energy was organized as a limited liability company, taxable income passed through to its unit owners. Accordingly, no provision for federal and state corporate income taxes was made for the operations of Bois d'Arc Energy prior to May 10, 2005 in the accompanying consolidated financial statements. 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. Upon the conversion from a limited liability company to a corporation on May 10, 2005 the Company established a \$108.2 million provision for deferred income taxes. The difference between the Company's customary rate of 35% and the effective tax rate of 35.4% and 35.7% for the three and six months ended June 30, 2006 is due to permanent book tax differences, primarily nondeductible stock based compensation.

The following is an analysis of the Company's consolidated income tax expense:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Current	\$ 1,281	\$ 1,180	\$ 2,469	\$ 1,180
Deferred	6,837	110,954	15,088	110,954
Provision for Income Taxes	<u>\$ 8,118</u>	<u>\$ 112,134</u>	<u>\$ 17,557</u>	<u>\$ 112,134</u>

Pro Forma Income Tax Information

The pro forma unaudited income tax expense represents the tax effects that would have been reported had the Company been subject to U.S. federal and state income taxes as a corporation. Pro forma expenses are based upon the statutory income tax rates and adjustments to income for estimated permanent differences occurring during the period. Actual rates and expenses could have differed had the Company been subject to U.S. federal and state income taxes for the period presented. Therefore, the unaudited pro forma amounts are for informational purposes only and are intended to be indicative of the results of operations had the Company been subject to U.S. federal and state income taxes for the period presented.

BOIS d'ARC ENERGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The following table presents the computation of the pro forma income tax expense for the three and six month periods ended June 30, 2005:

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
	(In thousands)	
Income before income taxes	\$ 19,693	\$ 36,755
Effective pro forma income tax rate	36%	36%
Pro forma income tax expense	<u>\$ 7,152</u>	<u>\$ 13,386</u>

Earnings Per Share (Unit)

Basic earnings per share (unit) is determined without the effect of any outstanding potentially dilutive stock options or other convertible securities and diluted earnings per share (unit) is determined with the effect of outstanding stock options and other convertible securities that are potentially dilutive. Basic and diluted earnings per share (unit) for the three and six months ended June 30, 2006 and 2005 were determined based upon the Company's assumption that the shares issued for the converted units were outstanding from the inception of the Company as follows:

	Three Months Ended June 30,					
	2006		Per Share	2005		Per Share
	Income	Shares		Income	Shares	
	(In thousands, except per share amounts)					
Basic Earnings (Loss) Per Share:						
Net Income (Loss)	<u>\$ 14,783</u>	<u>62,429</u>	<u>\$ 0.24</u>	<u>\$ (92,441)</u>	<u>57,118</u>	<u>\$ (1.62)</u>
Diluted Earnings (Loss) Per Share:						
Net Income (Loss)	\$ 14,783	62,429		\$ (92,441)	57,118	
Effect of Dilutive Securities:						
Stock Grants and Options	—	<u>2,086</u>		—	— ⁽¹⁾	
Net Income (Loss) Available to Common Stockholders With Assumed Conversions	<u>\$ 14,783</u>	<u>64,515</u>	<u>\$ 0.23</u>	<u>\$ (92,441)</u>	<u>57,118⁽¹⁾</u>	<u>\$ (1.62)⁽¹⁾</u>
	Six Months Ended June 30,					
	2006		Per Share	2005		Per Share
	Income	Shares		Income	Shares	
	(In thousands, except per share amounts)					
Basic Earnings (Loss) Per Share:						
Net Income (Loss)	<u>\$ 31,564</u>	<u>62,429</u>	<u>\$ 0.51</u>	<u>\$ (75,379)</u>	<u>53,315</u>	<u>\$ (1.41)</u>
Diluted Earnings (Loss) Per Share:						
Net Income (Loss)	\$ 31,564	62,429		\$ (75,379)	53,315	
Effect of Dilutive Securities:						
Stock Grants and Options	—	<u>2,043</u>		—	— ⁽¹⁾	
Net Income (Loss) Available to Common Stockholders With Assumed Conversions	<u>\$ 31,564</u>	<u>64,472</u>	<u>\$ 0.49</u>	<u>\$ (75,379)</u>	<u>53,315⁽¹⁾</u>	<u>\$ (1.41)⁽¹⁾</u>

(1) The effect of stock grants and options of 1,739 and 1,682 shares for the three and six months ended June 30, 2005, respectively, would have been antidilutive to the net loss.

