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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1997

OR

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

Commission File No. 0-16741

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

NEVADA	94-1667468
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

5005 LBJ Freeway, Suite 1000, Dallas, Texas
75244 (Address of principal executive offices including zip code)

(972) 701-2000
(Registrant's telephone number and area code)

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

Common Stock, $.50 Par Value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange
(Title of class)	(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. [X]

As of March 12, 1998, there were 24,218,874 shares of common stock outstanding.

As of March 12, 1998, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $227,300,000.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report is incorporated by reference from registrant's definitive proxy statement for its 1998 annual meeting of stockholders (to be filed with the Securities and Exchange Commission not later than April 30, 1998).

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COMSTOCK RESOURCES, INC.

FORM 10-K

For the Fiscal Year Ended December 31, 1997

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DEFINITIONS

The following are abbreviations of terms commonly used in the oil and gas industry and in this report. Natural gas equivalents and crude oil equivalents are determined using the ratio of six Mcf to one Bbl.

"Bbl" means a barrel of 42 U.S. gallons of oil.

"Bcf" means one billion cubic feet of natural gas.

"Bcfe" means one billion cubic feet of natural gas equivalent.

"Completion" means the installation of permanent equipment for the production of oil or gas.

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

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

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

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

"Gross" when used with respect to acres or wells, production or reserves refers to the total acres or wells in which the Company or other specified person has a working interest.

"MBbls" means one thousand barrels of oil.

"Mcf" means one thousand cubic feet of natural gas.

"Mcfe" means thousand cubic feet of natural gas equivalent.

"MMcf" means one million cubic feet of natural gas.

"MMcfe" means one million cubic feet of natural gas equivalent.

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

"Net production" means production that is owned by the Company less royalties and production due others.

"Oil" means crude oil or condensate.

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

"Present Value of Proved Reserves" means the present value of estimated future revenues to be generated from the production of proved reserves calculated in accordance with Commission guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to non-property related expenses such as general and administrative expenses, debt service, future income tax expense and depreciation, depletion and amortization, and discounted using an annual discount rate of 10%.

"Proved developed reserves" means reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery will be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

"Proved reserves" means the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation tests. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following: (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves"; (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such resources.

"Proved undeveloped reserves" means reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this report, including without limitation, statements under "Business and Properties" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding budgeted capital expenditures, increases in oil and natural gas production, the Company's financial position, oil and natural gas reserve estimates, business strategy and other plans and objectives for future operations, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the control of the Company. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact way, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates made by different engineers often vary from one another. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revisions of such estimate and such revision, if significant, would change the schedule of any further production and development drilling. Accordingly, reserve estimates are generally different from the quantities of oil and gas that are ultimately recovered. All forward-looking statements in this report are expressly qualified in their entirety by the cautionary statements in this paragraph.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

Comstock Resources, Inc. (together with its subsidiaries, the "Company" or "Comstock") is an independent energy company engaged in the acquisition, development, production and exploration of oil and natural gas properties. The Company has an oil and gas reserve base which is entirely focused in the Gulf of Mexico, Southeast Texas and East Texas/North Louisiana regions. Approximately 48% of the Company's oil and natural gas reserves are located in the Gulf of Mexico, 29% in Southeast Texas and 23% in East Texas/North Louisiana. As a result of this focus, Comstock has accumulated significant geologic knowledge, technical expertise and industry relationships in these regions. Additionally, the Company has significant operating control over its properties and operates 85% of its Present Value of Proved Reserves as of December 31, 1997. Comstock has compiled a high quality reserve base that is 66% natural gas and 79% proved developed on a Bcfe basis. The Company has estimated proved oil and natural gas reserves of 365.7 Bcfe with an estimated Present Value of Proved Reserves of $459.6 million as of December 31, 1997.

Comstock has achieved substantial growth in reserves, production, revenues and EBITDA since 1993. The Company's estimated proved oil and natural gas reserves have increased at a compounded annual growth rate of 35% from 111.0 Bcfe as of December 31, 1993 to 365.7 Bcfe as of December 31, 1997. Over this period, average net daily production has increased from 27.9 MMcfe per day in 1993 to 135.7 MMcfe per day in 1997, on a pro forma basis. Similarly, the growth in the Company's oil and natural gas revenues and EBITDA has been substantial, increasing from $22.1 million and $13.6 million, respectively, for the year ended December 31, 1993 to $143.5 million and $116.5 million, respectively, for the year ended December 31, 1997 on a pro forma basis.

Over the past three years, the Company has been able to lower lifting costs and general and administrative expenses per unit of production, concurrent with increases in production, through strict control over operations and costs. Comstock's lifting costs per Mcfe were $0.65 in 1995, $0.55 in 1996 and $0.51 in 1997 on a pro forma basis. Comstock's general and administrative expenses per Mcfe were $0.11 in 1995, $0.09 in 1996 and $0.05 in 1997 on a pro forma basis. The Company operates 342 of the 551 wells in which it has an interest. Operated wells represent 85% of the Company's Present Value of Proved Reserves which enables Comstock to effectively control costs and expenses and the timing and method of exploration and development of its properties. Additionally, Comstock's geographic focus allows it to manage its asset base with a relatively small number of employees. As a result of the Company's low cost structure, Comstock generated a cash margin per Mcfe of $1.17 in 1995, $2.10 in 1996 and $2.34 in 1997 on a pro forma basis.

Comstock has increased its focus on the exploitation and development of its properties through development drilling, workovers and recompletions. Additionally, the Company has a multi-year inventory of exploration prospects. The Company's spending on exploration and development activities has increased by 1018% from $2.8 million in 1993 to $31.3 million in 1997. The Company has budgeted to spend $55.0 million in 1998 for identified development and exploration projects.

Recent Developments

In December 1997, the Company acquired offshore Gulf of Mexico properties from Bois d' Arc Resources and certain of its affiliates and working interest partners (the "Bois d' Arc Acquisition"). The properties are located offshore in the Louisiana state and federal areas of Main Pass Block 21 and 25, Ship Shoal Blocks 66, 67, 68 and 69, and South Pelto Block 1. The properties had estimated proved oil and natural gas reserves of 14.3 MMBbls of oil and 29.4 Bcf of natural gas, when acquired. The acquisition included 43 wells (29.6 net) and eight production complexes producing 8,500 net barrels of oil equivalent per day and seven undrilled prospects which have been delineated by 3-D seismic. The Company allocated $30.2 million of the purchase price to the undrilled prospects and $1.0 million to other assets. This acquisition increased the Company's proved oil and natural gas reserves, daily oil and natural gas production and EBITDA by 46%, 69% and 78%, respectively, based on pro forma 1997 operating results.

Comstock recently entered into a joint exploration program with Bois d' Arc Resources and its principals ("Bois d' Arc") pursuant to which the Company and Bois d' Arc will jointly explore for prospects in defined parts of the Gulf of

Mexico region (the "Bois d' Arc Exploration Venture"). Bois d' Arc will be responsible for identifying potential prospects and the parties will jointly acquire 3-D seismic data and leasehold to be shared 80% by the Company and 20% by Bois d' Arc. Comstock and Bois d' Arc have committed to spend at least $5.0 million during the initial 24 months of the program to acquire seismic data. With respect to any prospects in which the Company elects to participate in drilling, the Company will acquire a 33% working interest. As part of the Bois d' Arc Exploration Venture, the Company issued warrants to Bois d' Arc to acquire up to 1,000,000 shares of the Company's common stock, at an exercise price of $14.00 per share. The warrants vest in 50,000 share increments based on the success of the initial test well on a prospect.

Business Strategy

The Company's strategy is to increase cash flow and net asset value by acquiring oil and natural gas properties at attractive costs and developing its reserves. In addition, the Company intends to pursue selective exploration opportunities in its core operating areas. The key elements of the Company's business strategy are to:

Acquire High Quality Properties at Attractive Costs

The Company has a successful track record of increasing its oil and natural gas reserves through opportunistic acquisitions and for the three year period ended December 31, 1997, Comstock has replaced 567% of its oil and natural gas production through acquisitions. Since 1991, Comstock has added 482.4 Bcfe of proved oil and natural gas reserves from 18 acquisitions at a total cost of $411.9 million, or $0.85 per Mcfe. The acquisitions were acquired at 63% of their Present Value of Proved Reserves in the year the acquisitions were completed. The Company's three largest acquisitions to date have been the Bois d' Arc Acquisition for $200.9 million, its acquisition of Black Stone Oil Company and interests in the Double A Wells field in Southeast Texas in May 1996 for $100.4 million (the "Black Stone Acquisition") and its purchase of properties from Sonat Inc. in July 1995 for $48.1 million (the "Sonat Acquisition").

The Company applies strict economic and reserve risk criteria in evaluating acquisitions and targets properties in its core operating areas with established production and low operating costs that also have potential opportunities to increase production and reserves through exploration and exploitation activities.

Operate Properties

The Company prefers to operate the properties it acquires, allowing it to exercise greater control over the timing and plans for future development, the level of drilling and lifting costs, and the marketing of production. The Company operates 342 of the 551 wells in which it owns an interest which comprise approximately 85% of its Present Value of Proved Reserves as of December 31, 1997.

Maintain Low Cost Structure

The Company seeks to increase cash flow by carefully controlling operating costs and general and administrative expenses. The Company targets acquisitions that possess, among other characteristics, low per unit operating costs. In addition, the Company has been able to reduce per unit operating costs by eliminating unnecessary field and corporate overhead costs and by divesting properties that have high lifting costs with little future development potential. Through these efforts, the Company's general and administrative expenses and average oil and gas operating costs per Mcfe have decreased from $0.11 and $0.65, respectively, for 1995 to $0.05 and $0.51, respectively, for 1997 on a pro forma basis.

Exploit Existing Reserves

The Company seeks to maximize the value of its properties by increasing production and recoverable reserves through active workover, recompletion and exploitation activities. The Company utilizes advanced industry technology, including 3-D seismic data, improved logging tools and newly developed formation stimulation techniques. During 1997, the Company spent $22.7 million to drill 40 development wells (19.0 net), of which 33 were successful. In 1998, the Company has budgeted approximately $35.0 million to drill approximately 41 development wells (25.0 net).

Pursue Selective Exploration Opportunities

The Company pursues selective exploration activities to find additional reserves on its undeveloped acreage. In 1997, the Company spent $6.0 million to drill nine exploratory wells (3.2 net), five (1.6 net) of which were successful. The Company plans to increase its spending for exploration activities to approximately $20.0 million in 1998 to drill 15 wells (5.7 net). The Company's exploration activities in 1998 are expected to be focused on the Gulf of Mexico region and based on drilling 3-D seismic generated prospects, including the prospects acquired in the Bois d' Arc Acquisition and prospects generated under the Bois d' Arc Exploration Venture.

Primary Operating Areas

The Company's activities are concentrated in three primary operating areas: Gulf of Mexico, Southeast Texas, and East Texas/North Louisiana. The following table summarizes the Company's estimated proved oil and gas reserves by field as of December 31, 1997.

Field Area	Net Oil (MBbls)	Net Gas (MMcf)	Present Value of Proved Reserves	Percentage
			(In thousands)	
Gulf of Mexico				
Ship Shoal Blocks 66/67/68/69 and S. Pelto Block 1	12,721	26,423	$171,018	
Main Pass Blocks 21/25	2,269	3,172	19,302	
West Cameron Blocks 238/248/249	-	6,116	9,818	
East White Point	887	6,288	8,640	
El Campo	264	3,548	5,188	
Mustang Island	77	1,991	2,252	
Other	40	1,801	2,337	
	16,258	49,339	218,555	47.6%
Southeast Texas				
Double A Wells	3,601	77,073	132,036	
Redmond Creek	144	1,495	2,799	
	3,745	78,568	134,835	29.3%
East Texas/North Louisiana				
Beckville	139	24,142	18,616	
Logansport	73	18,820	18,257	
Lisbon	132	9,920	15,775	
Waskom	238	13,330	10,627	
Blocker	46	11,319	8,692	
Ada	9	5,085	7,976	
Longwood	99	6,010	5,931	
Sugar Creek	70	3,844	5,318	
Box Church	2	9,880	3,449	
Hico Knowles	36	1,994	2,481	
Simsboro	3	2,669	2,111	
Sligo	12	2,126	2,094	
Other	33	2,378	3,869	
	892	111,517	105,196	22.9%
Other Areas	32	693	970	.2%
Total	20,927	240,117	$459,556	100.0%

Gulf of Mexico

The Company's largest operating area includes properties located offshore Louisiana in state and federal waters of the Gulf of Mexico, and in fields along the Texas and Louisiana Gulf Coast. The Company owns interests in 119 producing wells (68.9 net wells) in ten field areas, the largest of which are the Ship Shoal area (Ship Shoal Blocks 66, 67, 68, 69 and South Pelto Block 1), the Main Pass area (Main Pass Blocks 21 and 25) and West Cameron Blocks 238, 248 and 249. The Company has 146.9 Bcfe of oil and natural gas reserves in the Gulf of Mexico region with a Present Value of Proved Reserves of $218.6 million as of December 31, 1997. The Company operates 46 of the 118 producing wells (69.6 net) that it owns in this region. The Company acquired a large percentage of its reserves in the region in the Bois d' Arc Acquisition. December 1997 production rates net to the Company's interests from the area were 20.5 MMcf of natural gas per day and 5,945 barrels of oil per day. The Company has budgeted $14.9 million for development drilling in this region in 1998 to drill nine wells (5.6 net) and anticipates spending all of its 1998 exploration budget of $20.0 million in this region to drill 15 offshore exploratory wells (5.7 net).

Ship Shoal

The Ship Shoal area is located in Louisiana state waters and in federal waters, offshore Terrebonne Parish and near the state/federal waters boundary. The Company became the operator of its properties in this area as a result of the Bois d' Arc Acquisition and owns a 99% to 100% working interest and operates these properties except for its properties in Ship Shoal Block 69 where the Company has a 25% working interest. The Company has estimated reserves of 102.7 Bcfe (28% of total proved reserves) with a Present Value of Proved Reserves of $171.0 million as of December 31, 1997. The Company owns interests in 30 wells (20.8 net) in the Ship Shoal area, which had net production rates of 16.8 MMcf per day and 4,911 barrels of oil per day during December 1997.

In the Ship Shoal area, oil and natural gas are produced from numerous Miocene sands occurring at depths from 5,800 feet to 13,500 feet, and in water depths from 10 to 40 feet. These areas are primarily oil prone and contain reservoirs that are typically less than 200 acres in areal extent and exhibit very high porosity and permeability. The Company has initiated a development plan on the properties that targets wells with multiple pay objectives. The Company plans to drill five development wells (3.5 net) at an estimated cost of $10.8 million in this area during 1998. The development wells, if successful, would be connected to one of the six existing production platforms, five of which are operated by the Company, thereby lowering its development and operating costs.

The Company has identified six exploration prospects in the Ship Shoal area that it plans to drill during the next three years. If successful, each of these prospects can be tied into existing production platforms owned by the Company which would enable the Company to maintain a low operating cost structure in this area. Each of these prospects has been identified by the use of 3-D seismic and the Company is currently utilizing 3-D seismic data to evaluate other prospects in the Ship Shoal area.

Main Pass

Main Pass Blocks 21 and 25 are located in Louisiana state waters, offshore of Plaquemines Parish in water with a depth of approximately 12 feet. The Company's wells in this area produce from multiple Miocene sands at depths that range from 4,400 feet to 7,700 feet and represent approximately 5% (16.8 Bcfe) of the Company's proved reserves as of December 31, 1997. The Company is the operator and owns interests in 14 wells at Main Pass Block 21 and 25 with an average working interest of 96%. During December 1997, the average production attributable to the Company's interest was approximately .3 MMcf of natural gas and 730 barrels of oil per day. The Company has seven proved undeveloped locations in the Main Pass area and has identified one exploration prospect that it plans to drill in the future which, if successful, can all be tied into the existing production platforms owned by the Company.

West Cameron

West Cameron Blocks 238, 248 and 249 are located in federal waters with a depth of approximately 60 feet and produce from complex multi-pay Pliocene and Miocene aged sands at depths ranging from 5,000 to 11,500 feet. The Company's proved reserves in this field were 6.1 Bcfe (2% of total proved reserves) as of December 31, 1997 and the average net daily production in December 1997 was 1.3 MMcf of natural gas per day and 4 barrels of oil per day. The Company has a working interest of 45% in the West Cameron properties. The Company plans to

drill two development wells in 1998 at a budgeted cost of $1.4 million at West Cameron Block 248 that were identified as the result of a recent 3-D seismic survey.

Southeast Texas

Approximately 28% (101.0 Bcfe) of the Company's reserves are located in Southeast Texas where the Company owns interests in 33 producing wells (12.5 net wells) and operates 25 of these wells. Reserves in Southeast Texas represent 29.3% of the Company's Present Value of Proved Reserves as of December 31, 1997. December 1997 production rates, net to the Company's interests, from the area are 31.6 MMcf of natural gas per day and 1,954 barrels of oil per day.

Substantially all of the reserves in this region are in the Double A Wells field area in Polk County, Texas. The Double A Wells field is the Company's second largest field area with total estimated proved reserves of 98.7 Bcfe (27% of total proved reserves) which have a Present Value of Proved Reserves of $132.0 million as of December 31, 1997. The Company acquired its interests in the Double A Wells in May 1996 pursuant to the Black Stone Acquisition. Since the acquisition, the Company has drilled seven successful development wells (2.0 net) and two successful exploratory wells (.6 net) and increased its net daily production by 14% to 1,867 barrels of oil per day and 30.8 MMcf of natural gas per day during December 1997. These wells typically produce from the Woodbine formation at an average depth of 14,300 feet. The Company has an average working interest in this area of 37% and its leasehold position at December 31, 1997 consisted of 28,231 gross acres (9,533 net).

In 1997 the Company spent $10.8 million on its development and exploratory activities in the Double A Wells field and plans to spend $2.9 million to drill four wells (.9 net) in 1998. The reservoir distribution within the field is controlled primarily by stratigraphic factors, and the Company believes that the analysis of 3-D seismic data which the Company plans to obtain in 1998 may lead to the identification of additional development drilling opportunities as well as deeper exploratory prospects in the Woodbine formation.

East Texas/North Louisiana

The Company has 116.9 Bcfe of proved reserves (32% of total proved reserves) concentrated in East Texas and North Louisiana. The Company owns interests in 374 producing wells (208.5 net wells) in 19 field areas and operates 252 of these wells. The largest of the Company's field areas in this region are the Beckville, Logansport, Lisbon and Waskom fields. Reserves in the region represent 23% of the Company's Present Value of Proved Reserves as of December 31, 1997. Current production rates, net to the Company's interests, from the region are 27.2 MMcf of natural gas per day and 276 barrels of oil per day. The Company's largest acquisition in this region was the Sonat Acquisition in July 1995. Since this acquisition, the Company has focused on increasing production through infill drilling. Most of the reserves in this area produce from the Cretaceous aged Travis Peak/Hosston formation and the Jurassic aged Cotton Valley formation. The total thickness of these formations range from 2,000 feet to 4,000 feet of sand and shale sequences in the East Texas Basin and the North Louisiana Salt Basin, at depths ranging from 6,000 feet to 10,500 feet. The Company believes that success in these formations can be enhanced by applying new hydraulic fracturing and completion techniques, magnetic resonance imaging (MRI) logging tools and infill drilling. This area represents a significant focus of the Company's development and exploitation activities. In 1997 the Company spent $15.0 million to drill 18 wells (10.1 net) and has budgeted $17.2 million in 1998 to drill 28 development wells (18.5 net).

Beckville

The Company's properties in the Beckville field, located in Panola County, Texas, represent approximately 7% (25.0 Bcfe) of the Company's proved reserves as of December 31, 1997. The Company operates 48 wells in this field and owns interests in 6 additional wells. The Company has an average working interest of 67% in this field. During December 1997, the average production attributable to the Company's interest was approximately 2.1 MMcf of natural gas and 13 barrels of oil per day. The Beckville field produces from the Cotton Valley formation at depths ranging from 9,000 to 10,000 feet. The Company has identified 16 proved undeveloped locations in the Beckville field and plans to drill nine wells in 1998 at a budgeted cost of $7.1 million.

Logansport

The Logansport field produces from multiple pay zones in the Hosston formation at an average depth of 8,000 feet and is located in DeSoto Parish, Louisiana. The Company's proved reserves of 19.3 Bcfe in the Logansport field represented approximately 5% of the Company's proved reserves as of December 31, 1997. The Company operates 67 wells in this field and owns interests in 30 additional wells. The Company's average working interest in this field is 48%. During December 1997, the average production attributable to the Company's interest was approximately 6.5 MMcf of natural gas and 29 barrels of oil per day. The Company drilled seven development wells (3.2 net) in this field during 1997, of which all were successful. The Company has budgeted $4.5 million to drill six wells (4.7 net) during 1998.

Lisbon

The Company acquired its interest in the Lisbon field in May 1997 for $20.1 million. The Lisbon field represented approximately 3% (10.7 Bcfe) of the Company's proved reserves as of December 31, 1997. The Company operates 15 wells and owns interests in three additional wells in this field. The Company's average working interest in this field is 52%. During December 1997 the average net daily production from the field was approximately 3.2 MMcf of natural gas and 40 barrels of oil per day. The Lisbon field produces from the Cotton Valley formation at an average depth of 8,000 feet. The Company drilled and completed seven wells (4.8 net) during 1997 in the Lisbon field. The Company has budgeted $2.5 million in 1998 to drill seven development wells (3.5 net).

Waskom

The Waskom field represented approximately 4% (14.8 Bcfe) of the Company's proved reserves as of December 31, 1997. The Company operates 58 wells in this field and owns interests in 37 additional wells. The Company's average working interest in this field is 49%. During December 1997, the average production attributable to the Company's interest was approximately 2.9 MMcf of natural gas and 47 barrels of oil per day. The Waskom field produces from the Cotton Valley formation at depths ranging from 9,000 to 10,000 feet. The Company has identified 10 proved undeveloped locations in the Waskom field and plans to drill one of these wells in 1998 at a budgeted cost of approximately $1.0 million.

Acquisition Activities

Acquisition Strategy

The Company has concentrated its acquisition activity in the Gulf of Mexico, Southeast Texas, and East Texas/North Louisiana regions. Using a strategy that capitalizes on management's strong knowledge of, and experience in, these regions, the Company seeks to selectively pursue acquisition opportunities where the Company can evaluate the assets to be acquired in detail prior to transaction completion. The Company evaluates a large number of prospective properties according to certain internal criteria, including established production and the properties' future development and exploration potential, low operating costs and the ability for the Company to obtain operating control.

Major Property Acquisitions

As a result of its acquisitions, the Company has added 482.4 Bcfe of proved oil and natural gas reserves since 1991 as summarized in the following table:

Year	Acquisition Cost (000's)	Proved Reserves When Acquired(1) (MBbls)	(MMcf)	(MMcfe)	Acquisition Cost Per Mcfe(1)	Present Value of Proved Reserves When Acquired (000's)(1)	Acquisition Cost as a Percentage of Present Value of Proved Reserves(1)
1997(2)	$ 189,904	14,473	39,970	126,808	$1.50	$ 205,583	92%
1996	100,446	5,930	100,446	136,027	0.74	282,150	36%
1995	56,081	1,859	108,432	119,585	0.47	85,706	65%
1994	12,970	388	12,744	15,074	0.86	14,050	92%
1993	26,928	2,250	28,349	41,848	0.64	33,502	80%
1992	4,730	44	8,821	9,086	0.52	8,474	56%
1991	20,862	689	29,868	34,002	0.61	27,298	76%
Total	$ 411,921	25,633	328,630	482,430	0.85	$ 656,763	63%

(1) Based on reserve estimates and prices at the end of the year in which the acquisition occurred, as adjusted to reflect actual production from the closing date of the respective acquisition to such year end.

(2) The 1997 Acquisitions exclude acquisition costs allocated to unevaluated properties of $30.2 million and other assets of $1.0 million.

Of the 18 property acquisitions completed by the Company since 1991, four acquisitions described below account for 83% of the total acquisition cost and total reserves acquired.

Bois d' Arc Acquisition. On December 9, 1997, the Company acquired working interests in certain producing offshore Louisiana oil and gas properties as well as interests in undeveloped offshore oil and gas leases for approximately $200.9 million from Bois d' Arc. The Company acquired interests in 43 wells (29.6 net wells) and eight separate production complexes located in the Gulf of Mexico offshore of Plaquemines and Terrebonne Parishes, Louisiana. The acquisition included interests in the Louisiana state and federal offshore areas of Main Pass Blocks 21 and 25, Ship Shoal Blocks 66, 67, 68 and 69 and South Pelto Block 1. The Company also acquired interests in seven undrilled prospects which have been delineated by 3-D seismic data. The net proved reserves acquired were estimated at 14.3 MMBbls of oil and 29.4 Bcf of natural gas. Approximately $30.2 million of the purchase price was attributed to the undrilled prospects and $1.0 million was attributed to other assets.

Black Stone Acquisition. In May 1996, the Company acquired 100% of the capital stock of Black Stone Oil Company and interests in producing and undeveloped oil and gas properties located in Southeast Texas for $100.4 million. The Company acquired interests in 19 wells (7.7 net) that are located in the Double A Wells field in Polk County, Texas and is the operator of most of the wells in the field. The net proved reserves acquired were estimated at 5.9 MMBbls of oil and 100.4 Bcf of natural gas.

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

Stanford Acquisition. In November 1993, the Company acquired Stanford Offshore Energy, Inc. ("Stanford") through a merger with a wholly owned subsidiary. The Stanford stockholders were issued an aggregate of 1,760,000 shares of common stock of the Company in the merger with a total value of $6.2 million and the Company assumed approximately $16.5 million of indebtedness of Stanford. Stanford had interests in 107 producing wells (58.8 net) located primarily in the Gulf of Mexico region. Major properties acquired include interests in the West Cameron Blocks 238, 248 and 249, East White Point, Redmond

Creek and Mustang Island. The net proved reserves acquired were estimated at 1.0 MMBbls of oil and 17.8 Bcf of natural gas.

Oil and Natural Gas Reserves

The following tables set forth the estimated proved oil and natural gas reserves of the Company and the Present Value of Proved Reserves as of December 31, 1997:

Category	Oil (MBbls)	Gas (Mmcf)	Total (Mmcfe)	Present Value of Proved Reserves (000's)
Proved Developed Producing	12,500	141,178	216,178	$311,419
Proved Developed Non-producing	4,135	46,924	71,734	70,338
Proved Undeveloped	4,292	52,015	77,765	77,799
Total Proved	20,927	240,117	365,677	$459,556

There are numerous uncertainties inherent in estimating oil and natural gas reserves and their values, including many factors beyond the control of the producer. The reserve data set forth above represents estimates only. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, estimates of different engineers may vary. In addition, estimates of reserves are subject to revision based on the results of drilling, testing and production subsequent to the date of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and gas reserves that are ultimately recovered.

In general, the volume of production from oil and natural gas properties declines as reserves are depleted. Except to the extent the Company acquires properties containing proved reserves or conducts successful exploration and development activities, the proved reserves of the Company will decline as reserves are produced. The Company's future oil and natural gas production is, therefore, highly dependent upon its level of success in acquiring or finding additional reserves.

Drilling Activity Summary

During the three-year period ended December 31, 1997, the Company drilled development and exploratory wells as set forth in the table below:

	Year Ended December 31,					
	1995		1996		1997	
	Gross	Net	Gross	Net	Gross	Net
Development Wells:						
Oil	2	0.5	2	1.0	2	0.6
Gas	9	2.4	16	8.4	31	16.1
Dry	2	0.7	1	1.0	7	2.3
	13	3.6	19	10.4	40	19.0
Exploratory Wells:						
Oil	-	-	-	-	1	0.3
Gas	-	-	-	-	4	1.3
Dry	-	-	1	0.2	4	1.6
	-	-	1	0.2	9	3.2
Total Wells	13	3.6	20	10.6	49	22.2

As of December 31, 1997, two development wells (1.0 net) were in the process of being drilled. Both wells were successfully completed in March 1998. Subsequent to December 31, 1997, the Company commenced drilling five development wells (2.5 net). Four of the five wells were successful with the remaining well still in the process of drilling.

Producing Well Summary

The following table sets forth the gross and net producing oil and natural gas wells in which the Company owned an interest at December 31, 1997.

	Oil		Gas	
	Gross	Net	Gross	Net
Texas	17	10.5	263	139.0
Louisiana	9	5.8	192	93.4
State and Federal Offshore	29	23.4	38	21.5
Mississippi	1	0.1	2	0.3
Total wells	56	39.8	495	254.2

The Company operates 342 of the 551 producing wells presented in the above table.

Acreage

The following table summarizes the Company's developed and undeveloped leasehold acreage at December 31, 1997. Excluded is acreage in which the Company's interest is limited to royalty or similar interests.

	Developed		Undeveloped	
	Gross	Net	Gross	Net
Texas	165,172	118,747	42,925	17,271
Louisiana	78,851	58,400	1,896	1,100
State and Federal Offshore	20,284	10,055	754	754
Mississippi	1,360	210	-	-
Total	265,667	187,412	45,575	19,125

Title to the Company's oil and natural gas properties is subject to royalty, overriding royalty, carried and other similar interests and contractual arrangements customary in the oil and gas industry, liens incident to operating agreements and for current taxes not yet due, and other minor encumbrances. All of the Company's oil and natural gas properties are pledged as collateral under the Company's bank credit facility. As is customary in the oil and gas industry, the Company is generally able to retain its ownership interest in undeveloped acreage by production of existing wells, by drilling activity which establishes commercial reserves sufficient to maintain the lease or by payment of delay rentals.

Markets and Customers

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

Substantially all of the Company's natural gas production is sold either on the spot gas market on a month-to-month basis at prevailing spot market prices or under long-term contracts based on current spot market gas prices. Gas production from the Company's Double A Wells field is sold under a long-term contract to HPL Resources Company, a subsidiary of Enron Corp. ("HPL"). The agreement with HPL is for a term expiring on October 31, 2000 with pricing based on a percentage of spot gas prices for natural gas delivered to the Houston Ship Channel. Total gas sales in 1997 to HPL accounted for approximately 35% of the Company's 1997 oil and gas sales.

All of the Company's oil production is sold at the well site at posted field prices tied to the spot oil markets. Sales of oil production to Scurlock Permian Corporation, a subsidiary of Ashland Inc., accounted for approximately 17% of the Company's 1997 oil and gas sales.

Competition

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

Regulation

The Company's operations are regulated by certain federal and state agencies. In particular, oil and natural gas production and related operations are or have been subject to price controls, taxes and other laws relating to the oil and natural gas industry. The Company cannot predict how existing laws and regulations may be interpreted by enforcement agencies or court rulings, whether additional laws and regulations will be adopted, or the effect such changes may have on its business or financial condition.

The Company's oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state and local agencies. Failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil and gas industry increases the Company's cost of doing business and affects its profitability. Because such rules and regulations are frequently amended or reinterpreted, the Company is unable to predict the future cost or impact of complying with such laws.

The states of Texas and Louisiana require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the exploration and production of oil and gas. Such states also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from oil and gas wells and the regulation of spacing, plugging and abandonment of such wells. The statutes and regulations of certain states limit the rate at which oil and gas can be produced from the Company's properties.

Sales of natural gas by the Company are not regulated and are made at market prices. However, the Federal Energy Regulatory Commission ("FERC") regulates interstate and certain intrastate natural gas transportation rates and service conditions, which affect the marketing of natural gas produced by the Company, as well as the revenues received by the Company for sales of such production. Since the mid-1980s, FERC has issued a series of orders, culminating in Order Nos. 636, 636-A and 636-B ("Order 636"), that have significantly altered the marketing and transportation of gas. Order 636 mandates a fundamental restructuring of interstate pipeline sales and transportation service, including the unbundling by interstate pipelines of the sales, transportation, storage and other components of the city-gate sales services such pipelines previously performed. One of FERC's purposes in issuing the orders was to increase competition within all phases of the natural gas industry. Order 636 and subsequent FERC orders issued in individual pipeline restructuring proceedings have been the subject of appeals, the results of which have generally been supportive of the FERC's open-access policy. Earlier this year the United States Court of Appeals for the District of Columbia Circuit largely upheld Order No. 636, et seq. Because further review of certain of these orders is still possible, and other appeals remain pending, it is difficult to predict the ultimate impact of the orders on the Company and its gas marketing efforts. Generally, Order 636 has eliminated or substantially reduced the interstate pipelines' traditional role as wholesalers of natural gas, and has substantially increased competition and volatility in natural gas markets. While significant regulatory uncertainty remains, Order 636 may ultimately enhance the Company's ability to market and transport its gas, although it may also subject the Company to greater competition and the more restrictive pipeline imbalance tolerances and greater associated penalties for violation of such tolerances.

Sales of oil and natural gas liquids by the Company are not regulated and are made at market prices. The price the Company receives from the sale of these products is affected by the cost of transporting the products to market. Effective as of January 1, 1995, FERC implemented regulations establishing an indexing system for transportation rates for interstate common carrier oil pipelines, which, generally, would index such rates to inflation, subject to

certain conditions and limitations. These regulations could increase the cost of transporting oil and natural gas liquids by interstate pipelines, although the most recent adjustment generally decreased rates. These regulations have generally been approved on judicial review. The Company is not able to predict with certainty what effect, if any, these regulations will have on it, but, other factors being equal, the regulations may, over time, tend to increase transportation costs or reduce wellhead prices for oil and natural liquids.

