

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 22, 1996

REGISTRATION NO. 333-14835

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

AMENDMENT NO. 2

TO  
FORM S-3  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

NEVADA  
(State or other jurisdiction of  
incorporation or organization)

94-1667468  
(I.R.S. Employer  
Identification Number)

5005 LBJ FREEWAY  
SUITE 1000  
DALLAS, TEXAS 75244  
(972) 701-2000  
(Address, including zip code, and  
telephone number, including area code,  
of registrant's principal executive offices)

M. JAY ALLISON  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
COMSTOCK RESOURCES, INC.  
5005 LBJ FREEWAY, SUITE 1000  
DALLAS, TEXAS 75244  
(972) 701-2000  
(Name, address, including zip code, and telephone  
number, including area code, of agent for service)

Copies to:

GUY KERR, ESQ.  
LOCKE PURNELL RAIN HARRELL  
(A PROFESSIONAL CORPORATION)  
2200 ROSS AVENUE, SUITE 2200  
DALLAS, TEXAS 75201  
(214) 740-8000

KERRY C. L. NORTH, ESQ.  
BAKER & BOTTS, L.L.P.  
800 TRAMMELL CROW CENTER  
2001 ROSS AVENUE  
DALLAS, TEXAS 75201  
(214) 953-6500

-----  
APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as  
practicable after the effective date of this Registration Statement.

-----  
If the only securities being registered on this Form are being offered  
pursuant to dividend or interest reinvestment plans, please check the following  
box: [ ]

If any of the securities being registered on this Form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, other than securities offered only in connection with dividend or interest  
reinvestment plans, check the following box: [ ]

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, please check the following box  
and list the Securities Act registration statement number of the earlier  
effective registration statement for the same offering: [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering: [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434,  
please check the following box: [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR  
DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL  
FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION  
STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF  
THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME  
EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A),  
MAY DETERMINE.

=====

\*\*\*\*\*  
 \*  
 \* INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A \*  
 \* REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED \*  
 \* WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT \*  
 \* BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE \*  
 \* REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT \*  
 \* CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY \*  
 \* NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH \*  
 \* SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO \*  
 \* REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH \*  
 \* STATE. \*  
 \*  
 \*\*\*\*\*

SUBJECT TO COMPLETION, DATED NOVEMBER 22, 1996

PROSPECTUS

5,870,000 SHARES

LOGO

COMMON STOCK

-----

Of the 5,870,000 shares of Common Stock offered hereby (the "Offering"), 4,000,000 shares are being sold by Comstock Resources, Inc. (the "Company") and 1,870,000 shares are being sold by certain stockholders (the "Selling Stockholders"). See "Principal and Selling Stockholders." The Company will not receive any of the proceeds from the sale of shares by the Selling Stockholders.

The Common Stock is quoted on The Nasdaq Stock Market's National Market (the "Nasdaq National Market") under the symbol "CMRE." The last reported sale price of the Common Stock on the Nasdaq National Market was \$12.875 per share on October 29, 1996. See "Price Range of Common Stock."

SEE "RISK FACTORS" BEGINNING ON PAGE 8 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON STOCK OFFERED HEREBY.

-----

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)	PROCEEDS TO SELLING STOCKHOLDERS
Per Share	\$	\$	\$	\$
Total(3)	\$	\$	\$	\$

- (1) For information regarding indemnification of the Underwriters, see "Underwriting."
- (2) Before deducting estimated expenses of \$400,000 payable by the Company.
- (3) The Company has granted to the Underwriters a 30-day option to purchase up to 880,000 additional shares of Common Stock on the same terms as set forth above solely to cover over-allotments, if any. See "Underwriting." If the Underwriters exercise this option in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$ , \$ and \$ , respectively.

-----

The shares of Common Stock are being offered by the several Underwriters named herein, subject to prior sale, when, as and if delivered to and accepted by them and subject to certain conditions. It is expected that certificates for the shares of Common Stock offered hereby will be available for delivery on or about , 1996, at the office of Smith Barney Inc., 333 West 34th Street, New York, New York 10001.

BEAR, STEARNS & CO. INC.

OPPENHEIMER & CO., INC.

RODMAN & RENSHAW, INC.

, 1996

[Map of Texas and Louisiana showing the Company's major oil and gas properties.]

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET, IN THE OVER-THE-COUNTER MARKET, OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY ENGAGE IN PASSIVE MARKET-MAKING TRANSACTIONS IN THE COMMON STOCK OF THE COMPANY ON THE NASDAQ NATIONAL MARKET IN ACCORDANCE WITH RULE 10B-6A UNDER THE SECURITIES EXCHANGE ACT OF 1934. SEE "UNDERWRITING."

## PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto set forth elsewhere in this Prospectus or incorporated by reference herein. As used herein, the term "Company" means Comstock Resources, Inc., its predecessor and its subsidiaries, except as the context may otherwise require. Unless otherwise indicated, the information contained herein gives pro forma effect to the 1995 Acquisitions and the 1996 Transactions as described in "Pro Forma Financial Information" and assumes that the Underwriters' over-allotment option will not be exercised. The estimated proved reserve information included or incorporated in this Prospectus is based on reports prepared by Lee Keeling and Associates, Inc., independent petroleum consultants. Certain oil and gas terms used in this Prospectus are defined in the "Glossary" included herein.

## THE COMPANY

## GENERAL

Comstock Resources, Inc. is an independent energy company engaged in the acquisition, development, production and exploration of oil and natural gas properties. The Company is also engaged in the gathering, processing and marketing of natural gas. As of December 31, 1995, the Company had pro forma proved reserves of 307.9 Bcfe with an estimated Present Value of Proved Reserves of \$286.4 million. On a Bcfe basis, these reserves were 83% natural gas and 74% proved developed. The Company believes that its primary strengths include (i) its ability to acquire oil and natural gas properties at attractive costs, (ii) its high quality, long-lived reserve base, of which 92% is concentrated in Southeast Texas, East Texas/North Louisiana and the Texas Gulf Coast, and (iii) its ability to efficiently operate and develop its oil and natural gas properties.

The Company has grown primarily through the acquisition of producing properties. Since 1991 the Company has added 286.8 Bcf of natural gas and 10.5 MMBbls of oil from 16 acquisitions at a total cost of \$225.5 million, or \$0.64 per Mcfe. The Company's two largest acquisitions to date have been its purchase of properties from Sonat Inc. in July 1995 for \$50.6 million (the "Sonat Acquisition") and its acquisition of Black Stone Oil Company and interests in the Double A Wells field in May 1996 for \$104.0 million (the "Black Stone Acquisition"). Primarily as a result of the Company's acquisition activities, (i) average net daily production increased from 27.9 MMcfe in 1993 to 78.9 MMcfe on a pro forma basis for the nine months ended September 30, 1996 and (ii) EBITDA (as defined) increased from \$13.9 million for 1993 to \$37.1 million on a pro forma basis for 1995. EBITDA on a pro forma basis for the first nine months of 1996 was \$47.6 million.

While continuing to pursue attractive acquisitions, the Company has recently increased its focus on the exploitation and development of its existing properties through the implementation of operational improvements, workovers, recompletions and the drilling of development and exploratory wells. During 1995 and the first nine months of 1996, the Company spent \$3.7 million and \$6.3 million, respectively, on development and exploration activities. As part of its increased emphasis on such activities, the Company anticipates spending in excess of \$20.0 million on currently identified development and exploration projects in the fourth quarter of 1996 through 1997.

## 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 reserves through opportunistic acquisitions. The Company applies strict economic and reserve risk criteria in evaluating acquisitions and targets properties with established production where it can obtain operational control and increase production and reserves through exploitation activities. The Black Stone Acquisition and the Sonat Acquisition have significant development and exploration potential and were acquired at costs equal to 70% and 68%, respectively, of their estimated Present Value of Proved Reserves. Due to its experience in its core operating areas, the Company believes it is better able to identify and evaluate potential acquisitions and negotiate and close selected acquisitions on favorable terms.

## 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 properties comprising approximately 85% of its pro forma Present Value of Proved Reserves as of December 31, 1995.

## MAINTAIN LOW COST STRUCTURE

The Company seeks to increase cash flow by carefully controlling operating costs and general and administrative expense. 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 expense and average oil and gas operating costs per Mcfe have decreased from \$0.18 and \$0.66, respectively, for 1993 to \$0.08 and \$0.49, respectively, on a pro forma basis for the nine months ended September 30, 1996.

## 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, magnetic resonance imaging logging tools and newly developed formation stimulation techniques. During the first nine months of 1996, the Company participated in the drilling of 14 development wells, and plans to participate in 14 additional development wells during the fourth quarter. The Company has identified 23 development wells to be drilled in 1997 and expects to drill additional wells based on drilling results and geologic work in progress.