BOIS d'ARC ENERGY, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(continued)***Statements of Cash Flows**

For the purpose of the consolidated statements of cash flows, Bois d'Arc Energy considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash paid for interest was \$2.8 million and \$2.7 million for the six months ended June 30, 2006 and 2005, respectively. Cash paid for income taxes was \$2.0 million for the six months ended June 30, 2006. No tax payments were made for the six months ended June 30, 2005.

Asset Retirement Obligations

Bois d'Arc Energy's primary asset retirement obligations relate to future plugging and abandonment expenses on its oil and gas properties and related facilities disposal. The following table summarizes the changes in the total estimated liability for asset retirement obligations during the six months ended June 30, 2006 and 2005:

	Six months Ended June 30,	
	2006	2005
	<i>(\$ in thousands)</i>	
Future abandonment liability – beginning of period	\$ 35,034	\$ 28,253
Accretion expense	1,102	906
New wells drilled	1,852	1,839
Liabilities settled	—	(423)
Future abandonment liability – end of period	<u>\$ 37,988</u>	<u>\$ 30,575</u>

(3) LONG-TERM DEBT –

On May 11, 2005, the Company entered into a \$175.0 million bank credit facility with The Bank of Nova Scotia and several other banks. Borrowings under the credit facility are limited to a borrowing base that was \$150.0 million as of June 30, 2006. The borrowing base is re-determined semi-annually based on the banks' estimates of the future net cash flows of the Company's oil and natural gas properties. The determination of the borrowing base is at the sole discretion of the administrative agent and the bank group. The credit facility matures on May 11, 2009. Borrowings under the credit facility bear interest at the Company's option at either (1) LIBOR plus a margin that varies from 1.25% to 2.0% depending upon the ratio of the amounts outstanding to the borrowing base or (2) the base rate (which is the higher of the prime rate or the federal funds rate) plus a margin that varies from 0% to 0.75% depending upon the ratio of the amounts outstanding to the borrowing base.

A commitment fee ranging from 0.375% to 0.50% (depending upon the ratio of the amounts outstanding to the borrowing base) is payable on the unused borrowing base. Indebtedness under the credit facility is secured by substantially all of the Company's and its subsidiaries' assets, and all of the Company's subsidiaries are guarantors of the indebtedness. The credit facility contains covenants that restrict the payment of cash dividends, borrowings, sales of assets, loans to others, capital expenditures, investments, merger activity, hedging contracts, liens and certain other transactions without the prior consent of the lenders and requires the Company to maintain a ratio of current assets, including the availability under the bank credit facility, to current liabilities of at least one-to-one and a ratio of indebtedness to earnings before interest, taxes, depreciation, depletion, and amortization, exploration and impairment expense of no more than 2.5-to-one. The Company was in compliance with these covenants as of June 30, 2006.

BOIS d'ARC ENERGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(4) PAYABLE TO COMSTOCK RESOURCES –

In connection with the Company's formation, Comstock provided a \$200.0 million credit facility. Borrowings under the credit facility bore interest at the Company's option at either LIBOR plus 2% or the base rate (which is the higher of the prime rate or the federal funds rate) plus 0.75%. On May 11, 2005 the Company repaid the outstanding balance of \$158.1 million under the Comstock provided credit facility with proceeds from its initial public offering and borrowings under its new bank credit facility. Interest expense of \$0.9 million and \$2.7 million was charged by Comstock under the credit facility during the three and six months ended June 30, 2005.

(5) STOCKHOLDERS' EQUITY –

Prior to the conversion to a corporation, Bois d'Arc Energy had three classes of membership units — class A, class B and class C units. Class A units represented an interest in the capital of the Company but no interest in the profits of the Company and had voting rights. Class B units represented an interest in the capital and profits of the Company and had no voting or other decision-making rights except as required by applicable law. Class C units represented an interest only in the profits of the Company and had no voting or other decision-making rights except as required by applicable law. In connection with the Company's conversion from a limited liability company to a corporation, all outstanding limited liability units were converted into shares of common stock except for the Class A units which were redeemed at a price of \$1 per unit. The Company issued 50,000,000 shares of common stock for all of the Class B units and 2,145,000 restricted shares of common stock for all of the Class C units.

On May 11, 2005, the Company completed an initial public offering of 13,500,000 shares of common stock at \$13.00 per share to the public. The Company sold 12,000,000 shares of common stock and received proceeds of \$145.1 million and a selling stockholder sold 1,500,000 shares of which the Company received no proceeds.