The Company is required to comply with various federal and state regulations regarding plugging and abandonment of oil and natural gas wells. The Company provides reserves for the estimated costs of plugging and abandoning its wells, to the extent such costs exceed the estimated salvage value of the wells, on a unit of production basis.

Environmental

Various federal, state and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment, health and safety, affect the Company's operations and costs. These laws and regulations sometimes require governmental authorization before certain activities, limit or prohibit other activities because of protected areas or species, impose substantial liabilities for pollution related to Company operations or properties, and provide penalties for noncompliance. In particular, the Company's drilling and production operations, its activities in connection with storage and transportation of crude oil and other liquid hydrocarbons, and its use of facilities for treating, processing or otherwise handling hydrocarbons and related exploration and production wastes are subject to stringent environmental regulation. As with the industry generally, compliance with existing and anticipated regulations increases the Company's overall cost of business. While these regulations affect the Company's capital expenditures and earnings, the Company believes that such regulations do not affect its competitive position in the industry because its competitors are similarly affected by environmental regulatory programs. Environmental regulations have historically been subject to frequent change and, therefore, the Company is potentially unable to predict the future costs or other future impacts of environmental regulations on its future operations. A discharge of hydrocarbons or hazardous substances into the environment could subject the Company to substantial expense, including the cost to comply with applicable regulations that require a response to the discharge, such as containment or cleanup, claims by neighboring landowners or other third parties for personal injury, property damage or their response costs and penalties assessed, or other claims sought, by regulatory agencies for response cost or for natural resource damages.

The following are examples of some environmental laws that potentially impact the Company and its operations.

Water. The Oil Pollution Act ("OPA") was enacted in 1990 and amends provisions of the Federal Water Pollution Control Act of 1972 ("FWPCA") and other statutes as they pertain to prevention of and response to major oil spills. The OPA subjects owners of facilities to strict, joint and potentially unlimited liability for removal costs and certain other consequences of an oil spill, where such spill is into navigable waters, or along shorelines. In the event of an oil spill into such waters, substantial liabilities could be imposed upon the Company. States in which the Company operates have also enacted similar laws. Regulations are currently being developed under the OPA and similar state laws that may also impose additional regulatory burdens on the Company.

The FWPCA imposes restrictions and strict controls regarding the discharge of produced waters, other oil and gas wastes, any form of pollutant, and, in some instances, storm water runoff, into waters of the United States. The FWPCA provides for civil, criminal and administrative penalties for any unauthorized discharges and, along with the OPA, imposes substantial potential liability for the costs of removal, remediation or damages resulting from an unauthorized discharge. State laws for the control of water pollution also provide civil, criminal and administrative penalties and liabilities in the case of an unauthorized discharge into state waters. The cost of compliance with the OPA and the FWPCA have not historically been material to the Company's operations, but there can be no assurance that changes in federal, state or local water pollution control programs will not materially adversely effect the Company in the future. Although no assurances can be given, the Company believes that compliance with existing permits and compliance with foreseeable new permit requirements will not have a material adverse effect on the Company's financial condition or results of operations.

Air Emissions. Amendments to the Federal Clean Air Act enacted in late 1990 (the "1990 CAA Amendments") require or will require most industrial operations in the United States to incur capital expenditures in order to meet air emissions control standards developed by the Environmental Protection Agency ("EPA") and state environmental agencies. The 1990 CAA Amendments impose a new operating permit on major sources, and several of the Company's facilities may require permits under this new program. Although no assurances can be given, the Company believes implementation of the 1990 CAA Amendments will not have a material adverse effect on the Company's financial condition or results of operations.

Solid Waste. The Company generates non-hazardous solid wastes that are subject to the requirements of the Federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. The EPA and the states in which the Company operates are considering the adoption of stricter disposal standards for the type of non-hazardous wastes generated by the Company. RCRA also governs the generation, management, and disposal of hazardous wastes. At present, the Company is not required to comply with a substantial portion of the RCRA requirements because the Company's operations generate minimal quantities of hazardous wastes. However, it is anticipated that additional wastes, which could include wastes currently generated during the Company's operations, could in the future be designated as "hazardous wastes." Hazardous wastes are subject to more rigorous and costly disposal and management requirements than are non-hazardous wastes. Such changes in the regulations may result in additional capital expenditures or operating expenses by the Company.

Superfund. The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), also known as "Superfund", imposes liability, without regard to fault or the legality of the original act, on certain classes of persons in connection with the release of a "hazardous substance" into the environment. These persons include the current owner or operator of any site where a release historically occurred and companies that disposed or arranged for the disposal of the hazardous substances found at the site. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. In the course of its ordinary operations, the Company may have managed substances that may fall within CERCLA's definition of a "hazardous substance." The Company may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites where the Company disposed of or arranged for the disposal of these substances. This potential liability extends to properties that the Company owned or operated, as well as to properties owned and operated by others at which disposal of the Company's hazardous substances occurred.

The Company may also fall into the category of the "current owner or operator." The Company currently owns or leases numerous properties that for many years have been used for the exploration and production of oil and gas. Although the Company believes it has utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released by the Company on or under the properties owned or leased by the Company. In addition, many of these properties have been previously owned or operated by third parties who may have disposed of or released hydrocarbons or other wastes at these properties. Under CERCLA, and analogous state laws, the Company could be subject to certain liabilities and obligations, such as being required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), to clean up contaminated property (including contaminated groundwater) or to perform remedial plugging operations to prevent future contamination.

Office and Operations Facilities

The Company's executive offices are located at 5005 LBJ Freeway, Suite 1000, Dallas, Texas 75244, and its telephone number is (972) 701-2000.

The Company leases office space in Dallas, Texas. The Dallas lease covers 13,525 square feet at a monthly rate of $19,682 during 1998. The lease expires on September 30, 1999. In August 1997, the Company entered into a seven year lease covering 20,046 square feet in a building under construction. The Company plans to relocate its corporate headquarters to the building in late 1998. The new lease begins when the space is occupied and is at an initial monthly rate of $35,081. The Company also owns or leases four production offices and pipe yard facilities near Marshall and Livingston, Texas and Logansport and Homer, Louisiana.

Employees

At December 31, 1997, the Company had 47 employees and utilized contract employees for certain of its field operations. The Company considers its employee relations to be satisfactory.

Directors, Executive Officers and Other Management

The following table sets forth certain information concerning the executive officers and directors of the Company.

Name	Age	Position with Company
Directors and Executive Officers		
M. Jay Allison	42	President, Chief Executive Officer and Chairman of the Board of Directors
Roland O. Burns	37	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
Richard S. Hickok	72	Director
Franklin B. Leonard	70	Director
Cecil E. Martin, Jr.	56	Director
James L. Menke	46	Vice President of Operations
Stephen E. Neukom	48	Vice President of Marketing
Richard G. Powers	43	Vice President of Land
Daniel K. Presley	37	Vice President of Accounting and Controller
David W. Sledge	41	Director
Michael W. Taylor	44	Vice President of Corporate Development

M. Jay Allison has been a director of the Company since 1987, and President and Chief Executive Officer of the Company since 1988. Mr. Allison was elected Chairman of the Board of Directors in 1997. From 1987 to 1988, Mr. Allison served as Vice President and Secretary of the Company. From 1981 to 1987, he was a practicing oil and gas attorney with the firm of Lynch, Chappell & Alsup in Midland, Texas. In 1983, Mr. Allison co-founded a private independent oil and gas company, Midwood Petroleum, Inc., which was active in the acquisition and development of oil and gas properties from 1983 to 1987. He received B.B.A., M.S. and J.D. degrees from Baylor University in 1978, 1980 and 1981, respectively.

Roland O. Burns has been Senior Vice President of the Company since 1994, Chief Financial Officer and Treasurer since 1990 and Secretary since 1991. From 1982 to 1990, Mr. Burns was employed by the public accounting firm, Arthur Andersen LLP. During his tenure with Arthur Andersen LLP, Mr. Burns worked primarily in the firm's oil and gas audit practice. Mr. Burns received B.A. and M.A. degrees from the University of Mississippi in 1982 and is a Certified Public Accountant.

Richard S. Hickok has been a director of the Company since 1987. From 1948 to 1983, he was employed by the international accounting firm of Main Hurdman where he retired as Chairman. From 1978 to 1980, Mr. Hickok served as a Trustee of the Financial Accounting Foundation and has extensive involvement serving on various committees of the American Institute of Certified Public Accountants. He currently serves as a director of Marsh & McLennan Company, Inc. and Projectavision, Inc. Mr. Hickok holds a B.S. degree from the Wharton School of the University of Pennsylvania.

Franklin B. Leonard has been a director of the Company since 1960. From 1961 to 1994, Mr. Leonard served as President of Crossley Surveys, Inc., a New York based company which conducted statistical surveys. Mr. Leonard's family's involvement in the Company spans four generations dating back to the 1880's when Mr. Leonard's great grandfather was a significant shareholder of the Company. Mr. Leonard also served as a director of Glen Ridge Savings and Loan Association from 1968 to 1990. Mr. Leonard holds a B.S. degree from Yale University.

Cecil E. Martin, Jr. has been a director of the Company since 1988. Mr. Martin has been a significant investor in the Company since 1987. From 1973 to 1991 he served as Chairman of a public accounting firm in Richmond, Virginia. Mr. Martin also serves as a director for Ten-Key, Inc. Mr. Martin holds a B.B.A. degree from Old Dominion University and is a Certified Public Accountant.

James L. Menke has been Vice President of Operations of the Company since March 1994. From 1987 to 1994, Mr. Menke was Manager of Engineering for Atropos Exploration Company. From 1973 to 1986, Mr. Menke held engineering positions with Pennzoil Company, Gruy Management Services Company, Maynard Oil Company, and Santa Fe Minerals. Mr. Menke received a B.S. degree in Petroleum Engineering from Texas A & M University in 1973 and is a Registered Professional Engineer.

Stephen E. Neukom was elected Vice President of Marketing of the Company in December 1997 and served as Manager of Crude Oil and Natural Gas Marketing since December 1996. From October 1994 to 1996, Mr. Neukom served as Vice President of Comstock Natural Gas, Inc., the Company's wholly owned gas marketing subsidiary. Prior to joining the Company, Mr. Neukom was Senior Vice President of Victoria Gas Corporation from 1987 to 1994. Mr. Neukom received a B.B.A. degree from the University of Texas in 1972.

Richard G. Powers joined the Company as Land Manager in October 1994 and was elected Vice President of Land in December 1997. Mr. Powers has over 20 years experience as a petroleum landman. Prior to joining the Company, Mr. Powers was employed for 10 years as Land Manager for Bridge Oil (U.S.A.), Inc. and its predecessor Pinoak Petroleum, Inc. Mr. Powers received a B.B.A. degree in 1976 from Texas Christian University.

Daniel K. Presley was elected Vice President of Accounting in December 1997 and has been with the Company since December 1989 serving as Controller since 1991. Prior to joining the Company, Mr. Presley had six years of experience with several independent oil and gas companies including AmBrit Energy, Inc. Prior thereto, Mr. Presley spent two and one-half years with B.D.O. Seidman, a public accounting firm. Mr. Presley has a B.B.A. from Texas A & M University.

David W. Sledge was elected to the Board of Directors of the Company in 1996. Mr. Sledge served as President of Gene Sledge Drilling Corporation, a privately held contract drilling company based in Midland, Texas until its sale in October 1996. Mr. Sledge served Gene Sledge Drilling Corporation in various capacities from 1979 to 1996. Mr. Sledge is a past director of the International Association of Drilling Contractors and is a past chairman of the Permian Basin chapter of this association. He received a B.B.A. degree from Baylor University in 1979.

Michael W. Taylor was elected Vice President of Corporate Development in December 1997 and has served the Company in various capacities since September 1994. Prior to joining the Company, Mr. Taylor had been an independent oil and gas producer and petroleum consultant for the previous fifteen years. Mr. Taylor is a registered professional engineer in the state of Texas and he received a B.S. degree in Petroleum Engineering from Texas A & M University in 1974.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings which management believes will have a material adverse effect on the Company's consolidated results of operations or financial condition.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock was listed for trading on the New York Stock Exchange under the symbol "CRK" on December 17, 1996. Prior to December 17, 1996, the Company's common stock traded on the Nasdaq National Market tier of the Nasdaq Stock Market. The following table sets forth, on a per share basis for the periods indicated, the high and low sales prices by calendar quarter for the periods indicated as reported by the Nasdaq Stock Market or the New York Stock Exchange, as applicable.

		High	Low
1996 -	First Quarter	$ 5.75	$ 4.56
	Second Quarter	10.50	4.69
	Third Quarter	12.13	8.63
	Fourth Quarter	14.63	11.13
1997 -	First Quarter	14.38	8.13
	Second Quarter	10.88	6.63
	Third Quarter	12.94	9.88
	Fourth Quarter	17.50	10.63

As of March 12, 1997, the Company had 24,218,874 shares of common stock outstanding, which were held by 893 holders of record and approximately 9,700 beneficial owners who maintain their shares in "street name" accounts.

The Company has never paid cash dividends on its common stock. The Company presently intends to retain any earnings for the operation and expansion of its business and does not anticipate paying cash dividends in the foreseeable future. Any future determination as to the payment of dividends will depend upon results of operations, capital requirements, the financial condition of the Company and such other factors as the Board of Directors of the Company may deem relevant. In addition, the Company is limited under the Company's bank credit facility from paying or declaring cash dividends.

ITEM 6. SELECTED FINANCIAL DATA

The historical financial data presented in the table below as of and for each of the years in the five-year period ended December 31, 1997 are derived from the Consolidated Financial Statements of the Company. Significant acquisitions of producing oil and gas properties affect the comparability of the historical financial and operating data for the periods presented. The pro forma financial information for the year ended December 31, 1997 has been prepared as if the oil and gas property acquisitions which were completed during 1997 had occurred at January 1, 1997. Neither the historical results nor the pro forma results are necessarily indicative of the Company's future operations or financial results. The data presented below should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto included elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,					
	1993	1994	1995	1996	1997	Pro Forma 1997
	($ in thousands, except per share data)					
Statement of Operations Data:						
Revenues:						
Oil and gas sales	$ 21,805	$ 16,855	$ 22,091	$ 68,915	$ 88,555	$ 143,524
Gain on sales of property	26	328	19	1,447	85	85
Other income	430	416	264	593	704	704
Total revenues	22,261	17,599	22,374	70,955	89,344	144,313
Expenses:						
Oil and gas operating(1)	6,673	6,099	7,427	13,838	17,919	25,419
Exploration	423	-	-	436	2,810	2,810
Depreciation, depletion and amortization	8,322	7,350	8,379	18,269	26,235	53,943
General and administrative, net	1,834	1,569	1,301	2,239	2,668	2,373
Interest	2,184	2,869	5,542	10,086	5,934	17,404
Impairment of oil and gas properties	-	-	29,150(2)	-	-	-
Total expenses	19,436	17,887	51,799	44,868	55,566	101,949
Income (loss) from continuing operations before income taxes and extraordinary item	2,825	(288)	(29,425)	26,087	33,778	42,364
Provision for income taxes	-	-	-	-	(11,622)	(14,627)
Net income (loss) from continuing operations before extraordinary item	2,825	(288)	(29,425)	26,087	22,156	27,737
Preferred stock dividends	(173)	(818)	(1,908)	(2,021)	(410)	(410)
Net income (loss) from continuing operations attributable to common stock before extraordinary item	2,652	(1,106)	(31,333)	24,066	21,746	27,327
Income from discontinued operations	89	229	3,264	1,866	-	-
Extraordinary loss	(417)	(615)	-	-	-	-
Net income (loss) attributable to common stock	$ 2,324	$ (1,492)	$ (28,069)	$ 25,932	$ 21,746	$ 27,327
Weighted average shares outstanding:						
Basic	10,402	12,065	12,546	15,449	24,186	24,186
Diluted	11,616			21,199	26,008	26,008
Basic earnings per share:						
Net income (loss) from continuing operations before extraordinary item	$ 0.25	$ (0.09)	$ (2.50)	$ 1.56	$ 0.90	$ 1.13
Net income (loss) after extraordinary item	0.22	(0.12)	(2.24)	1.68	0.90	1.13
Diluted earnings per share:						
Net income (loss) from continuing operations before extraordinary item	$ 0.24			$ 1.23	$ 0.85	$ 1.07
Net income (loss) after extraordinary item	0.21			1.32	0.85	1.07
Other Financial Data:						
EBITDA(3)	$ 13,754	$ 9,931	$ 13,646	$ 54,878	$ 68,757	$ 116,521
Ratio of EBITDA to interest expense	6.3	3.5	2.5	5.4	11.3	6.1

	As of December 31,				
	1993	1994	1995	1996	1997
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 755	$ 3,425	$ 1,917	$ 16,162	$ 14,504
Property and equipment, net	66,068	77,989	102,116	185,928	410,781
Total assets	74,095	91,571	120,099	222,002	456,800
Total debt	21,930	37,932	71,811	80,108	260,000
Stockholders' equity	27,646	41,205	30,128	118,216	124,594

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

(2)Represents the impairment provision for the adoption of a new accounting standard regarding the carrying value of long-lived assets.

(3) EBITDA means income (loss) from continuing operations before income taxes, plus interest, depreciation, depletion and amortization, exploration expense and impairment of oil and gas properties. EBITDA is a financial measure commonly used in the Company's industry and should not be considered in isolation or as a substitute for net income, cash flow provided by operating activities or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity.

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

Results of Operations

General

The Company's results of operations have been significantly affected by its success in acquiring producing oil and natural gas properties. Fluctuations in oil and natural gas prices have also influenced the Company's financial results. Relatively minor movements in oil and natural gas prices can lead to a change in the Company's results of operations and cash flow and could have an impact on the Company's borrowing base under the Company's bank credit facility. Based on the 1997 operating results, a change in the average natural gas price realized by the Company of $0.10 per Mcf would result in a change in net income attributable to common stock of approximately $1.4 million, or $0.05 per share (on an as diluted basis). A change in the average oil price realized by the Company of $1.00 per barrel would result in a change in net income attributable to common stock of approximately $831,000, or $ 0.03 per share (on an as diluted basis).

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

	Year Ended December 31,			
	1995	1996	1997	Pro Forma 1997
Net Production Data:				
Oil (MBbls)	356	952	1,343	3,097
Natural gas (MMcf)	9,297	19,427	22,860	30,956
Average Sales Price:				
Oil (per Bbl)	$16.81	$21.96	$19.47	$19.80
Natural gas (per Mcf)	1.73	2.47	2.73	2.66
Average equivalent price (per Mcfe)	1.93	2.74	2.87	2.90
Expenses ($ per Mcfe):				
Oil and gas operating(1)	$ 0.65	$ 0.55	$ 0.58	$ 0.51
General and administrative	0.11	0.09	0.09	0.05
Depreciation, depletion and amortization(2)	0.72	0.72	0.84	1.09
Cash Margin ($ per Mcfe)(3)	$ 1.17	$ 2.10	$ 2.20	$ 2.34

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

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

(3) Represents average equivalent price per Mcfe less oil and gas operating expenses per Mcfe and general and administrative expenses per Mcfe.

Average oil and natural gas prices received by the Company generally fluctuate with changes in the posted prices for oil and spot market prices for natural gas. In prior years, the Company has entered into price swap agreements to reduce its exposure to natural gas price fluctuations. In 1995, the Company hedged approximately 25% of its natural gas production and realized a 5% higher average gas price than it otherwise would have without hedging. In 1996, the Company hedged approximately 15% of its natural gas production and realized a 2% lower gas price than it otherwise would have without hedging. The Company did not hedge any production in 1997. As of March 12, 1998, the Company does not have any commodity price hedges in place.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Oil and gas sales increased $19.6 million (28%) to $88.6 million for 1997 from $68.9 million in 1996 due primarily to a 18% increase in natural gas production and a 41% increase in oil production as well as higher natural gas prices. The production increases related primarily to production from the Black Stone Acquisition, which closed in May 1996 and the Bois d' Arc Acquisition which closed in December 1997. The Company's average gas price increased 11% and its average oil price decreased 11% during 1997 as compared to 1996.

Other income increased $111,000 (19%) to $704,000 in 1997 from $593,000 in 1996 due primarily to additional interest income earned on an increased level of short-term cash deposits in 1997.

Oil and gas operating expenses, including production taxes, increased $4.1 million (29%) to $17.9 million in 1997 from $13.8 million in 1996 due primarily to the 23% increase in oil and natural gas production (on an Mcfe basis) resulting primarily from the acquisitions in 1996 and 1997. Oil and gas operating expenses per Mcfe produced increased 5% to $0.58 in 1997 from $0.55 in 1996 due primarily to increases in production taxes and ad valorem taxes which were related to the higher gas prices received in 1997.

General and administrative expenses increased $429,000 (19%) to $2.7 million in 1997 from $2.2 million in 1996. The increase related to increased general corporate expenses associated with the increased size of the Company's operations.

Depreciation, depletion and amortization ("DD&A") increased $8.0 million (44%) to $26.2 million in 1997 from $18.3 million in 1996 due to the 23% increase in oil and natural gas production (on a Mcfe basis). Oil and gas property DD&A per Mcfe produced of $0.84 in 1997 increased from $0.72 in 1996 due to the higher costs of the acquisitions closed in 1996 and 1997.

Interest expense decreased $4.2 million (41%) to $5.9 million for 1997 from $10.1 million for 1996 due primarily to a decrease in the average outstanding advances under the Company's bank credit facility. The average annual interest rate paid under the Company's bank credit facility also decreased to 6.6% in 1997 as compared to 8.1% in 1996.

The Company provided for income taxes of $11.6 million for 1997 using an estimated effective tax rate of 34%. No provision for income taxes was made in 1996 due to the availability of previously unrecognized tax assets relating to net operating loss carryforwards.

The Company reported net income of $21.7 million, after preferred stock dividends of $410,000, for the year ended December 31, 1997, as compared to a net income of $24.1 million from continuing operations, after preferred stock dividends of $2.0 million, for the year ended December 31, 1996.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995

Oil and gas sales increased $46.8 million (212%), to $68.9 million for 1996 from $22.1 million in 1995 due primarily to a 109% increase in natural gas production and a 168% increase in oil production as well as higher oil and natural gas prices. The production increases related primarily to production from properties acquired in 1995 and the Black Stone Acquisition, which closed in May 1996. The Company's average gas price increased 43% and its average oil price increased 31% during 1996 as compared to 1995.

During 1996, the Company sold certain of its non-strategic oil and gas properties for cash proceeds of $9.0 million. The sales resulted in a gain of approximately $1.4 million.

Other income increased $329,000 (125%) to $593,000 in 1996 from $264,000 in 1995 due primarily to additional interest income earned on an increased level of short-term cash deposits in 1996.

Oil and gas operating expenses, including production taxes, increased $6.4 million (86%) to $13.8 million in 1996 from $7.4 million in 1995 due primarily to the 120% increase in oil and natural gas production (on an Mcfe basis) resulting primarily from the acquisitions in 1995 and the Black Stone Acquisition. Oil and gas operating expenses per Mcfe produced decreased 15% to $0.55 in 1996 from $0.65 in 1995 due to the lower lifting costs associated with the properties acquired in 1995 and 1996.

General and administrative expenses increased $938,000 (72%) to $2.2 million in 1996 from $1.3 million in 1995. The increase is attributable to a $600,000 litigation settlement incurred by the Company in 1996 and an increase in the number of employees of the Company in 1996.

DD&A increased $9.9 million (118%) to $18.3 million in 1996 from $8.4 million in 1995 due to the 120% increase in oil and natural gas production (on an Mcfe basis). Oil and gas property DD&A per Mcfe produced of $0.72 in 1996 remained unchanged from $0.72 in 1995.

Interest expense increased $4.5 million (82%) to $10.1 million for 1996 from $5.5 million for 1995 due primarily to an increase in the average outstanding advances under the Company's bank credit facility. The average annual interest rate paid under the Company's bank credit facility decreased to 8.1% in 1996 as compared to 10.5% in 1995.

The Company reported net income of $24.1 million from continuing operations, after preferred stock dividends of $2.0 million, for the year ended December 31, 1996, as compared to a net loss of $31.3 million from continuing operations, after preferred stock dividends of $1.9 million, for the year ended December 31, 1995.

In December 1996, the Company sold its third party natural gas marketing operations and substantially all of its related gas gathering and gas processing assets for cash of approximately $3.0 million and discontinued its gas gathering, processing and marketing segment. Net income from this segment in 1996 was $1.9 million including a gain on the sale of $818,000.

Liquidity and Capital Resources

Funding for the Company's activities has historically been provided by operating cash flows, debt and equity financings and asset dispositions. Net cash flows provided by operating activities totaled $84.3 million for the year ended December 31, 1997, a substantial increase from 1996 of $45.9 million. In addition to operating cash flow, the primary sources of funds for the Company in 1997 were aggregate borrowings of $295.0 million and proceeds from the sale of assets of $5.1 million.

The Company's primary needs for capital, in addition to funding of ongoing operations, are for the acquisition, development and exploration of oil and gas properties, and the repayment of principal and interest on debt. In 1997, the Company repaid $115.1 million of indebtedness, repurchased common stock for $16.1 million and made capital expenditures of $254.8 million.

During 1997, the Company completed three significant transactions which were all funded by borrowings under the Company's bank credit facility. In May and December 1997, the Company closed two acquisitions of producing oil and gas properties for a total of $221.0 million. On August 20, 1997, the holders of the Company's Series 1995 Convertible Preferred Stock converted all of the shares of the Series 1995 Convertible Preferred Stock into 1,345,373 shares of the Company's common stock. The conversion of the Series 1995 Convertible Preferred Stock into common stock reduced the dividends which would have been paid on the preferred stock by $645,000 per annum. On August 20, 1997, the Company repurchased the 1,345,373 shares of common stock from the former preferred stockholders at $12.00 per share for an aggregate purchase price of $16.1 million.

The Company's annual capital expenditure activity is summarized as follows:

	Year Ended December 31,		
	1995	1996	1997
	(In thousands)		
Acquisition of oil and gas properties	$56,081	$100,446	$220,054
Other leasehold costs	12	93	2,304
Workovers and recompletions	2,152	2,972	2,517
Development drilling	1,514	7,964	22,765
Exploratory drilling	-	436	6,043
Other	2,050	51	1,160
Total	$61,809	$111,962	$254,843

The timing of most of the Company's capital expenditures is discretionary with no material long-term capital expenditure commitments. Consequently, the Company has a significant degree of flexibility to adjust the level of such expenditures as circumstances warrant. The Company spent $3.6 million, $11.5 million and $33.6 million on development and exploration activities in 1995, 1996 and 1997, respectively. The Company currently anticipates spending approximately $35.0 million on development projects in 1998 and $20.0 million for exploration projects in 1998. The Company intends to primarily use internally generated cash flow to fund capital expenditures other than significant acquisitions. The Company anticipates that such sources will be sufficient to fund the expected 1998 development and exploration expenditures.

The Company does not have a specific acquisition budget as a result of the unpredictability of the timing and size of forthcoming acquisition activities. The Company intends to use borrowings under the Company's bank credit facility or other debt or equity financing 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 the financial condition and performance of the Company, and some of which will be beyond the Company's control, such as prevailing interest rates, oil and natural gas prices and other market conditions.

The Company's bank credit facility consists of a $290.0 million revolving credit commitment provided by a syndicate of ten banks for which The First National Bank of Chicago serves as agent. Indebtedness under the credit facility is secured by substantially all of the Company's assets. The Company's bank credit facility is subject to borrowing base availability which is generally redetermined semiannually based on the banks' estimates of the future net cash flows of the Company's oil and gas properties. As of December 31, 1997, the borrowing base was $290.0 million. Such borrowing base may be affected from time to time by the performance of the Company's oil and natural gas properties and changes in oil and natural gas prices. The revolving credit line bears interest at the option of the Company at either (i) LIBOR plus 0.625% to 1.5% or (ii) the "corporate base rate" plus 0% to 0.5%, depending in each case on the utilization of the available borrowing base. The Company incurs a commitment fee of up to 0.2% to 0.375% per annum, depending on the utilization of the available borrowing base, on the unused portion of the borrowing base. The average annual interest rate as of December 31, 1997, of all outstanding indebtedness under the Company's bank credit facility was approximately 7.3%. The revolving credit line matures on December 9, 2002 or such earlier date as the Company may elect. The credit facility contains covenants which, among other things, restrict the payment of cash dividends, limit the amount of consolidated debt, and limit the Company's ability to make certain loans and investments.

Federal Taxation

At December 31, 1997, the Company had federal income tax net operating loss ("NOL") carryforwards of approximately $6.3 million. The NOL carryforwards expire from 2005 through 2010. The value of these carryforwards depends on the ability of the Company to generate federal taxable income and to utilize the carryforwards to reduce such income.

Inflation

In recent years inflation has not had a significant impact on the Company's operations or financial condition.

ITEM 8. FINANCIAL STATEMENTS

The Consolidated Financial Statements for Comstock Resources, Inc. and Subsidiaries are included on pages F-1 to F-19 of this report.

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

The Company maintains accounting and other controls which management believes provide reasonable assurance that financial records are reliable,

assets are safeguarded, and that transactions are properly recorded in accordance with management's authorizations. However, limitations exist in any system of internal control based upon the recognition that the cost of the system should not exceed benefits derived.

The Company's independent public accountants, Arthur Andersen LLP, are engaged to audit the financial statements of the Company and to express an opinion thereon. Their audit is conducted in accordance with generally accepted auditing standards to enable them to report whether the financial statements present fairly, in all material respects, the financial position and results of operations of the Company in accordance with generally accepted accounting principles.

The Audit Committee of the Board of Directors of the Company, composed of three directors who are not employees, meets periodically with the independent public accountants and management. The independent public accountants have full and free access to the Audit Committee to meet, with and without management being present, to discuss the results of their audits and the quality of financial reporting.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission within 120 days after December 31, 1997.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission within 120 days after December 31, 1997.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission within 120 days after December 31, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission within 120 days after December 31, 1997.

PART IV

ITEM 14. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits:

The following exhibits are included on pages E-1 to E-74 of this report.

Exhibit No.	Description
3.1(a)	Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 Form 10-K").
3.1(b)	Certificate of Amendment to the Restated Articles of Incorporation dated July 1, 1997 (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
3.2	Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-3, dated October 25, 1996).
4.2(a)	Rights Agreement dated as of December 10, 1990, by and between the Company and Society National Bank, as Rights Agent (incorporated herein by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A, dated December 14, 1990).
4.2(b)	First Amendment to the Rights Agreement, by and between the Company and Society National Bank (successor to Ameritrust Texas, N.A.), as Rights Agent, dated January 7, 1994 (incorporated herein by reference to Exhibit 3.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993).
4.2(c)	Second Amendment to the Rights Agreement, by and between the Company and Bank One, Texas N.A. (successor to Society National Bank), as Rights Agent, dated April 1, 1995 (incorporated by reference to Exhibit 4.7 to the Company's 1995 Form 10-K).
4.2(d)	Third Amendment to the Rights Agreement, by and between the Company and Bank One, Texas N.A. (successor to Society National Bank), as Rights Agent, dated April 1, 1995 (incorporated by reference to Exhibit 4.8 to the Company's 1995 Form 10-K).
4.2(e)	Fourth Amendment to the Rights Agreement, by and between the Company and Bank One, Texas N.A. (successor to Society National Bank), as Rights Agent, dated April 1, 1995 (incorporated by reference to Exhibit 4.9 to the Company's 1995 Form 10-K). 4.3 Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock dated December 6, 1990 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3, dated October 25, 1996).
10.1(a)*	Credit Agreement dated as of December 9, 1997, between the Company, the Banks Party thereto and The First National Bank of Chicago, as agent and Bank One, Texas, N.A., as Documentation Agent.
10.2#	Employment Agreement dated May 15, 1997, by and between the Company and M. Jay Allison (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
10.3#	Employment Agreement dated May 15, 1997, by and between the Company and Roland O. Burns (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
10.4#	Change in Control Employment Agreement dated May 15, 1997 between the Company and M. Jay Allison (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

Exhibit No.	Description
10.5#	Change in Control Employment Agreement dated May 15, 1997 between the Company and Roland O. Burns (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
10.6(a)#	Comstock Resources, Inc. 1991 Long-term Incentive Plan, dated as of April 1, 1991 (incorporated herein by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991).
10.6(b)#	Amendment No. 1 to the Comstock Resources, Inc. 1991 Long-term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).
10.7#	Form of Nonqualified Stock Option Agreement, dated April 2, 1991, between the Company and certain officers and directors of the Company (incorporated herein by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991).
10.8#	Form of Restricted Stock Agreement, dated April 2, 1991, between the Company and certain officers of the Company (incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991).
10.9	Form of Stock Option Agreement, dated October 12, 1994 by and between the Company and Christopher T. H. Pell, et al (incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.10*	Warrant Agreement dated December 9, 1997 by and between the Company and Bois d' Arc Resources.
10.11*	Joint Exploration Agreement dated December 8, 1997 by and between the Company and Bois d' Arc Resources.
10.12	Lease Agreement, dated as of December 20, 1994, by and between the Company and Occidental Tower Corporation (incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.13	Office Lease Agreement dated August 12, 1997 between the Company and Briar Center LLC (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
21*	Subsidiaries of the Company.
23*	Consent of Arthur Andersen LLP.
27*	Financial Data Schedule for the twelve months ended December 31, 1997.