## PURSUE SELECTIVE EXPLORATION OPPORTUNITIES

The Company pursues selective exploration activities to find additional reserves on its undeveloped acreage and anticipates spending approximately 15% of its 1997 drilling budget on exploration. The Company recently completed a 3-D seismic survey in the East White Point field along the Texas Gulf Coast and plans to drill an exploratory well in this field in the fourth quarter of 1996 and a deeper exploratory test well in the first quarter of 1997. In the West Simsboro field in North Louisiana, the Company has completed a geological field study and intends to drill an exploratory well to test an undeveloped fault block by the end of 1996. The Company is also participating in the exploration of undeveloped acreage adjacent to the Double A Wells field in Southeast Texas. In 1997 the Company intends to participate in 3-D seismic surveys on its offshore leases in the Gulf of Mexico.

## SIGNIFICANT ACQUISITIONS

## BLACK STONE

In May 1996 the Company acquired, through a series of negotiated transactions, 100% of the capital stock of Black Stone Oil Company and interests in 19 producing wells (7.7 net) located in the Double A Wells field in Polk County, Texas for \$104.0 million. These high volume wells produce from the Upper Woodbine formation at a total depth of approximately 14,500 feet. The Black Stone Acquisition added proved reserves, as of January 1, 1996, of 5.3 MMBbls of oil and 98.5 Bcf of natural gas, increasing the Company's reserve base by 67%. The Company believes the field is in an early stage of its productive life. The Company assumed operation of the field without incurring significant additional overhead and has increased average daily production by 15% from April 1996, the month prior to acquisition, to September 1996. The Company has initiated an infill drilling program and is conducting exploration and field delineation drilling activities on undeveloped acreage adjacent to the Double A Wells field.

## SONAT

In July 1995 the Company purchased interests in certain producing oil and gas properties and natural gas gathering systems located in East Texas and North Louisiana from Sonat Inc. for \$50.6 million. The acquired assets included interests in 319 producing wells (188.0 net) along with interests in gas gathering systems. The Sonat Acquisition included proved reserves of 0.8 MMBbls of oil and 104.7 Bcf of natural gas. Since assuming operations, the Company has been able to lower per unit operating costs for these properties by establishing an efficient operating structure. A significant portion of the acquired reserves are in the Travis Peak (Hosston in Louisiana) and Cotton Valley formations. The majority of the Company's 1996 and 1997 infill drilling program is focused on these properties.

## THE OFFERING

Common Stock offered by the Company.....	4,000,000 shares
Common Stock offered by the Selling Stockholders.....	1,870,000 shares
Common Stock to be outstanding after the Offering.....	23,179,530 shares(1)
Use of proceeds.....	To reduce outstanding indebtedness under the Company's Bank Credit Facility. See "Use of Proceeds."
Nasdaq National Market Symbol.....	CMRE

- - - - -

(1) Excludes (i) 1,345,377 shares of Common Stock reserved for issuance upon the conversion of outstanding shares of the Company's Series 1995 Convertible Preferred Stock (the "Series 1995 Preferred") (after giving effect to the issuance of 1,511,761 shares of Common Stock upon conversion of preferred shares by certain Selling Stockholders in connection with the Offering) and (ii) 2,949,780 shares of Common Stock reserved for issuance upon exercise of outstanding stock options. See "Capitalization," "Management -- Compensation of Executive Officers," "Principal and Selling Stockholders" and "Description of Capital Stock."

## SUMMARY FINANCIAL INFORMATION

The following table sets forth certain historical and pro forma operating and financial data of the Company. The historical data should be read in conjunction with the Consolidated Financial Statements and the notes thereto included elsewhere in this Prospectus. The Company acquired significant producing oil and natural gas properties in all the periods presented which affect the comparability of the historical financial and operating data for the periods presented. The pro forma information should be read in conjunction with the Pro Forma Financial Statements and notes thereto included elsewhere in this Prospectus. The pro forma financial information for the year ended December 31, 1995 and for the nine months ended September 30, 1996 has been prepared as if the 1995 Acquisitions, the 1996 Transactions and this Offering and the application of the estimated net proceeds therefrom had occurred at the beginning of the periods presented for purposes of the statement of operations and other financial data. Neither the historical results nor the pro forma results are necessarily indicative of the Company's future operations or financial results. See "Selected Historical Financial Data," "Pro Forma Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED DECEMBER 31,				NINE MONTHS ENDED SEPTEMBER 30,		
	1993	1994	1995	PRO FORMA (UNAUDITED) 1995	1995	1996	PRO FORMA 1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF OPERATIONS DATA:							
Revenues:							
Oil and gas sales.....	\$21,805	\$16,855	\$ 22,091	\$ 46,465	\$14,254	\$ 45,517	\$ 55,999
Gas marketing, gathering and processing.....	107	15,029	50,678	51,247	35,240	68,114	68,114
Other.....	541	770	2,899	2,970	2,814	1,961	1,961
Total revenues.....	22,453	32,654	75,668	100,682	52,308	115,592	126,074
Expenses:							
Oil and gas operating(1).....	6,673	6,099	7,427	12,078	4,803	9,673	10,507
Gas marketing, gathering and processing.....	91	14,532	49,118	49,636	34,109	66,301	66,301
Exploration.....	423	--	--	--	--	285	285
Depreciation, depletion and amortization.....	8,334	7,390	8,613	17,500	6,114	12,809	16,082
General and administrative, net.....	1,834	1,823	1,979	1,910	1,448	1,546	1,705
Interest.....	2,184	2,869	5,542	10,035	3,574	7,619	6,246
Impairment of oil and gas properties(2).....	--	--	29,150	29,150	--	--	--
Total expenses.....	19,539	32,713	101,829	120,309	50,048	98,233	101,126
Income (loss) before income taxes.....	2,914	(59)	(26,161)	(19,627)	2,260	17,359	24,948
Net income (loss) attributable to common stock(3).....	\$ 2,741	\$ (877)	\$ (28,069)	\$ (19,973)	\$ 993	\$ 15,612	\$ 24,465
Net income (loss) per share: (3)							
Primary.....	\$ .25	\$ (.07)	\$ (2.24)	\$ (.96)	\$ .08	\$ 1.04	\$ 1.02
Fully diluted.....						\$ 0.82	\$ 0.99
OTHER FINANCIAL DATA:							
EBITDA(4).....	\$13,855	\$10,200	\$ 17,144	\$ 37,058	\$11,948	\$ 38,072	\$ 47,561
Operating cash flow(5).....	10,340	6,850	9,578		6,340	28,810	
Capital expenditures.....	21,779	16,386	61,809		59,708	106,668	

	AS OF DECEMBER 31,			AS OF SEPTEMBER 30, 1996	
	1993	1994	1995	ACTUAL	AS ADJUSTED(6)
	(IN THOUSANDS)				

## BALANCE SHEET DATA:

Property and equipment, net.....	\$66,068	\$77,989	\$102,116	\$188,233	\$188,233
Total assets.....	74,095	91,571	120,099	222,383	222,383
Total debt.....	21,930	37,932	71,811	150,180	101,912
Stockholders' equity.....	27,646	41,205	30,128	48,950	97,218

(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) Before extraordinary losses of \$417,000 in 1993 and \$615,000 in 1994.
- (4) As used in this Prospectus, EBITDA means income (loss) before income taxes, plus interest, depreciation, depletion and amortization, impairment of oil and gas properties and exploration.
- (5) Represents cash flow provided by operations, before net changes in non-cash working capital accounts.
- (6) Adjusted to reflect the issuance of 1,511,761 shares of Common Stock upon conversion of shares of Series 1995 Preferred and the sale by the Company of 4,000,000 shares of Common Stock in the Offering and the application of the estimated net proceeds therefrom as described under "Use of Proceeds."

## SUMMARY RESERVE DATA

The following table summarizes the estimates of the Company's net proved oil and natural gas reserves as of the dates indicated and the present value attributable to these reserves at such dates based on reserve reports prepared by Lee Keeling and Associates, Inc. For additional information relating to the Company's oil and natural gas reserves, see "Risk Factors -- Uncertainties in Estimating Reserves and Future Net Cash Flows," "Business and Properties -- Oil and Natural Gas Reserves," the Supplemental Oil and Gas Information in the Notes to the Consolidated Financial Statements of the Company included elsewhere in this Prospectus and the summary report of Lee Keeling and Associates, Inc. attached hereto as Appendix A.