(6) COMMITMENTS AND CONTINGENCIES –

From time to time, Bois d'Arc Energy is involved in certain litigation that arises in the normal course of its operations. 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.

Bois d'Arc Energy has agreed to acquire additional interests in the Ship Shoal 113 unit for \$19.2 million by exercising its preferential rights under the unit operating agreement. This acquisition is expected to close in August 2006.

BOIS d'ARC ENERGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(7) RELATED PARTY TRANSACTIONS –

An entity owned by the spouse of Wayne L. Laufer, one of the principals of Bois d'Arc and the Company's chief executive officer and a director, provided accounting services to Bois d'Arc under a service agreement. In connection with the formation of Bois d'Arc Energy, this agreement was terminated which resulted in a termination fee of \$1.2 million that is payable in monthly installments over a two year period that commenced in October 2004. Subsequent to the formation of Bois d'Arc Energy, this entity performed services for the Company under a new consulting agreement. The Company paid \$63,000 and \$112,000 for such services for the three months and six months ended June 30, 2005, respectively. Fees for accounting services under this agreement of \$8,000 and \$18,000 were paid during the three and six months ended June 30, 2006.

In July 2004 Bois d'Arc Energy entered into a service agreement with Comstock pursuant to which Comstock agreed to provide accounting services for \$240,000 annually. The service agreement was amended to reduce the fee to \$5,000 per month beginning in July 2005. Payments to Comstock under this service agreement were \$60,000 and \$120,000 for the three and six months ended June 30, 2005. Bois d'Arc Energy paid \$15,000 and \$30,000 to Comstock for accounting services provided in the three months and six months ended June 30, 2006, respectively.

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

This report contains forward-looking statements that involve risks and uncertainties that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those anticipated in our forward-looking statements due to many factors. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in this report and in our annual report filed on Form 10-K for the year ended December 31, 2005.

Investment in Bois d’Arc Energy

Bois d’Arc Energy, Inc. (“Bois d’Arc Energy”) was organized in July 2004 as a limited liability company through the contribution of substantially all of our offshore properties together with the properties of Bois d’Arc Resources, Ltd. and its partners. We initially owned 60% of Bois d’Arc Energy, and we accounted for our share of the Bois d’Arc Energy financial and operating results using proportionate consolidation accounting until Bois d’Arc Energy converted to a corporation and completed its initial public offering in May 2005. As a result of this public offering of shares and the conversion of Bois d’Arc Energy into a corporation, beginning May 11, 2005 we own 48% of Bois d’Arc Energy. Since proportionate consolidation is not a generally accepted accounting principle applicable to an investment in a corporation, we changed our accounting method for our investment in Bois d’Arc Energy to the equity method concurrent with Bois d’Arc Energy’s conversion to a corporation. The onshore data in the tables below contains the results of operations for our direct ownership in our onshore oil and gas properties. The offshore results reflect our 48% interest in the results of Bois d’Arc Energy. The offshore results for 2005 include our proportionate interest in the operations of Bois d’Arc Energy based upon our ownership interests throughout the periods presented. The equity method adjustments reflect the reductions to our share of Bois d’Arc Energy’s operating results which are necessary to apply the equity method of accounting for all periods subsequent to the conversion of Bois d’Arc Energy to a corporation.

Results of Operations

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

	<u>Three Months Ended June 30, 2006</u>		<u>Three Months Ended June 30, 2005</u>			
	<u>Onshore</u>	<u>Offshore(3)</u>	<u>Onshore</u>	<u>Offshore(3)</u>	<u>Equity Method Adjustments(3)</u>	<u>Total</u>
Net Production Data:						
Oil (Mbbbls)	237	166	204	192	(100)	296
Natural Gas (Mmcf)	7,549	2,502	7,135	2,316	(1,234)	8,217
Natural Gas equivalent (Mmcfe)	8,969	3,496	8,356	3,468	(1,835)	9,989
Oil sales	\$ 13,847	\$ 11,481	\$ 9,286	\$ 9,528	\$ (4,980)	\$ 13,834
Gas sales	50,724	17,101	46,743	16,398	(8,446)	54,695
Total oil and gas sales	\$ 64,571	\$ 28,582	\$ 56,029	\$ 25,926	\$ (13,426)	\$ 68,529
Oil and gas operating expenses(1)	\$ 13,200	\$ 5,668	\$ 10,795	\$ 4,397	\$ (2,313)	\$ 12,879
Depreciation, depletion and amortization	\$ 16,568	\$ 7,909	\$ 12,841	\$ 6,816	\$ (3,678)	\$ 15,979
Average Sales Price:						
Oil (per Bbl)	\$ 58.47	\$ 69.31	\$ 45.63	\$ 49.63		\$ 46.74
Natural gas (per Mcf)	\$ 6.72	\$ 6.84	\$ 6.55	\$ 7.08		\$ 6.66
Average equivalent (Mcf)	\$ 7.20	\$ 8.18	\$ 6.70	\$ 7.48		\$ 6.86
Expenses (\$ per Mcfe):						
Oil and gas operating(1)	\$ 1.47	\$ 1.62	\$ 1.29	\$ 1.27		\$ 1.29
Depreciation, depletion and amortization(2)	\$ 1.84	\$ 2.25	\$ 1.53	\$ 1.94		\$ 1.59