*Filed herewith.
Management contract or compensatory plan document.

Reports on Form 8-K:

The following Form 8-K Reports filed subsequent to September 30, 1997 to the date of this report:

Date Filed	Item	Description
December 12, 1997	2	Acquisition of Bois d' Arc Resources properties.

SIGNATURES

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

COMSTOCK RESOURCES, INC.

By:/s/M. JAY ALLISON

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

Date: March 12, 1998

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

/s/M. JAY ALLISON - --- M. Jay Allison	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	March 12, 1998
/s/ROLAND O. BURNS - --- Roland O. Burns	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	March 12, 1998
/s/RICHARD S. HICKOK - --- Richard S. Hickok	Director	March 12, 1998
/s/FRANKLIN B. LEONARD - --- Franklin B. Leonard	Director	March 12, 1998
/s/CECIL E. MARTIN, JR. - --- Cecil E. Martin, Jr.	Director	March 12, 1998
/s/DAVID W. SLEDGE - --- David W. Sledge	Director	March 12, 1998

CONSOLIDATED FINANCIAL STATEMENTS OF
COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

INDEX

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
of Comstock Resources, Inc.:

We have audited the accompanying consolidated balance sheets of Comstock Resources, Inc. (a Nevada corporation) and subsidiaries as of December 31, 1996 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Comstock Resources, Inc. and subsidiaries as of December 31, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for the impairment of long-lived assets in the fourth quarter of 1995.

ARTHUR ANDERSEN LLP

Dallas, Texas,
February 19, 1998

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 1996 and 1997

ASSETS

	December 31, 1996	December 31, 1997
	(In thousands)	
Cash and Cash Equivalents	$ 16,162	$ 14,504
Accounts Receivable:		
Oil and gas sales	17,309	24,509
Joint interest operations	2,188	6,732
Other Current Assets	174	172
Total current assets	35,833	45,917
Property and Equipment:		
Unevaluated oil and gas properties	-	30,291
Oil and gas properties, successful efforts method	239,671	456,606
Other	401	1,561
Accumulated depreciation, depletion and amortization	(54,144)	(77,677)
Net property and equipment	185,928	410,781
Other Assets	241	102
	$ 222,002	$ 456,800

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Portion of Long-Term Debt	$ 108	$ -
Accounts Payable and Accrued Expenses	22,773	56,184
Total current liabilities	22,881	56,184
Long-Term Debt, less current portion	80,000	260,000
Deferred Taxes Payable	-	11,207
Reserve for Future Abandonment Costs	905	4,815
Stockholders' Equity:		
Preferred stock--$10.00 par, 5,000,000 shares authorized,706,323 shares outstanding at December 31, 1996	7,063	-
Common stock--$0.50 par, 50,000,000 shares authorized, 24,101,430 and 24,208,785 shares outstanding at December 31, 1996 and 1997, respectively	12,051	12,104
Additional paid-in capital	118,647	110,273
Retained earnings (deficit)	(19,512)	2,234
Less: Deferred compensation-restricted stock grants	(33)	(17)
Total stockholders' equity	118,216	124,594
	$ 222,002	$ 456,800

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 1995, 1996 and 1997

	1995	1996	1997
	(In thousands, except per share amounts)		
Revenues:			
Oil and gas sales	$ 22,091	$ 68,915	$ 88,555
Gain on sales of property	19	1,447	85
Other income	264	593	704
Total revenues	22,374	70,955	89,344
Expenses:			
Oil and gas operating	7,427	13,838	17,919
Exploration	-	436	2,810
Depreciation, depletion and amortization	8,379	18,269	26,235
General and administrative, net	1,301	2,239	2,668
Interest	5,542	10,086	5,934
Impairment of oil and gas properties	29,150	-	-
Total expenses	51,799	44,868	55,566
Income (loss) from continuing operations before income taxes	(29,425)	26,087	33,778
Provision for income taxes	-	-	(11,622)
Net income (loss) from continuing operations	(29,425)	26,087	22,156
Preferred stock dividends	(1,908)	(2,021)	(410)
Net income (loss) from continuing operations attributable to common stock	(31,333)	24,066	21,746
Income from discontinued gas gathering, processing and marketing operations including gain on disposal	3,264	1,866	-
Net income (loss) attributable to common stock	$ (28,069)	$ 25,932	$ 21,746
Net income (loss) per share:			
Basic -			
Net income (loss) per share from continuing operations	$ (2.50)	$ 1.56	$ 0.90
Net income (loss) per share	$ (2.24)	$ 1.68	$ 0.90
Diluted -			
Net income (loss) per share from continuing operations		$ 1.23	$ 0.85
Net income (loss) per share		$ 1.32	$ 0.85
Weighted average shares outstanding:			
Basic	12,546	15,449	24,186
Diluted		21,199	26,008

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 1995, 1996 and 1997

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Deferred Compensation-Restricted Stock Grants	Total
			(In thousands)			
Balance at December 31, 1994 ...	$ 16,000	$ 6,171	$ 36,524	$ (17,375)	$ (115)	$ 41,205
Issuance of preferred stock .	15,000	-	-	-	-	15,000
Issuance of common stock	-	292	1,659	-	-	1,951
Restricted stock grants	-	-	-	-	41	41
Net loss attributable to common stock	-	-	-	(28,069)	-	(28,069)
Balance at December 31, 1995 ...	31,000	6,463	38,183	(45,444)	(74)	30,128
Conversion of preferred stock	(23,937)	2,506	21,431	-	-	-
Issuance of common stock	-	3,082	59,033	-	-	62,115
Restricted stock grants	-	-	-	-	41	41
Net income attributable to common stock	-	-	-	25,932	-	25,932
Balance at December 31, 1996 ...	7,063	12,051	118,647	(19,512)	(33)	118,216
Conversion of preferred stock	(7,063)	673	6,390	-	-	-
Issuance of common stock	-	53	708	-	-	761
Repurchase of common stock ..	-	(673)	(15,472)	-	-	(16,145)
Restricted stock grants	-	-	-	-	16	16
Net income attributable to common stock	-	-	-	21,746	-	21,746
Balance at December 31, 1997 ...	$ -	$ 12,104	$ 110,273	$ 2,234	$ (17)	$ 124,594

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS For
the Years Ended December 31, 1995, 1996 and 1997

	1995	1996	1997
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (26,161)	$ 27,953	$ 22,156
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Compensation paid in common stock	154	196	129
Depreciation, depletion and amortization	8,613	18,642	26,235
Impairment of oil and gas properties	29,150	-	-
Deferred income taxes	-	-	11,363
Deferred revenue	430	(430)	-
Exploration	-	436	2,810
Gain on sales of property	(2,608)	(2,265)	(85)
Working capital provided by operations	9,578	44,532	62,608
Increase in accounts receivable	(6,272)	(4,764)	(11,744)
Decrease in other current assets	79	86	2
Increase in accounts payable and accrued expenses	5,022	6,065	33,411
Net cash provided by operating activities	8,407	45,919	84,277
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of properties	3,085	9,016	5,079
Proceeds from sale of discontinued operations	-	3,036	-
Capital expenditures and acquisitions	(61,809)	(111,962)	(254,843)
Net cash used for investing activities	(58,724)	(99,910)	(249,764)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings	58,404	172,150	295,000
Proceeds from preferred stock issuances	15,000	-	-
Proceeds from common stock issuances	25	61,503	507
Repurchase of common stock	-	-	(16,145)
Stock issuance costs	(95)	(863)	(15)
Principal payments on debt	(24,525)	(163,853)	(115,108)
Dividends paid on preferred stock	-	(701)	(410)
Net cash provided by financing activities	48,809	68,236	163,829
Net increase (decrease) in cash and cash equivalents	(1,508)	14,245	(1,658)
Cash and cash equivalents, beginning of year	3,425	1,917	16,162
Cash and cash equivalents, end of year	$ 1,917	$ 16,162	$ 14,504

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Business and Organization

Comstock Resources, Inc., a Nevada corporation (together with its subsidiaries, the "Company"), was formed in 1919 as Comstock Tunnel and Drainage Company. In 1987, the Company's name was changed to Comstock Resources, Inc. The Company is primarily engaged in the acquisition, development, production and exploration of oil and natural gas properties in the United States.

(2) Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Although the Company's cash equivalents and accounts receivable are exposed to credit loss, the Company does not believe such risk to be significant. Cash equivalents are high-grade, short-term securities, placed with highly rated financial institutions. Most of the Company's accounts receivable are from a broad and diverse group of oil and gas companies and, accordingly, do not represent a significant credit risk.

Oil and Gas Properties

The Company follows the successful efforts method of accounting for its oil and gas operations. Under this method, costs of productive wells, development dry holes and productive leases are capitalized and amortized on a unit-of-production basis over the life of the remaining related oil and gas reserves. Cost centers for amortization purposes are determined on a field area basis. The estimated future costs of dismantlement, restoration and abandonment are accrued as part of depreciation, depletion and amortization expense and included in the accompanying Consolidated Balance Sheets as Reserve for Future Abandonment Costs.

Oil and gas leasehold costs are capitalized. Unproved oil and gas properties with significant acquisition costs are periodically assessed and any impairment in value is charged to expense. The costs of unproved properties which are determined to be productive are transferred to proved oil and gas properties. Exploratory expenses, including geological and geophysical expenses and delay rentals for unevaluated oil and gas properties, are charged to expense as incurred. Exploratory drilling costs are initially capitalized as unproved property but charged to expense if and when the well is determined not to have found proved oil and gas reserves.

Prior to 1995, the Company periodically reviewed the carrying value of its proved oil and gas properties for impairment in value on a company-wide basis by comparing the capitalized costs of proved oil and gas properties with the undiscounted future cash flows after income taxes attributable to proved oil and gas properties. In 1995, the Company adopted the Statement of Financial Accounting Standards No. 121 ("SFAS 121") "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." SFAS 121 requires the Company to assess the need for an impairment of capitalized costs of oil and gas properties on a property by property basis. If an impairment is indicated based on undiscounted expected future cash flows, then an impairment is recognized to the extent that net capitalized costs exceed discounted expected future cash flows. In connection with the adoption of SFAS 121, the Company provided an impairment of $29,150,000 in 1995. No impairment was required in 1996 or 1997.

Other Property and Equipment

Other property and equipment of the Company consists primarily of work boats, a gas gathering system, computer equipment, and furniture and fixtures which are depreciated over estimated useful lives on a straight-line basis.

Income Taxes

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

Earnings Per Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings Per Share". This new standard simplifies the method for computing earnings per share whereby the Company will report basic earnings per share without the effect of any outstanding potentially dilutive stock options or other convertible securities and diluted earning per share with the effect of outstanding stock options and other convertible securities that are potentially dilutive. Basic and diluted earnings per share for 1995, 1996 and 1997 were determined as follows:

	For the Year Ended December 31,								
	1995			1996			1997		
	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share
	(In thousands, except per share amounts)								
Basic Earnings Per Share:									
Income (Loss) from Continuing Operations	$(29,425)	12,546		$ 26,087	15,449		$ 22,156	24,186	
Less Preferred Stock Dividends	(1,908)	-		(2,021)	-		(410)	-	
Net Income Available to Common Stockholders	$(31,333)	12,546	$(2.50)	24,066	15,449	$ 1.56	21,746	24,186	$ 0.90
Diluted Earnings Per Share:									
Effect of Dilutive Securities:									
Stock Options				-	922		-	967	
Convertible Preferred Stock				2,021	4,828		410	855	
Net Income Available to Common Stockholders and Assumed Conversions				$ 26,087	21,199	$ 1.23	$ 22,156	26,008	$ 0.85

Statements of Cash Flows

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

The following is a summary of all significant noncash investing and financing activities:

	For the Year Ended December 31,		
	1995	1996	1997
	(In thousands)		
Common stock issued in payment of preferred stock dividends	$1,908	$1,320	$ -
Common stock issued for compensation	113	154	113

The Company made cash payments for interest of $5,836,000, $9,934,000 and $5,112,000 in 1995, 1996 and 1997, respectively. The Company made cash payments for income taxes of $300,000 in 1997.

(3) Acquisitions of Oil and Gas Properties

On May 1 and May 2, 1996, the Company purchased working interests in the Double A Wells field in Polk County, Texas for a net purchase price of $100.4 million. The Company acquired 100% of the capital stock of Black Stone Oil Company, the operator of the field, together with additional interests held by other working interest owners in 19 producing oil and gas properties as well as interests in adjacent undeveloped oil and gas leases.

On May 7, 1997, the Company purchased certain producing oil and gas properties located in the Lisbon field in Claiborne Parish, Louisiana for a net purchase price of $20.1 million. The acquisition included interests in 13 wells (7.1 net wells) and approximately 6,400 gross acres.

On December 9, 1997, the Company acquired interests in certain offshore Louisiana oil and gas properties as well as interests in undeveloped oil and gas leases for $200.9 million from Bois d' Arc Resources ("Bois d' Arc") and certain affiliates and working interest partners of Bois d' Arc. The Company acquired interests in 43 wells (29.6 net wells) and eight separate production complexes located in the Gulf of Mexico offshore of Plaquemines and Terrebonne Parishes, Louisiana. The acquisition includes interests in the Louisiana state and federal offshore areas of Main Pass Blocks 21 and 25, Ship Shoal Blocks 66, 67, 68 and 69 and South Pelto Block 1. Approximately $30.2 million of the purchase price is attributed to the undrilled prospects and $1.0 million of the purchase price is attributed to other assets.

The 1996 and 1997 acquisitions were accounted for utilizing the purchase method of accounting. The accompanying consolidated statements of operations include the results of operations from the acquired properties beginning on the dates that the acquisitions were closed. The following table summarizes the unaudited pro forma effect on the Company's consolidated statements of operations as if the acquisitions consummated in 1996 and in 1997 had been closed on January 1, 1996. Future results may differ substantially from pro forma results due to changes in prices received for oil and gas sold, production declines and other factors. Therefore, the pro forma amounts should not be considered indicative of future operations.

	Unaudited	
	1996 Pro Forma	1997 Pro Forma
	(In thousands, except per share amounts)	
Total Revenues	$ 126,896	$ 144,313
Net income from continuing operations attributable to common stock	31,271	27,327
Net income from continuing operations per share:		
Basic	2.02	1.13
Diluted	1.57	1.07

(4) Sale of Oil and Gas Properties

The Company sold certain oil and gas properties for approximately $9.0 million and $5.1 million in 1996 and 1997, respectively. The properties sold were non-strategic assets to the Company. Gains from the property sales of $1.4 million and $85,000 are included in the accompanying Consolidated Statements of Operations for 1996 and 1997, respectively.

(5) Oil and Gas Producing Activities

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

Capitalized Costs

	As of December 31,	
	1996	1997
	(In thousands)	
Proved properties	$ 239,671	$ 456,606
Unproved properties	-	30,291
Accumulated depreciation, depletion and amortization	(53,953)	(77,414)
	$ 185,718	$ 409,483

Costs Incurred

	Year Ended December 31,		
	1995	1996	1997
	(In thousands)		
Property acquisitions:			
Proved properties	$ 56,093	$ 100,539	$ 190,708
Unproved properties	-	-	31,650
Development costs	3,666	10,936	25,282
Exploration costs	-	436	6,043
	$ 59,759	$ 111,911	$ 253,683

The following presents the results of operations of oil and gas producing activities for the three years in the period ended December 31, 1997:

	1995	1996	1997
	(In thousands)		
Oil and gas sales	$ 22,091	$ 68,915	$ 88,555
Production costs	(7,427)	(13,838)	(17,919)
Exploration	-	(436)	(2,810)
Depreciation, depletion and amortization	(8,277)	(18,162)	(26,111)
Impairment of oil and gas properties	(29,150)	-	-
Operating income (loss)	(22,763)	36,479	41,715
Income tax expense	-	-	(14,353)
Results of operations (excluding general and administrative and interest expenses)	$(22,763)	$ 36,479	$ 27,362

(6) Long-Term Debt

Total debt at December 31, 1996 and 1997 consists of the following:

	1996	1997
	(In thousands)	
Bank Credit Facility	$ 80,000	$ 260,000
Other	108	-
	80,108	260,000
Less current portion	(108)	-
	$ 80,000	$ 260,000

In connection with the oil and gas property acquisition closed in December 1997, the Company entered into a $290.0 million revolving credit facility with a syndication of ten banks in which The First National Bank of Chicago serves as agent, (the "Bank Credit Facility"). The Company financed the acquisition and refinanced $77.0 million outstanding under its existing credit facility with borrowings under the Bank Credit Facility. The Bank Credit Facility matures on December 9, 2002.

As of December 31, 1997, the Company had $260.0 million outstanding under the Bank Credit Facility. Borrowings under the Bank Credit Facility cannot exceed a borrowing base determined semiannually by the banks. The borrowing base at December 31, 1997 was $290.0 million. Amounts outstanding under the Bank Credit Facility bear interest at a floating rate based on The First National Bank of Chicago's base rate (as defined) plus 0% to 0.5% or, at the Company's option, at a fixed rate for up to six months based on the London Interbank Offered Rate ("LIBOR") plus 0.625% to 1.5% depending upon the utilization of the available borrowing base. As of December 31, 1997, the Company had placed the outstanding advances under the revolving credit facility under fixed rate loans based on LIBOR at an average rate of approximately 7.3% per annum. In addition, the Company incurs a commitment fee of 0.2% to 0.375% on the unused portion of the borrowing base depending upon the utilization of the available borrowing base.

(7) Lease Commitments

The Company rents office space under certain noncancellable leases. Minimum future payments under the leases are as follows:

	(In thousands)
1998	$350
1999	598
2000	421
2001	421
2002	421

(8) Stockholders' Equity

Preferred Stock

On January 7, 1994, the Company sold 600,000 shares of its Series 1994 Convertible Preferred Stock, $10 par value per share (the "Series 1994 Preferred"), in a private placement for $6.0 million. Dividends were payable at the quarterly rate of $0.225 on each outstanding share of the Series 1994 Preferred (9% per annum of the par value). On September 16, 1996, the holders of the Series 1994 Preferred converted all of the shares of the Series 1994 Preferred into 1,500,000 shares of common stock of the Company.

On July 22, 1994, the Company issued 1,000,000 shares of its 1994 Series B Convertible Preferred Stock, $10 par value per share (the "1994 Series B Preferred"), in connection with the repurchase of certain production payments previously conveyed by the Company to a major natural gas company. Dividends were payable at the quarterly rate of $0.15625 on each outstanding share (6.25% per annum of the par value). On July 11, 1996, the Company redeemed the 1,000,000 shares of the 1994 Series B Preferred by issuing 2,000,000 shares of common stock of the Company.

On June 19, 1995, the Company sold 1,500,000 shares of its Series 1995 Convertible Preferred Stock, $10 par value per share (the "Series 1995 Preferred"), in a private placement for $15.0 million. Dividends were payable at the quarterly rate of $0.225 on each outstanding share (9% per annum of the par value). On December 2, 1996, holders of 793,677 shares of the Series 1995 Preferred converted their preferred shares into 1,511,761 shares of common stock of the Company. On August 20, 1997, the holders of the Series 1995 Preferred converted all of the remaining shares of the Series 1995 Preferred, $10 par value, into 1,345,373 shares of common stock of the Company.

Common Stock

Under a plan adopted by the Board of Directors, non-employee directors can elect to receive shares of common stock valued at the then current market price in payment of annual director and consulting fees. Under this plan, the Company issued 27,815, 37,117, and 9,256 shares of common stock in 1995, 1996 and 1997, respectively, in payment of fees aggregating $113,000, $154,000, and $113,000 for 1995, 1996 and 1997, respectively.

Each of the Company's formerly outstanding preferred stock series provided that the Company could issue common stock in lieu of cash for payment of quarterly dividends. The Company issued 546,046 and 249,453 shares of common stock in 1995 and 1996, respectively, in payment of dividends on its preferred stock of $1,908,000 and $1,320,000 in 1995 and 1996, respectively. No shares were issued in lieu of cash dividends in 1997.

On December 2, 1996, the Company completed a public offering of 5,795,000 shares of common stock of which 4,000,000 (4,869,250 including the over-allotment option which was exercised on December 12, 1996) shares were sold by the Company and 1,795,000 shares were sold by certain stockholders. Net proceeds to the Company, after the underwriting discount and other expenses, were approximately $57.0 million and were used to reduce indebtedness under the Company's bank credit facility.

On August 20, 1997, the Company repurchased the 1,345,373 shares of common stock held by former Series 1995 Preferred stockholders at $12.00 per share for an aggregate purchase price of $16.1 million.

During 1996, options and warrants to purchase common stock of the Company were exercised at prices ranging from $2.00 to $5.75 per share for 1,007,177 shares of common stock yielding net proceeds to the Company of approximately $3.6 million. During 1997, options to purchase common stock of the Company were exercised at prices ranging from $3.00 to $6.56 per share for 98,100 shares of common stock yielding net proceeds to the Company of $507,000.

Stock Options and Warrants

On July 16, 1991, the Company's stockholders approved the 1991 Long-Term Incentive Plan (the "Incentive Plan") for the Company's management including officers, directors and managerial employees. The Incentive Plan authorizes the grant of non-qualified stock options and incentive stock options and the grant of restricted stock to key executives of the Company. On May 15, 1996, the Company's stockholders approved an amendment to the Incentive Plan increasing the shares to be awarded by 1,240,000. As of December 31, 1997, the Incentive Plan provided for future awards of stock options or restricted stock grants of up to 454,963 shares of common stock plus 10% of any future issuances of common stock.

The following table summarizes stock option activity during 1995, 1996 and 1997 under the Incentive Plan:

	Number of Shares	Exercise Price	Weighted Average Exercise Price
Outstanding at January 1, 1995	704,250	$2.00 to $3.00	$2.18
Granted	97,500	$3.00	$3.00
Exercised	(10,000)	$2.50	$2.50
Outstanding at December 31, 1995	791,750	$2.00 to $3.00	$2.27
Granted	1,933,000	$4.81 to $11.00	$9.31
Exercised	(113,250)	$2.00 to $4.81	$3.06
Forfeited	(10,000)	$6.56	$6.56
Outstanding at December 31, 1996	2,601,500	$2.00 to $11.00	$7.45
Granted	667,000	$9.63 to $12.38	$12.00
Exercised	(50,000)	$3.00 to $6.56	$5.33
Outstanding at December 31, 1997	3,218,500	$2.00 to $12.38	$8.43
Exercisable at December 31, 1997	1,408,500	$2.00 to $11.00	$4.77

The following table summarizes information about Incentive Plan stock options outstanding at December 31, 1997:

Exercise Price	Number of Shares Outstanding	Weighted Average Remaining Life (Years)	Number of Shares Exercisable
$2.00	471,000	3.2	447,000
$2.50	85,000	1.5	76,000
$3.00	155,000	2.1	155,000
$4.81	264,000	3.6	264,000
$6.56	250,000	4.1	250,000
$9.63	90,000	4.6	90,000
$11.00	1,326,500	7.6	126,500
$12.38	577,000	7.4	-
	3,218,500	5.8	1,408,500

The Company accounts for the stock options issued under the Incentive Plan under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for this plan been determined consistent with Statement of Financial Accounting Standards No. 123 ("SFAS 123") "Accounting for Stock-Based Compensation," the Company's net income and earnings per share from continuing operations would have been reduced to the following pro forma amounts:

		1995	1996	1997
		(In thousands, except per share amounts)		
Net income (loss) from continuing operations:	As Reported	$(31,333)	$ 24,066	$ 21,746
	Pro Forma	$(31,498)	$ 20,296	$ 18,633
Basic earnings per share:	As Reported	$ (2.50)	$ 1.56	$ 0.90
	Pro Forma	$ (2.51)	$ 1.31	$ 0.77
Diluted earnings per share:	As Reported		$ 1.23	$ 0.85
	Pro Forma		$ 0.96	$ 0.72

Because the SFAS 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1995, 1996, and 1997, respectively: average risk-free interest rates of 6.38, 6.34, and 6.33 percent; average expected lives of 5.2, 7.7, and 7.3 years; average expected volatility factors of 55.7, 54.5, and 51.9; and no dividend yield. The estimated weighted average fair value of options to purchase one share of common stock issued under the Company's Incentive Plan was $1.69 in 1995, $6.20 in 1996 and $7.45 in 1997.

The Company also has options to purchase 237,530 common shares at $5.00 per share outstanding at December 31, 1997 that were issued in connection with an oil and gas property acquisition in 1994. These options expire in 1999.

On December 8, 1997, the Company awarded warrants to purchase up to 1,000,000 shares of the Company's common stock at $14.00 per share to Bois d' Arc in connection with a five-year joint exploration venture. The warrants become exercisable in increments of 50,000 shares upon the election by the

Company to complete a successful exploration well on a prospect generated by Bois d' Arc under the joint exploration venture. Warrants which become exercisable under the exploration venture expire on December 31, 2007. The fair value of each warrant to purchase one share of common stock is estimated at the date of grant at $9.97 using the Black-Scholes option pricing model with the assumptions: risk-free interest rate of 6.35 percent; expected life of 10.1 years; expected volatility factor of 51.9 percent; and no dividend yield. The estimated value of the warrants will be included as exploration costs for wells that are discovered under the exploration venture.

Restricted Stock Grants

Under the Incentive Plan, officers and managerial employees of the Company may be granted a right to receive shares of the Company's common stock without cost to the employee. The shares vest over a ten-year period with credit given for past service rendered to the Company. Restricted stock grants for 330,000 shares have been awarded under the Incentive Plan. As of December 31, 1997, 317,500 shares of such awards are vested. A provision for the restricted stock grants is made ratably over the vesting period. Compensation expense recognized for restricted stock grants for the years ended December 31, 1995, 1996 and 1997 was $41,000, $41,000, and $15,000, respectively.

(9) Significant Customers

During 1996 and 1997, sales to one purchaser of crude oil accounted for 17% of the Company's oil and gas sales and one purchaser of natural gas accounted for 31% and 35%, respectively, of the Company's oil and gas sales. No single purchaser accounted for more than 10% of the Company's total oil and gas sales in 1995.

(10) Income Taxes

The tax effects of significant temporary differences representing the net deferred tax liability at December 31, 1996 and 1997 were as follows:

	1996	1997
	(In thousands)	
Net deferred tax assets (liabilities):		
Property and equipment	$ (6,399)	$(13,965)
Net operating loss carryforwards	6,255	2,193
Other carryforwards	320	565
Valuation allowance	(176)	-
	$ -	$(11,207)

The following is an analysis of the consolidated income tax provisions for the year ended December 31, 1997:

	(In thousands)
Current	$ 259
Deferred	11,363
	$ 11,622

No income tax provision was recognized in 1995 and 1996 due to the availability of net operating loss carryforwards to offset any current or deferred income tax liabilities.

The difference between income taxes computed using the statutory rate of 35% and the Company effective tax rate of 34% for 1997 is as follows:

	(In thousands)
Income taxes computed at federal statutory rate	$ 11,822
Reduction in valuation allowance for net operating loss carryforward	(176)
Other	(24)
	$ 11,622

The Company has net operating loss carryforwards of approximately $6.3 million as of December 31, 1997 for income tax reporting purposes which expire in varying amounts from 2005 to 2010.

(11) Related Party Transactions

The Company served as general partner of Comstock DR-II Oil & Gas Acquisition Limited Partnership ("Comstock DR-II") until December 29, 1997. For 1995, 1996 and 1997 the Company received management fees from Comstock DR-II of $87,000, $87,000 and $40,000, respectively.

From August 1, 1995 to December 1, 1996, the Company was the managing general partner and owned a 20.31% limited partner interest in Crosstex Pipeline Partners, Ltd. ("Crosstex"). The Company sold its interest in connection with the sale of its third party natural gas marketing operations (see Note 13 "Discontinued Operations"). The Company received $39,000 and $82,000 in fees for management and construction services provided to Crosstex in 1995 and 1996, respectively. In addition, Crosstex reimbursed the Company $104,000 and $228,000 for direct expenses incurred in connection with managing Crosstex in 1995 and 1996, respectively. The Company paid $158,000 and $477,000 to Crosstex for transportation of its natural gas production in 1995 and 1996, respectively.

(12) Price Risk Management

The Company periodically uses derivative financial instruments to manage natural gas price risk. The Company's realized gains and losses attributable to its price risk management activities are as follows:

	1995	1996	1997
	(In thousands)		
Realized Gains	$ 913	$ 509	$ -
Realized Losses	28	1,643	-

As of December 31, 1996 and 1997, the Company had no open derivative financial instruments held for price risk management.

(13) Discontinued Operations

In December 1996, the Company sold its third party natural gas marketing operations and substantially all of its related gas gathering and gas processing assets for approximately $3.0 million. The Company realized a $818,000 gain from the sale. The Company's gas gathering, processing and marketing segment is accounted for as discontinued operations in the accompanying financial statements, and accordingly, the results of the gas gathering, processing and marketing operations as well as the gain on disposal are segregated in the accompanying Consolidated Statements of Operations.

Income for discontinued gas gathering, processing and marketing operations included in the Consolidated Statements of Operations is comprised of the following:

	Year Ended December 31, 1995	1996
	(In thousands)	
Revenues	$ 50,713	$ 85,398
Operating costs	(49,118)	(83,168)
Depreciation, depletion and amortization	(234)	(373)
General and administrative, net	(686)	(809)
Gain on sales of property	2,589	-
Gain on disposal of segment	-	818
Provision for income taxes	-	-
Income from discontinued operations	$ 3,264	$ 1,866

(14) Supplementary Quarterly Financial Data (Unaudited)

	First	Second	Third	Fourth	Total
	(In thousands, except per share amounts)				
1997 -					
Total revenues	$ 23,727	$ 18,279	$ 18,285	$ 29,053	$ 89,344
Net income attributable to common stock	$ 7,764	$ 3,973	$ 4,190	$ 5,819	$ 21,746
Net income per share:					
Basic	$ 0.32	$ 0.16	$ 0.17	$ 0.24	$ 0.90
Diluted	$ 0.30	$ 0.16	$ 0.17	$ 0.23	$ 0.85
1996 -					
Total revenues	$ 9,628	$ 17,890	$ 19,943	$ 23,494	$ 70,955
Net income attributable to common stock from continuing operations	$ 1,922	$ 6,258	$ 6,590	$ 9,296	$ 24,066
Net income from discontinued operations	454	135	253	1,024	1,866
Net income attributable to common stock	$ 2,376	$ 6,393	$ 6,843	$ 10,320	$ 25,932
Basic net income per share:					
Continuing operations	$ 0.15	$ 0.46	$ 0.42	$ 0.48	$ 1.56
Discontinued operations	0.03	0.01	0.01	0.05	0.12
Net income per share	$ 0.18	$ 0.47	$ 0.43	$ 0.53	$ 1.68
Diluted net income per share:					
Continuing operations	$ 0.13	$ 0.33	$ 0.33	$ 0.42	$ 1.23
Discontinued operations	0.02	0.01	0.02	0.04	0.09
Net income per share	$ 0.15	$ 0.34	$ 0.35	$ 0.46	$ 1.32

(15) Oil and Gas Reserves Information (Unaudited)

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

Future prices received for production and future production costs may vary, perhaps significantly, from the prices and costs assumed for purposes of these estimates. There can be no assurance that the proved reserves will be developed within the periods indicated or that prices and costs will remain constant. There can be no assurance that actual production will equal the estimated amounts used in the preparation of reserve projections. In accordance with the Securities and Exchange Commission's guidelines, the Company's independent petroleum engineers' estimates of future net cash flows from the Company's proved properties and the present value thereof are made using oil and natural gas sales prices in effect as of the dates of such estimates and are held constant throughout the life of the properties. Average prices used in estimating the future net cash flows at December 31, 1996 and 1997 were as follows: $24.61 and $17.24 per barrel for oil in 1996 and 1997, respectively, and $3.84 and $2.64 per Mcf for natural gas in 1996 and 1997, respectively.

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures. Oil and gas reserve engineering must be recognized as a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact way, and estimates of other engineers might differ materially from those shown below. The accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Results of drilling, testing and production after the date of the estimate may justify revisions. Accordingly, reserve estimates are often materially different from the quantities of oil and gas that are ultimately recovered. Reserve estimates are integral in management's analysis of impairments of oil and gas properties and the calculation of depreciation, depletion and amortization on those properties.