	AS OF DECEMBER 31,			
	1993	1994	1995	PRO FORMA 1995(1)
<b>PROVED RESERVES:</b>				
Natural gas (MMcf).....	74,363	92,840	173,165	257,122
Oil (MBbls).....	6,111	5,119	3,779	8,470
Total (MMcfe).....	111,028	123,554	195,840	307,942
Present Value of Proved Reserves (000's).....	\$ 60,952	\$ 78,744	\$148,292	\$286,407
<b>PROVED DEVELOPED RESERVES:</b>				
Natural gas (MMcf).....	42,909	62,827	130,375	189,899
Oil (MBbls).....	1,655	1,504	2,562	6,198
Total (MMcfe).....	52,838	71,851	145,750	227,086

(1) Gives effect to the Black Stone Acquisition and the 1996 Dispositions as if such transactions had been consummated as of December 31, 1995. See "Pro Forma Financial Information."

## SUMMARY OPERATING DATA

The following table sets forth certain summary operating data for the Company for the periods indicated.

	YEAR ENDED DECEMBER 31,				NINE MONTHS ENDED SEPTEMBER 30,		
	1993	1994	1995	PRO FORMA 1995(1)	1995	1996	PRO FORMA 1996(2)
<b>PRODUCTION:</b>							
Natural gas (MMcf).....	8,514	6,514	9,297	18,866	6,198	13,651	16,475
Oil (MBbls).....	278	263	356	877	236	650	842
Total (MMcfe).....	10,184	8,090	11,430	24,126	7,616	17,550	21,529
Average daily production (MMcfe per day).....	27.9	22.2	31.3	66.1	27.9	64.3	78.9
<b>AVERAGE SALES PRICES:</b>							
Natural gas (per Mcf).....	\$ 2.03	\$ 1.97	\$ 1.73	\$ 1.67	\$ 1.66	\$ 2.35	\$ 2.34
Oil (per Bbl).....	16.22	15.22	16.81	17.06	16.78	20.73	20.70
<b>EXPENSES (PER MCFE):</b>							
Oil and gas operating(3).....	\$0.66	\$0.75	\$0.65	\$0.50	\$0.63	\$0.55	\$0.49
General and administrative, net.....	0.18	0.23	0.17	0.08	0.19	0.09	0.08
Depreciation, depletion and amortization(4).....	0.78	0.88	0.72	0.71	0.77	0.71	0.73

(1) Gives effect to the 1995 Acquisitions, the Black Stone Acquisition and the 1996 Dispositions as if such transactions had been consummated as of January 1, 1995. See "Pro Forma Financial Information."

(2) Gives effect to the Black Stone Acquisition and the 1996 Dispositions as if such transactions had been consummated as of January 1, 1996. See "Pro Forma Financial Information."

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

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

## RISK FACTORS

In addition to other information set forth elsewhere in this Prospectus, the following factors relating to the Company and the Offering should be considered when evaluating an investment in the Common Stock offered hereby.

## MARKET CONDITIONS AND VOLATILITY OF OIL AND NATURAL GAS PRICES

The revenues generated by the Company's operations are highly dependent upon the prices of, and demand for, oil and natural gas. Historically, the prices for oil and natural gas have been volatile and are likely to continue to be volatile in the future. The Company is affected more by fluctuations in natural gas prices than oil prices because a majority of its production is natural gas (81% in 1995 on a natural gas equivalent basis). The prices received by the Company for its oil and natural gas production and the level of such production are subject to wide fluctuations and depend on numerous factors beyond the Company's control, including seasonality, the condition of the United States economy (particularly the manufacturing sector), imports of crude oil and natural gas, political conditions in other oil-producing and natural gas-producing countries, the actions of the Organization of Petroleum Exporting Countries and domestic government regulation, legislation and policies. Decreases in the prices of oil and natural gas have had, and could have in the future, an adverse effect on the borrowing base under the Bank Credit Facility (as defined), which would affect the Company's ability to borrow additional funds. Although the Company is not currently experiencing any significant involuntary curtailment of its natural gas production, market, economic and regulatory factors may in the future materially affect the Company's ability to sell its natural gas production.

In order to reduce its exposure to price risks in the marketing of its natural gas production, the Company from time to time enters into natural gas price swap arrangements to hedge a portion of its anticipated sales. Such arrangements may also limit the ability of the Company to benefit from increases in natural gas prices. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- General."

## ACQUISITION RISKS

The Company's rapid growth in recent years has been attributable in significant part to acquisitions of producing properties. The Company expects to continue to evaluate and, where appropriate, pursue acquisition opportunities on terms management considers favorable to the Company. There can be no assurance that suitable acquisition candidates will be identified in the future, or that the Company will be able to finance such acquisitions on favorable terms. In addition, the Company competes against other companies for acquisitions, and there can be no assurance that the Company will be successful in the acquisition of any material property interests. Further, there can be no assurances that any future acquisitions made by the Company will be integrated successfully into the Company's operations or will achieve desired profitability objectives.

The successful acquisition of producing properties requires an assessment of recoverable reserves, exploration potential, future oil and natural gas prices, operating costs, potential environmental and other liabilities and other factors beyond the Company's control. In connection with such an assessment, the Company performs a review of the subject properties that it believes to be generally consistent with industry practices. Nonetheless, the resulting assessments are necessarily inexact and their accuracy inherently uncertain, and such a review may not reveal all existing or potential problems, nor will it necessarily permit the Company to become sufficiently familiar with the properties to fully assess their merits and deficiencies. Inspections may not always be performed on every well, and structural and environmental problems are not necessarily observable even when an inspection is undertaken.

Additionally, significant acquisitions can change the nature of the operations and business of the Company depending upon the character of the acquired properties, which may be substantially different in operating and geologic characteristics or geographic location than existing properties. While the Company's current operations are focused in Southeast Texas, East Texas/North Louisiana and the Texas Gulf Coast, there is no assurance that the Company will not pursue acquisitions or properties located in other geographic areas.

## SUBSTANTIAL CAPITAL REQUIREMENTS

The Company makes, and will continue to make, substantial capital expenditures for the acquisition, development and exploration of oil and gas reserves. Historically, the Company has financed these expenditures primarily with cash generated by operations, bank borrowings and the sale of equity securities and non-strategic assets. The Company believes that it will have sufficient cash provided by operating activities to fund anticipated 1996 and 1997 capital expenditures other than significant acquisitions. The Company intends to borrow under the Bank Credit Facility or to obtain other debt or equity financing as needed to finance future acquisitions. If revenues or the Company's borrowing base decrease as a result of lower oil and natural gas prices, operating difficulties or declines in reserves, the Company's ability to obtain the capital necessary to undertake or complete future development programs and to continue its acquisition activities may be limited. There can be no assurance that additional debt or equity financing or cash generated by operations will be available to meet these requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

## REPLACEMENT OF RESERVES

The Company's future success depends upon its ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. The proved reserves of the Company will generally decline as reserves are depleted, except to the extent that the Company conducts successful exploration or development activities or acquires properties containing proved reserves, or both. In order to increase reserves and production, the Company must continue its development drilling and recompletion programs or undertake other replacement activities. The Company's current strategy is to maintain its focus on low-cost operations while increasing its reserve base, production and cash flow through acquisitions of producing properties where the Company can utilize its experience as a low-cost operator and use available cash flows to continue to exploit its existing properties. There can be no assurance, however, that the Company's planned development projects and acquisition activities will result in significant additional reserves or that the Company will have continuing success drilling productive wells at low finding and development costs. Furthermore, while the Company's revenues may increase if prevailing oil and natural gas prices increase significantly, the Company's finding costs for additional reserves could also increase. For a discussion of the Company's reserves, see "Business and Properties -- Oil and Natural Gas Reserves."

## UNCERTAINTIES IN ESTIMATING RESERVES AND FUTURE NET CASH FLOWS

There are numerous uncertainties inherent in estimating quantities and values of proved 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 the recovery from underground accumulations of oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data, of production history and of engineering and geological interpretation and judgment. Because all reserve estimates are to some degree speculative, the quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas sales prices may all differ materially from those assumed in these estimates. In addition, different reserve engineers may make different estimates of reserve quantities and cash flows based upon the same available data. The Present Value of Proved Reserves set forth in this Prospectus represents estimates only and should not be construed as the current market value of the estimated oil and natural gas reserves attributable to the Company's properties. In this regard, the information set forth in this Prospectus includes revisions of certain reserve estimates attributable to proved properties included in the preceding year's estimates. Such revisions reflect additional information from subsequent activities, production history of the properties involved and any adjustments in the projected economic life of such properties resulting from changes in product prices. Any future downward revisions could adversely affect the Company's financial condition, borrowing base under the Bank Credit Facility, future prospects and the market value of its securities. See "Business and Properties -- Oil and Natural Gas Reserves."

## DRILLING RISKS

Drilling activities are subject to many risks, including the risk that no commercially productive reservoirs will be encountered. There can be no assurance that new wells drilled by the Company will be productive or that the Company will recover all or any portion of its investment. Drilling for oil and natural gas may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. The cost of drilling, completing and operating wells is often uncertain. The Company's drilling operations may be curtailed, delayed or canceled as a result of numerous factors, many of which are beyond the Company's control, including title problems, adverse weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment and services.