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

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

(3) Beginning on May 11, 2005 we account for our 48% ownership interest in Bois d’Arc Energy using the equity method.

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	Six Months Ended June 30, 2006		Six Months Ended June 30, 2005			
	Onshore	Offshore(3)	Onshore	Offshore(3)	Equity Method Adjustments(3)	Total
Net Production Data:						
Oil (Mbbbls)	465	318	293	402	(100)	595
Natural Gas (Mmcf)	14,918	4,931	13,547	4,741	(1,234)	17,054
Natural Gas equivalent (Mmcfe)	17,709	6,837	15,306	7,153	(1,835)	20,624
(\$ In thousands, except per unit amounts)						
Oil sales	\$ 26,112	\$ 20,753	\$ 13,574	\$ 19,526	\$ (4,980)	\$ 28,120
Gas sales	108,350	37,479	86,248	32,429	(8,446)	110,231
Total oil and gas sales	\$ 134,462	\$ 58,232	\$ 99,822	\$ 51,955	\$ (13,426)	\$ 138,351
Oil and gas operating expenses(1)	\$ 27,055	\$ 11,633	\$ 19,367	\$ 9,012	\$ (2,313)	\$ 26,066
Depreciation, depletion and amortization	\$ 32,860	\$ 14,811	\$ 23,117	\$ 13,893	\$ (3,678)	\$ 33,332
Average Sales Price:						
Oil (per Bbl)	\$ 56.12	\$ 65.31	\$ 46.30	\$ 48.58		\$ 47.26
Natural gas (per Mcf)	\$ 7.26	\$ 7.60	\$ 6.37	\$ 6.84		\$ 6.46
Average equivalent (Mcf)	\$ 7.59	\$ 8.52	\$ 6.52	\$ 7.26		\$ 6.71
Expenses (\$ per Mcfe):						
Oil and gas operating(1)	\$ 1.53	\$ 1.70	\$ 1.27	\$ 1.26		\$ 1.26
Depreciation, depletion and amortization(2)	\$ 1.85	\$ 2.15	\$ 1.50	\$ 1.93		\$ 1.61

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

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

(3) Beginning on May 11, 2005 we account for our 48% ownership interest in Bois d'Arc Energy using the equity method.

Revenues -

Our total oil and gas sales in the second quarter of 2006 of \$64.6 million were \$3.9 million (6%) lower than our sales of \$68.5 million in the second quarter of 2005. The decline in total sales and production for the first quarter of 2006 is mainly due to the conversion to the equity method of accounting for our offshore oil and gas operations beginning in May 2005 following the Bois d'Arc Energy initial public offering and the resulting reduction in our ownership in Bois d'Arc Energy from 60% to 48%. Oil and gas sales from our onshore properties increased \$8.6 million or 15% to \$64.6 million for the three months ended June 30, 2006 from \$56.0 million for the second quarter of 2005. The increase is attributable to higher production and increased oil and natural gas prices. Our onshore production in the second quarter of 2006, on an equivalent unit of production basis, increased by 7% from production in the second quarter of 2005, reflecting additional production from our acquisition and drilling activity. Our average onshore realized crude oil price increased by 28% and our average onshore realized natural gas price increased by 3% in the second quarter of 2006 as compared to the second quarter of 2005. Oil and gas sales from offshore operations for the second quarter of 2006 of \$28.6 million increased \$2.7 million compared with the second quarter of 2005 due to higher oil and gas prices realized. The average offshore natural gas price decreased by 3% and the average offshore oil price increased by 40% in the second quarter of 2006 as compared to the second quarter of 2005. Offshore production of 3.5 Bcfe in the second quarter of 2006 was unchanged from the same quarter last year, primarily due to the deferral of 0.8 Bcfe of production as a result of delays in restarting pipeline operations in the Gulf of Mexico after the 2005 hurricanes.