The following unaudited table sets forth proved oil and gas reserves at December 31, 1995, 1996 and 1997:

	1995		1996		1997	
	Oil (MBbls)	Gas (MMcf)	Oil (MBbls)	Gas (MMcf)	Oil (MBbls)	Gas (MMcf)
Proved Reserves:						
Beginning of year	5,119	92,840	3,779	173,165	8,994	234,444
Revisions of previous estimates	(2,843)	(18,810)	243	(5,926)	(1,202)	(7,398)
Extensions and discoveries	-	-	613	551	263	5,566
Purchases of minerals in place	1,859	108,432	5,930	100,446	14,473	39,970
Sales of minerals in place	-	-	(619)	(14,365)	(258)	(9,605)
Production	(356)	(9,297)	(952)	(19,427)	(1,343)	(22,860)
End of year	3,779	173,165	8,994	234,444	20,927	240,117
Proved Developed Reserves:						
Beginning of year	1,504	62,827	2,562	130,375	6,953	187,247
End of year	2,562	130,375	6,953	187,247	16,635	188,102

The following table sets forth the standardized measure of discounted future net cash flows relating to proved reserves at December 31, 1996 and 1997:

	1996	1997
	(In thousands)	
Cash Flows Relating to Proved Reserves:		
Future Cash Flows	$ 1,120,601	$ 993,812
Future Costs:		
Production	(202,722)	(217,637)
Development	(47,548)	(66,418)
Future Net Cash Flows Before Income Taxes	870,331	709,757
Future Income Taxes	(239,065)	(128,983)
Future Net Cash Flows	631,266	580,774
10% Discount Factor	(240,844)	(162,498)
Standardized Measure of Discounted Future Net Cash Flows	$ 390,422	$ 418,276

The following table sets forth the changes in the standardized measure of discounted future net cash flows relating to proved reserves for the years ended December 31, 1995, 1996 and 1997:

	1995	1996	1997
		(In thousands)	
Standardized Measure, Beginning of Year	$ 78,481	$ 146,506	$ 390,422
Net Change in Sales Price, Net of Production Costs	9,450	132,094	(188,079)
Development Costs Incurred During the Year Which Were Previously Estimated	822	5,934	10,740
Revisions of Quantity Estimates	(30,298)	(7,612)	(16,779)
Accretion of Discount	7,874	14,829	50,292
Changes in Future Development Costs	13,248	(5,801)	(3,919)
Changes in Timing and Other	(2,590)	(13,165)	(20,347)
Extensions and Discoveries	-	9,216	6,233
Purchases of Reserves In Place	85,706	282,150	205,583
Sales of Reserves In Place	-	(10,342)	(16,450)
Sales, Net of Production Costs	(14,664)	(55,077)	(70,636)
Net Changes in Income Taxes	(1,523)	(108,310)	71,216
Standardized Measure, End of Year	$ 146,506	$ 390,422	$ 418,276

INDEX TO EXHIBITS

Exhibit No.	Description	Page
3.1(a)	Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 Form 10-K").	
3.1(b)	Certificate of Amendment to the Restated Articles of Incorporation dated July 1, 1997 (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).	
3.2	Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-3, dated October 25, 1996).	
4.2(a)	Rights Agreement dated as of December 10, 1990, by and between the Company and Society National Bank, as Rights Agent (incorporated herein by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A, dated December 14, 1990).	
4.2(b)	First Amendment to the Rights Agreement, by and between the Company and Society National Bank (successor to Ameritrust Texas, N.A.), as Rights Agent, dated January 7, 1994 (incorporated herein by reference to Exhibit 3.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993).	
4.2(c)	Second Amendment to the Rights Agreement, by and between the Company and Bank One, Texas N.A. (successor to Society National Bank), as Rights Agent, dated April 1, 1995 (incorporated by reference to Exhibit 4.7 to the Company's 1995 Form 10-K).	
4.2(d)	Third Amendment to the Rights Agreement, by and between the Company and Bank One, Texas N.A. (successor to Society National Bank), as Rights Agent, dated April 1, 1995 (incorporated by reference to Exhibit 4.8 to the Company's 1995 Form 10-K).	
4.2(e)	Fourth Amendment to the Rights Agreement, by and between the Company and Bank One, Texas N.A. (successor to Society National Bank), as Rights Agent, dated April 1, 1995 (incorporated by reference to Exhibit 4.9 to the Company's 1995 Form 10-K).	
4.3	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, dated December 6, 1990 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3, dated October 25, 1996).	

INDEX TO EXHIBITS

Exhibit No.	Description	Page
10.1(a)*	Credit Agreement dated as of December 9, 1997, between the Company, the Banks Party thereto and The First National Bank of Chicago, as agent and Bank One, Texas, N.A., as Documentation Agent.	E-4
10.2#	Employment Agreement dated May 15, 1997, by and between the Company and M. Jay Allison (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).	
10.3#	Employment Agreement dated May 15, 1997, by and between the Company and Roland O. Burns (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).	
10.4#	Change in Control Employment Agreement dated May 15, 1997 between the Company and M. Jay Allison (incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).	
10.5#	Change in Control Employment Agreement dated May 15, 1997 between the Company and Roland O. Burns (incorporated herein by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).	
10.6(a)#	Comstock Resources, Inc. 1991 Long-term Incentive Plan, dated as of April 1, 1991 (incorporated herein by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991).	
10.6(b)#	Amendment No. 1 to the Comstock Resources, Inc. 1991 Long- term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996).	
10.7#	Form of Nonqualified Stock Option Agreement, dated April 2, 1991, between the Company and certain officers and directors of the Company (incorporated herein by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991).	

INDEX TO EXHIBITS

Exhibit No.	Description	Page
10.8#	Form of Restricted Stock Agreement, dated April 2, 1991, between the Company and certain officers of the Company (incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991).	
10.9	Form of Stock Option Agreement, dated October 12, 1994 by and between the Company and Christopher T. H. Pell, et al (incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).	
10.10*	Warrant Agreement, dated December 9, 1997 by and between the Company and Bois d' Arc Resources.	E-57
10.11*	Joint Exploration Agreement, dated December 8, 1997 by and between the Company and Bois d' Arc Resources.	E-67
10.12	Lease Agreement, dated as of December 20, 1994, by and between the Company and Occidental Tower Corporation (incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).	
10.13	Office Lease Agreement, dated August 12, 1997 between the Company and Briar Center LLC (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).	
21*	Subsidiaries of the Company.	E-72
23*	Consent of Arthur Andersen LLP.	E-73
27*	Financial Data Schedule for the twelve months ended December 31, 1997.	E-74

*Filed herewith.
Management contract or compensatory plan document.

CREDIT AGREEMENT

dated as of December 9, 1997

between

COMSTOCK RESOURCES, INC.,

COMSTOCK OIL & GAS, INC.,

COMSTOCK OIL & GAS - LOUISIANA, INC.,

COMSTOCK OFFSHORE, LLC,

and

THE BANKS PARTY HERETO,

THE FIRST NATIONAL BANK OF CHICAGO, AS AGENT

AND

BANK ONE, TEXAS, N.A., AS DOCUMENTATION AGENT

CREDIT AGREEMENT

THIS AGREEMENT, dated as of December 9, 1997, is among COMSTOCK RESOURCES, INC. a Nevada corporation ("CRI"), COMSTOCK OIL & GAS, INC., a Nevada corporation ("COG"), COMSTOCK OIL & GAS - LOUISIANA, INC., a Nevada corporation ("COGL"), COMSTOCK OFFSHORE, LLC, a Nevada limited liability company ("Offshore") (CRI, COG, COGL and Offshore may hereinafter collectively be referred to as the "Borrowers"), the lenders party hereto from time to time (collectively, the "Banks" and individually, a "Bank"), BANK ONE, TEXAS, N.A., as documentation agent for the Banks (in such capacity, the "Documentation Agent") and THE FIRST NATIONAL BANK OF CHICAGO, as agent for the Banks (in such capacity, the "Agent").

RECITALS

A. CRI, COG, COGL, Comstock Offshore Energy, Inc. (now merged into COG), Comstock Natural Gas, Inc. (now merged into COG) and Black Stone Oil Company (now merged into COG), as borrowers, the banks party thereto, Bank One, Texas, N.A., as co-agent for such banks and The First National Bank of Chicago, as agent for such banks, executed a Credit Agreement dated as of August 13, 1996, as amended (the "Existing Credit Agreement"), which amended and restated a Credit Agreement dated as of May 1, 1996, which in turn amended and restated a Credit Agreement dated as of July 31, 1995, which in turn amended and restated a Credit Agreement dated as of September 30, 1994, as amended, and which in turn amended and restated a Credit Agreement dated as of November 15, 1993, as amended.

B. The Borrowers have requested that the Banks amend and restate the Existing Credit Agreement as herein provided, replacing and refinancing the indebtedness thereunder with a five year secured revolving credit facility providing for revolving credit loans in the aggregate principal amount of $290,000,000, including a $5,000,000 letter of credit subfacility participated in by all the Banks, and the Banks are willing to establish such a credit facility in favor of the Borrowers and amend and restate the Existing Credit Agreement on the terms and conditions herein set forth.

AGREEMENT

In consideration of the premises and of the mutual agreements herein contained, the parties hereto agree that the Existing Credit Agreement shall be amended and restated as follows:

SECTION 1. Definitions

1.1 Certain Definitions. As used herein, the following terms shall have the following respective meanings:

"Advances" shall mean any Loan or any Letter of Credit Advance.

"Advance Date" shall mean each date for the making, continuation or conversion of an Advance as specified in the notice delivered by the Borrowers, or any of them, permitted by this Agreement.

"Affiliate", when used with respect to any Person shall mean any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person or any other Person which is owned 5% or more by such Person or any Subsidiary or other Affiliate of such Person. For purposes of

this definition "control" (including the correlative meanings of the terms "controlled by" and

"under common control with"), with respect to any Person, shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or otherwise.

"Applicable Margin" shall mean, with respect to any Eurodollar Loan, Floating Rate Loan and Commitment Fee, as the case may be, the applicable percentage set forth in the table below based upon a fraction, expressed as a percentage, determined as of the last day of each calendar month of CRI, the numerator of which is the daily average of the Advances outstanding during such calendar month and the denominator of which is the daily average of the Borrowing Base during such calendar month (the "Utilization Percentage"):

Utilization Percentage "UP"	Eurodollar Rate Loan and Letter of Credit Fee	Floating Rate Loan	Commitment Fee under Section 4.3(a)
UP>=95%	1.50%	0.50%	.375%
UP>=90% and <95%	1.375%	0.375%	.25%
UP>=75% and <90%	1.125%	0.125%	.25%
UP>=55% and <75%	0.875%	0.00%	.225%
UP<55%	0.625%	0.00%	.20%

The Utilization Percentage shall be determined by the Agent at the end of each calendar month and shall remain in effect for the following calendar month of CRI, and the Agent shall adjust the Applicable Margin upon such determination, provided that (a) the Agent shall also determine the Utilization Percentage promptly after any public offering of common stock or offering under Rule 144A pursuant to the Securities Act of 1933 of subordinated debt (if allowed hereunder) of CRI and adjust the Applicable Margin upon such determination, and (b) as of the Effective Date and until the first time the Applicable Margin is to be adjusted, the Applicable Margin will be based on a Utilization Percentage of >= 90% and <95%. Notwithstanding the above or anything else in this Agreement, upon and during the continuance of any Event of Default, the Applicable Margin shall be based on the highest possible Applicable Margin described in the table above, regardless of the Utilization Percentage.

"Bank Obligations" shall mean all indebtedness, obligations and liabilities, whether now or hereafter arising, of the Borrowers to the Agent or any Bank pursuant to any of the Loan Documents.

"Borrowing Base" shall mean an amount equal to the value of the Collateral determined by the Documentation Agent and the Agent (or by each of the Banks as described in Section 9.14) in their sole discretion, based on the Documentation Agent's, the Agent's or each Bank's, as the case may be, customary and standard practices in lending to oil and gas companies generally, including without limitation their standard engineering criteria and oil and gas lending criteria (and it is acknowledged and agreed that such customary and standard practices, including without limitation such engineering criteria and oil and gas lending criteria, shall be determined by the Documentation Agent, the Agent and each Bank, as the case may be, in their sole discretion, and such determination shall be conclusive and binding).

"Borrowing Base Deficiency" is defined in Section 4.1(c).

"Business Day" shall mean (i) with respect to any borrowing, payment or rate selection of Eurodollar Loans, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago for the conduct of substantially all of their commercial lending activities.

"Change in Control" shall mean the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of more than 50% of the outstanding shares of voting stock of CRI.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations thereunder.

"Collateral" shall have the meaning ascribed thereto in Section 5.1(a) hereof.

"Commitments" shall mean, with respect to each Bank, the commitment of each such Bank to make Loans and assume a risk participation in Letter of Credit Advances pursuant to Sections 2.1(a) and (b), in amounts not exceeding in aggregate principal amount outstanding at any time the respective Commitment amount for each Bank set forth next to the name of each such Bank on the signature pages hereof or established pursuant to Section 10.6, as the case may be, as such amount may be reduced from time to time.

"Consent and Amendment of Security Documents" shall mean the consent and amendment of security documents entered into by the Borrowers and the Agent pursuant to this Agreement in substantially the form of Exhibit A, as amended or modified from time to time.

"Consolidated" or "consolidated" shall mean, when used with reference to any financial term in this Agreement, the aggregate for two or more Persons of the amount signified by such term for all such Persons determined on a consolidated basis and in accordance with GAAP.

"Consolidated Interest Expense" shall mean, for any period, total interest and related expense (including, without limitation, that portion of any capitalized lease obligation attributable to interest expense in conformity with GAAP, amortization of debt discount, all capitalized interest, the interest portion of any deferred payment obligations, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers acceptance financing, the net costs and net payments under any interest rate hedging, cap or similar agreement or arrangement, prepayment charges, agency fees, administrative fees, commitment fees and capitalized transaction costs allocated to interest expense) paid, payable or accrued during such period, without duplication for any period, with respect to all outstanding Indebtedness of CRI and its Subsidiaries, all as determined for CRI and its Subsidiaries on a consolidated basis for such period in accordance with GAAP.

"Consolidated Net Income" shall mean, for any period, the net income of CRI and its Subsidiaries for such period, determined in accordance with GAAP.

"Contingent Liabilities" of any Person shall mean, as of any date, all obligations of such Person or of others for which such Person is contingently liable, as obligor, guarantor, surety or in any other capacity, or in respect of which obligations such Person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business and indemnifications typical and customary in the ordinary course of such Person's oil and gas business in connection with operating agreements and other agreements executed in the ordinary course of such Person's oil and gas business), including without limitation all reimbursement obligations of such Person in respect of any letters of credit, surety bonds or similar obligations and all obligations of such Person to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the financial condition of such other Person.

"Continuing Directors" of any Person shall mean the directors of such Person on the Effective Date and each other director of such Person if such other director's nomination for election to the Board of Directors of such Person is recommended by a majority of the then Continuing Directors of such Board of Directors.

"Current Assets" and "Current Liabilities" shall mean all assets or liabilities of CRI and its Subsidiaries, on a consolidated basis respectively, which should be classified as current assets and current liabilities in accordance with GAAP; provided that the calculation of Current Assets shall not include receivables of the Borrowers owing by any Affiliate in excess of 120 days or subject to any dispute or offset or otherwise unacceptable, advances by the Borrowers to any Affiliate or any asset classified as a Current Asset solely because it is held for sale, and Current Liabilities shall not include the current maturities of any Indebtedness of any Borrower for borrowed money which by its terms has a final maturity more than one year from the date of any calculation of Current Liabilities.

"Default" shall mean any Event of Default or any event or condition which might become an Event of Default with notice or lapse of time or both.

"Dollars" and "$" shall mean the lawful money of the United States of America.

"EBITDA" shall mean, for any period, the Consolidated Net Income for such period taken as a single accounting period, plus, to the extent deducted in determining such Consolidated Net Income, all depreciation, amortization and depletion expense, and other non cash charges, Consolidated Interest Expense and income taxes, provided that in determining Consolidated Net Income as used in this definition the following shall be excluded, without duplication: (a) the income of any Person accrued prior to the date such Person is merged into or consolidated with a Borrower or such Person's assets are acquired by a Borrower, (b) the proceeds of any insurance policy, (c) gains or losses from the sale, exchange, transfer or other disposition of property or assets of any Borrower or any of their Subsidiaries and related tax effects in accordance with GAAP and (d) any extraordinary or non-recurring gains of any Borrower or any of their Subsidiaries, and related tax effects in accordance with GAAP.

"Effective Date" shall mean the effective date specified in the final paragraph of this Agreement.

"Environmental Laws" at any date shall mean all provisions of law, statute, ordinances, rules, regulations, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by the government of the United States of America or any foreign government or by any state, province, municipality or other political subdivision thereof or therein or by any court, agency, instrumentality, regulatory authority or commission of any of the foregoing concerning the protection of, or regulating the discharge of substances into, the environment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, together with any successor statute thereto and the regulations thereunder.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) which (i) together with the Borrowers or any Subsidiary, would be treated as a single employer under Section 414(b) or (c) of the Code or (ii) for purposes of liability under Section 412(C)(11) of the Code, the lien created under Section 412(n) of the Code or for a tax imposed for failure to meet minimum funding standards under Section 4971 of the Code, a member of the same affiliated service group (within the meaning of Section 401(m) of the Code) as the Borrowers or any Subsidiary, or any other trade or business described in clause (i) above.

"Eurodollar Base Rate" shall mean, with respect to a Eurodollar Loan for the relevant Eurodollar Interest Period, the rate determined by the Agent to be the rate at which First Chicago offers to place deposits in Dollars with first-class banks in the London interbank market at approximately 11 a.m. (London time) two Business Days prior to the first day of such Eurodollar Interest Period, in the approximate amount of First Chicago's relevant Eurodollar Loan and having a maturity approximately equal to such Eurodollar Interest Period.

"Eurodollar Interest Period" or "Interest Period" shall mean, with respect to a Eurodollar Loan, a period of one, two, three or six months commencing on a Business Day selected by the Borrowers pursuant to this Agreement. Such Eurodollar Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If a Eurodollar Interest Period would otherwise end on a day which is not a Business Day, such Eurodollar Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Eurodollar Interest Period shall end on the immediately preceding Business Day.

"Eurodollar Loan" shall mean a Loan which bears interest at a Eurodollar Rate.

"Eurodollar Rate" shall mean, with respect to a Eurodollar Loan for the relevant Eurodollar Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Eurodollar Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Eurodollar Interest Period, plus (ii) the Applicable Margin.

"Event of Default" shall mean any of the events or conditions described in Section 8.1.

"Federal Funds Rate" shall mean, for any day, an interest rate per annum

equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"First Chicago" shall mean The First National Bank of Chicago, a national banking association, as a Bank under this Agreement.

"Floating Rate" shall mean the per annum rate equal to the sum of (a) with respect to Loans and any other amounts owing hereunder, the Applicable Margin, plus (b) the greater of (i) the per annum rate announced by the Agent from time to time as its "corporate base rate", and (ii) the sum of one-half percent (1/2%) per annum plus the Federal Funds Rate, such Floating Rate to change simultaneously with any change in such "corporate base rate" or Federal Funds Rate, as the case may be;

all as conclusively determined in good faith by the Agent, such sum to be rounded up, if necessary, to the nearest whole multiple of 1/16 of 1%.

"Floating Rate Loan" shall mean any Loan bearing interest at the Floating Rate.

"GAAP" shall mean generally accepted accounting principles applied on a basis consistent with that reflected in the financial statements referred to in Section 6.7 hereof.

"Hydrocarbons" shall mean oil, gas casinghead, gas, drip gasoline, natural gas and condensates and all other liquid or gaseous hydrocarbons.

"Indebtedness" of any Person shall mean, as of any date, (a) all obligations of such Person for borrowed money, (b) all obligations which are secured by any lien or encumbrance existing on property owned by such Person whether or not the obligation secured thereby shall have been assumed by such Person, other than those obligations which are incurred in the ordinary course of business and are not required to be shown as a liability on a balance sheet in accordance with GAAP, (c) all obligations as lessee under any lease which, in accordance with GAAP, is or should be capitalized on the books of the lessee, (d) the deferred purchase price for goods, property or services acquired by such Person, and all obligations of such Person to purchase such goods, property or services where payment therefor is required regardless of whether or not delivery of such goods or property or the performance of such services is ever made or tendered, other than unsecured trade payables incurred in the ordinary course of business, (e) all obligations of such Person to advance funds to, or to purchase property or services from, any other Person in order to maintain the financial condition of such Person, (f) all obligations of such Person in respect of any interest rate or currency swap, rate cap or other similar transaction (valued in an amount equal to the highest termination payment, if any, that would be payable by such Person upon termination for any reason on the date of termination), and (g) all obligations of such Person or of others for which such Person is contingently liable, as guarantor, surety or in any other similar capacity, or in respect of which obligations such Person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business), including without limitation all reimbursement

obligations of such Person in respect of any letters of credit, surety bonds or similar obligations and all obligations of such Person to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the condition, financial or otherwise, of such other Person.

"Interest Payment Date" shall mean (a) with respect to each Eurodollar Loan, the last day of each Eurodollar Interest Period with respect to such Eurodollar Loan and, in the case of any Eurodollar Interest Period exceeding three months, those days that occurred during such Eurodollar Interest Period at intervals of three months after the first day of such Eurodollar Interest Period, (b) in all other cases, the last Business Day of each month, commencing with the first such day after the Effective Date, and (c) the Termination Date with respect to Loans.

"Lending Installation" shall mean, with respect to a Bank or the Agent, any office, branch, subsidiary or affiliate of such Bank or the Agent.

"Letter of Credit" shall mean a standby letter of credit having a stated expiry date not later than twelve months after the date of issuance and not later than the fifth Business Day before the Termination Date, issued by the Agent on behalf of the Banks for the account of any Borrower under an application and related documentation acceptable to the Agent requiring, among other things, immediate reimbursement by the Borrowers to the Agent in respect of all drafts or other demand for payment honored thereunder and all expenses paid or incurred by the Agent relative thereto. Standby letters of credit which are automatically renewed annually unless revoked shall be considered standby letters of credit which have a stated expiry date not later than twelve months after their date of issuance for purposes of this definition.

"Letter of Credit Advance" shall mean any issuance of a Letter of Credit under Section 3.1 made pursuant to Section 2.1 in which each Bank acquires a risk participation equal to its Pro Rata Share.

"Letter of Credit Documents" shall have the meaning ascribed thereto in Section 3.3(b)(i).

"Lien" shall mean any pledge, assignment, hypothecation, mortgage, security interest, deposit arrangement, option, conditional sale or title retaining contract, sale and leaseback transaction, financing statement filing, lessor's or lessee's interest under any lease, subordination of any claim or right, or any other type of lien, charge, encumbrance, preferential arrangement or other claim or right.

"Loan" means any loan under Section 3.1 evidenced by the Notes and made pursuant to Section 2.1(a).

"Loan Documents" shall mean this Agreement, the Notes, the Security Documents, the environmental certificate and any other agreement, instrument or document executed at any time pursuant to, in connection with, or otherwise relating to this Agreement.

"Material Adverse Effect" shall mean a material adverse effect on or change in (a) the business, property (including without limitation the Collateral), operations or condition, financial or otherwise, of the Borrowers on a consolidated basis, (b) the ability of any Borrower to perform its obligations under any Loan Document or (c) the validity or enforceability or the rights and remedies of the Agent or any Bank under any Loan Document.

"Mortgages" shall have the meaning ascribed thereto in Section 5.1.

"Multiemployer Plan" shall mean any "multiemployer plan" as defined in Section 4001(a)(3) of ERISA or Section 414(f) of the Code.

"Note" shall mean any promissory note of the Borrowers evidencing the Loans, in substantially the form annexed hereto as Exhibit B, as amended or modified from time to time and together with any promissory note or notes issued in exchange or replacement thereof.

"Oil and Gas Interests" shall mean all leasehold interests, mineral fee interest, overriding royalty and royalty interests, net revenue and net working interest and all other rights and interests relating to Hydrocarbons, including without limitation any reserves thereof.

"Overdue Rate" shall mean (a) in respect of principal of Floating Rate Loans, a rate per annum that is equal to the sum of three percent (3%) per annum plus the Floating Rate, (b) in respect of principal of Eurodollar Loans, a rate per annum that is equal to the sum of three percent (3%) per annum plus the per annum rate in effect thereon until the end of the then current Eurodollar Interest Period for such Loan and, thereafter, a rate per annum that is equal to the sum of three percent (3%) per annum plus the Floating Rate, and (c) in respect of other amounts payable by the Borrowers hereunder (other than interest), a per annum rate that is equal to the sum of three percent (3%) per annum plus the Floating Rate.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Permitted Liens" shall mean the Liens permitted by Section 7.2(e) hereof.

"Person" shall include an individual, a corporation, an association, a partnership, a trust or estate, a joint stock company, an unincorporated organization, a joint venture, a government (foreign or domestic), and any agency or political subdivision thereof, or any other entity.

"Plan" shall mean, with respect to any Person, any employee benefit or other plan (other than a Multiemployer Plan) maintained by such Person for its employees and covered by Title IV of ERISA or to which Section 412 of the Code applies.

"Pro Rata Share" shall mean, as to obligations of the Banks, the loan percentage set forth opposite its name on the signature pages hereof or otherwise established pursuant to Section 10.6, and as to obligations owing to the Banks, shall mean: (a) in the case of payments of principal and interest on the Loans, an amount with respect to each Bank equal to the product of such amount received multiplied by the ratio which the outstanding principal balance of its Note bears to the outstanding principal balance of all Notes, and (b) in the case of all other amounts payable hereunder (other than as otherwise noted with respect to fees) and other amounts, an amount with respect to each Bank equal to the product of such amount received multiplied by the ratio which the Commitment of such Bank bears to the Commitments of all Banks.

"Proved Developed Reserves" shall mean all Oil and Gas Interests which, to the satisfaction of the Agent, are estimated, with reasonable certainty, and

as demonstrated by geological and engineering data acceptable to the Agent, to be economically recoverable from existing wells requiring no more than minor workover operations from existing completion intervals open for production and which are producing, and have proven reserves of, Hydrocarbons.

"Purchase Documents" shall mean all purchase and sale agreements dated October 31, 1997 and all other agreements and documents between COGL, as purchaser, and the sellers party thereto for the purchase by COGL of the Bois D'Arc and other properties described therein (to be assigned to Offshore), together with all other agreements and documents delivered pursuant to Section 3.2(a)(xi).

"Purchased Bois D'Arc Assets" shall mean all oil and gas interests and all other assets being purchased pursuant to the Purchase Documents.

"Reportable Event" shall mean a reportable event as described in Section 4043(b) of ERISA including those events as to which the thirty (30) day notice period is waived under Part 2615 of the regulations promulgated by the PBGC under ERISA.

"Required Banks" shall mean Banks holding not less than 66-2/3% of the aggregate principal amount of the Advances then outstanding (or 66-2/3% of the Commitments if no Advances are then outstanding).

"Reserve Requirement" means, with respect to a Eurodollar Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Security Agreements" shall have the meaning ascribed thereto in Section 5.1.

"Security Documents" shall have the meaning ascribed thereto in Section 5.1.

"Subsidiary" of any Person shall mean any other Person (whether now existing or hereafter organized or acquired) in which (other than directors qualifying shares required by law) at least a majority of the securities or other ownership interests of each class having ordinary voting power or analogous right (other than securities or other ownership interests which have such power or right only by reason of the happening of a contingency), at the time as of which any determination is being made, are owned, beneficially and of record, by such Person or by one or more of the other Subsidiaries of such Person or by any combination thereof. Unless otherwise specified, reference to "Subsidiary" shall mean a Subsidiary of CRI.

"Swap Agreement" shall mean any interest rate or oil and gas commodity swap agreement, interest cap or collar agreement or other financial agreement or arrangement designed to protect the Borrowers against fluctuations in interest rates or oil and gas prices.

"Tangible Net Worth" of any Person shall mean, as of any date, (a) the amount of any capital stock or similar ownership liability plus (or minus in the case of a deficit) the capital surplus and retained earnings of such Person and the amount of any foreign currency translation adjustment account shown as a capital account of such Person, less (b) the net book value of all items of the

following character which are included in the assets of such Person:(i) goodwill, including without limitation, the excess of cost over book value of any asset, (ii) organization or experimental expenses, (iii) unamortized debt discount and expense, (iv) stock discount and expense, (v) patents, trademarks, trade names and copyrights, (vi) treasury stock, (vii) deferred taxes and deferred charges, (viii) franchises, licenses and permits, and (ix) all other assets which are deemed intangible assets under GAAP; provided, that such calculation of Tangible Net Worth under this definition shall not include receivables of such Person which are owing by any Affiliate or advances by such Person to any Affiliate.

"Termination Date" shall mean the earlier to occur of (a) the fifth anniversary of the Effective Date and (b) the date on which the Commitments shall be terminated pursuant to Section 2.1(c) or 8.2.

"Total Liabilities" of any Person shall mean, as of any date, all obligations which, in accordance with GAAP, are or should be classified as liabilities on a balance sheet of such Person.

"Type" shall mean, with respect to any Advance, its nature as a Floating Rate Loan, Eurodollar Loan or Letter of Credit Advance.

1.2 Other Definitions; Rules of Construction. As used herein, the terms "Agent", "Banks", "CRI", "COG", "COGL", "Borrowers" and "this Agreement" shall have the respective meanings ascribed thereto in the introductory paragraph of this Agreement. Such terms, together with the other terms defined in Section 1.1, shall include both the singular and the plural forms thereof and shall be construed accordingly. All computations required hereunder and all financial terms used herein shall be made or construed in accordance with GAAP unless such principles are inconsistent with the express requirements of this Agreement.

SECTION 2. The Commitments.

2.1 Advances. (a) Each Bank agrees, for itself only, to lend and to relend, and to participate in Letter of Credit Advances pursuant to Section 3.1, in each case subject to the terms and conditions of this Agreement, to the Borrowers at any time and from time to time from the Effective Date until the Termination Date amounts equal to such Bank's Pro Rata Share of such aggregate Advances as any Borrower may from time to time request, provided that no Advances may be made if the aggregate outstanding amount of all Advances to all Borrowers would exceed the lesser of the Commitments or the Borrowing Base; provided, however, that the aggregate principal amount of Letters of Credit outstanding at any time shall not exceed $5,000,000. Each Loan made hereunder shall be evidenced by the Notes, which shall mature and bear interest as set forth in Section 4 hereof and in such Notes. On the Effective Date, the Borrowers shall issue and deliver to each Bank a Note in the principal amount of such Banks' Commitment for the period beginning on the Effective Date. Each Loan which is a Floating Rate Loan shall be in a minimum amount of $500,000 and in integral multiples of $100,000 and each Loan which is a Eurodollar Loan shall be in a minimum amount of $3,000,000 and in integral multiples of $1,000,000. No more than ten Eurodollar Interest Periods shall be permitted to exist at any one time. Subject to the terms and conditions of this Agreement, the Borrowers may borrow, prepay pursuant to Section 4.1(b) and reborrow under this Section 2.1(a).

(b) For purposes of this Agreement, a Letter of Credit Advance (i) shall be deemed outstanding in an amount equal to the sum of the maximum amount

available to be drawn under the related Letter of Credit on or after the date of determination and on or before the stated expiry date thereof plus the amount of any draws under such Letter of Credit that have not been reimbursed as provided in Section 3.3 and (ii) shall be deemed outstanding at all times on and before such stated expiry date or such earlier date on which all amounts available to be drawn under such Letter of Credit have been fully drawn, and thereafter until all related reimbursement obligations have been paid pursuant to Section 3.3. As provided in Section 3.3, upon each payment made by the Agent in respect of any draft or other demand for payment under any Letter of Credit, the amount of any Letter of Credit Advance outstanding immediately prior to such payment shall be automatically reduced by the amount of each Loan deemed advanced in respect of the related reimbursement obligation of the Borrowers.

(c) The Borrowers shall have the right to terminate or reduce the Commitments at any time and from time to time, provided that (i) the Borrowers shall give notice of such termination or reduction to the Agent specifying the amount and effective date thereof, (ii) each partial reduction of the Commitments shall be in a minimum amount of $1,000,000 and in integral multiples of $1,000,000 and shall reduce the Commitments of all of the Banks proportionally in accordance with the respective Commitment amounts of each such Bank, (iii) no such termination or reduction, either in whole or part and including without limitation any termination, shall be permitted with respect to any portion of the Commitments as to which a request for Advances is then pending, and (iv) the Commitments may not be terminated if any Advances are then outstanding and may not be reduced below the principal amount of Advances then outstanding. The Commitments or any portion thereof so terminated or reduced may not be reinstated. Any Borrower may request Advances without the consent of any other Borrower, and each Borrower consents to and approves any Advances requested by any other Borrower. The Advances hereunder replace the revolving credit loans and letters of credit outstanding pursuant to Section 2.1(a) of the Existing Credit Agreement and provide additional credit as described above.

SECTION 3. The Advances.

3.1 Disbursement of Advances. (a) Borrowers shall give notice to the Agent of each requested Advance in substantially the form of Exhibit C hereto, which notice given shall be received by the Agent not later than 10:00 a.m. (Chicago time), (i) three Business Days prior to the date such Advance is requested to be made if such Advance is to be made as a Eurodollar Loan, (ii) one Business Day prior to the date such Advance is requested to be made if such Advance is to be made as a Floating Rate Loan and (iii) three Business Days prior to the date such Advance is to be made if such Advance is to be made as a Letter of Credit Advance. Each such notice given shall be irrevocable and binding on the Borrowers, any such notice must specify the Advance Date, which shall be a Business Day, the aggregate amount of such Advance, the Type of Advance selected, in the case of any Eurodollar Loan, the Eurodollar Interest Period applicable thereto, and in the case of any Letter of Credit Advance such other information and documents with respect thereto as may be required by the Agent. The Agent shall provide notice of such requested Advance to each Bank on the same Business Day such notice is received from the Borrowers. Subject to the terms and conditions of this Agreement, the Agent shall, on the date any Letter of Credit Advance is requested to be made, issue the related Letter of Credit on behalf of the Banks for the account of the designated Borrower. Notwithstanding anything herein to the contrary, the Agent may decline to issue any requested Letter of Credit on the basis that the beneficiary, the purpose of issuance or the terms or the conditions of drawing are illegal or contrary to a policy of the Agent.