## OPERATING HAZARDS AND UNINSURED RISKS

The Company's operations are subject to all of the risks normally incident to the exploration for and the production of oil and natural gas, including blowouts, cratering, oil spills and fires, each of which could result in damage to or destruction of oil and natural gas wells, production facilities or other property, or injury to persons. The Company anticipates that it will from time to time conduct relatively deep drilling which will involve increased drilling risks of high pressures and mechanical difficulties, including stuck pipe, collapsed casing and separated cable. There can be no assurance that the levels of insurance maintained by the Company will be adequate to cover any losses or liabilities. The Company cannot predict the continued availability of insurance, or availability at commercially acceptable premium levels.

## COMPETITION

The oil and natural gas industry is highly competitive. The Company's competitors for the acquisition, development and exploration of oil and natural gas properties, purchases and marketing of natural gas and transportation and processing of natural gas, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than the Company. The Company's ability to acquire additional properties and to discover reserves in the future will be dependent upon its ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. See "Business and Properties -- Competition."

## GOVERNMENT REGULATION

The Company's business is affected by certain federal, state and local laws and regulations relating to the development, production, marketing, pricing, transportation and storage of oil and natural gas. The Company's business is also subject to extensive and changing environmental and safety laws and regulations governing plugging and abandonment of wells, the discharge of materials into the environment or otherwise relating to environmental protection. There can be no assurance that present or future regulation will not adversely affect the operations of the Company. See "Business and Properties -- Regulation."

## DEPENDENCE ON KEY PERSONNEL

The success of the Company will be highly dependent on M. Jay Allison, its President and Chief Executive Officer, and a limited number of other senior management personnel. Loss of the services of Mr. Allison or any of those other individuals could have a material adverse effect on the Company's operations. See "Management."

## NO DIVIDENDS

During the last five fiscal years, the Company has not paid any dividends on its outstanding Common Stock, nor does the Company intend to do so. In addition, the Company is restricted from doing so under the Bank Credit Facility and by the terms of the Series 1995 Preferred. The Company currently intends to retain its cash for the continued expansion of its business. See "Dividend Policy."

## SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of Common Stock in the public market could adversely affect the market price for the Common Stock. If the Company's stockholders were to sell a significant number of shares, the prevailing market price of the Common Stock could be adversely affected. The Company, its executive officers and directors and the Selling Stockholders have agreed that, without the consent of Smith Barney Inc., they will not sell any shares of Common Stock for a period 120 days from the date of this Prospectus. See "Principal and Selling Stockholders" and "Underwriting."

## ANTI-TAKEOVER PROVISIONS

The Company's Articles of Incorporation, Bylaws and Stockholders' Rights Plan and Nevada law include a number of provisions that may have the effect of delaying or deterring a change in the control or management of the Company and encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with the Board of Directors rather than pursue non-negotiated takeover attempts. See "Description of Capital Stock."

## FORWARD-LOOKING INFORMATION

All statements other than statements of historical fact contained in this Prospectus, including statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business and Properties," are forward-looking statements. Forward-looking statements in this Prospectus generally are accompanied by words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project" or similar statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause the Company's results to differ materially from the results discussed in such forward-looking statements include the aforementioned risks described under "Risk Factors," such as the fluctuations of the prices received or demand for the Company's oil and natural gas, acquisition risks, requirements for capital, the ability to replace depleting reserves, the uncertainty of drilling results and reserve estimates, drilling risks, operating hazards, competition and the effects of governmental and environmental regulation. All forward-looking statements in this Prospectus are expressly qualified in their entirety by the cautionary statements in this paragraph.

## USE OF PROCEEDS

The net proceeds to the Company from the Offering are estimated to be \$48.3 million (\$59.0 million if the Underwriters' over-allotment option is exercised in full), based on an assumed offering price of \$12.875. The Company will not receive any of the proceeds from the sale of shares of Common Stock by the Selling Stockholders. See "Principal and Selling Stockholders." The Company intends to use all of the net proceeds to reduce outstanding indebtedness under the Bank Credit Facility. At October 29, 1996, approximately \$146.0 million in total borrowings was outstanding under the Bank Credit Facility at an average interest rate of 7.5% per annum. Outstanding borrowings under the Bank Credit Facility were used to fund the Black Stone Acquisition and refinance existing indebtedness. Available borrowing capacity under the Bank Credit Facility will be used to fund future capital expenditures related to the Company's acquisition, development, exploitation and exploration activities, and for general corporate purposes. The Company currently has no agreements or understandings in place with respect to any material acquisition.

## DIVIDEND POLICY

The Company intends to retain any future earnings for use in its business and does not intend to pay cash dividends on the Common Stock in the foreseeable future. The payment of future dividends, if any, will be at the discretion of the Company's Board of Directors and will depend upon, among other things, future earnings, operations, capital requirements, restrictions in future financing agreements, the general financial condition of the Company and general business conditions. The payment of cash dividends on the Common Stock is currently restricted under the Bank Credit Facility and by the terms of the Series 1995 Preferred.

## PRICE RANGE OF COMMON STOCK

The Common Stock is quoted on the Nasdaq National Market under the symbol "CMRE." The table below sets forth the high and low reported sales prices of the Common Stock on the Nasdaq National Market for the periods indicated.

	HIGH -----	LOW -----
1996		
Fourth Quarter (through October 29, 1996).....	\$14.63	\$11.13
Third Quarter.....	12.13	8.63
Second Quarter.....	10.50	4.69
First Quarter.....	5.75	4.56
1995		
Fourth Quarter.....	5.63	4.00
Third Quarter.....	4.88	3.75
Second Quarter.....	4.94	3.38
First Quarter.....	3.69	2.75
1994		
Fourth Quarter.....	3.63	2.81
Third Quarter.....	4.56	3.00
Second Quarter.....	4.25	2.94
First Quarter.....	5.75	3.00

On October 29, 1996, the last reported sale price of the Common Stock on the Nasdaq National Market was \$12.875. As of October 23, 1996, there were approximately 935 record holders of Common Stock.

## CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of September 30, 1996, and such capitalization as adjusted to reflect (i) the issuance and sale by the Company of 4,000,000 shares of Common Stock in the Offering and the application of the estimated net proceeds therefrom as described under "Use of Proceeds" and (ii) the conversion of 793,677 shares of Series 1995 Preferred into 1,511,761 shares of Common Stock as described under "Pro Forma Financial Information." This information should be read in conjunction with the Consolidated Financial Statements and the Pro Forma Financial Statements, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

	AS OF SEPTEMBER 30, 1996	
	-----	-----
	ACTUAL	PRO FORMA AS ADJUSTED
	-----	-----
	(IN THOUSANDS)	
Total current debt.....	\$ 171	\$ 171
	=====	=====
Long-term debt:		
Bank Credit Facility.....	\$150,000	\$ 101,732
Other.....	9	9
	-----	-----
Total long-term debt.....	\$150,009	\$ 101,741
	-----	-----
Stockholders' equity:		
Preferred Stock -- \$10.00 par, 5,000,000 shares authorized; 1,500,000 issued and outstanding; and 706,323 issued and outstanding as adjusted(1).....	\$ 15,000	\$ 7,063
Common Stock -- \$.50 par, 30,000,000 shares authorized; 17,340,742 issued and outstanding; and 22,852,506 issued and outstanding as adjusted(1).....	8,670	11,426
Additional paid-in capital.....	55,154	108,603
Accumulated deficit.....	(29,832)	(29,832)
Deferred compensation -- restricted stock grants.....	(42)	(42)
	-----	-----
Total stockholders' equity.....	48,950	97,218
	-----	-----
Total capitalization.....	\$198,959	\$ 198,959
	=====	=====

(1) Excludes, as of September 30, 1996, (i) 1,345,377 shares of Common Stock reserved for issuance upon the conversion of outstanding shares of the Series 1995 Preferred (after giving effect to the issuance of 1,511,761 shares of Common Stock upon conversion of preferred shares by certain Selling Stockholders in connection with the Offering) and (ii) 2,949,780 shares of Common Stock reserved for issuance upon exercise of outstanding stock options. Subsequent to such date, 327,027 shares of Common Stock have been issued upon exercise of such options. See "Management -- Compensation of Executive Officers," "Principal and Selling Stockholders," and "Description of Capital Stock."

## PRO FORMA FINANCIAL INFORMATION

The accompanying Pro Forma Consolidated Statements of Operations for the year ended December 31, 1995 and the nine months ended September 30, 1996 have been prepared assuming the Company consummated, immediately prior to each of the periods presented, (i) the 1995 Acquisitions, (ii) the 1996 Transactions and (iii) the issuance and sale of shares of Common Stock in the Offering and the application of the estimated net proceeds therefrom.