For the six months ended June 30, 2006, our oil and gas sales decreased \$3.9 million (3%) to \$134.5 million from \$138.4 million for the six months ended June 30, 2005. Our oil and gas sales from onshore operations increased \$34.7 million to \$134.5 million for the first six months of 2006 from the same period last year due to a 16% increase in production and a 16% increase in oil and natural gas prices. Oil and gas sales from offshore operations of \$58.2 million during the first six months of 2006 increased 12% from last year's first six months due primarily to a 17% increase in the average oil and natural gas prices realized in 2005 offset by a 4% decrease in production caused by the deferral of 1.6 Bcfe of offshore production during the first six months of 2006 and the reduction in our ownership in Bois d'Arc Energy in May 2005.

Costs and Expenses -

Our oil and gas operating expenses, including production taxes, increased \$0.3 million (2%) to \$13.2 million in the second quarter of 2006 from \$12.9 million in the second quarter of 2005. Oil and gas operating expenses from our onshore operations increased \$2.4 million (22%) to \$13.2 million from \$10.8 million in the second quarter of 2005. This increase mainly reflects our increased production from onshore properties and higher production and ad valorem taxes due to increased oil and natural gas prices. Oil and gas operating expenses per equivalent Mcf produced for our onshore operations increased \$0.18 (14%) to \$1.47 in the second quarter of 2006 from \$1.29 in the second quarter of 2005. Offshore oil and gas operating costs for the second quarter of 2006 of \$5.7 million increased \$1.3 million (29%) from \$4.4 million in the second quarter of 2005 due primarily to additional wells brought on production.

Oil and gas operating expenses increased \$1.0 million (4%) to \$27.1 million in the first six months of 2006 from \$26.1 in the first six months of 2005. Onshore oil and gas operating expenses increased \$7.7 million (40%) as the result of property acquisitions, higher production and ad valorem taxes and the costs associated with new wells. Onshore oil and gas operating expenses per Mcfe produced increased \$0.26 to \$1.53 for the six months ended June 30, 2006 from \$1.27 for the same period in 2005. Offshore oil and gas operating expenses increased \$2.6 million (29%) to \$11.6 million for the first six months of 2006 due to hurricane repair costs incurred and lifting costs associated with new wells.

In the second quarter of 2006, we had no exploration expense as compared to \$15.2 million in the second quarter of 2005. The provision in the second quarter of 2005 primarily relates to an exploratory dry hole drilled to test the "Big Sandy" prospect in Polk County, Texas. For the six months ended June 30, 2006 exploration expense was \$0.3 million as compared to \$17.3 million in the same period in 2005. The provision for the first six months of 2006 primarily related to the acquisition of 3-D seismic data.

Depreciation, depletion and amortization ("DD&A") increased \$0.6 million (4%) to \$16.6 million in the second quarter of 2006 from \$16.0 million in the second quarter of 2005. DD&A for our onshore properties increased \$3.8 million to \$16.6 million for the three months ended June 30, 2006 from \$12.8 million in 2005's second quarter due to higher production and an increase in our onshore average DD&A rate. Our onshore DD&A per equivalent Mcf produced increased by \$0.31 to \$1.84 for the three months ended June 30, 2006 from \$1.53 for the three months ended June 30, 2005. This increased rate is primarily attributable to the costs associated with our drilling program and an acquisition made in May 2005. DD&A related to our offshore properties for the second quarter of 2006 increased \$1.1 million due mainly to higher capitalized costs. The DD&A rate per Mcfe produced for offshore operations in the second quarter of 2006 increased \$0.31 per Mcfe to \$2.25 per Mcfe from \$1.94 in the second quarter of 2005 due to higher capitalized costs. For the six months ended June 30, 2006, DD&A decreased \$0.4 million (1%) to \$32.9 million from \$33.3 million for the six months ended June 30, 2005. The decrease is due mainly to our lower ownership interest in offshore properties during 2006. DD&A for our onshore properties increased \$9.8 million (42%) to \$32.9 million from \$23.1 million in the first six months of 2005. The increase is due to the 16% increase in onshore production and the increased amortization rate of \$1.85 per Mcfe in the first half of 2006 as compared to \$1.50 for the first half of 2005. The higher rate is attributable to higher costs of the acquisition we made in May 2005 and higher drilling costs associated with our onshore drilling program. The DD&A associated with our offshore properties of \$14.8 million for the first six months of 2006 increased \$0.9 million (7%) from \$13.9 million for the six months ended June 30, 2005 due to higher capitalized costs.