(b) Floating Rate Loans shall continue as Floating Rate Loans unless and until such Floating Rate Loans are converted into Eurodollar Loans.

Each Eurodollar Loan of any Type shall continue as a Eurodollar Loan of such Type until the end of the then applicable Interest Period therefor, at which time such Eurodollar Loan shall be automatically converted into a Floating Rate Loan unless the Borrower shall have given the Agent a Conversion/Continuation Notice requesting that, at the end of such Interest Period, such Eurodollar Loan either continue as a Eurodollar Loan of such Type for the same or another Interest Period or be converted into a Loan of another Type. Subject to the terms of Section 2.1, the Borrower may elect from time to time to convert all or any part of a Loan of any Type into any other Type or Types of a Loan; provided that any conversion of any Eurodollar Loan shall be made on, and only on, the last day of the Interest Period applicable thereto. The Borrowers shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Loan or continuation of a Eurodollar Loan not later than 10:00 a.m. (Chicago time) at least one Business Day, in the case of a conversion into a Floating Rate Loan, or three Business Days, in the case of a conversion into or continuation of a Eurodollar Loan, prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the aggregate amount and Type of the Loan which is to be converted or continued, and

(iii) the amount and Type(s) of Loan(s) into which such Loan is to be converted or continued and, in the case of a conversion into or continuation of a Eurodollar Loan, the duration of the Interest Period applicable thereto.

(c) Subject to the terms and conditions of this Agreement, the proceeds of such requested Loan shall be made available to the Borrowers by depositing the proceeds thereof, in immediately available funds, on the Advance Date for such Loan in an account maintained and designated by the Borrowers at the principal office of the Agent. Each Bank, on the Advance Date of each such Loan shall make its Pro Rata Share of such Loan available in immediately available funds at the principal office of the Agent for disbursement to the Borrowers. Unless the Agent shall have received notice from any Bank prior to the date of any requested Loan under this Section 3.1 that such Bank will not make available to the Agent such Bank's Pro Rata Share, the Agent may assume that such Bank has made such share available to the Agent on the Advance Date of such Loan in accordance with this Section 3.1(b). If and to the extent such Bank shall not have so made such Pro Rata Share available to the Agent, the Agent may (but shall not be obligated to) make such amount available to the Borrowers on the relevant Advance Date, and such Bank agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such amount is made available to the Borrowers by the Agent until the date such amount is paid to the Agent, at the Federal Funds Rate. If such Bank shall pay to the Agent such amount, such amount so paid shall constitute a Loan by such Bank as a part of such borrowing for purposes of this Agreement. The failure of any Bank to make its Pro Rata Share of any such Loan available to the Agent shall not relieve any other Bank of its obligations to make available its Pro Rata Share of such Loan on the Advance Date of such Loan, but no Bank shall be responsible for failure of any other Bank to make such Pro Rata Share available to the Agent on the Advance Date of any such Loan.

(d) Each Bank may book its Loans at any Lending Installation selected by such Bank and may change its Lending Installation from time to time. All

terms of this Agreement shall apply to any such Lending Installation and the Notes shall be deemed held by each Bank for the benefit of such Lending Installation. Each Bank may, by written or telex notice to the Agent and the Borrowers, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made.

(e) Nothing in this Agreement shall be construed to require or authorize any Bank to issue any Letter of Credit, it being recognized that the Agent has the sole obligation under this Agreement to issue Letters of Credit on behalf of the Banks, and the Commitment of each Lender with respect to Letter of Credit Advances is expressly conditioned upon the Agent's performance of such obligations. Upon such issuance by the Agent, each Bank shall automatically and unconditionally acquire a risk participation interest to the extent of its Pro Rata Share in such Letter of Credit Advance based on its respective Commitment. If the Agent shall honor a draft or other demand for payment presented or made under any Letter of Credit, the Agent shall provide notice thereof to each Bank on the date such draft or demand is honored unless the Borrowers shall have satisfied their reimbursement obligation under Section 3.3 by payment to the Agent on such date. Each Bank, not later than the Business Day after the Agent shall have given the notice specified in the previous sentence, shall make its Pro Rata Share of the amount paid by the Agent available in immediately available funds at the principal office of the Agent for the account of the Agent. If and to the extent such Bank shall not have made any required Pro Rata Share amount available to the Agent or made its portion of Loan available pursuant to Section 3.3(a)(i), such Bank and the Borrowers severally agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such amount was paid by the Agent until such amount is so made available to the Agent at (i) the interest rate then applicable to Floating Rate Loans for such day in the case of the Borrowers and (ii) the rate per annum equal to the Federal Funds Rate for the first five days, and thereafter at the interest rate applicable to Floating Rate Loans, in the case of any Bank. If such Bank shall pay such amount to the Agent together with such interest, such amount so paid shall constitute a Loan by such Bank as part of the Loans disbursed in respect of the reimbursement obligation of the Borrowers under Section 3.3 for purposes of this Agreement. The failure of any Bank to make its Pro Rata Share of any such amount paid by the Agent available to the Agent shall not relieve any other Bank of its obligation to make available its Pro Rata Share of such amount, but no Bank shall be responsible for failure of any other Bank to make such Pro Rata Share available to the Agent.

3.2 Conditions of Advances. The Banks and the Agent shall not be obligated to make any Advance hereunder at any time unless:

(a) Prior to or simultaneously with the first Advance hereunder, there shall have been delivered to each Bank the following documents, in form and substance satisfactory to the Agent and the following additional conditions shall have been satisfied:

(i) The favorable opinion of such counsel for the Borrowers as shall be approved by the Required Banks, with respect to the matters as requested by the Banks, all in form and substance satisfactory to the Required Banks;

(ii) certified copies of such corporate documents of each Borrower, including each Borrower's articles of incorporation, by-laws and a good standing certificate, and such documents evidencing necessary corporate action with respect to this Agreement, the Loans, the Notes and the Security Documents, and certifying to the incumbency of, and attesting to the genuineness of the signatures of, those officers authorized to act on behalf of each Borrower, as the Banks shall request;

(iii) the Security Documents required as of the Effective Date under Section 5.1 duly executed on behalf of the Borrowers, together with evidence of the recordation, filing and other action in such jurisdictions as the Banks may deem necessary or appropriate with respect to the Security Documents and evidence of the first-priority of the Banks' liens and security interests under the Security Documents, subject only to Permitted Liens, including without limitation such additional mortgages, security agreements, pledge agreements, other documents and opinions of counsel required by the Banks and original stock certificates and assignments separate from certificate of each Person whose stock is required to be pledged;

(iv) the Notes duly executed on behalf of the Borrowers, and it is acknowledged and agreed that the Notes: (A) are issued in exchange and replacement for the promissory notes issued pursuant to the Existing Credit Agreement, (B) shall not be deemed a novation or to have satisfied such promissory notes and (C) evidence the same indebtedness evidenced by such promissory notes plus additional indebtedness;

(v) the Consent and Amendment of Security Documents duly executed by the Borrowers;

(vi) Payment of such fees agreed to among the Borrowers and the Agent;

(vii) the execution by the Borrowers of the Agent's standard environmental certificate;

(viii) the Banks shall have determined that the Loans to be made are equal to or less than the Borrowing Base;

(ix) copies of all agreements relating to any material Indebtedness for borrowed money, any outstanding preferred stock, any joint ventures or partnerships or any other material documents requested by the Banks;

(x) the originals of all promissory notes payable to any Borrower, other than promissory notes in an aggregate amount less than $1,000,000; and

(xi) such other agreements, documents, conditions and certificates as reasonably requested by the Banks, including without limitation, releases and terminations of all other Liens which are not permitted hereunder, amendments of existing Security Documents, all Purchase Documents and other agreements and documents related to the Borrowers' acquisition of additional oil and gas properties and other assets described therein, all in form and substance satisfactory to the Banks.

(b) The aggregate outstanding principal amount of all Advances after giving effect to the proposed Advance, does not exceed the lesser of the Commitments or the Borrowing Base.

(c) On and as of the date of each such Advance, the representations and warranties contained in Section 6 hereof shall be true and correct in all material respects as if made on such date; provided, however, that for purposes

of this Section 3.2(c) the representations and warranties contained in Section 6.7 hereof shall be deemed made with respect to both the financial statements referred to therein and the most recent financial statements delivered pursuant to Section 7.1(d)(ii) and (iii).

(d) No Default or event or condition which could cause a Material Adverse Effect has occurred and is continuing or will exist upon the disbursement of such Advance.

Acceptance of the proceeds of any Advance hereunder by the Borrowers shall be deemed to be a certification by the Borrowers at such time with respect to the matters set forth in subparagraphs (b), (c) and (d) of this Section 3.2.

3.3 Letter of Credit Reimbursement Payments. (a)(i) The Borrowers agree to pay to the Agent, on the day on which the Agent shall honor a draft or other demand for payment presented or made under any Letter of Credit, an amount equal to the amount paid by the Agent in respect of such draft or other demand under such Letter of Credit and all expenses paid or incurred by the Agent relative thereto. Unless the Borrowers shall have made such payment to the Agent on such day, upon each such payment by the Agent, the Agent shall be deemed to have disbursed to the Borrowers, and the Borrowers shall be deemed to have elected to satisfy the reimbursement obligation by borrowing, a Loan bearing interest at the Floating Rate for the account of the Banks in an amount equal to the amount so paid by the Agent in respect of such draft or other demand under such Letter of Credit. Such Loan shall be disbursed, and each Bank shall advance its Pro Rata Share thereof, notwithstanding any failure to satisfy any conditions for disbursement of any Loan set forth in Article III or any other condition and, to the extent of the Loan so disbursed, the reimbursement obligation of the Borrowers under this Section 3.3 shall be deemed satisfied; provided, however, that such disbursement shall not be deemed to be a waiver of any Event of Default or Default, if any.

(ii) If for any reason (including without limitation as a result of the occurrence of an Event of Default pursuant to Section 6.1(h)), Floating Rate Loans may not be made by the Banks as described in Section 3.3(a)(i), then (A) the Borrowers agree that each reimbursement amount not paid pursuant to the first sentence of Section 3.3(a)(i) shall bear interest, payable on demand by the Agent, at the interest rate then applicable to Floating Rate Loans, and (B) effective on the date each such Floating Rate Loan would otherwise have been made, each Bank severally agrees that it shall unconditionally and irrevocably, without regard to the occurrence of any Default or Event of Default, in lieu of a deemed disbursement of Loans, to the extent of such Bank's Pro Rata Share, purchase a participating interest in each reimbursement amount. Each Bank will immediately transfer to the Agent, in same day funds, the amount of its participation. Each Bank shall share in accordance with its Pro Rata Share (calculated by reference to the Commitments) in any interest which accrues thereon and in all repayments thereof. If and to the extent that any Bank shall not have so made the amount of such participating interest available to the Agent, such Bank and the Borrowers agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Agent until the date such amount is paid to the Agent, at (x) in the case of the Borrowers, the interest rate then applicable to Floating Rate Loans and (y) in the case of such Bank, the Federal Funds Rate for the first five days, and thereafter the interest rate applicable to Floating Rate Loans.

(b) The reimbursement obligations of the Borrowers under this Section 3.3 shall be absolute, unconditional and irrevocable and shall remain in full force and effect until all obligations of the Borrowers to the Agent and the Banks hereunder shall have been satisfied, and such obligations of the Borrowers shall not be affected, modified or impaired upon the happening of any event,

including without limitation, any of the following, whether or not with notice to, or the consent of, the Borrowers:

(i) Any lack of validity or enforceability of any Letter of Credit or any documentation relating to any Letter of Credit or to any transaction related in any way to such Letter of Credit (the "Letter of Credit Documents");

(ii) Any amendment, modification, waiver or consent, or any substitution, exchange or release of or failure to perfect any interest in collateral or security, with respect to any of the Letter of Credit Documents.

(iii) The existence of any claim, setoff, defense or other right which the Borrowers may have at any time against any beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such beneficiary or any such transferee may be acting), the Agent or any Bank or any other person or entity, whether in connection with any of the Letter of Credit Documents, the transactions contemplated herein or therein or any unrelated transactions;

(iv) Any draft or other statement or document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) Payment by the Agent to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit;

(vi) Any failure, omission, delay or lack on the part of the Agent or any Bank or any party to any of the Letter of Credit Documents to enforce, assert or exercise any right, power or remedy conferred upon the Agent, any Bank or any such party under this Agreement or any of the Letter of Credit Documents, or any other acts or omissions on the part of the Agent, any Bank or any such party; or

(vii) Any other event or circumstance that would, in the absence of this clause, result in the release or discharge by operation of law or otherwise the Borrowers from the performance or observance of any obligation, covenant or agreement contained in this Section 3.3. No setoff, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which the Borrowers have or may have against the beneficiary of any Letter of Credit shall be available hereunder to the Borrowers against the Agent or any Bank. Nothing in this Section 3.3 shall limit the liability, if any, of the Borrowers to the Banks pursuant to Section 10.5(b).

3.4. Withholding Tax Exemption. At least five Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Bank, each Bank that is not incorporated under the laws of the United States of America, or a state thereof, agrees that it will deliver to each of the Borrowers and the Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Bank which so delivers a Form 1001 or 4224 further undertakes to deliver to each of the Borrowers and the Agent two additional copies of such form (or a successor form) on or before the date that such form expires (currently, three successive

calendar years for Form 1001 and one calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrowers or the Agent, in each case certifying that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank advises the Borrowers and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

SECTION 4. Payment and Prepayment; Fees; Change in Circumstances.

4.1 Principal Payments.

(a) Unless earlier payment is required under this Agreement, the Borrowers shall pay the entire outstanding principal amount of the Revolving Credit Advances on the Termination Date.

(b) The Borrowers may from time to time prepay all or a portion of the Advances without premium or penalty, provided, however, that (i) the Borrowers shall have given not less than one Business Day's prior written notice thereof to the Agent, (ii) other than mandatory payments, each such prepayment, in the case of prepayment of Floating Rate Loans, shall be in the minimum amount of $500,000 and in integral multiples of $100,000 and, in the case of prepayment of Eurodollar Loans, shall be in the minimum amount of $1,000,000 and in integral multiples thereof, (iii) any prepayment of any Eurodollar Loan shall be accompanied by any amount required pursuant to Section 4.10.

(c) If it should be determined by the Agent at any time and from time to time that the principal amount of the Advances exceed the lesser of the then Borrowing Base or the Commitments (such condition defined herein as a "Borrowing Base Deficiency"), the Borrowers shall promptly do one of the following:

(i) In addition to all other payments of principal and interest required to be paid on the Advances, prepay upon demand and without premium or penalty the Advances in an amount by which, in the determination of the Agent, such aggregate principal amount outstanding exceeds the lesser of the then Borrowing Base or the Commitments, provided that such prepayment shall be made first on the Loans and if the Loans are paid in full and such excess still exists, the Borrowers shall provide cash collateral for any outstanding Letters of Credit to the extent of such remaining excess; or

(ii) Grant a lien and security interest to the Agent, for the benefit of the Banks, in form and substance satisfactory to the Required Banks, in additional interests in Proved Developed Reserves of the Borrowers which, in the determination of the Required Banks, will increase the Borrowing Base by an amount such that the then aggregate principal amount of the Loans does not exceed the lesser of the then Borrowing Base or the Commitments; or

(iii) Any combination of the foregoing acceptable to the Required Banks.

(d) In addition to all other payments required hereunder, upon any sale or other disposition of any assets when a Default exists, or if such sale or other disposition would cause a Default, the Borrowers shall prepay the Advances by an amount equal to 100% of the net proceeds (net only of reasonable and customary costs of such sale or other disposition) of such sale or disposition, which prepayment is due upon receipt of such net proceeds.

(e) In addition to all other payments required hereunder, upon any sale or other disposition of any assets when a Borrowing Base Deficiency exists, or if such sale or other disposition would cause a Borrowing Base Deficiency, the Borrower shall prepay the Advances by the amount of the Borrowing Base Deficiency from the net proceeds (net only of any reasonable and customary costs of such sale or other disposition) of such sale or disposition, which prepayment is due upon receipt of such net proceeds.

All determinations made pursuant to this Section 4.1 shall be made by the Agent or the Required Banks, as the case may be, and shall be conclusively binding on the parties absent manifest error.

4.2 Interest Payment. (a) The Borrowers shall pay interest to the Banks on the unpaid principal amount of each Loan for the period commencing on the date such Loan is made until such Loan is paid in full, on each Interest Payment Date and at maturity (whether at stated maturity, by acceleration or otherwise), and thereafter on demand, at the following rates per annum: (i) during such periods that such Loan is a Floating Rate Loan, the Floating Rate, and (ii) during such periods that such Loan is a Eurodollar Loan, the Eurodollar Rate applicable to such Loan for each related Eurodollar Interest Period.

(b) Notwithstanding the foregoing paragraph (a), the Borrowers hereby agree, if requested by the Required Banks, to pay interest on demand at the Overdue Rate on the outstanding principal amount of any Loan and any other amount payable by the Borrowers hereunder (other than interest) upon and during the continuance of any Default.

4.3 Fees. (a) The Borrowers agree to pay to the Agent, for the pro rata account of the Banks in accordance with their Pro Rata Shares, a commitment fee computed at the per annum rate equal to the Applicable Margin on the amount by which the Commitments exceed the aggregate outstanding principal amount of the Advances, for the period from the Effective Date until the Termination Date. Such fees shall be paid quarterly in arrears, on the last Business Day of each March, June, September and December, commencing on the first such date after the Effective Date, and on the Termination Date.

(b) The Borrowers agree (i) to pay to the Agent, for the benefit of the Banks, a fee computed at the Applicable Margin on the maximum amount available to be drawn under each Letter of Credit at the time such fee is to be paid for the period from and including the date of issuance of such Letter of Credit to and including the stated expiry date of such Letter of Credit, and (ii) to pay an additional fee to the Agent for its own account computed at the rate of 0.25% per annum on such maximum amount for such period. Such fees shall be payable each month in advance, payable on the date of the issuance of any Letter of Credit and each month thereafter. Such fees are nonrefundable and the Borrowers shall not be entitled to any rebate of any portion thereof if such Letter of Credit does not remain outstanding through the date for which such fees have been paid. The Borrowers further agree to pay to the Agent, on demand, such other customary administrative fees, charges and expenses of the Agent in

respect of the issuance, negotiation, acceptance, amendment, transfer and payment of each Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(c) The Borrowers agree to pay to the Agent agency and servicing fees for its services under this Agreement in such amounts as it may from time to time be agreed upon between the Borrowers and the Agent, which fee shall be retained solely by the Agent.

4.4 Payment Method. All payments to be made by the Borrowers hereunder will be made in Dollars and in immediately available funds to the Agent at its address set forth in Section 10.2 not later than 11:00 a.m. Chicago time on the date on which such payment shall become due. Payments received after 11:00 a.m. Chicago time shall be deemed to be payments made prior to 11:00 a.m. Chicago time on the next succeeding Business Day. At the time of making each such payment, the Borrowers shall specify to the Agent that obligation of the Borrowers hereunder to which such payment is to be applied, or, in the event that the Borrowers fail to so specify or if an Event of Default shall have occurred and be continuing, the Agent may apply such payments as it may determine in its sole discretion. On the day such payments are received, the Agent shall remit to the Banks their respective Pro Rata Shares of such payments, in immediately available funds.

4.5 No Setoff or Deduction. All payments of principal of and interest on the Advances and other amounts payable by the Borrowers hereunder shall be made by the Borrowers without setoff or counterclaim, and free and clear of, and without deduction or withholding for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments, or other charges of whatever nature, imposed by any governmental authority, or by any department, agency or other political subdivision or taxing authority.

4.6 Payment on Non-Business Day; Payment Computations. Except as otherwise provided in this Agreement to the contrary, whenever any installment of principal of, or interest on, any Advances outstanding hereunder or any other amount due hereunder, becomes due and payable on a day which is not a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, in the case of any installment of principal, interest shall be payable thereon at the rate per annum determined in accordance with this Agreement during such extension. Computations of interest and other amounts due under this Agreement shall be made on the basis of a year of 360 days for the actual number of days elapsed, including the first day but excluding the last day of the relevant period.

4.7. Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, or the compliance of any Bank therewith,

(i) subjects any Bank or any applicable Lending Installation to any tax, duty, charge or withholding on or from payments due from the Borrowers (excluding federal taxation of the overall net income of any Bank or applicable Lending Installation), or changes the basis of taxation of payments to any Bank in respect of its Loans or other amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank or any applicable Lending Installation (other than reserves and assessments

taken into account in determining the interest rate applicable to Eurodollar Loans), or

(iii) imposes any other condition the result of which is to increase the cost to any Bank or any applicable Lending Installation of making, funding or maintaining loans or reduces any amount receivable by any Bank or any applicable Lending Installation in connection with loans, or requires any Bank or any applicable Lending Installation to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Bank,

then, within 30 days of demand by such Bank, the Borrowers shall pay such Bank that portion of such increased expense incurred or reduction in an amount received which such Bank determines is attributable to making, funding and maintaining its Loans and its Commitment.

4.8. Changes in Capital Adequacy Regulations. If a Bank determines the amount of capital required or expected to be maintained by such Bank, any Lending Installation of such Bank or any corporation controlling such Bank is increased as a result of a Change, then, within 15 days of demand by such Bank, the Borrowers shall pay such Bank the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Bank determines is attributable to this Agreement, its Advances or its Commitment (after taking into account such Bank's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Bank or any Lending Installation or any corporation controlling any Bank. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

4.9. Availability of Types of Advances. If any Bank determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or if the Required Banks determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Loans are not available or (ii) the interest rate applicable to a Type of Advance does not accurately reflect the cost of making or maintaining such Advance, then the Agent shall suspend the availability of the affected Type of Advance and require any Eurodollar Loans of the affected Type to be repaid.

4.10. Funding Indemnification. If any payment of a Eurodollar Loan occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Loan is not made on the date specified by the Borrowers for any reason other than default by the Banks, the Borrowers will indemnify each Bank for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the Eurodollar Loan.

4.11. Bank Statements; Survival of Indemnity. To the extent reasonably possible, each Bank shall designate an alternate Lending Installation with

respect to its Eurodollar Loans to reduce any liability of the Borrowers to such Bank under Sections 4.7 and 4.8 or to avoid the unavailability of a Type of Advance under Section 4.9, so long as such designation is not disadvantageous to such Bank. Each Bank shall deliver a written statement of such Bank to the Borrowers (with a copy to the Agent) as to the amount due, if any, under Sections 4.7, 4.8 or 4.10. Such written statement shall set forth in reasonable detail the calculations upon which such Bank determined such amount and shall be final, conclusive and binding on the Borrowers in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Bank funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Bank shall be payable on demand after receipt by the Borrowers of such written statement. The obligations of the Borrowers under Sections 4.7, 4.8 and 4.10 shall survive payment of the Bank Obligations and termination of this Agreement.

SECTION 5. Security

5.1 Security Documents. To secure all indebtedness, obligations and liabilities under this Agreement, the Notes, the Security Documents, the Advances, any Swap Agreements among any Borrower and any Lender and to secure all other Indebtedness and obligations of the Borrowers to the Agent and the Banks pursuant thereto, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, the Borrowers shall:

(a) Execute and deliver to the Agent, promptly upon the request of the Agent or the Required Banks, such indentures of mortgage, deeds of trust, security agreements, financing statements and assignment of production and other agreements, including without limitation any amendments to any such documents previously executed and delivered in favor of the Agent or any Bank (as amended or modified from time to time, the "Mortgages" and together with the Security Agreements, and all agreements and documents described in this Section 5.1(a) or in 5.1(b) or 5.2 and all other agreements and documents securing any of the Bank Obligations at any time or otherwise executed by any Borrower with or in favor of the Agent and the Banks, and including without limitation the Letter of Credit Documents, as amended or modified from time to time, the "Security Documents"), in form and substance satisfactory to the Required Banks, granting the Agent, for the benefit of the Banks, a first-priority, perfected and enforceable lien and security interest, subject only to the Permitted Liens, in the following (collectively, with all other assets described in Section 5.1(b), the "Collateral"): all oil, gas and mineral properties and all other assets of the Borrowers as requested at any time by the Required Banks, including without limitation all leasehold and royalty interests and all other rights in connection therewith, and all interests in machinery, equipment, materials, improvements, hereditaments, appurtenances and other property, real, Personal and/or mixed, now or hereafter a part of or obtained in or used in connection with such properties and all interests in and to any and all oil, gas and other minerals now in storage or now or hereafter located in, under, on or produced from, such properties and an assignment of production from such properties to the Agent;

(b) Execute and deliver to the Agent, on or before the Effective Date, such security agreements, pledge agreements, financing statements and other agreements, including without limitation the Consent and Amendment of Security Documents confirming the continuing effectiveness of Security Documents previously executed and delivered to the Agent or any Bank (as amended or modified from time to time, the "Security Agreements"), in form and substance satisfactory to the Required Banks, granting to the Agent, for the benefit of the Banks, a first-priority, perfected and enforceable lien and security

interest, subject only to the Permitted Liens, in all other assets, whether real, personal or mixed, and whether now owned or hereafter existing and wherever located, of the Borrowers.

5.2 Additional Security Documents. If at any time requested by the Agent or the Required Banks, the Borrowers shall execute and deliver such additional documents, and shall take such other action, as the Agent or the Required Banks may reasonably consider necessary or proper to evidence or perfect the liens and security interests described in Section 5.1 hereof.

SECTION 6. Representations and Warranties.

Each of the Borrowers represents and warrants that:

6.1 Corporate Existence and Power. It is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified to do business and in good standing in each additional jurisdiction where failure to so qualify would have a Material Adverse Effect. It has all requisite corporate power to own its properties and to carry on its business as now being conducted and as proposed to be conducted, and to execute and deliver this Agreement, the Notes and the Security Documents and to engage in the transactions contemplated by this Agreement, the Notes and the Security Documents.

6.2 Corporate Authority. The execution, delivery and performance by it of this Agreement, the Notes and the Security Documents are within its corporate powers, have been duly authorized by all necessary corporate action and are not in contravention of any law, rule or regulation, or any judgment, decree, writ, injunction, order or award of any arbitrator, court or governmental authority, or of the terms of its charter or by-laws, or of any contract or undertaking to which it is a party or by which it or its property may be bound or affected.

6.3 Binding Effect. This Agreement is, and the Notes and the Security Documents to which it is a party when delivered hereunder will be, legal, valid and binding obligations of each Borrower, enforceable against each in accordance with their respective terms.

6.4 Subsidiaries. All Subsidiaries of CRI are duly organized, validly existing and in good standing under the laws of their jurisdictions of organization and are duly qualified to do business in each jurisdiction where failure to so qualify would have a Material Adverse Effect. All outstanding shares of capital stock of each class of each Subsidiary of CRI have been and will be validly issued and are and will be fully paid and nonassessable and are and will be owned, beneficially and of record, by CRI, free and clear of any Liens. Schedule 6.4 is a complete list of all Subsidiaries of CRI. COG is and will remain a wholly owned subsidiary of CRI and COGL is and will remain a wholly owned subsidiary of COG, and Offshore is and will remain a wholly owned subsidiary of COGL. Comstock Management Corporation, a Nevada corporation, does not have material assets and the Borrowers agree that it will not have any material assets at any time.

6.5 Liens. The properties of each Borrower and each Subsidiary of any Borrower (including without limitation the Collateral) are not subject to any Lien except Permitted Liens.

6.6 Litigation. There is no action, suit or proceeding pending or, to the best of its knowledge, threatened against or affecting it before or by any court, governmental authority, or arbitrator which would be reasonably likely to result in, either individually or collectively, a Material Adverse Effect and, to the best of the Borrowers' knowledge, there is no basis for any such action, suit or proceeding.

6.7 Financial Condition. The consolidated balance sheet of CRI and its Subsidiaries and the consolidated statements of income and cash flow of CRI and its Subsidiaries for the fiscal year ended December 31, 1996 and reported on by Arthur Andersen, LLP, and the interim consolidated balance sheet of CRI and its Subsidiaries and the interim consolidated statements of income and cash flow of CRI and its Subsidiaries for the fiscal quarter of CRI ended September 30, 1997, copies of which have been furnished to the Banks, fairly present, and the financial statements of CRI and its Subsidiaries to be delivered pursuant to Section 7.1(d) will fairly present, the consolidated financial position of CRI and its Subsidiaries as of the respective dates thereof, and the consolidated results of operations of CRI and its Subsidiaries for their respective periods indicated, all in accordance with generally accepted accounting principles consistently applied. There has been no event or development which has had or would be reasonably likely to have a Material Adverse Effect since December 31, 1996. There is no material Contingent Liability of CRI or any of its Subsidiaries that is not reflected in such financial statements or in the notes thereto.

6.8 Use of Advances. The Advances will be used for working capital and general corporate purposes, including acquisitions. No Borrower extends or maintains, in the ordinary course of business, credit for the purpose, whether immediate, incidental, or ultimate, of buying or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of each Advance will be used for the purpose, whether immediate, incidental, or ultimate, of buying or carrying any such margin stock or maintaining or extending credit to others for such purpose. After applying the proceeds of the Advances, such margin stock will not constitute more than 25% of the value of the assets that are subject to any provisions of this Agreement or any Security Document that may cause the Advances to be secured, directly or indirectly by margin stock.

6.9 Security Documents. The Security Documents create a valid and enforceable first-priority lien on and perfected security interest in all right, title and interest of each Borrower in and to the Collateral described therein, securing all amounts intended to be secured thereby (including without limitation all principal of and interest on the Notes) subject only to the Permitted Liens. The respective net revenue interests of each Borrower in and to the Oil and Gas Interests as set forth in the Security Documents are true and correct and accurately reflect the interests to which each Borrower is legally entitled, subject only to the Permitted Liens.

6.10 Consents, Etc. No consent, approval or authorization of or declaration, registration or filing with any governmental authority or any nongovernmental Person or entity, including without limitation any creditor or stockholder of it, is required on the part of it in connection with the execution, delivery and performance of this Agreement, the Notes, the Security Documents or the transactions contemplated hereby or as a condition to the legality, validity or enforceability of this Agreement, the Notes or any of the Security Documents.

6.11 Taxes. It has filed all tax returns (federal, state and local) required to be filed and has paid all taxes shown thereon to be due, including interest and penalties, or has established adequate financial reserves on its books and records for payment thereof, except where the failure to do so would not have a Material Adverse Effect.

6.12 Title to Properties. It has good and defensible title to, and a valid indefeasible ownership interest in, all of its properties and assets (including, without limitation, the Collateral subject to the Security Documents) free and clear of any Lien except the Permitted Liens, and it is the owner of all the Collateral described in the Security Documents to which it is a party. All wells on any of the mortgaged premises have been drilled, operated, shut-in, abandoned or suspended in accordance with good oil and gas field practices and in compliance with all applicable laws, permits, statutes, orders, licenses, rules and regulations. All leases with respect to any Oil and Gas Interests owned by any Borrower are in good standing and are in full force and effect, all royalties, rents, taxes, assessments and other payments thereunder or with respect thereto have been properly and timely paid and all conditions necessary to keep such leases in full force have been fully performed, including without limitation any condition to maintain continuous production or other activity with respect thereto. The Borrowers have delivered to the Agent title opinions with respect to at least 80% of the value of the assets included in the Borrowing Base. All transactions contemplated pursuant to the Purchase Documents have been completed, including without limitation the acquisition by COGL (to be assigned to Offshore) of the Purchased Bois D'Arc Assets (other than certain assets not substantial in amount in the aggregate which will be transferred to Offshore in January, 1998) and have been completed in accordance with all applicable laws and regulations. Offshore owns the Purchased Bois D'Arc Assets free and clear of all Liens other than under the Security Documents, and the Security Documents delivered on the Effective Date create a first priority, perfected and enforceable lien and security interest in favor of the Agent for the benefit of the Banks on all Purchased Bois D'Arc Assets owned by any of the Borrowers.

6.13 ERISA. CRI and its Subsidiaries and their Plans are in compliance in all material respects with those provisions of ERISA and of the Code which are applicable with respect to any Plan. No prohibited transaction (as defined in Section 406 of ERISA and Section 9975 of the Code) and no reportable event (as defined in ERISA) has occurred with respect to any Plan. Neither CRI, any of its Subsidiaries nor any of its ERISA Affiliates is an employer with respect to any multiemployer plan (as defined in Section 4001(a)(3) of ERISA). CRI, its Subsidiaries and the ERISA Affiliates have met the minimum funding requirements under ERISA and the Code with respect to each of the respective Plans, if any, and have not incurred any liability to the PBGC or any Plan. There is no unfunded benefit liability with respect to any Plan.

6.14 Environmental and Safety Matters. It is in compliance in all material respects with all federal, state and local laws, ordinances and regulations relating to safety and industrial hygiene or to the environmental condition, including without limitation all Environmental Laws in jurisdictions in which it owns any interest in or operates, a well, a facility or site, or arranges for disposal or treatment of hazardous substances, solid waste, or other wastes, accepts for transporting any hazardous substances, solid waste, or other wastes, or holds any interest in real property or otherwise, except where any such noncompliance would not have a Material Adverse Effect. No demand, claim, notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by any governmental authority, private Person or entity or otherwise, arising under, relating to or in connection with any Environmental Laws is pending or, to the best of any Borrower's knowledge, threatened against it, any real property in which it holds or has held an interest or any past or present operation of it. It (a) does not know of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic substances, radioactive materials, hazardous wastes or related materials into the environment, (b) has not received any notice of any toxic substances, radioactive materials, hazardous waste or related materials in, or upon any of its properties in violation of any Environmental Laws, and (c) does not know of any basis for any such investigation, notice or violation.