The pro forma financial information does not purport to present the actual results of operations of the Company had the transactions and events assumed therein in fact occurred at the dates specified, nor are they necessarily indicative of the results of operations that may be achieved in the future. The Pro Forma Consolidated Financial Statements are based on certain assumptions and adjustments described in the notes thereto and should be read in conjunction therewith and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes thereto included elsewhere in this Prospectus.

## 1995 ACQUISITIONS

The following acquisitions are collectively referred to as the "1995 Acquisitions":

## SONAT ACQUISITION

In July 1995 the Company completed the acquisition of producing oil and natural gas properties and natural gas gathering systems located in East Texas and North Louisiana from Sonat Exploration Company, a wholly owned subsidiary of Sonat Inc. ("Sonat"), for \$50.6 million. The Company acquired interests in 319 producing wells (188.0 net) for \$49.1 million and acquired the managing general partner interest of and a 20.3% limited partner interest in Crosstex Pipeline Partners, Ltd., as well as certain other natural gas gathering systems primarily located in Harrison County, Texas, for \$1.5 million.

## OTHER 1995 ACQUISITIONS

In May 1995 the Company completed an acquisition of producing offshore oil and natural gas properties located in Louisiana state waters in the Gulf of Mexico. The Company acquired interests in 14 producing wells (3.5 net) for \$8.2 million. During 1995 the Company also acquired interests in the Lake LaRose field in South Louisiana for \$1.0 million.

## 1996 TRANSACTIONS

The following transactions are collectively referred to as the "1996 Transactions":

## 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 natural gas properties located in the Double A Wells field in Southeast Texas for \$104.0 million. The Company acquired interests in 19 producing wells (7.7 net).

## 1996 DISPOSITIONS

In May 1996 the Company sold certain oil and natural gas properties for aggregate proceeds of \$8.9 million. The properties sold include interests in 145 producing wells located in Oklahoma, Arkansas, Nebraska and Kansas, as well as certain nonproducing acreage in South Texas (the "1996 Dispositions").

## PREFERRED STOCK CONVERSIONS

On July 11, 1996, the Company redeemed all of the outstanding shares of its 1994 Series B Convertible Preferred Stock by issuing 2,000,000 shares of Common Stock. The Company paid quarterly dividends on the 1994 Series B Convertible Preferred Stock at an annual rate of 6.25% before the conversion (approximately

\$625,000 per year). On September 16, 1996, the holders of all of the outstanding shares of the Company's Series 1994 Convertible Preferred Stock converted such shares into 1,500,000 shares of Common Stock. The Company paid quarterly dividends on the Series 1994 Convertible Preferred Stock at an annual rate of 9% before the conversion (approximately \$540,000 per year). In connection with the Offering, the Company has been advised that the holders of the Series 1995 Preferred intend to convert 793,677 preferred shares into 1,511,761 shares of Common Stock and sell such Common Stock in the Offering. The Company pays quarterly dividends on the Series 1995 Preferred at an annual rate of 9% (approximately \$1,350,000 per year). As a result of the conversion of 793,677 shares of the Series 1995 Preferred, the Company's annual preferred dividend obligation will be reduced by \$714,000. See "Principal and Selling Stockholders."

#### BANK CREDIT FACILITY

In August 1996 the Company entered into a \$166.0 million revolving credit agreement with The First National Bank of Chicago, as agent, and a syndicate of ten additional banks (the "Bank Credit Facility"). Amounts outstanding under the Bank Credit Facility bear interest at a floating rate based on the agent bank's base rate plus 0.5% or, at the Company's option, at a fixed rate for up to six months based LIBOR plus 1.25% to 2% depending upon the utilization of the available borrowing base. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 1995

	HISTORICAL	PRO FORMA ADJUSTMENTS			OFFERING ADJUSTMENTS	PRO FORMA AS ADJUSTED
		BLACK STONE ACQUISITION	OTHER TRANSACTIONS	PRO FORMA COMBINED		
(IN THOUSANDS, EXCEPT PER SHARE DATA)						
Revenues:						
Oil and gas sales.....	\$ 22,091	\$17,992(a)	\$ 8,042(b) (1,660)(c)	\$ 46,465	\$ --	\$ 46,465
Gas marketing, gathering and processing.....	50,678	--	569(b)	51,247	--	51,247
Other.....	2,899	--	71(b)	2,970	--	2,970
Total revenues.....	75,668	17,992	7,022	100,682	--	100,682
Expenses:						
Oil and gas operating.....	7,427	2,453(a)	3,214(b) (1,016)(c)	12,078	--	12,078
Gas marketing, gathering and processing.....	49,118	--	518(b)	49,636	--	49,636
Depreciation, depletion and amortization.....	8,613	7,244(d)	2,316(d) (673)(e)	17,500	--	17,500
General and administrative, net.....	1,979	(135)(f)	66(f)	1,910	--	1,910
Interest.....	5,542	7,717(g)	2,382(g) (666)(h) (1,575)(i)	13,400	(3,365)(j)	10,035
Impairment of oil and gas properties.....	29,150	--	--	29,150	--	29,150
Total expenses.....	101,829	17,279	4,566	123,674	(3,365)	120,309
Income (loss) before income taxes.....	(26,161)	713	2,456	(22,992)	3,365	(19,627)
Provision for income taxes....	--	--	--	--	--	--
Net income (loss).....	(26,161)	713	2,456	(22,992)	3,365	(19,627)
Preferred stock dividends.....	(1,908)	--	1,173(k)	(735)	389(k)	(346)
Net income (loss) attributable to common stock.....	\$(28,069)	\$ 713	\$ 3,629	\$( 23,727)	\$ 3,754	\$(19,973)
Net income (loss) per share...	\$ (2.24)					\$ (.96)
Weighted average common shares outstanding.....	12,546					20,870

See Notes to Pro Forma Consolidated Financial Statements.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996

	HISTORICAL	PRO FORMA ADJUSTMENTS			OFFERING ADJUSTMENTS	PRO FORMA AS ADJUSTED
		BLACK STONE ACQUISITION	OTHER TRANSACTIONS	PRO FORMA COMBINED		
(IN THOUSANDS, EXCEPT PER SHARE DATA)						
Revenues:						
Oil and gas sales.....	\$ 45,517	\$11,087(a)	\$ (605)(c)	\$ 55,999	\$ --	\$ 55,999
Gas marketing, gathering and processing.....	68,114	--	--	68,114	--	68,114
Other.....	1,961	--	--	1,961	--	1,961
Total revenues.....	115,592	11,087	(605)	126,074	--	126,074
Expenses:						
Oil and gas operating.....	9,673	1,147(a)	(313)(c)	10,507	--	10,507
Gas marketing, gathering and processing.....	66,301	--	--	66,301	--	66,301
Exploration.....	285	--	--	285	--	285
Depreciation, depletion and amortization.....	12,809	3,411(d)	(138)(e)	16,082	--	16,082
General and administrative, net.....	1,546	(58)(f)	217(f)	1,705	--	1,705
Interest.....	7,619	2,393(g)	(206)(h) (1,225)(i)	8,581	(2,335)(j)	6,246
Total expenses.....	98,233	6,893	(1,665)	103,461	(2,335)	101,126
Income before income taxes.....	17,359	4,194	1,060	22,613	2,335	24,948
Provision for income taxes.....	--	--	--	--	--	--
Net income.....	17,359	4,194	1,060	22,613	2,335	24,948
Preferred stock dividends.....	(1,747)	--	720(k)	(1,027)	544 (k)	(483)
Net income attributable to common stock.....	\$ 15,612	\$ 4,194	\$ 1,780	\$ 21,586	\$ 2,879	\$ 24,465
Net income per share:						
Primary.....	\$ 1.04					\$ 1.02
Fully diluted.....	\$ 0.82					\$ 0.99
Weighted average common shares outstanding:						
Primary.....	15,014					24,025
Fully diluted.....	21,246					25,246

See Notes to Pro Forma Consolidated Financial Statements.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The pro forma adjustments to the Consolidated Statements of Operations for the year ended December 31, 1995, and the nine months ended September 30, 1996 are summarized below:

- (a) To record revenues and direct operating expenses of the Black Stone Acquisition from January 1, 1996 to May 1, 1996, the closing date of the acquisition.
- (b) To record the inclusion of revenues and direct operating expenses of the 1995 Acquisitions from January 1, 1995 to the date of each respective acquisition.
- (c) To record the exclusion of revenues and direct operating expenses of the properties that are the subject of the 1996 Dispositions.
- (d) To record estimated depreciation, depletion and amortization attributable to the Black Stone Acquisition and the 1995 Acquisitions using the unit-of-production method applied to the net cost of the properties acquired.
- (e) To exclude depreciation, depletion and amortization attributable to the properties that are the subject of the 1996 Dispositions.
- (f) To record the estimated impact on general and administrative expense net of the operating fee income that would have been received with respect to the Black Stone Acquisition and the 1995 Acquisitions and to eliminate operating fee income that was attributable to the 1996 Dispositions.
- (g) To record interest expense attributable to the increase in debt to finance the Black Stone Acquisition and the 1995 Acquisitions. Interest expense is based upon the average interest rate of 7.5% for the year ended December 31, 1995 and 7.0% for the nine months ended September 30, 1996 that would have been incurred by the Company under the Bank Credit Facility assuming the entire cost of the acquisitions had been funded with bank borrowings at January 1 of each period.
- (h) To record the decrease in interest expense attributable to the application of proceeds from the 1996 Dispositions against long-term debt at the beginning of the applicable period.
- (i) To reduce interest expense to reflect the effect of the Bank Credit Facility assuming the Bank Credit Facility had been in place for the entire period.
- (j) To eliminate interest expense incurred under the Bank Credit Facility assuming the proceeds of the Offering were used to reduce debt as of January 1 of each period.
- (k) To eliminate the dividends paid on the Company's Series 1994 Convertible Preferred Stock, 1994 Series B Convertible Preferred Stock and a portion of the Series 1995 Preferred, assuming the conversion of the preferred stock occurred as of January 1 of each period.