General and administrative expenses, which are reported net of overhead reimbursements, increased by \$0.8 million to \$4.6 million for the second quarter of 2006 as compared to \$3.8 million for the second quarter of 2005. For the first six months of 2006, general and administrative expenses increased to \$9.5 million from \$8.0 million for the six months ended June 30, 2005. The increases are primarily related to our higher staffing levels in 2006.

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Interest expense decreased \$0.2 million (4%) to \$4.5 million for the second quarter of 2006 from \$4.7 million in the second quarter of 2005. The decrease is primarily due a reduction in the amount outstanding under our bank credit facility during the second quarter of 2006, which was partially offset by higher interest rates. The average borrowings outstanding decreased to \$70.8 million during the second quarter of 2006 as compared to \$137.7 million in the second quarter of 2005. The average interest rate we were charged on the outstanding borrowings under the credit facility increased to 6.2% in the second quarter of 2006 as compared to 4.3% in the second quarter of 2005. Interest expense for the six months ended June 30, 2006 decreased \$1.6 million (15%) to \$8.9 million from \$10.5 million for the six months ended June 30, 2005. The decrease is attributable to lower average borrowings under the bank credit facility which were partially offset by higher interest rates. Average borrowings outstanding decreased to \$69.4 million during the first six months of 2006 as compared to \$186.7 million for the six months ended June 30, 2005. The average interest rate under the bank credit facility increased to 6.0% in the first half of 2006 as compared to 4.3% in the first half of 2005.

The second quarter 2006 results included equity in earnings of Bois d'Arc Energy of \$7.1 million for the three months ended June 30, 2006 as compared to a net loss of \$61.2 million in the second quarter of 2005. Beginning in the second quarter of 2005, we began accounting for our share of the earnings from Bois d'Arc Energy under the equity method. The net loss from equity in earnings for the three months ended June 30, 2005 includes a one time provision of \$64.6 million associated with recognizing our proportionate share of the cumulative deferred tax liabilities recorded by Bois d'Arc Energy when it converted from a limited liability company to a corporation. We also recognized a gain in the second quarter of 2005 of \$28.8 million on our investment in Bois d'Arc Energy based on our share of the amount that Bois d'Arc Energy's equity increased as a result of the sale of shares in Bois d'Arc Energy's initial public offering. We had equity in earnings of Bois d'Arc Energy of \$15.1 million for the first six months of 2006 as compared to the net loss of \$61.2 million during the second half of 2005.

We reported net income of \$15.6 million for the three months ended June 30, 2006, as compared to net loss of \$10.9 million for the three months ended June 30, 2005. The net income per share for the second quarter of 2006 was \$0.36 on weighted average diluted shares outstanding of 43.5 million as compared to a net loss of \$0.27 for the second quarter of 2005 on weighted average shares outstanding of 39.8 million. Our second quarter 2006 results include a \$1.3 million unrealized gain on our derivative financial instruments held for price risk management, a \$7.9 loss on the pending sale of our Kentucky properties and a \$1.1 million tax provision related to deferred income taxes resulting from a recently enacted business tax in Texas. Excluding the effect of these items, net income for the three months ended June 30, 2006 would have been \$21.0 million or \$0.48 per diluted share. Net income for the six months ended June 30, 2006 was \$45.2 million, as compared to net income of \$5.0 million for the six months ended June 30, 2005. Net income per share on weighted average diluted shares outstanding for the six months ended June 30, 2006 was \$1.04 as compared to net income of \$0.12 for the six months ended June 30, 2005. Excluding the \$10.1 million gain on our derivative financial instruments, the \$7.9 million loss on the pending sale of properties and the \$1.1 million tax provision resulting from tax law changes, net income for the six months ended June 30, 2006 would have been \$44.9 million or \$1.03 per diluted share. Excluding the effect of the one time adjustments for Bois d'Arc's conversion to a corporation and its initial public offering, our net income for the three months and six months ended June 30, 2005 would have been \$12.7 million (\$0.30 per share) and \$28.6 million (\$0.72 per share), respectively.

Liquidity and Capital Resources

Funding for our activities has historically been provided by our operating cash flow, debt or equity financings or asset dispositions. For the six months ended June 30, 2006, our net cash flow provided by operating activities totaled \$92.0 million as compared to \$98.8 million for the six months ended June 30, 2005.