No material release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring or has occurred on, under or to any real property in which it holds any interest or performs any of its operations, in violation of any Environmental Law which would have a Material Adverse Effect.

6.15 Direct Benefit. The initial Advances hereunder and all additional Advances are for the direct benefit of each of the Borrowers, and the initial Advances hereunder are used to refinance and replace indebtedness owing, directly or indirectly, by the Borrowers to the Banks under the Existing Credit Agreement. The Borrowers are engaged as an integrated group in the business of oil and gas exploration and related fields, and any benefits to any Borrower is a benefit to all of them, both directly or indirectly, inasmuch as the successful operation and condition of the Borrowers is dependent upon the continued successful performance of the functions of the integrated group as a whole.

6.16 Solvency. Each of the following is true for each Borrower and the Borrowers on a consolidated basis: (a) the fair saleable value of its property is (i) greater than the total amount of its liabilities (including contingent liabilities), and (ii) greater than the amount that would be required to pay its probable aggregate liability on its then existing debts as they become absolute and matured; (b) its property is not unreasonable in relation to its business or any contemplated or undertaken transaction; and (c) it does not intend to incur, or believe that it will incur, debts beyond its ability to pay such debts as they become due.

6.17 Disclosure. This Agreement and all other documents, certificates, reports or statements or other information furnished to any Bank or the Agent in writing by or on behalf of any Borrower in connection with the negotiation or administration of this Agreement or any transactions contemplated hereby when read together do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to any Borrower which has caused, or which likely would in the future in the reasonable judgment of the Borrowers cause, a Material Adverse Effect (except for any economic conditions which affect generally the industry in which the Borrowers and their Subsidiaries conduct business), which has not been set forth in this Agreement or in the other documents, certificates, statements, reports and other information furnished in writing to the Banks by or on behalf of any Borrower in connection with the transactions contemplated hereby.

SECTION 7. Covenants.

7.1 Affirmative Covenants. Each Borrower covenants and agrees that, until the payment in full of the principal of and accrued interest on the Notes, the expiration of this Agreement and all Letters of Credit and the payment and performance of all other obligations of the Borrowers under this Agreement, the Notes and the Security Documents, unless the Required Banks shall otherwise consent in writing, each of the Borrowers shall:

(a) Preservation of Corporate Existence, Etc. Preserve and maintain its corporate existence, rights and privileges and its material licenses, franchises and permits, and qualify and remain qualified as a validly existing corporation in good standing in each jurisdiction in which such qualification is necessary under applicable law.

(b) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority, whether federal, state, local or foreign (including without limitation ERISA, the Code and Environmental Laws), in effect from time to time; and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income, revenues or property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise, which, if unpaid, might give rise to Liens upon such properties or any portion thereof, except to the extent that payment of any of the foregoing is then being contested in good faith by appropriate legal proceedings and with respect to which adequate financial reserves have been established on its books and records.

(c) Maintenance of Properties; Insurance. Maintain, preserve and protect all property that is material to the conduct of its business and keep such property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times in accordance with customary and prudent business practices for similar businesses; comply with all applicable permits, statutes, laws, orders, licenses, rules and regulations relating to the Oil and Gas Interests owned by it, unless any non compliance would not cause a Material Adverse Effect, and ensure that all wells and other properties operated by it, either in its own name or as a partner, are operated in accordance with prudent oil and gas field practices; comply with all of its duties and obligations under, and take all actions to maintain, consistent with prudent oil and gas practices, all leases and other rights in full force and effect; and, in addition to that insurance required under the Security Documents, maintain in full force and effect insurance with responsible and reputable insurance companies or associations in such amounts, on such terms and covering such risks, including fire and other risks insured against by extended coverage, as is usually carried by companies engaged in similar businesses and owning similar properties similarly situated and maintain in full force and effect public liability insurance, insurance against claims for personal injury or death or property damage occurring in connection with any of its activities or any of any properties owned, occupied or controlled by it, in such amount as it shall reasonably deem necessary, and maintain such other insurance as may be required by law or as may be reasonably requested by the Banks for purposes of assuring compliance with this Section 7.1(c).

(d) Reporting Requirements. Furnish to each Bank, in form and substance satisfactory to the Required Banks, the following:

(i) Promptly and in any event within three calendar days after becoming aware of the occurrence of (A) any Default, (B) the commencement of any material litigation against, by or affecting the Borrowers and, upon request by any Bank, any material developments therein, or (C) any development in the business or affairs of the Borrowers which has resulted in, or which is likely in the reasonable judgment of the Borrowers to result in (including without limitation the entering into of any material contract and/or undertaking by the Borrowers) a Material Adverse Effect or (D) any "reportable event" (as defined in ERISA) under, or the institution of steps by the Borrowers or any Subsidiary to withdraw from, or the institution of any steps to terminate, any Plan, a statement of the chief financial officer of the Borrowers setting forth details of such Default or such event or condition or such litigation and the action which CRI or any Subsidiary has taken and proposes to take with respect thereto;

(ii) As soon as available and in any event within 45 days after the end of each fiscal quarter of CRI, the consolidated balance sheets of CRI and its Subsidiaries as of the end of such quarter, and the related consolidated statements of income and cash flow for the period commencing at the end of the

previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, all in reasonable detail and duly certified (subject to year-end audit adjustments) by an appropriate officer of the Borrowers as having been prepared in accordance with generally accepted accounting principles, together with a certificate of an appropriate officer of the Borrowers with a computation in reasonable detail calculating the covenants contained in Sections 7.2(a), (b), (c), (i) and (j);

(iii) As soon as available and in any event within 120 days after the end of each fiscal year, a copy of the consolidated balance sheet of CRI and its Subsidiaries for such fiscal year and related statements of income and cash flow with a customary audit report thereon by Arthur Andersen LLP or other independent certified public accountants selected by CRI and acceptable to the Banks, without qualifications unacceptable to the Banks, together with a certificate of such accountants stating that they have reviewed this Agreement and stating further that in making their review in accordance with generally accepted accounting principles nothing came to their attention that made them believe that any Default exists, or if their examination has disclosed the existence of any Default, specifying the nature, period of existence and status thereof, together with a certificate of an appropriate officer of the Borrowers with a computation in reasonable detail calculating the covenants contained in Sections 7.2(a), (b), (c), (i) and (j) hereof;

(iv) Upon the request of the Required Banks or the Agent, a schedule of all oil, gas, and other mineral production attributable to all material Oil and Gas Interests of the Borrowers, and in any event all such Oil and Gas Interests included in the Borrowing Base; (v) Promptly, all title or other information received after the Effective Date by any Borrower which discloses any material defect in the title to any material asset included in the Borrowing Base;

(v) Promptly, all title or other information received after the Effective Date by any Borrower which disclosed any material defect in the title to any material asset included in the Borrowing Base;

(vi) As soon as practicable and in any event within 30 days after the sending or filing thereof, copies of all such financial statements and reports as it shall send to its security holders and of all final prospectuses under the Securities Act of 1933 (other than Form S-8), reports on Forms 10-Q, 10- K and 8-K and all similar regular and periodic reports filed by it (i) with any federal department, bureau, commission or agency from time to time having jurisdiction with respect to the sale of securities or (ii) with any securities exchange;

(vii) (A) As soon as available and in any event within 90 days after each January 1, commencing with January 1, 1998, an annual reserve report as of each such January 1 with respect to all Hydrocarbon reserves of the Borrowers prepared by an independent engineering firm of recognized standing acceptable to the Required Banks in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Required Banks, and including without limitation all assets included in the Borrowing Base, and (B) within 90 days after each July 1 thereafter, a reserve report as of such July 1, with respect to all Hydrocarbon reserves of the Borrowers prepared by the Borrowers in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Required Banks, and including without limitation all assets included in the Borrowing Base;

(viii) On or within 30 days after the request of the Agent or the Required Banks, in connection with a redetermination of the Borrowing Base permitted under Section 9.14 an updated reserve report with respect to all

Hydrocarbon reserves of the Borrowers prepared by an independent engineering firm of recognized standing acceptable to the Required Banks in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Required Banks, and including without limitation all assets included in the Borrowing Base;

(ix) Promptly, any management letter from the auditors for any Borrower and all other information respecting the business, properties or the condition or operations, financial or otherwise, including, without limitation, geological and engineering data of any Borrower and any title work with respect to any Oil and Gas Interests of any Borrower as any Bank may from time to time reasonably request;

(x) At all times after the date ninety (90) days after the Effective Date, if requested by the Required Banks, title opinions and other opinions of counsel, in each case in form and substance acceptable to the Required Banks, with respect to at least eighty (80%) percent of the value of the assets included in the Borrowing Base; and

(e) Access to Records, Books, Etc. At any reasonable time and from time to time, permit any Bank or any agents or representatives thereof, at the Borrowers' own expense, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrowers, and to discuss the affairs, finances and accounts of the Borrowers with their respective officers and employees. Without limiting the foregoing, the Borrowers agree that at any reasonable time and from time to time, the Borrowers will permit any Bank or any agents or representatives thereof to inspect, at the office of the Borrowers listed on its signature page hereto, all opinions with respect to title and other material work received by the Borrowers with respect to any asset included in the Borrowing Base.

7.2 Negative Covenants. Until payment in full of the principal of and accrued interest on the Notes, the expiration of this Agreement and all Letters of Credit and the payment and performance of all other obligations of the Borrowers and each Guarantor under this Agreement, the Notes and the Security Documents, each Borrower agrees that, unless the Required Banks shall otherwise consent in writing, none of them shall:

(a) Current Ratio. Permit or suffer the ratio of (i) the sum of Current Assets plus the unused availability under the revolving credit facility established by Section 2.1(a), to (ii) Current Liabilities at any time to be less than 1.0 to 1.0.

(b) Tangible Net Worth. Permit or suffer Consolidated Tangible Net Worth of CRI and its Subsidiaries, at any time, to be less than the sum of (i) $95,000,000, plus (ii) 50% of Consolidated Net Income for the fiscal quarter ending December 31, 1997 and for each fiscal year, commencing with the fiscal year ending December 31, 1998, and to be added as of the last day of such fiscal quarter and each such fiscal year, provided that if such Consolidated Net Income is negative in such fiscal quarter or in any fiscal year, the amount added pursuant to this clause (ii) shall be zero and shall not reduce the amount added pursuant to this clause (ii) for any other fiscal year, plus (iii) 75% of the net cash proceeds of any equity offering or other sale of equity of CRI or any of its Subsidiaries.

(c) Interest Coverage Ratio. Permit or suffer, as of the last day of any fiscal quarter of CRI, the ratio of (i) EBITDA, as calculated for the four fiscal quarters then ending, to (ii) Consolidated Interest Expense, as calculated for the four fiscal quarters then ending, to be less than 2.5 to 1.0.

(d) Indebtedness. Create, incur, assume, guaranty or in any manner become liable in respect of, or suffer to exist, any Indebtedness other than:

(i) The Advances;

(ii) Other Indebtedness in aggregate outstanding amount not to exceed $5,000,000;

(iii) Unsecured insurance premium financing incurred in the ordinary course of business;

(iv) Indebtedness pursuant to any Swap Agreement with any Bank, any Person with an investment grade debt rating acceptable to the Agent and any other Person acceptable to the Agent; and

(v) Indebtedness permitted pursuant to Section 7.2(i).

(e) Liens. Create, incur or suffer to exist, any Lien to exist on any assets, rights, revenues or property, real, personal or mixed, tangible or intangible, other than:

(i) Liens for taxes not delinquent or for taxes being contested in good faith by appropriate proceedings and as to which adequate financial reserves have been established on its books and records;

(ii) Liens (other than any Lien imposed by ERISA) created and maintained in the ordinary course of business which are not material in the aggregate, and which would not have a Material Adverse Effect and which constitute (A) pledges or deposits under worker's compensation laws, unemployment insurance laws or similar legislation, (B) good faith deposits in connection with bids, tenders, contracts or leases to which any Borrower is a party for a purpose other than borrowing money or obtaining credit, including rent security deposits, (C) liens imposed by law, such as those of carriers, warehousemen, operators and mechanics, if payment of the obligation secured thereby is not yet due, (D) Liens securing taxes, assessments or other governmental charges or levies not yet subject to penalties for nonpayment, and (E) pledges or deposits to secure public or statutory obligations of any Borrower, or surety, customs or appeal bonds to which such Borrower is a party;

(iii) Liens created pursuant to the Security Documents and Liens expressly permitted by the Security Documents, including without limitation liens securing any reimbursement and other obligations pursuant to any Letters of Credit issued by any Bank for the account of any Borrower, and it is acknowledged and agreed that, without limiting the indebtedness secured by the Security Documents, each Security Document secures all reimbursement and other obligations incurred at any time by any Borrower pursuant to any Letter of Credit issued by any Bank for the account of any Borrower;

(iv) Liens securing Indebtedness permitted pursuant to Section 7.2(d)(iii) created to secure payment of a portion of the purchase price of, or existing at the time of acquisition of, any tangible fixed asset acquired by any

Borrower if the outstanding principal amount of the Indebtedness secured by such Lien does not at any time exceed the purchase price paid by such Borrower for such assets, provided that such Lien does not encumber any other asset at any time owned by such Borrower.

(f) Merger; Acquisitions; Etc. Purchase or otherwise acquire, whether in one or a series of transactions, unless the Required Banks shall otherwise consent in writing, all or any substantial portion of the business assets, rights, revenues or property, real, personal or mixed, tangible or intangible, of any Person, or all or any substantial portion of the capital stock of or other ownership interest in any other Person, nor merge or consolidate or amalgamate with any other Person or take any other action having a similar effect, unless in each of the foregoing cases, each of the following conditions is satisfied: (i) no Default or Event of Default exists either before or after such acquisition, merger, consolidation, amalgamation or other action have a similar effect, (ii) if such transaction is a merger, consolidation, amalgamation or other action having a similar effect, a Borrower is the surviving entity and (iii) in the case of any take-over bid or offer to acquire all or substantially all of the outstanding voting or equity securities of a corporation or an acquisition of all or substantially all of the assets of any Person, the board of directors of the target corporation or management of the target Person(if the target is not a corporation) has recommended acceptance of such bid or offer.

(g) Disposition of Assets; Etc. Without the prior written consent of the Required Banks, sell, lease, license, transfer, assign or otherwise dispose of any Collateral or any of its other business, assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether in one or a series of transactions, other than (i) inventory sold in the ordinary course of business upon customary credit terms, and (ii) if no Default has occurred and is continuing or would be caused thereby, other sales of assets in aggregate amount not to exceed $15,000,000 in any twelve-month period, provided that in connection with any such sales in excess of $5,000,000 in aggregate amount since the date of the most recent redetermination of the Borrowing Base all the net proceeds (net only of reasonable and customary fees actually incurred in connection with such sales and of taxes paid or reasonably estimated to be payable as a result thereof), will simultaneously reduce the Borrowing Base by a like amount.

(h) Nature of Business. Make any substantial change in the nature of its business from that engaged in on the date of this Agreement or engage in any other businesses other than those in which it is engaged on the date of this Agreement.

(i) Investments and Advances. Purchase or otherwise acquire any capital stock of or other ownership interest in, or debt securities of or other evidences of Indebtedness of, any other Person; nor make any loan or advance of any of its funds or property or make any other extension of credit to, or make any investment or acquire any interest whatsoever in, any other Person, except (i) loans and advances to officers of the Borrowers, provided that the aggregate amount of all such loans and advances does not exceed $25,000, (ii) loans and advances among the Borrowers or any Subsidiary of any Borrower guaranteeing all indebtedness, obligations and liabilities of the Borrowers to the Banks and the Agent pursuant to a guaranty and other agreements satisfactory to the Agent, and (iii) other loans and advances, provided that the aggregate amount of all such loans and advances, together with Indebtedness allowed under Section 7.2(d)(iii), shall not exceed $5,000,000.

(j) Dividends. With respect to CRI only, make, pay, declare or authorize any dividend, payment or other distribution in respect of any class of

its capital stock or any dividend, payment or distribution in connection with the redemption, repurchase, defeasance, conversion, retirement or other acquisition, directly or indirectly, of any shares of its capital stock, (all of the foregoing defined herein as "Restricted Payments"), except (i) Restricted Payments payable solely in shares of capital stock of CRI, and (ii) cash dividends (exclusive of those described in (i) above) paid on, and redemptions or repurchases of capital stock of, CRI, provided that the aggregate amount paid for all such dividends, redemptions or repurchases after the Effective Date shall not exceed 25% of Consolidated Net Income of CRI and its Subsidiaries for the fiscal year ended immediately prior to such payments, and provided further, that both before each such dividend, redemption or repurchase and after giving effect to the payment in connection with each such dividend, redemption or repurchase (A) no Default or Event of Default shall have occurred and be continuing and (B) all representations and warranties contained in Section 6 hereof (including without limitation Section 6.8) shall be true and correct in all material respects as if made at such times. For purposes of this Agreement, "capital stock" shall include capital stock (preferred, common or other) and any securities exchangeable for or convertible into capital stock and any warrants, rights or other options to purchase or otherwise acquire capital stock or such securities.

(k) Transactions with Affiliates. Enter into or be a party to any transaction or arrangement with any Affiliate (including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate), except in the ordinary course of and pursuant to the reasonable requirements of the Borrowers' business and upon fair and reasonable terms no less favorable to such Borrower than would be obtained in a comparable arms-length transaction with a Person other than an Affiliate and except the loans and advances described in Section 7.2(i).

(l) Additional Covenants. If at any time any Borrower shall enter into or be a party to any instrument or agreement, including all such instruments or agreements in existence as of the date hereof and all such instruments or agreements entered into after the date hereof, relating to or amending any terms or conditions applicable to any of its Indebtedness which includes covenants, terms, conditions or defaults not substantially provided for in this Agreement or more favorable to the lender or lenders thereunder than those provided for in this Agreement, then the Borrowers shall promptly so advise the Agent and the Banks. Thereupon, if the Agent shall request, upon notice to the Borrowers, the Agent and the Banks shall enter into an amendment to this Agreement or an additional agreement (as the Agent may request), providing for substantially the same covenants, terms, conditions and defaults as those provided for in such instrument or agreement to the extent required and as may be selected by the Agent. In addition to the foregoing, any covenants, terms, conditions or defaults in any existing agreements or other documents evidencing or relating to any Indebtedness of any Borrower not substantially provided for in this Agreement or more favorable to the holders of such Indebtedness, are hereby incorporated by reference into this Agreement to the same extent as if set forth fully herein, and no subsequent amendment, waiver or modification thereof shall effect any such covenants, terms, conditions or defaults as incorporated herein.

(m) Financial Contracts. Enter into any Swap Agreement (or any other agreement, device or arrangement providing for payments relating to fluctuations of interest rates, exchange rates or commodity prices) for purposes of financial speculation or otherwise not in the ordinary course of business of the Borrowers, and any Swap Agreement with respect to fluctuations in interest rates shall be entered into by the Borrowers only with respect to Indebtedness for borrowed money of the Borrowers.

SECTION 8. Default

8.1 Events of Default. The occurrence of any one of the following events or conditions shall be deemed an "Event of Default" hereunder unless waived by the Required Banks pursuant to Section 10.1:

(a) Any Borrower shall fail to pay within 2 Business Days of when due any principal of or interest on the Notes (whether pursuant to Section 4.1 or otherwise), any fees or any other amount payable hereunder or under any Security Document; or

(b) Any representation or warranty made by any Borrower in Section 6 hereof, in any Security Document or in any other document or certificate furnished by or on behalf of any Borrower in connection with this Agreement, shall prove to have been incorrect in any material respect when made; or

(c) (i) Any Borrower shall fail to perform or observe any term, covenant or agreement contained in Sections 7.1(b), 7.1(c) (other than the agreement to maintain continuous insurance coverage), 7.1(d), 7.2(a), 7.2(b) or 7.2(c) hereof or in any Security Document, any other Loan Document or any other agreement among the Borrowers, the Banks and the Agent, or any of them, and such failure shall remain unremedied for 30 calendar days after the earlier of the date notice thereof shall have been given to Borrowers by the Agent or any Bank or any Borrower knows of such failure, or (ii) any Borrower shall fail to perform or observe any other term, covenant, or agreement contained in this Agreement; or

(d) Any Borrower shall fail to pay any part of the principal of, the premium, if any, or the interest on, or any other payment of money due under any of its Indebtedness (other than Indebtedness hereunder), beyond any period of grace provided with respect thereto, which individually or together with other such Indebtedness as to which any such failure exists has an aggregate outstanding principal amount in excess of $10,000,000; or if any Borrower fails to perform or observe any other term, covenant or agreement contained in any agreement, document or instrument evidencing or securing any such Indebtedness, or under which any such Indebtedness was issued or created, beyond any period of grace, if any, provided with respect thereto if the effect of such failure is either (i) to cause, or permit the holders of such Indebtedness (or a trustee on behalf of such holders) to cause, any payment in respect of such Indebtedness to become due prior to its due date or (ii) to permit the holders of such Indebtedness (or a trustee on behalf of such holder) to elect a majority of the board of directors of any Borrower; or

(e) A judgment or order for the payment of money, which together with other such judgments or orders exceeds the aggregate amount of $10,000,000, shall be rendered against any Borrower and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order and such judgment or order shall have remained unsatisfied and such proceedings shall have remained unstayed for a period of 30 consecutive days, or (ii) for a period of 30 consecutive days, such judgment or order shall have remained unsatisfied and a stay of enforcement thereof, by reason of pending appeal or otherwise, shall not have been in effect; or

(f) The occurrence or existence with respect to any Borrower or any Guarantor or any of their ERISA Affiliates of any of the following: (i) any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any Reportable Event shall occur with respect to any Plan, (iii) the filing under ERISA of a notice of intent to terminate any Plan or the termination of any Plan, (iv) any event or circumstance exists which might constitute grounds entitling the PBGC to institute proceedings under ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the institution of the PBGC of any such proceedings, or (v) complete or

partial withdrawal under ERISA from any Multiemployer Plan or the reorganization, insolvency, or termination of any Multiemployer Plan, and in each of the foregoing cases, such event or condition, together with all other events or conditions, if any, could in the opinion of the Banks subject any Borrower to any tax, penalty, or other liability to a Plan, the PBGC, or otherwise (or any combination thereof); or

(g) Any Borrower shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall institute, or there shall be instituted against any Borrower, any proceeding or case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, if such proceeding is instituted against any Borrower and is being contested by such Borrower in good faith by appropriate proceedings, such proceedings shall remain undismissed or unstayed for a period of 30 days; or any Borrower shall take any action (corporate or other) to authorize or further any of the actions described above in this subsection; or

(h) Any event of default described in any Security Document shall have occurred and be continuing, or any material provision of any Security Document shall at any time for any reason cease to be valid and binding and enforceable against any obligor thereunder, or the validity, binding effect or enforceability thereof shall be contested or repudiated by any Person, or any obligor, shall deny that it has any or further liability or obligation thereunder, or any Security Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to the Agent and the Banks the benefits purported to be created thereby; or

(i) (A) COG shall fail to be a wholly-owned Subsidiary of CRI, (B) COGL shall fail to be a wholly-owned subsidiary of COG or (C) the Board of Directors of CRI shall not consist of a majority of the Continuing Directors of CRI; or

(j) Any Change in Control shall occur.

8.2 Remedies.

(a) Upon the occurrence and during the continuance of any Event of Default, the Agent may, and upon being directed to do so by the Required Banks, shall, by notice to the Borrowers terminate the Commitments or declare the outstanding principal of, and accrued interest on, the Notes and all other amounts due under this Agreement and all other Loan Documents, to be immediately due and payable, or demand immediate delivery of cash collateral, and the Borrowers agree to deliver such cash collateral upon such demand, in an amount equal to the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit, or all of the above, whereupon the Commitments shall terminate forthwith and all such amounts shall become immediately due and payable, or both, as the case may be, provided that in the case of any event or condition described in Section 8.1(g), the Commitments shall automatically terminate forthwith and all such amounts shall automatically become immediately due and payable without notice; in each case without demand, presentment, protest, diligence, notice of dishonor or other formality, all of which are hereby expressly waived.

(b) Upon the occurrence and during the continuance of such Event of Default, the Agent may, and upon being directed to do so by the Required Banks, shall, in addition to the remedies provided in Section 8.2(a), enforce its rights either by suit in equity, or by action at law, or by other appropriate proceedings, whether for the specific performance (to the extent permitted by law) of any covenant or agreement contained in this Agreement or in any then outstanding Note or any Security Document or in aid of the exercise of any power granted in this Agreement, any then outstanding Notes or any Security Document, and may enforce the payment of any then outstanding Notes and any of the other rights of the Agent and the Banks in any other agreement or available at law or in equity.

(c) Upon the occurrence and during the continuance of any Event of Default hereunder, each Bank may at any time and from time to time, without notice to the Borrowers (any requirement for such notice being expressly waived by the Borrowers) set off and apply against any and all of the obligations of any Borrower now or hereafter existing under this Agreement, any of the Notes or the Security Documents, any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of any Borrower and any property of any Borrower from time to time in possession of such Bank, irrespective of whether or not any Bank shall have made any demand hereunder and although such obligations may be contingent and unmatured. The rights of the Banks under this Section 8.2(c) are in addition to other rights and remedies (including, without limitation, other rights of setoff) which the Banks may have.

8.3 Distribution of Proceeds. All proceeds of any realization on the Collateral received by the Agent pursuant to the Security Documents or any payments on any of the liabilities secured by the Security Documents received by the Agent or any Bank upon and during the continuance of any Event of Default shall be allocated and distributed as follows:

(a) First, to the payment of all costs and expenses, including without limitation all attorneys' fees, of the Agent in connection with the enforcement of the Security Documents and otherwise administering this Agreement;

(b) Second, to the payment of all costs, expenses and fees, including without limitation, commitment fees and attorneys' fees, owing to the Banks pursuant to the Bank Obligations on a pro rata basis in accordance with the Bank Obligations consisting of fees, costs and expenses owing to the Banks under the Bank Obligations for application to payment of such liabilities;

(c) Third, to the Banks on a pro rata basis in accordance with the Bank Obligations consisting of interest and principal owing to the Banks under the Bank Obligations, with any obligations owing to any Bank pursuant to any Swap Agreement to which it is a party (whether pursuant to a termination thereof or otherwise) and with any reimbursement obligations or other liabilities owing to any Bank pursuant to any Letter of Credit, for application to payment of such liabilities;

(c) Fourth, to the payment of any and all other amounts owing to the Banks on a pro rata basis in accordance with the total amount of such Indebtedness owing to each of the Banks, for application to payment of such liabilities; and

(d) Fifth, to the Borrowers or such other Person as may be legally entitled thereto.

8.4 Letter of Credit Liabilities. For the purposes of payments and distributions under Section 8.3, the full amount of Bank Obligations on account of any Letter of Credit then outstanding but not drawn upon shall be deemed to be then due and owing. Amounts distributable to the any of the Banks on account of such Bank Obligations under such Letter of Credit shall be deposited in a separate interest bearing collateral account in the name of and under the control of the Agent and held by the Agent first as security for such Letter of Credit Bank Obligations and then as security for all other Bank Obligations and the amount so deposited shall be applied to the Letter of Credit Bank Obligations at such times and to the extent that such Letter of Credit Bank Obligations become absolute liabilities. If and to the extent that the Letter of Credit Bank Obligations fail to become absolute Bank Obligations because of the expiration or termination of the underlying Letters of Credit without being drawn upon, then such amounts shall be applied to the remaining Bank Obligations in the order provided in Section 8.3. Each Borrower hereby grants to the Agent, for the benefit of the Banks, a lien and security interest in all such funds deposited in such separate interest bearing collateral account, as security for all the Bank Obligations as set forth above. The Borrowers acknowledge and agree that all reimbursement and other obligations and liabilities pursuant to any Letters of Credit issued by the Agent for the account of any Borrower are secured by all Collateral and the Security Documents.

SECTION 9. The Agent, the Documentation Agent and the Banks.

9.1 Appointment; Nature of Relationship. The First National Bank of Chicago is hereby appointed by the Banks as the Agent hereunder and under each other Loan Document, and each of the Banks irrevocably authorizes the Agent to act as the contractual representative of such Bank with the rights and duties expressly set forth herein and in the other Loan Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this Section 9. Notwithstanding the use of the defined term "Agent," it is expressly understood and agreed that the Agent shall not have any fiduciary responsibilities to any Bank by reason of this Agreement or any other Loan Document and that the Agent is merely acting as the representative of the Banks with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Banks' contractual representative, the Agent (i) does not hereby assume any fiduciary duties to any of the Banks, (ii) is a "representative" of the Banks within the meaning of Section 9-105 of the Uniform Commercial Code and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Banks hereby agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Bank hereby waives.

9.2 Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Banks, or any obligation to the Banks to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Agent.

9.3 General Immunity. Neither the Agentnor any of its directors, officers, agents or employees shall be liable to the Borrowers, any Borrower, the Banks or any Bank for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except for its or their own gross negligence or willful misconduct.

9.4 No Responsibility for Loans, Recitals, etc. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (i) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or

agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Bank; (iii) the satisfaction of any condition specified in Section 3.2 or otherwise hereunder; (iv) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; or (v) the value, sufficiency, creation, perfection or priority of any interest in any collateral security. The Agent shall have no duty to disclose to the Banks information that is not required to be furnished by the Borrowers to the Agent at such time, but is voluntarily furnished by the Borrowers to the Agent (either in its capacity as Agent or in its individual capacity).

9.5 Action on Instructions of Banks. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Banks, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Banks and on all holders of Notes. The Banks hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Banks. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

9.6 Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder and under any other Loan Document.

9.7 Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

9.8 Agent's Reimbursement and Indemnification. The Banks agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (i) for any amounts not reimbursed by the Borrowers for which the Agent is entitled to reimbursement by the Borrowers under the Loan Documents, (ii) for any other expenses incurred by the Agent on behalf of the Banks, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent. The obligations of the Banks under this Section 9.8 shall survive payment of the Bank Obligations and termination of this Agreement.

9.9 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the

Agent has received written notice from a Bank or a Borrower referring to this Agreement describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Banks.

9.10 Rights as a Bank. In the event the Agent is a Bank, the Agent shall have the same rights and powers hereunder and under any other Loan Document as any Bank and may exercise the same as though it were not the Agent, and the term "Bank" or "Banks" shall, at any time when the Agent is a Bank, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with any Borrower or any of their respective Subsidiaries in which any Borrower or such Subsidiary is not restricted hereby from engaging with any other Person. The Agent, in its individual capacity, is not obligated to remain a Bank.

9.11 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the financial statements prepared by the Borrowers and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

9.12 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrowers, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. Upon any such resignation, the Required Banks shall have the right to appoint, on behalf of the Borrowers and the Banks, a successor Agent. If no successor Agent shall have been so appointed by the Required Banks within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrowers, and the Banks, a successor Agent. If the Agent has resigned and no successor Agent has been appointed, the Banks may perform all the duties of the Agent hereunder and the Borrowers shall make all payments in respect of the Bank Obligations to the applicable Bank and for all other purposes shall deal directly with the Banks. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least $50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the effectiveness of the resignation of the Agent, the resigning Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation of an Agent, the provisions of this Section 9 shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents.

9.13 Pro Rata Sharing by Banks. Each Bank agrees with every other Bank that, in the event that it shall receive and retain any payment on account of the Borrower's obligations under this Agreement, the Notes or the Security Documents in a greater proportion than that received by any other Bank, whether such payment be voluntary, involuntary or by operation of law, by application of set-off of any indebtedness or otherwise, then such Bank shall promptly purchase a participation interest from the other Banks, without recourse, for cash and at face value, ratably in accordance with its Pro Rata Share, in such an amount that each Bank shall have received payment in respect of such obligations in

accordance with its Pro Rata Share; provided, that if any such purchase be made by any Bank and if any such excess payment relating thereto or any part thereof is thereafter recovered from such Bank, appropriate adjustment in the related purchase from the other Banks shall be made by rescission and restoration of the purchase price as to the portion of such excess payment so recovered. It is further agreed that, to the extent there is then owing by the Borrowers to any Bank indebtedness other than that evidenced by this Agreement, the Notes and the Security Documents to which such Bank may apply any involuntary payments of indebtedness by the Borrowers, including those resulting from exercise of rights of set-off or similar rights, such Bank shall apply all such involuntary payments first to obligations of the Borrowers to the Banks hereunder and under the Notes and the Security Documents and then to such other indebtedness owed to it by the Borrowers. In addition, it is further agreed that any and all proceeds resulting from a sale or other disposition of any collateral which may be hereafter granted for the benefit of the Banks to secure the obligations of the Borrowers hereunder, shall be applied first to obligations of the Borrowers to the Banks hereunder and under the Notes and the Security Documents, and then ratably to any other indebtedness owed by the Borrowers to the Banks which is secured by such collateral.