No adjustment has been made to reflect income taxes related to the 1995 Acquisitions or the 1996 Transactions due to the Company's net operating loss carryforwards which would offset any current or deferred tax liabilities.

## SELECTED HISTORICAL 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, 1995 and as of and for the nine months ended September 30, 1995 and 1996 are derived from the Consolidated Financial Statements of the Company. The historical consolidated financial data as of and for the nine months ended September 30, 1995 and 1996 are derived from unaudited consolidated financial statements of the Company which, in the opinion of management, contain all adjustments (consisting of normal recurring adjustments) necessary for fair presentation. The results for the nine months ended September 30, 1996 are not necessarily indicative of the results that may be achieved for the full year. 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,					NINE MONTHS ENDED SEPTEMBER 30,	
	1991	1992	1993	1994	1995	1995	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
<b>STATEMENT OF OPERATIONS DATA(1):</b>							
Revenues:							
Oil and gas sales.....	\$ 2,710	\$ 10,680	\$ 21,805	\$ 16,855	\$ 22,091	\$ 14,254	\$ 45,517
Gas marketing sales.....	--	--	--	14,957	50,078	34,786	67,574
Gas gathering and processing.....	153	213	107	72	600	454	540
Gain on sales of property.....	106	--	111	328	2,608	2,608	1,506
Other income.....	160	220	430	442	291	206	455
Total revenues.....	3,129	11,113	22,453	32,654	75,668	52,308	115,592
Expenses:							
Oil and gas operating(2).....	1,572	3,150	6,673	6,099	7,427	4,803	9,673
Natural gas purchases.....	--	--	--	14,521	48,909	33,974	66,104
Gas gathering and processing.....	120	159	91	11	209	135	197
Exploration.....	--	--	423	--	--	--	285
Depreciation, depletion and amortization....	1,758	3,759	8,334	7,390	8,613	6,114	12,809
General and administrative, net.....	2,089	1,485	1,834	1,823	1,979	1,448	1,546
Interest.....	449	1,037	2,184	2,869	5,542	3,574	7,619
Impairment of oil and gas properties(3).....	--	--	--	--	29,150	--	--
Other.....	701	--	--	--	--	--	--
Total expenses.....	6,689	9,590	19,539	32,713	101,829	50,048	98,233
Income (loss) before income taxes.....	(3,560)	1,523	2,914	(59)	(26,161)	2,260	17,359
Provision for income taxes.....	--	--	--	--	--	--	--
Net income (loss) before extraordinary items.....	(3,560)	1,523	2,914	(59)	(26,161)	2,260	17,359
Preferred stock dividends.....	--	(56)	(173)	(818)	(1,908)	(1,267)	(1,747)
Net income (loss) attributable to common stock.....	(3,560)	1,467	2,741	(877)	(28,069)	993	15,612
Extraordinary loss.....	--	--	(417)	(615)	--	--	--
Net income (loss).....	\$ (3,560)	\$ 1,467	\$ 2,324	\$ (1,492)	\$ (28,069)	\$ 993	\$ 15,612
Weighted average common shares outstanding:							
Primary.....	7,006	8,180	10,762	12,065	12,546	12,843	15,014
Fully diluted.....							21,246
Primary earnings per share:							
Net income (loss) before extraordinary items.....	\$ (0.51)	\$ 0.18	\$ 0.25	\$ (0.07)	\$ (2.24)	\$ 0.08	\$ 1.04
Net income (loss) after extraordinary items.....	(0.51)	0.18	0.22	(0.12)	(2.24)	0.08	1.04
Fully diluted earnings per share.....							0.82
<b>CASH FLOW DATA:</b>							
Cash provided (used) by:							
Operating activities.....	\$ (583)	\$ (1,020)	\$ 16,488	\$ 7,376	\$ 8,407	\$ 2,996	\$ 27,275
Investing activities.....	(18,110)	(12,472)	(17,415)	(23,972)	(58,724)	(56,713)	(97,720)
Financing activities.....	19,809	12,910	790	19,266	48,809	51,261	79,647
<b>OTHER FINANCIAL DATA:</b>							
EBITDA(4).....	\$ (1,353)	\$ 6,319	\$ 13,855	\$ 10,200	\$ 17,144	\$ 11,948	\$ 38,072
Capital expenditures.....	19,962	12,457	21,779	16,386	61,809	59,708	106,668

	AS OF DECEMBER 31,					AS OF SEPTEMBER 30,	
	1991	1992	1993	1994	1995	1995	1996
	(IN THOUSANDS)						
<b>BALANCE SHEET DATA:</b>							
Property and equipment, net.....	\$ 44,784	\$ 53,474	\$ 66,068	\$ 77,989	\$102,116	\$131,708	\$188,233

Total assets.....	51,944	66,185	74,095	91,571	120,099	144,400	222,383
Total debt.....	7,843	19,164	21,930	37,932	71,811	74,258	150,180
Stockholders' equity.....	18,850	23,110	27,646	41,205	30,128	58,544	48,950

- 
- (1) Significant acquisitions of producing oil and gas properties affect the comparability of the historical financial and operating data for the periods presented.
  - (2) Includes lease operating costs and production and ad valorem taxes.
  - (3) Represents the impairment provision for the adoption of a new accounting standard regarding the carrying value of long-lived assets.
  - (4) As used in this Prospectus, EBITDA means income (loss) before income taxes, plus interest, depreciation, depletion and amortization, impairment of oil and gas properties and exploration.

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 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 Bank Credit Facility. Based on the operating results for the nine months ended September 30, 1996, 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 \$0.06 per share. See "Risk Factors -- Market Conditions and Volatility of Oil and Natural Gas Prices."

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

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1995	1996
NET PRODUCTION DATA:					
Oil (MBbls).....	278	263	356	236	650
Natural gas (MMcf).....	8,514	6,514	9,297	6,198	13,651
AVERAGE SALES PRICE:					
Oil (per Bbl).....	\$16.22	\$15.22	\$16.81	\$16.78	\$ 20.73
Natural gas (per Mcf).....	2.03	1.97	1.73	1.66	2.35
EXPENSES (\$ PER MCFE):					
Oil and gas operating(1).....	\$ 0.66	\$ 0.75	\$ 0.65	\$ 0.63	\$ 0.55
General and administrative, net.....	0.18	0.23	0.17	0.19	0.09
Depreciation, depletion and amortization(2).....	0.78	0.88	0.72	0.77	0.71

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

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

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. The Company enters into natural gas 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 6% higher average gas prices than it otherwise would have without hedging. For the nine months ended September 30, 1996, the Company hedged approximately 13% of its natural gas production and realized a 1% lower gas price than it otherwise would have without hedging.

The Company has entered into natural gas price swap agreements to hedge approximately 0.9 Bcf of its natural gas production for the fourth quarter of 1996 at an average price of \$1.90 per MMBtu. The swap agreements include estimated delivery point basis adjustments to better equate the agreements to the Company's expected well head prices to be received. The Company has no hedges in place for 1997 or subsequent years.

Although the Company has no formal plan of disposition, management is currently evaluating a possible sale of the Company's gas gathering and processing assets as well as either selling or discontinuing its third party gas marketing operations. Management believes that any such transaction would not have a material impact on the Company's results of operations or financial position.

## ADOPTION OF NEW ACCOUNTING STANDARD

Prior to the fourth quarter of 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 such properties. Under this policy, no impairment in carrying value was required during 1993 or 1994. In the fourth quarter of 1995, the Company adopted the Statement of Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of" ("SFAS 121"). 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 approximately \$29.2 million in 1995. Of the total impairment provision, \$20.0 million relates to a writedown of the carrying value of the Company's undeveloped acreage in the Texas Panhandle field acquired from 1988 to 1990.