Our primary needs for capital, in addition to funding our ongoing operations, relate to the acquisition, development and exploration of our oil and gas properties and the repayment of our debt. In the first six months of 2006, we incurred capital expenditures of \$92.5 million primarily for our development and exploration activities.

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The following table summarizes our capital expenditure activity for the six months ended June 30, 2006 and 2005:

	Six Months Ended June 30,	
	2006	2005
	<i>(In thousands)</i>	
Onshore:		
Acquisitions	\$ 912	\$ 191,573
Leasehold costs	1,553	1,501
Development drilling	77,822	35,390
Exploratory drilling	75	12,623
Other development	11,920	6,761
	<u>92,282</u>	<u>247,848</u>
Offshore ⁽¹⁾	—	32,713
Other	195	49
	<u>\$ 92,477</u>	<u>\$ 280,610</u>

(1) Relates to our 60% share of Bois d'Arc Energy's capital expenditures.

The timing of most of our capital expenditures is discretionary because we have no material long-term capital expenditure commitments except for commitments for contract drilling services. Consequently, we have a significant degree of flexibility to adjust the level of our capital expenditures as circumstances warrant.

As of June 30, 2006 we have contracted for the services of drilling rigs through September, 2008 at an aggregate cost of \$87.0 million.

We spent \$91.4 million and \$89.0 million on development and exploration activities in the six months ended June 30, 2006 and 2005, respectively. We have budgeted approximately \$200.0 million for development and exploration projects in 2006. We expect to use internally generated cash flow to fund our development and exploration activity.

We spent \$0.9 million and \$191.6 million on acquisition activities in the six months ended June 30, 2006 and 2005, respectively. We do not have a specific acquisition budget for 2006 since the timing and size of acquisitions are not predictable. We intend to use borrowings under our bank credit facility, or other debt or equity financings to the extent available, to finance significant acquisitions. The availability and attractiveness of these sources of financing will depend upon a number of factors, some of which will relate to our financial condition and performance and some of which will be beyond our control, such as prevailing interest rates, oil and natural gas prices and other market conditions.

We have a \$400.0 million bank credit facility with Bank of Montreal, as the administrative agent. The credit facility is a four-year revolving credit commitment that matures on February 25, 2008. Borrowings under the credit facility are limited to a borrowing base that was \$350.0 million at June 30, 2006. We also have \$175.0 million of 6⁷/₈% senior notes due March 1, 2012, with interest payable semiannually on each March 1 and September 1. The notes are unsecured obligations and are guaranteed by all of our wholly owned subsidiaries.

Indebtedness under the bank credit facility is secured by substantially all of our wholly-owned subsidiaries' oil and gas properties and is guaranteed by all of our wholly-owned subsidiaries. The credit facility is subject to borrowing base availability, which is redetermined semiannually based on the banks' estimates of the future net cash flows of our oil and natural gas properties. 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 credit facility bear interest, based on the utilization of the borrowing base, at our option at either LIBOR plus 1.25% to 1.75% or the base rate (which is the higher of the prime rate or the federal funds rate) plus 0% to 0.5%. A commitment fee of 0.375% is payable on the unused borrowing base. The credit facility contains covenants that, among other things, restrict the payment of cash dividends, 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 current ratio and maintenance of a

minimum tangible net worth. We were in compliance with these covenants as of June 30, 2006.

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 terms acceptable to us.

Critical Accounting Policies

The information included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” in our annual report filed on Form 10-K for the year ended December 31, 2005 is incorporated herein by reference.

There have been no material changes to our accounting policies during the six months ended June 30, 2006 except for the adoption of Statement of Financial Accounting Standards No. 123R (Revised 2004), “Share-Based Payment.” Because we previously recorded stock-based compensation using the fair value method, adoption of this new accounting standard did not have a significant impact on our net income or earnings per share for the six months ended June 30, 2006.