9.14 Determination of Borrowing Base, Etc. Any redetermination of the Borrowing Base shall be made mutually by the Agent and the Documentation Agent and submitted to the Banks. The redetermined Borrowing Base shall then be effective when approved by the Required Banks, provided that if such redetermined Borrowing Base is not approved by the Required Banks within 10 days after it is submitted to the Banks, each Bank shall submit to the Agent, on or within 10 days after the Agent notifies the Banks that the Required Banks have not approved such redetermined Borrowing Base, its determination of the Borrowing Base, and the redetermined Borrowing Base will be based on the weighted average of the redetermined Borrowing Base of each Bank which properly submits such redetermination to the Agent, weighted according to each Bank's Commitment. The Borrowing Base may be redetermined from time to time as requested by the Required Banks, and will be redetermined upon the request of the Borrowers (provided that the Borrowers cannot request a redetermination of the Borrowing Base more than once between the mandatory redeterminations hereinafter provided for), and, in addition, at least twice each year as follows: upon receipt of the reserve reports referred to in Section 7.1(d)(vii) hereof (and in connection with such twice per year redeterminations of the Borrowing Base, the Agent and the Documentation Agent shall submit the redetermined Borrowing Base as required under the first sentence of this Section 9.14 on or prior to 30 days after the receipt of each (a) reserve report referred to in Section 7.1(d)(vii) (A) hereof and (b) reserve report referred to in Section 7.1(d)(vii)(B). Except for the scheduled redeterminations of the Borrowing Base, each Bank requesting a redetermination of the Borrowing Base agrees to give notice to the Agent, the Documentation Agent and the Borrowers of such request. All parties hereto acknowledge that as of the Effective Date the Borrowing Base is equal to $275,000,000; provided that the Borrowing Base will be increased by (i) $10,000,000 when the Borrowers complete (as determined by the Agent) the acquisition of the Purchased Bois D'Arc Assets to be sold by Richard Price pursuant to the Purchase Documents, (ii) $2,000,000 when the Borrowers complete (as determined by the Agent) the acquisition of the Purchased Bois D'Arc Assets to be sold by Sage Oil, Inc. pursuant to the Purchase Documents, and (iii) $3,000,000 when the Borrowers complete (as determined by the Agent) the acquisition of the Purchased Bois D'Arc Assets to be sold by Metrow Energy, LLC pursuant to the Purchase Documents.

9.15 Documentation Agent. Other than as specified in Section 9.14, Bank One, Texas, N.A., as Documentation Agent hereunder, shall have no duties or liabilities.

SECTION 10. Miscellaneous.

10.1 Amendments; Etc. (a) This Agreement and any term or provision hereof may be amended, waived or terminated by an instrument in writing executed by the

Borrowers and the Required Banks, and (i) to the extent any rights or duties of the Agent may be affected thereby, the Agent, and (ii) to the extent any of the rights or duties of the Documentation Agent may be affected thereby, the Documentation Agent, provided, that, notwithstanding anything in this Agreement to the contrary, except by an instrument in writing executed by the Borrowers and all of the Banks, no such amendment, waiver or termination shall authorize or permit the extension of the time or times of payment of the principal of, or interest on, the Notes or the reduction in principal amount thereof or the rate of interest thereon, or any fees payable hereunder, or increase or extend the respective Commitments of any Bank, or release any Borrower from any of its obligations hereunder or under any other Loan Document, or release any material amount of the Collateral from the Liens granted pursuant hereto, or amend this Section 10.1.

(b) Any such amendment, waiver or termination shall be effective only in the specific instance and for the specific purpose for which given.

(c) Notwithstanding anything herein to the contrary, any Bank that has failed to fund any Advance or other amount required to be funded by such Bank hereunder shall not be entitled to vote (whether to consent or to withhold its consent) with respect to any amendment, modification, termination or waiver of any provision of any Loan Document or a departure therefrom or any direction from the Banks to the Agent and, for purposes of determining the Required Banks, the Commitments and Advances of such Bank shall be disregarded.

10.2 Notices. (a) Except as otherwise provided in Section 10.2(c) hereof, all notices, requests, consents and other communications hereunder shall be in writing and shall be delivered or sent to the Borrowers, the Banks and the Agent at the respective addresses for notices set forth on the signature pages hereof, or to such other address as may be designated by the Borrowers, the Agent or any Bank by notice to the other parties hereto. All notices shall be deemed to have been given at the time of actual delivery thereof to such address, or if sent by the Agent or any Bank to the Borrowers by certified or registered mail, postage prepaid, to such address, on the fifth day after the date of mailing.

(b) Notices by the Borrowers to the Agent with respect to requests for Advances pursuant to Section 3.1 and notices of prepayment pursuant to Section 4.1(c) shall be irrevocable and binding on the Borrowers.

(c) Any notice to be given by the Borrowers to the Agent pursuant to Section 4.1(c) or Section 3.1 and any notice to be given by the Agent or any Bank hereunder, may be given by telephone, by telex or by facsimile transmission and must be immediately confirmed in writing in the manner provided in Section 10.2(a). Any such notice given by telephone, telex or facsimile transmission shall be deemed effective upon receipt thereof by the party to whom such notice is given.

10.3 Conduct No Waiver; Remedies Cumulative. No course of dealing on the part of the Agent or the Banks, nor any delay or failure on the part of the Agent or any Bank in exercising any right, power or privilege hereunder shall operate as a waiver of such right, power or privilege or otherwise prejudice the Agent's or the Banks' rights and remedies hereunder; nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege. No right or remedy conferred upon or reserved to the Agent or the Banks under this Agreement is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to every other right or remedy given hereunder or now

or hereafter existing under any applicable law. Every right and remedy given by this Agreement or by applicable law to the Agent or the Banks may be exercised from time to time and as often as may be deemed expedient by them.

10.4 Reliance on and Survival of Various Provisions. All terms, covenants, agreements, representations and warranties of the Borrowers made herein or in any certificate or other document delivered pursuant hereto shall be deemed to be material and to have been relied upon by the Banks, notwithstanding any investigation heretofore or hereafter made by any Bank or on any Bank's behalf, and those covenants and agreements of the Borrowers set forth in Section 10.5 hereof shall survive the repayment in full of the Advances and other obligations of the Borrowers hereunder and under Security Documents and the termination of the Commitments.

10.5 Expenses; Indemnification. (a) The Borrowers agree to pay and save the Agent harmless from liability for the payment of the reasonable fees and expenses of any counsel the Agent shall employ, in connection with the preparation, execution and delivery of this Agreement, the Notes and the Security Documents and the consummation of the transactions contemplated hereby and in connection with any amendments, waivers or consents and other matters in connection therewith, and all reasonable costs and expenses of the Agent and the Banks (including reasonable fees and expenses of counsel) in connection with any enforcement of this Agreement, the Notes or the Security Documents.

(b) Each of the Borrowers hereby indemnifies and agrees to hold harmless the Banks and the Agent, and their respective officers, directors, employees and agents, from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever which the Banks or the Agent or any such Person may incur or which may be claimed against any of them by reason of or in connection with any Letter of Credit, and neither any Bank nor the Agent or any of their respective officers, directors, employees or agents shall be liable or responsible for: (i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith; (ii) the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by the Agent to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of any Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; (iv) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit; or (v) any other event or circumstance whatsoever arising in connection with any Letter of Credit; provided, however, that the Borrowers shall not be required to indemnify the Agent and such other Persons, and the Agent shall be liable to the Borrowers to the extent, but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by any Borrower which were caused by (A) the Agent's wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit, or (B) the payment by the Agent to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit to the extent, but only to the extent, that such payment constitutes gross negligence or wilful misconduct of the Agent. It is understood that in making any payment under a Letter of Credit the Agent will rely on documents presented to it under such Letter of Credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary, and such reliance and payment against documents presented under a Letter of Credit substantially complying with the terms thereof shall not be deemed gross negligence or wilful misconduct of the Agent in connection with such payment. It is further acknowledged and agreed that a Borrower may have rights against the beneficiary or others in connection with

any Letter of Credit with respect to which the Agent is alleged to be liable and it shall be a precondition of the assertion of any liability of the Agent under this Section that such Borrower shall first have taken reasonable steps to enforce remedies in respect of the alleged loss against such beneficiary and any other parties obligated or liable in connection with such Letter of Credit and any related transactions.

(c) In consideration of the execution and delivery of this Agreement by each Bank and the extension of the Commitments, the Borrowers hereby indemnify, exonerate and hold the Agent, each Bank and each of their respective officers, directors, employees and agents (collectively, the "Indemnified Parties") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and expenses incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements (collectively, the "Indemnified Liabilities"), incurred by the Indemnified Parties or any of them as a result of, or arising out of, or relating to:

(i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Advance;

(ii) the entering into and performance of this Agreement and any other agreement or instrument executed in connection herewith by any of the Indemnified Parties (including any action brought by or on behalf of the Borrowers as the result of any determination by the Required Banks not to fund any Advance in compliance with this Agreement);

(iii) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by the Borrowers or any of their Subsidiaries of any portion of the stock or assets of any Person, whether or not the Agent or such Bank is party thereto;

(iv) any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to any release by the Borrowers or any of their Subsidiaries of any hazardous material or any violations of Environmental Laws; or

(v) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releases from, any real property owned or operated by the Borrowers or any Subsidiary thereof of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, the Borrowers or such Subsidiary, except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the activities of the Indemnified Party on the property of the Borrowers conducted subsequent to a foreclosure on such property by the Banks or by reason of the relevant Indemnified Party's gross negligence or wilful misconduct or breach of this Agreement, and if and to the extent that the foregoing undertaking may be unenforceable for any reason, the Borrowers hereby agree to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The Borrowers shall be obligated to indemnify the Indemnified Parties for all Indemnified Liabilities subject to and pursuant to the foregoing provisions, regardless of whether the Borrowers or any of their Subsidiaries had knowledge of the facts and circumstances giving rise to such Indemnified Liability.

10.6 Successors and Assigns. (a) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and

assigns, provided that the Borrowers may not, without the prior consent of the Banks, assign their rights or obligations hereunder or under the Notes and the Banks shall not be obligated to make any Advance hereunder to any entity other than the Borrowers.

(b) Any Bank may sell a participation interest to any financial institution or institutions, and such financial institution or institutions may further sell, a participation interest (undivided or divided) in, the Advances and such Bank's rights and benefits under this Agreement, the Notes and the Security Documents and to the extent of that participation, such participant or participants shall have the same rights and benefits against the Borrowers under Section 6.2(c) as it or they would have had if participation of such participant or participants were the Bank making the Advances to the Borrowers hereunder, provided, however, that (i) such Bank's obligations under this Agreement shall remain unmodified and fully effective and enforceable against such Bank, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of its Note for all purposes of this Agreement, (iv) the Borrowers, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) such Bank shall not grant to its participant any rights to consent or withhold consent to any action taken by such Bank or the Agent under this Agreement other than action requiring the consent of all of the Banks hereunder. The Agent from time to time in its sole discretion may appoint agents for the purpose of servicing and administering this Agreement and the transactions contemplated hereby and enforcing or exercising any rights or remedies of the Agent provided under this Agreement, the Notes, or otherwise. In furtherance of such agency, the Agent may from time to time direct that the Borrowers provide notices, reports and other documents contemplated by this Agreement (or duplicates thereof) to such agent. The Borrowers hereby consent to the appointment of such agent and agree to provide all such notices, reports and other documents and to otherwise deal with such agent acting on behalf of the Agent in the same manner as would be required if dealing with the Agent itself.

(c) Each Bank may, with the prior consent of the Borrowers (which consent shall not be unreasonably withheld and may not be withheld upon the occurrence and during the continuance of any Event of Default which is not cured or waived within 30 days after the occurrence of such Event of Default) and the Agent, assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note or Notes and the Security Documents held by it); provided, however, that (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, (A) the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000, and in integral multiples of $1,000,000 thereafter, or such lesser amount as the Borrowers and the Agent may consent to and (B) after giving effect to each such assignment, the amount of the Commitment of the assigning Bank shall in no event be less than $5,000,000, and (iii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance in the form of Exhibit D hereto (an "Assignment and Acceptance"), together with any Note or Notes subject to such assignment and a processing and recordation fee of $3,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(d) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers or the performance or observance by the Borrowers of any of their obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 6.7 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance on the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank.

(e) The Agent shall maintain at its address designated on the signature pages hereof a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrowers, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrowers or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(f) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee, together with any Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrowers. Within five Business Days after its receipt of such notice, the Borrowers, at their own expense, shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note to the order of such assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, a new Note to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit B hereto.

(g) The Banks may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.6, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrowers, provided that such proposed assignee or participant has agreed to hold such information confidential under the terms described in Section 10.20.

(h) Notwithstanding any other provisions set forth in this Agreement, any Bank may at any time create a security interest in, or assign, all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System; provided that such creation of a security interest or assignment shall not release such Bank from its obligations under this Agreement.

10.7 Subsidiaries as Borrowers. In the event that CRI, COG, COGL or Offshore shall create or acquire a Subsidiary, such Subsidiary shall execute a joinder agreement in form and substance satisfactory to the Agent, together with such Security Documents, other documents and opinions as the Agent may reasonably require, and shall become a Borrower hereunder.

10.8 CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

10.9 Table of Contents and Headings. The table of contents and the headings of the various subdivisions hereof are for the convenience of reference only and shall in no way modify any of the terms or provisions hereof.

10.10 Construction of Certain Provisions. All computations required hereunder and all financial terms used herein shall be made or construed in accordance with GAAP unless such principles are inconsistent with the express requirements of this Agreement. If any provision of this Agreement refers to any action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, whether or not expressly specified in such provision.

10.11 Integration and Severability. This Agreement embodies the entire agreement and understanding between the Borrowers and the Banks, and supersedes all prior agreements and understandings, relating to the subject matter hereof. In case any one or more of the obligations of the Borrowers under this Agreement, the Notes or any Security Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of the Borrowers shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the obligations of the Borrowers under this Agreement, the Notes or any Security Documents in any other jurisdiction.

10.12 Interest Rate Limitation. Notwithstanding any provisions of this Agreement, the Notes or any Security Documents, in no event shall the amount of interest paid or agreed to be paid by the Borrowers exceed an amount computed at the highest rate of interest permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision of this Agreement, the Notes or any Security Documents at the time performance of such provision shall be due, shall involve exceeding the interest rate limitation validly prescribed by law which a court of competent jurisdiction may deem applicable hereto, then, ipso facto, the obligations to be fulfilled shall be reduced to an amount computed at the highest rate of interest permissible under applicable law, and if for any reason whatsoever the Banks shall ever receive as interest an amount which would be deemed unlawful under such applicable law such interest shall be automatically applied to the payment of principal of the Advances outstanding and other obligations of the Borrowers hereunder (whether or not then due and payable)and not to the payment of interest, or shall be refunded to the

Borrowers if such principal has been paid in full. Anything herein to the contrary notwithstanding, the obligations of the Borrowers under this Agreement shall be subject to the limitation that payments of interest shall not be required to the extent that receipt of any such payment by the Banks would be contrary to provisions of law applicable to the Banks which limits the maximum rate of interest which may be charged or collected by the Banks.

10.13 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

10.14 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any such covenant, the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or any event or condition which with notice or lapse of time, or both, could become such an Event of Default if such action is taken or such condition exists.

10.15 Consent to Jurisdiction. Notwithstanding the place where any liability originates or arises, or is to be repaid, any suit, action or proceeding arising out of or relating to this Agreement, any Security Documents, or the Notes may be instituted in any court of competent jurisdiction in the State of Illinois, each Borrower hereby irrevocably waives any objection which it may have or hereafter has to the laying of such venue of any such suit, action or proceeding and any claim that any such suit, action or proceeding has been brought in an inconvenient forum, and each Borrower hereby irrevocably submits its Person and property to the jurisdiction of any such court in any such suit, action or proceedings. Nothing in this Section 10.15 shall affect the right of the Bank to bring proceedings against the Borrowers or any of their property in the courts of any other court of competent jurisdiction.

10.16 JURY TRIAL WAIVER. THE AGENT, THE BANKS AND EACH BORROWER, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE NOTES, THE SECURITY DOCUMENTS, OR ANY RELATED INSTRUMENT OR AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE NOTES OR THE SECURITY DOCUMENTS OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY OF THEM. NEITHER THE AGENT, THE BANKS NOR ANY BORROWER SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER THE AGENT AND THE BANKS OR THE BORROWERS EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

10.17 Joint and Several Obligations; Contribution Rights; Savings Clause.

(a) Notwithstanding anything to the contrary set forth herein or in any Note or in any other Loan Document, the obligations of the Borrowers hereunder and under the Notes and the other Loan Documents are joint and several.

(b) If any Borrower makes a payment in respect of the Bank Obligations, it shall have the rights of contribution set forth below against the other Borrowers; provided that such Borrower shall not exercise its right of

contribution until all the Bank Obligations shall have been finally paid in full in cash. If any Borrower makes a payment in respect of the Bank Obligations that is smaller in proportion to its Payment Share (as hereinafter defined) than such payments made by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower making such proportionately smaller payment shall, when permitted by the preceding sentence, pay to the other Borrowers an amount such that the net payments made by the Borrower in respect of the Bank Obligations shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. If any Borrower receives any payment that is greater in proportion to the amount of its Payment Shares than the payments received by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower receiving such proportionately greater payment shall, when permitted by the second preceding sentence, pay to the other Borrowers an amount such that the payments received by the Borrowers shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. Notwithstanding anything to the contrary contained in this paragraph or in this Agreement, no liability or obligation of any Borrower that shall accrue pursuant to this paragraph shall be paid nor shall it be deemed owed pursuant to this paragraph until all of the Bank Obligations shall be finally paid in full in cash.

For purposes hereof, the "Payment Share" of each Borrower shall be the sum of (a) the aggregate proceeds of the Bank Obligations received by such Borrower plus (b) the product of (i) the aggregate Bank Obligations remaining unpaid on the date such Bank Obligations become due and payable in full, whether by stated maturity, acceleration, or otherwise (the "Determination Date") reduced by the amount of such Bank Obligations attributed to all or such Borrowers pursuant to clause (a) above, times (ii) a fraction, the numerator of which is such Borrower's net worth on the effective date of this Agreement (determined as of the end of the immediately preceding fiscal reporting period of such Borrower), and the denominator of which is the aggregate net worth of all Borrowers on such effective date.

(c) It is the intent of each Borrower, the Agent and the Banks that each Borrower's maximum Bank Obligations shall be in, but not in excess of:

(i) in a case or proceeding commenced by or against such Borrower under the Bankruptcy Code on or within one year from the date on which any of the Bank Obligations are incurred, the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under (A) Section 548 of the Bankruptcy Code or (B) any state fraudulent transfer or fraudulent conveyance act or statute applied in such case or proceeding by virtue of Section 544 of the Bankruptcy Code; or

(ii) in a case or proceeding commenced by or against such Borrower under the Bankruptcy Code subsequent to one year from the date on which any of the Bank Obligations are incurred, the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding by virtue of Section 544 of the Bankruptcy Code; or

(iii) in a case or proceeding commenced by or against such Borrower under any law, statute or regulation other than the Bankruptcy Code (including, without limitation, any other bankruptcy, reorganization, arrangement, moratorium, readjustment of debt, dissolution, liquidation or similar debtor relief laws), the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks)to be avoidable or unenforceable against such Borrower under such law,

statute or regulation including, without limitation, any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding.

(d) The Borrowers acknowledge and agree that they have requested that the Banks make credit available to the Borrowers with each Borrower expecting to derive benefit, directly and indirectly, from the Advances and other credit extended by the Banks to the Borrowers.

10.18 Consents to Renewals, Modifications and Other Actions and Events. This Agreement and all of the obligations of the Borrowers hereunder shall remain in full force and effect without regard to and shall not be released, affected or impaired by: (a) any amendment, assignment, transfer, modification of or addition or supplement to the Bank Obligations, this Agreement, any Note or any other Loan Document; (b) any extension, indulgence, increase in the Bank Obligations or other action or inaction in respect of any of the Loan Documents or otherwise with respect to the Bank Obligations, or any acceptance of security for, or guaranties of, any of the Bank Obligations or Loan Documents, or any surrender, release, exchange, impairment or alteration of any such security or guaranties including without limitation the failing to perfect a security interest in any such security or abstaining from taking advantage or of realizing upon any guaranties or upon any security interest in any such security; (c) any default by any Borrower under, or any lack of due execution, invalidity or unenforceability of, or any irregularity or other defect in, any of the Loan Documents; (d) any waiver by the Banks or any other Person of any required performance or otherwise of any condition precedent or waiver of any requirement imposed by any of the Loan Documents, any guaranties or otherwise with respect to the Bank Obligations; (e) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Agreement or any of the other Loan Documents; (f) any sale, lease, transfer or other disposition of the assets of any Borrower or any consolidation or merger of any Borrower with or into any other Person, corporation, or entity, or any transfer or other disposition by any Borrower or any other holder of any shares of capital stock of any Borrower; (g) any bankruptcy, insolvency, reorganization or similar proceedings involving or affecting any Borrower; (h) the release or discharge of any Borrower from the performance or observance of any agreement, covenant, term or condition under any of the Bank Obligations or contained in any of the Loan Documents by operation of law; or (i) any other cause whether similar or dissimilar to the foregoing which, in the absence of this provision, would release, affect or impair the obligations, covenants, agreements and duties of any Borrower hereunder, including without limitation any act or omission by the Agent, or the Bank or any other any Person which increases the scope of such Borrower's risk; and in each case described in this paragraph whether or not any Borrower shall have notice or knowledge of any of the foregoing, each of which is specifically waived by each Borrower. Each Borrower warrants to the Agent and the Banks that it has adequate means to obtain from each other Borrower on a continuing basis information concerning the financial condition and other matters with respect to the Borrowers and that it is not relying on the Agent or the Banks to provide such information either now or in the future.

10.19 Waivers, Etc. Each Borrower unconditionally waives: (a) notice of any of the matters referred to in Section 10.18 above; (b) all notices which may be required by statute, rule or law or otherwise to preserve any rights of the Agent or the Banks including, without limitation, presentment to and demand of payment or performance from the other Borrowers and protect for non-payment or dishonor; (c) any right to the exercise by the Agent or the Banks of any right, remedy, power or privilege in connection with any of the Loan Documents; (d) any requirement that the Agent or the Banks in the event of any default by any Borrower, first make demand upon or seek to enforce remedies against, such Borrower or any other Borrower before demanding payment under or seeking to enforce this Agreement against any other Borrower; (f) any right to notice of the disposition of any security which the Agent or the Banks may hold from any Borrower or otherwise and any right to object to the commercial reasonableness of the disposition of any such security; and (g) all errors and omissions in connection with the Agent's or any Bank's administration of any of the Bank Obligations, any of the Loan Documents,or any other act or omission of the Agent

or any Bank which changes the scope of the Borrower's risk, except as a result of the gross negligence or willful misconduct of the Agent or any Bank. The obligations of each Borrower hereunder shall be complete and binding forthwith upon the execution of this Agreement and subject to no condition whatsoever, precedent or otherwise, and notice of acceptance hereof or action in reliance hereon shall not be required.

10.20 Confidentiality. The Banks and the Agent shall hold all confidential information obtained pursuant to the requirements of this Agreement which has been identified as such by any Borrower in accordance with their customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure to its examiners, affiliates, outside auditors, counsel and other professional advisors in connection with this Agreement or as reasonably required by any bona fide transferee or participant in connection with the contemplated transfer of any Note or participation therein or as required or requested by any governmental agency or representative thereof or pursuant to legal process. Without limiting the foregoing, it is expressly understood that such confidential information shall not include information which, at the time of disclosure is in the public domain or, which after disclosure, becomes part of the public domain or information which any Bank or the Agent had obtained prior to the time of disclosure and identification by any Borrower under this Section 10.20, or information received by any Bank or the Agent from a third party. Nothing in this Section 10.20 or otherwise shall prohibit any Bank or the Agent from disclosing any confidential information to the other Banks or the Agent or render any of them liable in connection with any such disclosure.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of this 9th day of December, 1997, which shall be the Effective Date of this Agreement.

Address for Notices:

COMSTOCK RESOURCES, INC.

5005 LBJ Freeway, Suite 1000
Dallas, Texas 75244
Attention: M. Jay Allison
Telephone: (972) 701-2000
Telecopy: (972) 701-2111

By:/s/M. JAY ALLISON

M. Jay Allison, its chairman,
president and chief executive officer

COMSTOCK OIL & GAS, INC.

5005 LBJ Freeway, Suite 1000
Dallas, Texas 75244
Attention: M. Jay Allison
Telephone: (972) 701-2000
Telecopy: (972) 701-2111

By:/s/M. JAY ALLISON

M. Jay Allison, its chairman,
president and chief executive officer

COMSTOCK OIL & GAS, LOUISIANA, INC.

5005 LBJ Freeway, Suite 1000
Dallas, Texas 75244
Attention: M. Jay Allison
Telephone: (972) 701-2000
Telecopy: (972) 701-2111

By:/s/M. JAY ALLISON

M. Jay Allison, its chairman,
president and chief executive officer

COMSTOCK OFFSHORE, LLC

5005 LBJ Freeway, Suite 1000
Dallas, Texas 75244
Attention: M. Jay Allison
Telephone: (972) 701-2000
Telecopy: (972) 701-2111

By:/s/M. JAY ALLISON

M. Jay Allison, its chairman,
president and chief executive officer

One First National Plaza
Suite 0362
Chicago, Illinois 60670
Attention: Carl Skoog

Telephone No: (312) 732-8011
Facsimile No: (312) 732-3055
Commitment Amount: $40,000,000
Pro Rata Share: 13.793103%

THE FIRST NATIONAL BANK OF CHICAGO,
as a Bank and as Agent

By:/s/GEORGE SCHANZ

Its: Authorized Agent

1717 Main Street
Dallas, Texas 75201
Attention: Mark Cranmer
Telephone No: (214) 290-2212

Facsimile No: (214) 290-2627
Commitment Amount: $40,000,000
Pro Rata Share: 13.793103%

BANK ONE, TEXAS, NA,
as a Bank and as Documentation Agent

By:/s/WM. MARK CRAMER

Its: Vice President

1200 Smith Street, Ste. 3100
Houston, Texas 77002
Attention: Mike Fiuzat

Telephone No: (713) 659-4811
Facsimile No: (713) 659-6915
Commitment Amount: $35,000,000

Pro Rata Share: 12.068966%

BANQUE PARIBAS

By:/s/MARIAN LIVINGSTON

Its Group Vice President

By:/s/MIKE FIUZAT

Its: Vice President

909 Fannin Street, Ste. 1700
Houston, Texas 77010
Attention: Manager, Credit Administration

Telephone No: (713) 653-8200
Facsimile No: (713) 652-2647
Commitment Amount: $35,000,000
Pro Rata Share: 12.068966%

TORONTO DOMINION (TEXAS), INC.

By:/s/ DARLENE RIEDEL

Its: Vice President

Three Riverway, Suite 1770 Houston, Texas 77056 Attention: Chuck Randall Telephone No. (713) 953-9305 Facsimile No: (713) 629-7533 Commitment Amount: $25,000,000 Pro Rata Share: 8.620690%	ABN-AMRO BANK N.V. By: ABN AMRO NORTH AMERICA INC., as agent By:/s/H. GENE SHIELS ---------- Its: Vice President By: /s/W.BRYAN CHAPMAN ---------- Its: Group Vice President
100 Federal Street Boston, MA 02110 Attention: Allison Rossi Telephone No: (617) 434-4067 Facsimile No: (617) 434-3652 Commitment Amount: $25,000,000 Pro Rata Share: 8.620690%	BANKBOSTON, N.A. By:/s/ALLISON ROSSI ---------- Its: Director
11 West 42nd Street, 7th Floor New York, New York 10036 Attention: Steve Phillips Telephone No: (212) 827-4836 Facsimile No: (212) 827-4888 Commitment Amount: $25,000,000 Pro Rata Share: 8.620690%	CHRISTIANIA BANK OG KREDITKASSE, ASA By:/s/WILLIAM S. PHILLIPS ---------- Its First Vice President By:/s/CARL-PETER SVENDSEN ---------- Its: First Vice President
1000 Louisiana Street, Ste. 5360 Houston, Texas 77002 Attention: Christine Smith Byerley Telephone No: (713) 751-0500 Facsimile No: (713) 751-0307 Commitment Amount: $25,000,000 Pro Rata Share: 8.620690%	CREDIT LYONNAIS NEW YORK BRANCH By:/s/CHRISTINE SMITH BYERLEY ---------- Its: Senior Vice President

Commitment Amount: $25,000,000
Pro Rata Share: 8.620690%
Address for Operational Notices:

MeesPierson Capital Corp.
300 Crescent Court, Suite 1750

Dallas, Texas 75201
Yolanda Dittmar
Telephone: (214) 754-0009
Telefax: (214) 754-5981

ADDRESSES FOR OTHER NOTICES:
MeesPierson Capital Corp.
300 Crescent Court, Suite 1750
Dallas, Texas 75201
Attn: Karel Louman
Telephone: (214) 754-0009
Telefax: (214) 754-5981

MEESPIERSON CAPITAL CORP.

By:/s/KAREL LOUMAN

Its: Managing Director

By:/s/DEIRDRE SANBORN

Its. Assistant Vice President

2121 San Jacinto, Ste. 1850
Dallas, Texas 75201
Attention: Doug Clark

Telephone No: (214) 871-1265
Facsimile No: (214) 871-2015
Commitment Amount: $15,000,000
Pro Rata Share: 5.172414%

NATIONAL BANK OF CANADA

By:/s/DOUG CLARK

Its: Group Vice President

By:/s/LARRY SEARS

Its: Vice President

Lending Office for Floating Rate Loans
125 West 55th Street, 23rd Floor
New York, New York 10019
Facsimile No: (212) 632-8736

Lending Office for Eurodollar Loans
125 West 55th Street, 23rd Floor
New York, New York 10019
Facsimile No: (212) 632-8736

EXHIBIT 10.10

WARRANT AGREEMENT

December 9, 1997

Bois d'Arc Resources
13105 Northwest Freeway, Suite 520
Houston, Texas 77040

Gentlemen:

Comstock Resources, Inc., a Nevada corporation (the "Company"), for value received, hereby agrees to issue a stock purchase warrant entitling Bois d'Arc Resources, a Louisiana partnership of Wayne L. Laufer and Gary W. Blackie ("Original Owner"), to purchase up to an aggregate of 1,000,000 shares of the Company's common stock, par value $.50 per share (the "Common Stock"). Such warrant shall be evidenced by a warrant certificate in the form attached hereto as Exhibit A (such instrument being hereinafter referred to as the "Warrant," and such Warrant and all instruments hereafter issued in replacement, substitution, combination or subdivision thereof being hereinafter collectively referred to as the "Warrants"). Subject to Section 1(a) below, the Warrants will be exercisable by Original Owner or any other Warrantholder (as defined below) as to all or any lesser number of shares of Common Stock covered thereby, at an initial exercise price of $14.00 per share, subject to adjustment as provided in Section 5 below (as adjusted, the "Exercise Price "), for the exercise period defined in Section 1(a) below. The number of shares of Common Stock purchasable upon exercise of the Warrants is subject to adjustment as provided in Section 5 below.

The term "Warrantholder" refers to Original Owner and any of its transferees permitted by Section 3 below. Such term, when used in this Warrant Agreement in reference to or in the context of a person who holds or owns shares of Common Stock issued upon exercise of a Warrant, refers where appropriate to such person who holds or owns such shares of Common Stock. The term "Shares" refers to the shares of Common Stock issuable upon exercise of the Warrants.

SECTION 1. EXERCISE OF WARRANTS; PARTIAL EXERCISE

(a) Exercise Period; Vesting Requirement. The Warrants will be exercisable by any Warrantholder as to all or any lesser number of shares of Common Stock covered thereby, at the Exercise Price, at any time and from time to time on and after the date hereof and ending at 5:00 p.m., Dallas time, on December 31, 2007. The Warrants (i) are being issued pursuant to the Joint Exploration Agreement dated as of December 8, 1997 ("Joint Exploration Agreement") between the Original Owner and Comstock Offshore, LLC, a Nevada limited liability company, and (ii) shall vest and become exercisable as set forth in Section 9 of the Joint Exploration Agreement. Any Warrants that have not vested and become exercisable by January 1, 2005, as provided in the Joint Exploration Agreement, shall terminate on such date.

(b) Exercise in Full. Subject to Section 1(a), the Warrants may be exercised in full by the Warrantholder by surrender of the Warrants, with the form of subscription on the Warrant duly executed by such Warrantholder, to the

Company at its principal office at 5005 LBJ Freeway, Suite 1000, Dallas, Texas 75244, Attention: Chief Financial Officer, accompanied by payment, in cash or by certified or bank cashier's check payable to the order of the Company, or by delivery of previously owned shares of Common Stock (valued at the Market Price Per Share), in the amount obtained by multiplying the number of shares of the Common Stock represented by the respective Warrant or Warrants by the Exercise Price per share (after giving effect to any adjustments as provided in Section 5 below). The Market Price Per Share of Common Stock at any date shall be deemed to be the average of the daily closing prices for the five consecutive trading days immediately prior to the day in question, as reported on the principal national securities exchange on which the Common Stock is then listed or admitted to trading.