## NINE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1995

Oil and gas sales increased \$31.3 million (219%), to \$45.5 million for the first nine months of 1996 from \$14.3 million in the first nine months of 1995 due primarily to a 120% increase in natural gas production and a 175% increase in oil production as well as higher oil and natural gas prices. The production increases related primarily to production from properties acquired in the 1995 Acquisitions and the Black Stone Acquisition, which closed in May 1996. The Company's average gas price increased 42% and its average oil price increased 24% during the first nine months of 1996 compared to the same period in 1995.

Gas marketing net margins (revenues less expenses) increased \$658,000 (81%) to \$1.5 million in 1996 from \$812,000 in 1995 due primarily to an increase in volumes marketed and higher natural gas prices realized.

Gas gathering and processing net margins (revenues less expenses) increased \$24,000 (8%) to \$344,000 in the first nine months of 1996 from \$319,000 in the same period of 1995.

Other income increased \$249,000 (121%) to \$455,000 in the first nine months of 1996 from \$206,000 in first nine months of 1995 due primarily to interest income earned on short-term cash deposits in 1996.

Oil and gas operating expenses, including production taxes, increased \$4.9 million (101%) to \$9.7 million in the first nine months of 1996 from \$4.8 million in the first nine months of 1995 due primarily to the 130% increase in oil and gas production (on an Mcfe basis) resulting primarily from the 1995 Acquisitions and the Black Stone Acquisition. Oil and gas operating expenses per Mcfe produced decreased 13% to \$0.55 in 1996 from \$0.63 in 1995 due to the lower lifting costs associated with the properties acquired in 1995 and 1996.

General and administrative expenses increased \$98,000 (7%) to \$1.5 million in the first nine months of 1996 from \$1.4 million in the first nine months of 1995 due primarily to an increase in the number of employees of the Company.

Depreciation, depletion and amortization ("DD&A") increased \$6.7 million (110%) to \$12.8 million in the first nine months of 1996 from \$6.1 million in the first nine months of 1995 due primarily to the increase in oil and natural gas production. Oil and gas property DD&A per Mcfe produced decreased by 8% to \$0.71 in 1996 from \$0.77 in 1995 due to the lower acquisition costs associated with the properties acquired in 1995.

Interest expense increased \$4.0 million (113%) to \$7.6 million for the first nine months of 1996 from \$3.6 million for the first nine months of 1995 due primarily to an increase in the average outstanding advances under the Company's previous bank credit facility. The average annual interest rate paid under the Company's previous bank credit facility decreased to 8.3% in the first nine months of 1996 as compared to 10.5% in the first nine months of 1995.

The Company reported net income of \$17.4 million before preferred stock dividends of \$1.7 million for the nine months ended September 30, 1996, as compared to net income of \$2.3 million before preferred stock dividends of \$1.3 million for the first nine months ended September 30, 1995.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

Oil and gas sales increased \$5.2 million (31%) to \$22.1 million in 1995 from \$16.9 million in 1994 due primarily to a 43% increase in natural gas production and a 35% increase in oil production. The production increases related primarily to production from certain oil and natural gas property acquisitions completed in late 1994 and in 1995. The production increases were partially offset by a 12% decrease in the Company's average gas price. The Company's average oil price for the period increased by 10%.

Gas marketing net margins (revenues less expenses) increased \$733,000 (168%) to \$1.2 million in 1995 from \$437,000 in 1994 due primarily to a full year of natural gas marketing operations in 1995 as compared to only seven months of operations in 1994. The average margin per Mcf sold was \$0.032 in 1995 as compared to \$0.041 in 1994.

Gas gathering and processing net margins (revenues less expenses) increased \$329,000 (536%) to \$390,000 in 1995 from \$61,000 in 1994 due primarily to acquisitions of certain gathering and processing assets in late 1994 and in 1995.

Oil and gas operating expenses, including production taxes, increased \$1.3 million (22%) to \$7.4 million in 1995 from \$6.1 million in 1994 due primarily to the 41% increase in oil and natural gas production (on an Mcfe basis) resulting from the property acquisitions previously discussed. Lease operating expenses per Mcfe produced decreased 15% to \$0.65 in 1995 from \$0.75 in 1994 due to the lower lifting costs associated with the properties acquired in 1995.

General and administrative expenses increased \$156,000 (9%) to \$2.0 million in 1995 from \$1.8 million in 1994 due primarily to the addition of personnel associated with the Company's commencement of gas marketing operations in June 1994.

DD&A increased \$1.2 million (17%) to \$8.6 million in 1995 from \$7.4 million in 1994 due primarily to the 41% increase in oil and natural gas production (on an Mcfe basis). Oil and gas property DD&A per Mcfe produced decreased 18% to \$0.72 in 1995 from \$0.88 in 1994.

Interest expense increased \$2.7 million (93%) to \$5.5 million in 1995 from \$2.8 million in 1994 due primarily to an increase in the average outstanding advances under the Company's previous bank credit facility and an increase in interest rates. The average annual interest rate paid under the Company's previous bank credit facility was 10.5% in 1995 as compared to 8.6% in 1994.

The Company reported a loss of \$26.2 million before preferred stock dividends of \$1.9 million for the year ended December 31, 1995 as compared to a loss of \$59,000 before preferred stock dividends of \$818,000 for the year ended December 31, 1994. The loss in 1995 is attributable to the Company's adoption of SFAS 121 which resulted in the Company recording an impairment of its oil and gas properties of \$29.2 million relating to the adoption of SFAS 121. The 1995 results also include a \$2.6 million gain from the sale in 1995 of a gas processing plant for \$3.0 million.

YEAR ENDED DECEMBER 31, 1994 COMPARED TO YEAR ENDED DECEMBER 31, 1993

Oil and gas sales decreased \$4.9 million (23%), to \$16.9 million in 1994 from \$21.8 million in 1993 due primarily to a 23% decrease in natural gas production. Oil production increased 6% in 1994. Sales were also impacted by a 3% decrease in gas prices and a 6% decrease in oil prices. The natural gas production decline related primarily to the decrease in the ownership interest in the West Cameron property to 45% from 90% resulting from the effect of a reversionary interest.

Gas marketing net margins (revenues less expenses) reported in 1994 were \$437,000 as a result of the commencement of gas marketing operations by the Company in June 1994. The average margin per Mcf sold was \$0.041 in 1994.

Gas gathering net margin (revenues less expenses) was \$61,000 in 1994 which relates to certain gas gathering assets acquired in September 1994. The gas gathering net margin of \$17,000 in 1993 related to a gas gathering system in Oklahoma which the Company sold in 1993.

Oil and gas operating expenses, including production taxes, decreased \$575,000 (9%) to \$6.1 million in 1994 from \$6.7 million in 1993 due primarily to the 21% decrease in oil and gas production on an Mcfe basis as discussed above. Lease operating expenses per equivalent Mcf produced increased 14% to \$0.75 in 1994 from \$0.66 in 1993.

General and administrative expenses of \$1.8 million in 1994 were comparable to general and administrative expenses in 1993.

DD&A decreased \$900,000 (11%) to \$7.4 million in 1994 from \$8.3 million 1993 due primarily to the 21% decrease in oil and natural gas production on an Mcfe basis. Oil and gas property DD&A per Mcfe produced increased 13% to \$0.88 in 1994 as compared to \$0.78 in 1993.

Interest expense increased \$686,000 (31%) to \$2.9 million in 1994 from \$2.2 million in 1993 due primarily to an increase in the average outstanding advances under the Company's bank credit facility partially offset by lower average interest rates in 1994.

The Company reported a loss of \$59,000 before preferred stock dividends of \$818,000 for the year ended December 31, 1994, as compared to income of \$2.9 million before preferred stock dividends of \$173,000 in 1993. The aforementioned decrease in the Company's oil and natural gas production of 21% (on an Mcfe basis) accounted for the decline in earnings.

#### 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 \$8.4 million for the year ended December 31, 1995 and \$27.3 million for the nine months ended September 30, 1996.

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 indebtedness.

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

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1994	1995	1995	1996
	(IN THOUSANDS)				
Acquisition of oil and gas reserves.....	\$18,500	\$12,970	\$56,081	\$55,659	\$100,075
Other leasehold costs.....	350	607	12	--	71
Workovers and recompletions.....	1,066	1,271	2,152	1,283	2,356
Development drilling.....	1,324	218	1,514	852	3,678
Exploratory drilling.....	423	--	--	--	285
Acquisition of gas marketing, processing and gathering assets...	--	1,099	2,009	1,875	128
Other.....	116	221	41	39	75
Total.....	\$21,779	\$16,386	\$61,809	\$59,708	\$106,668

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. During 1995 and the first nine months of 1996, the Company spent \$3.7 million and \$6.3 million, respectively, on development and exploration activities. As part of its increased emphasis on such activities, the Company currently anticipates spending in excess of \$20.0 million on identified development and exploration projects in the fourth quarter of 1996 through 1997.