In July 2006, the Financial Accounting Standard Board (“FASB”) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109* (“FIN 48”), which clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. FIN 48 provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” of being sustained if the position were to be challenged by a taxing authority. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We expect that the impact of adopting FIN 48 will not have a significant impact on our financial statements.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Oil and Natural Gas Prices

Our financial condition, results of operations and capital resources are highly dependent upon the prevailing market prices of oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors, some of which are beyond our control. Factors influencing oil and natural gas prices include the level of global demand for crude oil, the foreign supply of oil and natural gas, the establishment of and compliance with production quotas by oil exporting countries, weather conditions that determine the demand for natural gas, the price and availability of alternative fuels and overall economic conditions. It is impossible to predict future oil and natural gas prices with any degree of certainty. Sustained weakness in oil and natural gas prices may adversely affect our financial condition and results of operations, and may also reduce the amount of oil and natural gas reserves that we can produce economically. Any reduction in our oil and natural gas reserves, including reductions due to price fluctuations, can have an adverse effect on our ability to obtain capital for our exploration and development activities. Similarly, any improvements in oil and natural gas prices can have a favorable impact on our financial condition, results of operations and capital resources. Based on our oil and natural gas production for the six months ended June 30, 2006, 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 \$0.4 million and a \$1.00 change in the price per Mcf of natural gas would have changed our cash flow by approximately \$14.2 million.

Interest Rates

At June 30, 2006, we had total long-term debt of \$243.0 million. Of this amount, \$175.0 million bears interest at a fixed rate of 6⁷/₈%. We had \$68.0 million outstanding under our bank credit facility, which bears interest at a fluctuating rate that is linked to LIBOR or the corporate base rate, at our option. Any increases in these interest rates can have an adverse impact on our results of operations and cash flow. Based on borrowings outstanding at June 30, 2006, a 100 basis point change in interest rates would change our interest expense for the six month period ended June 30, 2006 by approximately \$340,000.

ITEM 4: CONTROLS AND PROCEDURES

As of June 30, 2006, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2006 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by us is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal controls over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended June 30, 2006, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

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

- (a) Our annual meeting of stockholders was held in Frisco, Texas at 10:00 a.m., local time, on May 10, 2006.
- (b) Proxies for the meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the nominees listed in the proxy statement for election as Class C directors and such nominees were elected.
- (c) Out of a total 42,980,762 shares of our common stock outstanding and entitled to vote, 38,366,170 shares were present at the meeting in person or by proxy, representing approximately 89.3% of the outstanding shares. Matters voted upon at the meeting were as follows:
 - (i) Two Class C directors were reelected to our board of directors. The vote tabulation was as follows:

<u>Nominee</u>	<u>For</u>	<u>Withheld</u>
Roland O. Burns	36,839,760	1,526,410
David K. Lockett	37,708,648	657,522

Our other directors whose term of office as a director continued after the meeting are as follows:

<u>Class A Directors</u>	<u>Class B Directors</u>
Cecil E. Martin	M. Jay Allison
Nancy E. Underwood	David W. Sledge

- (ii) The appointment of Ernst & Young LLP as our independent registered public accounting firm for 2006 was ratified by a vote of 38,320,004 shares for, 30,814 shares against and 15,352 shares abstaining.

ITEM 6: EXHIBITS

a. Exhibits

<u>Exhibit No</u>	<u>Description</u>
15.1*	Awareness Letter of Ernst & Young LLP.
31.1*	Section 302 Certification of the Chief Executive Officer.
31.2*	Section 302 Certification of the Chief Financial Officer.
32.1*	Certification for the Chief Executive Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification for the Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMSTOCK RESOURCES, INC.

Date: August 7, 2006

/s/ M. JAY ALLISON

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

Date: August 7, 2006

/s/ ROLAND O. BURNS

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

August 3, 2006

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

Shareholders and Board of Directors
Comstock Resources, Inc.

We are aware of the incorporation by reference in the Registration Statements (Nos. 33-20981 and 33-88962 filed on Form S-8 and Nos. 333-112100 and 333-128813 filed on Form S-3) of Comstock Resources, Inc. and of the related Prospectuses of our report dated August 2, 2006 relating to the unaudited consolidated interim financial statements of Comstock Resources, Inc. that are included in its Form 10-Q for the quarter ended June 30, 2006.

/s/ Ernst & Young LLP

Dallas, Texas

Section 302 Certification

I, M. Jay Allison, certify that:

1. I have reviewed this June 30, 2006 Form 10-Q of Comstock Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2006

/s/ M. JAY ALLISON
President and Chief Executive Officer

Section 302 Certification

I, Roland O. Burns, certify that:

1. I have reviewed this June 30, 2006 Form 10-Q of Comstock Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2006

/s/ ROLAND O. BURNS
Sr. Vice 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 Quarterly Report of Comstock Resources, Inc. (the "Company") on Form 10-Q for the three months ending June 30, 2006 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

August 7, 2006

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

In connection with the Quarterly Report of Comstock Resources, Inc. (the "Company") on Form 10-Q for the three months ending June 30, 2006 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
August 7, 2006