(c) Partial Exercise. Subject to Section 1(a), each Warrant may be exercised in part by a Warrantholder by surrender of the Warrant, with the form of subscription at the end thereof duly executed by such Warrantholder, in the manner and at the place provided in Section 1(b) above, accompanied by payment, in cash or by certified or bank cashier's check payable to the order of the Company, or by delivery of previously owned shares of Common Stock (valued at the Market Price Per Share), in the amount obtained by multiplying the number of shares of the Common Stock designated by the Warrantholder in the form of subscription attached to the Warrant by the Exercise Price per share (after giving effect to any adjustments as provided in Section 5 below). Upon any such partial exercise, the Company at its expense will issue and deliver to or upon the order of the Warrantholder a new Warrant of like tenor, in the name of the Warrantholder or as the Warrantholder (upon payment by such Warrantholder of any applicable transfer taxes) may request, subject to Section 3, calling in the aggregate for the purchase of the number of shares of the Common Stock equal to the number of such shares called for on the face of the respective Warrant (after giving effect to any adjustment herein as provided in Section 5 below) minus the number of such shares designated by the Warrantholder in the aforementioned form of subscription.

(d) Alternate Payment Right. The Warrantholder shall also have the right (the "Alternate Payment Right") to convert those Warrants which have vested and become exercisable as set forth in Section 1(a) above into shares of Common Stock as provided for herein. Upon exercise of the Alternate Payment Right (by delivery of the Warrants and a written notice at the place provided in Section 1(b) above), the Company shall deliver to the Warrantholder (without payment of any Exercise Price) that number of shares of Common Stock equal to the quotient obtained by dividing (x) the value of the Warrant at the time the Alternate Payment Right is exercised (determined by subtracting the aggregate Exercise Price for the shares of Common Stock which the Warrantholder is entitled to purchase under this Warrant on such date from the aggregate Market Price Per Share for such shares on such date) by (y) the Market Price Per Share on such date. If additional Warrants remain outstanding after exercise of the Alternate Payment Right, then the Company shall also deliver a new Warrant for the remaining balance of Warrants in accordance with Section 1(c) above.

(e) Delivery of Stock Certificates on Exercise. Any exercise of the Warrants pursuant to Section 1 shall be deemed to have been effected immediately prior to the close of business on the date on which the Warrants together with the subscription form and the payment for the aggregate Exercise Price shall have been received by the Company. At such time, the person or persons in whose name or names any certificate or certificates representing the Shares or Other Securities (as defined below) shall be issuable upon such exercise shall be deemed to have become the holder or holders of record of the Shares or Other Securities so purchased. As soon as practicable after the exercise of any Warrant in full or in part, and in any event within 10 days thereafter, the Company at its expense (including the payment by it of any applicable issue taxes but excluding any income taxes resulting from the exercise) will cause to be issued in the name of, and delivered to the purchasing Warrantholder, a certificate or certificates representing the number of fully paid and

nonassessable shares of Common Stock or Other Securities to which such Warrantholder shall be entitled upon such exercise. The term "Other Securities" refers to any stock (other than Common Stock), other securities or assets (including cash) of the Company or any other person (corporate or otherwise) which the holders of the Warrants at any time shall be entitled to receive, or shall have received, upon the exercise of the Warrants, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 5 below or otherwise.

(f) Fractional Shares. In lieu of any fractional shares of Common Stock which would otherwise be issuable upon exercise of this Warrant, the Company shall issue a certificate for the next higher number of whole shares of Common Stock for any fraction of a share which is one-half or greater. No shares will be issued for less than one-half a share.

(g) Warrantholder to Reaffirm Intent. At the request of the Company, the Warrantholder will, at the time of exercise of any Warrant, reaffirm its agreement set out in Section 3(a) hereof and further will represent and warrant that it is acquiring the Shares as an investment and not with a view to distribution thereof unless the Warrant is exercised simultaneously with the registration of the Shares to be issued.

SECTION 2. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Warrantholders as follows:

(a) Corporate and Other Action. The Company has all requisite power and authority (corporate and other), and has taken all necessary corporate action, to authorize, execute, deliver and perform this Warrant Agreement, to execute, issue, sell and deliver the Warrants and a certificate or certificates evidencing the Warrants, to authorize and reserve for issue and, upon payment from time to time of the Exercise Price, to issue, sell and deliver, the Shares, and to perform all of its obligations under this Warrant Agreement and the Warrants. The Shares, when issued in accordance with this Agreement, will be duly authorized and validly issued and outstanding, fully paid and nonassessable and free of all liens, claims, encumbrances and preemptive rights (other than any liens that may be created by Warrantholder). This Warrant Agreement and, when issued, each Warrant issued pursuant hereto, has been or will be duly executed and delivered by the Company and is or will be a legal, valid and binding agreement of the Company, enforceable in accordance with its terms. No authorization, approval, consent or other order of any governmental entity, regulatory authority or other third party is required for such authorization, execution, delivery, performance, issue or sale.

(b) No Violation. The execution and delivery of this Warrant Agreement, the consummation of the transactions herein contemplated and the compliance with the terms and provisions of this Warrant Agreement and of the Warrants will not conflict with, or result in a breach of, or constitute a default or an event permitting acceleration under, any statute, the Restated Articles of Incorporation or Bylaws of the Company or any indenture, mortgage, deed of trust, note, bank loan, credit agreement, franchise, license, lease, permit, or any other agreement, understanding, instrument, judgment, decree, order, statute, rule or regulation to which the Company is a party or by which it is or may be bound.

SECTION 3. TRANSFER RESTRICTIONS

(a) Compliance with Securities Law. Each Warrantholder agrees that the Warrants are being acquired as an investment and not with a view to distribution thereof and that the Warrants may not be transferred, sold, assigned or

hypothecated except as provided herein and in compliance with all applicable securities and other laws. Each Warrantholder agrees not to make any sale or other disposition of the Shares except pursuant to a registration statement which has become effective under the Securities Act of 1933, as amended (the "Act"), setting forth the terms of such offering, the underwriting discount and commissions and any other pertinent data with respect thereto, unless the Company has been provided with an opinion of counsel reasonably acceptable to the Company that such registration is not required. Certificates representing the Shares, which are not registered as provided in Section 4 below, shall bear an appropriate legend and be subject to a "stop-transfer" order.

(b) Transfer Restrictions. Prior to the Warrants vesting and becoming exercisable in accordance with Section 9 of the Joint Exploration Agreement, the Warrants may not be assigned or transferred by the Original Owner without the prior written consent of the Company. Notwithstanding the foregoing, the Original Owner may transfer all or any part of such Original Owner's interest in the Warrants to the partners of such Original Owner or to family members of such Original Owner's partners, trusts, corporations, partnerships or other entities in which a family member of Original Owner or its partners owns a majority of the beneficial interest provided that the transferee agrees in a writing delivered to the Company to accept the terms and conditions hereof, and assume all of the obligations of the transferring Original Owner under this Warrant Agreement. A "family member" for purposes of this paragraph shall include only the spouse, parents, siblings, children and descendants of the partners of Original Owner. "Descendants" for purposes of this paragraph shall include descendants through all generations and shall include blood descendant, descendants of stepchildren and persons adopted by their parent prior to attaining eighteen (18) years of age. After the Warrants or any portion thereof shall have vested and become exercisable in accordance with Section 9 of the Joint Exploration Agreement, such Warrants that have vested and become exercisable may be assigned to any person, subject to compliance with the terms of this Warrant Agreement and all applicable securities laws.

(c) Tax Matters. To the extent that the exercise of the Warrants or the disposition of shares of Common Stock acquired by exercise of the Warrants results in income subject to federal or state income tax withholding, Warrantholder shall deliver to the Company at the time of such exercise or disposition such amount of money or shares of Common Stock as the Company may require to meet its obligations under applicable tax laws or regulations, and, if Warrantholder fails to do so, the Company is authorized to withhold from any cash or Common Stock remuneration then or thereafter payable to Warrantholder any tax required to be withheld by reason of such resulting income. Upon an exercise of the Warrants, the Company is further authorized in its discretion to satisfy any such withholding requirement out of any cash or shares of Common Stock distributable to Warrantholder upon such exercise.

SECTION 4. REGISTRATION RIGHTS

(a) Required Registration. If the Warrantholder shall request the Company to effect the registration under the Securities Act of Shares acquired upon exercise of the Warrants or to be acquired no later than five business days after the registration hereunder shall have become effective, the Company shall use its best efforts to effect, as expeditiously as possible, the registration under the Securities Act of such Shares on Form S-3 or such similar form; provided, however, that the Company shall not be obligated to effect any such registration if the Company's counsel delivers to the Warrantholder a written opinion to the effect that the Shares may be sold or distributed without registration; and provided further, that if the Company is engaged in negotiations in respect of a merger, acquisition, combination or other transaction and in the good faith judgment of the Board of Directors of the Company disclosure of such transaction would not be in the best interest of the Company, the Company shall be entitled to postpone the filing of such registration statement until such time as the Board of Directors deems that disclosure of the transaction would not adversely affect the Company, but in no

event for more than six months. All expenses incident to the Company's performance with its obligations under this paragraph shall be paid by the Company; provided, however, the Warrantholder shall be responsible for and shall pay any underwriting, brokerage or selling agent's fees, discounts or commissions, and shall be responsible for all legal fees or counsel to the Warrantholder.

(b) Company Indemnification. In the event of any registration under the Securities Act of any securities pursuant to this Section 4, the Company will indemnify and hold harmless each Warrantholder and each other individual, corporation, partnership, trust, organization, association or other entity or individual ("Person"), if any, which controls (within the meaning of the Securities Act) such holder, against any losses, claims, damages or liabilities, joint or several, to which such holder or controlling Person may become subject under the Securities Act or otherwise, to the extent that such losses, claims, damages or liabilities (or proceedings in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained, on the effective date thereof, in any registration statement under which such securities were registered under the Securities Act, in any preliminary prospectus or final prospectus contained therein, or in any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse such holder and each such controlling Person for any legal or any other expenses reasonably incurred by such holder or such controlling person in connection with investigating or defending any loss, claim, damage, liability or proceeding, except insofar as any such losses, claims, damages, liabilities or expenses result from an untrue statement or omission contained in information furnished in writing to the Company by such holder expressly for use therein.

(c) Indemnification by Warrantholder. In the event of any registration of any securities under the Securities Act pursuant to this Section 4, the Warrantholder will (or will furnish the written undertaking of such other Person or Persons as shall be acceptable to the Company to) indemnify and hold harmless the Company and each other Person, if any, who controls the Company within the meaning of the Securities Act, against any losses, claims, damages, or liabilities, joint or several, to which the Company or such controlling Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent that any such loss, claim, damage, or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in said registration statement, said preliminary prospectus, or said prospectus or said amendment or supplement in reliance upon and in conformity within written information furnished to the Company through an instrument duly executed by such Warrantholder or any underwriter of such holder's securities specifically for use in the preparation thereof, and such Warrantholder will (or will furnish the written undertaking of such other Person or Persons as shall be acceptable to the Company to) reimburse the Company and each such controlling Person for any legal and any other expenses reasonably incurred by the Company or such controlling Person in connection with investigation or defending any such loss, claim, damage, liability, or action.

(d) Acknowledgment of Rights. The Company will, at the time of the exercise of this Warrant in accordance with the terms hereof, upon the request of the Warrantholder hereof, acknowledge in writing its continuing obligation to afford to such holder any rights (including without limitation, any right to registration of the Shares) to which such holder shall continue to be entitled

after such exercise in accordance with the provisions of this Warrant, provided that if the holder of this Warrant shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such holder any such rights.

SECTION 5. ANTI-DILUTION PROVISIONS. The Exercise Price and the number of Shares purchasable upon the exercise of each Warrant are subject to adjustment from time to time as set forth in this Section 5.

(a) Adjustment of Exercise Price and Number of Shares Purchasable. In case the Company shall at any time after the date of this Agreement (i) declare a dividend on the Common Stock in shares of its capital stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares of Common Stock, or (iv) issue any shares of its capital stock by reclassification of the Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the surviving corporation), then in each case the Exercise Price, in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination, or reclassification shall be adjusted so that the holder of any Warrant exercised after such time shall be entitled to receive the number of shares of Common Stock or other capital stock of the Company which, if such Warrant had been exercised immediately prior to such time, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination, or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur. If as a result of an adjustment made pursuant to this Section 5(a), the holder of any Warrant thereafter exercised shall become entitled to receive shares of two or more classes of capital stock or shares of Common Stock and other capital stock of the Company, the Board of Directors of the Company (whose determination shall be conclusive) shall determine the allocation of the adjusted Exercise Price between or among shares of such classes of capital stock or shares of Common Stock and other capital stock. Upon each adjustment of the Exercise Price or the number of Shares as a result of the calculations made in this Section 5(a), each Warrant outstanding prior to the making of the adjustment in the Exercise Price or number of Shares shall thereafter evidence the right to purchase, at the adjusted Exercise Price, the adjusted number of Shares, without the necessity for issuing a replacement Warrant.

(b) Minimum Adjustment. No adjustment in the Exercise Price shall be required if such adjustment is less than $.05; provided, however, that any adjustments which by reason of this subsection (b) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 5 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

(c) Reorganization, etc. In case of any capital reorganization of the Company, or of any reclassification of the Common Stock (other than a reclassification of the Common Stock referred to in Section 5(a) above), or in the case of the consolidation of the Company with or the merger of the Company into any other corporation or of the sale or transfer of the properties and assets of the Company as, or substantially as, an entirety to any other corporation, each Warrant shall after such capital reorganization, reclassification of the Common Stock, consolidation, merger, sale or transfer be exercisable, upon the terms and conditions specified in this Agreement, for the number of shares of stock or other securities, assets, or cash to which a holder of the number of shares of Common Stock purchasable (at the time of such capital reorganization, reclassification of shares, consolidation, merger, sale or transfer) upon exercise of such Warrant would have been entitled upon such capital reorganization, reclassification of the Common Stock, consolidation, merger, sale or transfer; and in any such case, if necessary, the provisions set forth in this Section 5(c) with respect to the rights and interests thereafter of the holders of the Warrants shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities, assets, or cash thereafter deliverable upon the exercise of the

Warrants. The subdivision or combination of the Common Stock at any time outstanding into a greater or lesser number of shares shall not be deemed to be a reclassification of the Common Stock for the purposes of this paragraph. The Company shall not effect any such consolidation, merger, transfer, or sale, unless prior to or simultaneously with the consummation thereof, the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing or receiving, such assets or other appropriate corporation or entity shall assume, by written instrument executed and delivered to the holders of the Warrants, the obligation to deliver to the holder of each Warrant such shares of stock, securities, or assets as, in accordance with the foregoing provisions, such holders may be entitled to purchase, and to perform the other obligations of the Company under this Warrant Agreement. This Section 5(c) shall not apply to any sale, transfer or lease as an entirety, or substantially as an entirety, of the properties and assets of the Company as collateral security for obligations of the Company.

(d) Distributions to All Shareholders Below Market Price. If the Company shall distribute to all holders of Common Stock any rights, options, warrants or convertible or exchangeable securities entitling such holders to subscribe for or purchase Common Stock at a price per share that is, at the record date for such distribution, lower than the market price per share of Common Stock on such date, then the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately before such record date by a fraction, of which the numerator shall be the sum of (i) the number of shares of Common Stock that the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at the Market Price Per Share of Common Stock (as defined in Section 1(b) above) on such date, and the denominator shall be the sum of (x) the number of shares of Common Stock outstanding at the close of business on such record date and (y) the number of shares so offered for subscription or purchase.

(e) Other Distributions to All Shareholders. If the Company shall distribute to all holders of Common Stock (i) any rights, options, warrants or convertible or exchangeable securities entitling the holder to subscribe for or purchase any equty securities of the Company (other than any rights, options, warrants or exchangeable securities referred to in Section 5 (d), (ii) any evidences of indebtedness or other securities of the Company (other than Common Stock) or (iii) assets (other than cash dividends paid out of the earned surplus of the Company), then in each such case the Exercise Price to be in effect immediately prior to such record date by a fraction, of which the numerator shall be the Market Price Per Share of Common Stock (as defined in Section 1(b) above) on such record date, less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive, and described in a statement sent to the Warrantholder, of the portion of the rights, warrants, evidences of indebtedness, other securities or assets so distributed applicable to one share of Common Stock and of which the denominator shall be such Market Price Per Share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such distribution.

(f) Statement Regarding Adjustments. Whenever the Exercise Price shall be adjusted as provided in this Section, and upon each change in the number of shares of the Common Stock issuable upon exercise of the Warrants, the Company shall send notice to the Warrantholder, a statement showing in detail the facts requiring such adjustment and the Exercise Price and new number of shares issuable that shall be in effect after such adjustment. Each such statement shall be signed by the Company's chief financial or accounting officer. Where appropriate, such copy may be given in advance and may be included as part of a notice required to be mailed under the provisions of Section 5(g) below.

(g) Notice to Warrantholders. In the event the Company shall propose to take any action of the type described in Sections 5(a), (c), (d) or (e), the Company shall give notice to the holder of this Warrant, in the manner set forth

in Section 8, which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable upon exercise of this Warrant. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

SECTION 6. FURTHER COVENANTS OF THE COMPANY.

(a) Dilution or Impairments. The Company will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Warrants or of this Warrant Agreement, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholders against dilution or other impairment. Without limiting the generality of the foregoing, the Company:

(i) shall at all times reserve and keep available, solely for issuance and delivery upon the exercise of the Warrants, all shares of Common Stock (or Other Securities) from time to time issuable upon the exercise of the Warrants and shall take all necessary actions to ensure that the par value per share, if any, of the Common Stock (or Other Securities) is at all times equal to or less than the then effective Exercise Price per share;

(ii) will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock or Other Securities upon the exercise of the Warrants from time to time outstanding; and

(iii) will not consolidate with or merge into any other person or permit any such person to consolidate with or merge into the Company (if the Company is not the surviving corporation), unless such other person shall expressly assume in writing and will be bound by all the terms of this Warrant Agreement and the Warrants.

(b) Title to Stock. All shares of Common Stock delivered upon the exercise of the Warrants shall be validly issued, fully paid and nonassessable; each Warrantholder shall, upon such delivery, receive good and marketable title to the Shares, free and clear of all voting and other trust arrangements, liens, encumbrances, equities and claims whatsoever created by the Company; and the Company shall have paid all taxes, if any, in respect of the issuance thereof.

(c) Listing on Securities Exchanges; Registration. If the Company at any time shall list any Common Stock on any national securities exchange, the Company will, at its expense, simultaneously list on such exchange, upon the exercise of the Warrants, and maintain such listing of, all shares of Common Stock from time to time issuable upon the exercise of the Warrants, and the Company will so list on any national securities exchange, will so register and will maintain such listing of, any Other Securities if and at the time that any securities of like class or similar type shall be listed on such national securities exchange by the Company. The Company currently lists its Common Stock

on the New York Stock Exchange and so long as so listed, will list all shares of Common Stock issued on the exercise of the Warrant on such exchange.

(d) Exchange of Warrants. Subject to Section 3 hereof, upon surrender for exchange of any Warrant to the Company, the Company at its expense will promptly issue and deliver to or upon the order of the holder thereof a new Warrant of like tenor, in the name of such holder or as such holder (upon payment by such Warrantholder of any applicable transfer taxes) may direct, calling in the aggregate for the purchase of the number of shares of the Common Stock called for on the face or faces of the Warrant or Warrants so surrendered. The Warrants and all rights thereunder are transferable in whole or in part upon the books of the Company by the registered holder thereof, subject to the provisions of Section 3, in person or by duly authorized attorney, upon surrender of the Warrant, duly endorsed, at the principal office of the Company.

(e) Replacement of Warrants. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Warrant and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement and bond reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, upon surrender and cancellation of such Warrant, the Company, at the expense of the Warrantholder, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

(f) Reporting by the Company. The Company agrees that during the term of the Warrants it will use commercially reasonable efforts to keep current in the filing of all forms and other materials, if any, which it may be required to file with the appropriate regulatory authority pursuant to the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and all other forms and reports required to be filed with any regulatory authority having jurisdiction over the Company.

SECTION 7. OTHER WARRANTHOLDERS; HOLDERS OF SHARES. The Warrants are issued upon the following terms, to all of which each Warrantholder by the taking thereof consents and agrees: (a) any person who shall become a transferee, within the limitations on transfer imposed by Section 3 hereof, of a Warrant properly endorsed shall take such Warrant subject to the provisions of Section 3 hereof and thereupon shall be authorized to represent himself as absolute owner thereof and, subject to the restrictions contained in this Warrant Agreement, shall be empowered to transfer absolute title by endorsement and delivery thereof to a permitted bona fide purchaser for value; (b) any person who shall become a holder or owner of Shares shall take such shares subject to the provisions of Section 3 hereof; (c) until such time as the respective Warrant is transferred on the books of the Company, the Company may treat the registered holder thereof as the absolute owner thereof for all purposes, notwithstanding any notice to the contrary. At the request of the Company, before registration of any transfer of a Warrant, the transferee will make the representation and warranties contained in Section 2(a); and (d) Warrantholders shall not have any rights as a shareholder of the Company until exercise of the Warrants, except as otherwise provided herein.

SECTION 8. MISCELLANEOUS.

(i) All notices, certificates and other communications from or at the request of the Company to any Warrantholder shall be mailed by first class, registered or certified mail, postage prepaid, to such address as may have been furnished to the Company in writing by such Warrantholder, or, until an address is so furnished, to the address of the last holder of such Warrant who has so furnished an address to the Company, except as otherwise provided herein. The initial address of the Original Owner shall be as set forth at the beginning of this Agreement, and the initial address of the Company shall be as set forth in Section 1(b) hereof.

(ii) This Warrant Agreement and any of the terms hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

(iii) This Warrant Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Texas.

(iv) The headings in this Warrant Agreement are for purposes of reference only and shall not limit or otherwise affect any of the terms hereof. This Warrant Agreement, together with the forms of instruments annexed hereto as exhibits, and the Joint Exploration Agreement, constitute the full and complete agreement of the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Warrant Agreement to be executed effective as of the 9th day of December, 1997, in Dallas, Texas by its proper corporate officers, hereunto duly authorized.

COMSTOCK RESOURCES, INC.
By:/s/M. JAY ALLISON
M. JAY ALLISON, President and
Chief Executive Officer

This Warrant Agreement is confirmed and agreed to effective as of December 9, 1997:

BOIS D'ARC RESOURCES
By:/s/WAYNE L. LAUFER
WAYNE L. LAUFER, Partner

By:/s/GARY BLACKIE
GARY BLACKIE, Partner

JOINT EXPLORATION AGREEMENT

This Joint Exploration Agreement (the "Agreement") is made as of the 8th day of December, 1997 by and between Comstock Offshore, LLC, a Nevada limited liability company ("Comstock") and Bois d'Arc Resources, a Louisiana partnership ("Bois d'Arc") of Wayne L. Laufer ("Laufer") and Gary W. Blackie ("Blackie").

WHEREAS, Comstock and Bois d'Arc desire to enter into a joint exploration program with respect to certain oil and gas prospects identified by Bois d'Arc.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. With respect to the three prospect areas identified on Exhibit A attached hereto (collectively, the "Phase I Areas"), Comstock shall have the right to review and participate therein. In the event Comstock elects to participate in any such prospect within the Phase I Areas (a "Phase I Prospect"), it shall notify Bois d'Arc of its intent to participate therein no later than January 15, 1998. Comstock shall reimburse Bois d'Arc for 50% of seismic data acquisition and geological/geophysical data and leasehold acquisition costs (collectively, the "Exploration Costs") incurred by Bois d'Arc with respect to each Phase I Area in which it elects to participate and Bois d'Arc shall assign to Comstock a 40% interest in each Phase I Prospect within such Phase I Area; provided that Bois d'Arc shall have the right to retain a 2% of 8/8ths overriding royalty interest therein. Comstock shall be responsible for 50% of the drilling costs before casing point relating to the initial test well for each such Phase I Prospect it elects to participate in and thereafter, 40% of all further costs. With respect to the three prospect areas identified on Exhibit A, Comstock agrees to participate in either all or none of the Phase I Prospects within each of the Phase I Areas.

2. For a period of five (5) years, commencing on January 1, 1998 (the "Development Period"), Bois d'Arc shall be responsible for identifying ideas for oil and gas prospects within the state coastal waters of Louisiana and Texas and corresponding federal offshore waters (the "Region"); provided, however the Region shall exclude the existing areas of mutual interest previously entered into by Bois d'Arc and identified on Exhibit B attached hereto. Bois d'Arc shall present such ideas, together with recommendations on 3-D seismic testing, to Comstock for review and consideration. In the event Comstock elects to further pursue a prospect idea presented to it, Comstock and Bois d'Arc shall agree upon an area of mutual interest ("AMI") to further develop the prospect ideas. Comstock shall have a period of 30 days following presentation to either elect to further pursue such prospect idea or to decline participation. Comstock's decision shall be delivered to Bois d'Arc in writing. If Comstock declines to participate in an idea presented to it, Bois d'Arc shall have the right to pursue such idea on its own and shall have no further obligation to Comstock under this Agreement with respect to such matter.

3. With respect to any particular AMI, the parties shall acquire seismic data relating thereto, with Comstock being responsible for 80% and Bois d'Arc 20% of the costs therefor. Bois d'Arc shall assign the seismic data acquisition and other upfront costs to each Phase II Prospect. Based upon the seismic data, Bois d'Arc shall present to Comstock in writing identified prospects within the AMI ("Phase II Prospects") and Comstock shall have a period of 30 days to elect in writing to participate in each such Phase II Prospect so identified. If Comstock does not elect to participate in a Phase II Prospect and Bois d'Arc elects to pursue such Phase II Prospect, Bois d'Arc shall pay to Comstock an amount equal to Comstock's share of the Exploration Costs incurred with respect to such Phase II Prospect. The parties agree that during the first 24 months of the Development Period they will use their best efforts to spend not less than $5,000,000 on seismic data (the "Seismic Cost Commitment"). In the event the parties elect to pursue a Phase II Prospect, Comstock shall be responsible for 80% and Bois d'Arc 20% of the leasehold acquisition costs and any additional Exploration Costs.

4. With respect to any Phase II Prospects generated within the AMI, Comstock shall be assigned a 33% interest and Bois d'Arc a 67% interest therein. Bois d'Arc shall have the right to retain a 2% of 8/8ths overriding royalty interest in each such Phase II Prospect. If Comstock elects not to participate in the drilling of the initial test well on a Phase II Prospect, Bois d'Arc will have the right, but not the obligation, to acquire Comstock's interest in such Phase II Prospect for its own account for an amount equal to Comstock's share of the seismic and up front costs assigned to such Phase II Prospect.

5. All drilling and related costs with respect to development of the Phase II Prospect shall be shared by Comstock and Bois d'Arc proportionately based on their respective interest in such Phase II Prospects. If a party elects not to participate in the completion of the initial test well for a Phase II Prospect, it shall have no further rights or interest in such Phase II Prospect. Bois d'Arc Operating Corporation, or any other entity selected and controlled by Laufer and Blackie, will be named operator of each Phase II Prospect, which will be governed by an AAPL 610 Joint Operating Agreement similar to the Joint Operating Agreement dated December 4, 1995 for the Snapper Prospect, except that operating fees will be at current industry rates.

6. Bois d'Arc agrees to provide Comstock with full access, in Bois d'Arc's offices, to all seismic data relating to the prospects hereunder or, if not permitted to do so, shall share with Comstock on the basis provided in Section 3 above the cost for Comstock to obtain a partner's license in order to evaluate

the prospects.

7. Bois d'Arc shall give Comstock a right of first refusal on the sale to a third party of any of its 67% interest in a Phase II Prospect; provided that such right shall be limited such that Comstock may not own more than a 45% interest in any Phase II Prospect; provided, further, that such right of first refusal shall not apply to the extent the sale is to parties that participated with Bois d'Arc prior to the date of this Agreement in the area of mutual interest identified on Exhibit B. Comstock shall acquire any such additional interest on the same terms as such interest is offered to a third party. Bois d'Arc agrees that it will retain not less than a 25% interest in each such Phase II Prospect in which Comstock has retained a 33% or greater interest. In connection with a sale to a third party of an interest in a Phase II Prospect, all proceeds received as reimbursement of Exploration Costs shall be distributed 80% to Comstock and 20% to Bois d'Arc. Such proceeds will consist of cash reimbursement only and will not include (i) any overriding royalty interest, (ii) carried working interest retained by Bois d'Arc or (iii) any prospect generation fee charged to third parties, which prospect fee shall not exceed $200,000 per prospect (on an 8/8ths basis).

8. At the time the first well on a Phase II Prospect is either spudded or the Phase II Prospect is sold to a third party, any Exploration Costs previously incurred which have been allocated to such Phase II Prospect that have not been recovered in connection with a sale of an interest therein to a third party, as provided in Section 7 above, will be reallocated based on the ratio of Comstock's and Bois d'Arc's respective working interests to each others retained working interest in the Phase II Prospect.

9. Comstock shall cause Comstock Resources, Inc. ("CRI") to issue to Bois d'Arc warrants entitling it to acquire up to 1,000,000 shares of common stock, $.50 par value ("Common Stock"), of CRI (the "Warrants"). The exercise price for shares of Common Stock shall be the closing price of the Common Stock, as reported by the New York Stock Exchange, on the date of this Agreement. The Warrants shall vest (and the number of shares of Common Stock that may be acquired pursuant to exercise of the Warrants) as follows: 50,000 shares shall vest each such time that Comstock agrees to set production casing on the initial test well or a substitute therefor with respect to a Phase II Prospect; provided, however, that in no event shall the number of shares that may be acquired hereunder exceed 1,000,000. All Warrants that vest shall terminate on December 31, 2007. Any Warrants that have not vested by January 1, 2005 shall terminate on such date. CRI shall deliver to Bois d'Arc a warrant agreement and certificate evidencing the Warrants issued hereunder in a form satisfactory to the parties.

10. Bois d'Arc, Wayne L. Laufer and Gary W. Blackie each agree that they will not, directly or indirectly, develop any properties in the Region during the Development Period other than pursuant to the terms of this Agreement, unless Comstock elects not to participate with Bois d'Arc as provided herein.

11. In the event that Comstock fails to fund its share of expenditures hereunder within 45 days of the receipt of an invoice for such expenditures, in addition to any other remedies available to Bois d'Arc hereunder, Bois d'Arc shall have the right to terminate this Agreement with respect to future development in the Region. Upon termination of this Agreement, the AMI will consist solely of that area over which 3-D seismic data has been acquired under the terms of Section 3 above. Except as otherwise provided herein, this Agreement shall terminate at the expiration of the five year period set forth in Section 2 above. Each AMI created hereunder will terminate two years after termination of this Agreement.

12. This Agreement is not intended to create a partnership or similar relationship between Comstock and Bois d'Arc. Except as specifically provided herein, neither party shall have the authority to enter into any agreement on behalf of the other party without such other party's prior written approval.

13. If any provision of this Agreement is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions hereof shall not be affected thereby.

14. Neither party shall disclose the terms of this Agreement without the written consent of the other party hereto; provided, however, that Comstock may make such public disclosures as may be required in the opinion of counsel to comply with applicable federal and state securities laws. Comstock agrees to provide to Bois d'Arc written notice of and copies of any press releases prior to making any such public announcement.

15. This Agreement and the transactions contemplated hereby shall be governed by and construed in accordance with the laws of the State of Texas.

16. This Agreement embodies the entire agreement between Bois d'Arc and Comstock relating to the subject matter hereof and supersedes all prior agreements, written or oral.

17. This Agreement shall not be amended unless in writing signed by both parties.

18. This Agreement shall be binding upon and inure to the benefit of Bois d'Arc and Comstock and their respective successors, assigns and legal representatives. Neither party shall assign this Agreement or any rights hereunder without the prior written consent of the other party. Notwithstanding the foregoing, Bois d'Arc shall have the right to assign this Agreement and all rights and obligations hereunder to an entity controlled by Laufer and Blackie. For purposes hereof, an entity shall be controlled by Laufer and Blackie if Laufer and Blackie own, directly or indirectly, in the aggregate 100% of the ownership interest in such entity.

19. This Agreement may be executed in counterparts, each of which shall be deemed an original and together shall constitute one instrument.

20. Each party agrees to perform, execute and deliver any such additional documents as may reasonably be requested to consummate or effect the transactions contemplated hereby.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date written above.

COMSTOCK OFFSHORE, LLC

By:/s/M.JAY ALLISON

M. Jay Allison, President

BOIS D'ARC RESOURCES

By:/s/WAYNE L. LAUFER

Wayne L. Laufer
Partner

By:/s/GARY W. BLACKIE

Gary W. Blackie
Partner

SUBSIDIARIES OF COMSTOCK RESOURCES, INC.

Name	State of Incorporation	Business Name
Comstock Oil & Gas, Inc.	Nevada	Comstock Oil & Gas, Inc.
Comstock Oil & Gas - Louisiana, Inc. (1)	Nevada	Comstock Oil & Gas - Louisiana, Inc.
Comstock Management Corporation	Nevada	Comstock Management Corporation
Comstock Offshore, LLC (2)	Nevada	Comstock Offshore, LLC

(1) Subsidiary of Comstock Oil & Gas, Inc.
(2) Subsidiary of Comstock Oil & Gas - Louisiana, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into Comstock Resources, Inc.'s previously filed registration statements (numbers 33-73452, 33-88962 and 333-13675).

ARTHUR ANDERSEN LLP

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This schedule contains summary financial data extracted from the Consolidated Financial Statements of Comstock Resources, Inc. and Subsidiaries for the year ended December 31, 1997 and is qualified in its entirety by reference to such financial statements.

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YEAR
DEC-31-1997
DEC-31-1997
14,504
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31,241
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0
45,917
488,458
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