The increase in capital expenditures for 1996 over prior year levels is primarily attributable to the increased opportunities available to the Company after recent acquisitions. 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 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 balance of the Company's 1996 capital expenditure budget and expected 1997 capital expenditures. The Company primarily intends to use borrowings under the Bank Credit Facility to finance possible significant acquisitions. In addition, the Company may seek to obtain other debt or equity financing. 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. In addition, the ability of the Company to incur additional indebtedness and grant security interests with respect thereto will be limited by the terms of the Bank Credit Facility.

The Company's bank credit facility consists of a \$166.0 million revolving credit commitment provided by a syndicate of 11 banks in which The First National Bank of Chicago serves as agent. All indebtedness under the Bank Credit Facility is secured by substantially all of the Company's assets. The Bank Credit Facility is subject to borrowing base availability as determined from time to time by the lenders, in the exercise of their sole discretion. As of September 30, 1996, the borrowing base was \$166.0 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 1.25% to 2% or (ii) the higher of the "corporate base rate" plus 0% to 0.5% or 0.5% over the federal funds rate plus 0% to 0.5%. The average annual interest rate as of September 30, 1996, of all outstanding indebtedness under the Bank Credit Facility was approximately 7.6%. The Company incurs a commitment fee of up to 0.5% per annum on the unused portion of the borrowing base. The revolving credit line will convert to a term loan (the "Term Loan") on August 13, 1999 or such earlier date as the Company may elect. The Term Loan is to be repaid in consecutive quarterly installments of 5% of the original outstanding principal amount of the Term Loan; the balance of the Term Loan will be due and payable in full on August 13, 2001. The Bank 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, 1995, the Company had federal income tax net operating loss ("NOL") carryforwards of approximately \$31.0 million. The NOL carryforwards expire from 1996 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. The Internal Revenue Code of 1986, as amended (the "Code") limits the utilization of NOL carryforwards under certain circumstances, including upon the occurrence of certain ownership changes. The Company believes that an ownership change may occur during 1996 as a result of this Offering and/or other transactions involving the Company's capital stock. Based on recent trading prices for the Common Stock, the Company does not believe that any limitation caused by an ownership change will have a significant effect on its ability to use its NOL carryforwards to offset future federal taxable income, although there can be no assurance this will be the case.

The Company does not expect to report any regular taxable income in the near future because it expects to utilize its carryforwards and other tax deductions and credits. However, there is no assurance that the Internal Revenue Service will not challenge these carryforwards or their utilization.

#### INFLATION

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

## BUSINESS AND PROPERTIES

## GENERAL

Comstock Resources, Inc. is an independent energy company engaged in the acquisition, development, production and exploration of oil and natural gas properties. The Company is also engaged in the gathering, processing and marketing of natural gas. As of December 31, 1995, the Company had pro forma proved reserves of 307.9 Bcfe with an estimated Present Value of Proved Reserves of \$286.4 million. On a Bcfe basis, these reserves were 83% natural gas and 74% proved developed. The Company believes that its primary strengths include (i) its ability to acquire oil and natural gas properties at attractive costs, (ii) its high quality, long-lived reserve base, of which 92% is concentrated in Southeast Texas, East Texas/North Louisiana and the Texas Gulf Coast, and (iii) its ability to efficiently operate and develop its oil and natural gas properties.

The Company has grown primarily through the acquisition of producing properties. Since 1991 the Company has added 286.8 Bcf of natural gas and 10.5 MMBbls of oil from 16 acquisitions at a total cost of \$225.5 million, or \$0.64 per Mcfe. The Company's two largest acquisitions to date have been its purchase of properties from Sonat Inc. in July 1995 for \$50.6 million (the "Sonat Acquisition") and its acquisition of Black Stone Oil Company and interests in the Double A Wells field in May 1996 for \$104.0 million (the "Black Stone Acquisition"). Primarily as a result of the Company's acquisition activities, (i) average net daily production increased from 27.9 MMcfe in 1993 to 78.9 MMcfe on a pro forma basis for the nine months ended September 30, 1996 and (ii) EBITDA (as defined) increased from \$13.9 million for 1993 to \$37.1 million on a pro forma basis for 1995. EBITDA on a pro forma basis for the first nine months of 1996 was \$47.6 million.

While continuing to pursue attractive acquisitions, the Company has recently increased its focus on the exploitation and development of its existing properties through the implementation of operational improvements, workovers, recompletions and the drilling of development and exploratory wells. During 1995 and the first nine months of 1996, the Company spent \$3.7 million and \$6.3 million, respectively, on development and exploration activities. As part of its increased emphasis on such activities, the Company anticipates spending in excess of \$20.0 million on currently identified development and exploration projects in the fourth quarter of 1996 through 1997.

## 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 reserves through opportunistic acquisitions. The Company applies strict economic and reserve risk criteria in evaluating acquisitions and targets properties with established production where it can obtain operational control and increase production and reserves through exploitation activities. The Black Stone Acquisition and the Sonat Acquisition have significant development and exploration potential and were acquired at costs equal to 70% and 68%, respectively, of their estimated Present Value of Proved Reserves. Due to its experience in its core operating areas, the Company believes it is better able to identify and evaluate potential acquisitions and negotiate and close selected acquisitions on favorable terms.

## 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 properties comprising approximately 85% of its pro forma Present Value of Proved Reserves as of December 31, 1995.

## MAINTAIN LOW COST STRUCTURE

The Company seeks to increase cash flow by carefully controlling operating costs and general and administrative expense. 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 expense and average oil and gas operating costs per Mcfe have decreased from \$0.18 and \$0.66, respectively, for 1993 to \$0.08 and \$0.49, respectively, on a pro forma basis for the nine months ended September 30, 1996.

## 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, magnetic resonance imaging logging tools and newly developed formation stimulation techniques. During the first nine months of 1996, the Company participated in the drilling of 14 development wells, and plans to participate in 14 additional development wells during the fourth quarter. The Company has identified 23 development wells to be drilled in 1997 and expects to drill additional wells based on drilling results and geologic work in progress.

## PURSUE SELECTIVE EXPLORATION OPPORTUNITIES

The Company pursues selective exploration activities to find additional reserves on its undeveloped acreage and anticipates spending approximately 15% of its 1997 drilling budget on exploration. The Company recently completed a 3-D seismic survey in the East White Point field along the Texas Gulf Coast and plans to drill an exploratory well in this field in the fourth quarter of 1996 and a deeper exploratory test well in the first quarter of 1997. In the West Simsboro field in North Louisiana, the Company has completed a geological field study and intends to drill an exploratory well to test an undeveloped fault block by the end of 1996. The Company is also participating in the exploration of undeveloped acreage adjacent to the Double A Wells field in Southeast Texas. In 1997 the Company intends to participate in 3-D seismic surveys on its offshore leases in the Gulf of Mexico.

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

## OIL AND NATURAL GAS RESERVES

The following tables set forth the estimated oil and natural gas proved reserves of the Company and the Present Value of Proved Reserves as of December 31, 1995 (both historical and on a pro forma basis for the Black Stone Acquisition and the 1996 Dispositions):

## HISTORICAL

CATEGORY	NET PROVED RESERVES			PRESENT VALUE OF PROVED RESERVES  (IN THOUSANDS)
	OIL (MBBLS)	GAS (MMCF)	TOTAL (MMCFE)	
Proved developed producing.....	1,937	79,473	91,097	\$ 88,404
Proved developed non-producing.....	625	50,902	54,654	31,278
Proved undeveloped.....	1,217	42,790	50,089	28,610
Total proved.....	3,779	173,165	195,840	\$148,292
	=====	=====	=====	=====

## PRO FORMA FOR THE BLACK STONE ACQUISITION AND 1996 DISPOSITIONS

CATEGORY	NET PROVED RESERVES			PRESENT VALUE OF PROVED RESERVES (IN THOUSANDS)
	OIL (MBBLS)	GAS (MMCF)	TOTAL (MMCFE)	
Proved developed producing.....	4,767	125,751	154,353	\$168,944
Proved developed non-producing.....	1,430	64,149	72,729	53,285
Proved undeveloped.....	2,273	67,222	80,860	64,178
Total proved.....	8,470	257,122	307,942	\$286,407

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 that are ultimately recovered. See "Risk Factors -- Uncertainties in Estimating Reserves and Future Net Cash Flows."

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 developing additional reserves. See "Risk Factors -- Replacement of Reserves."

## PRIMARY OPERATING AREAS

The Company's activities are concentrated in three primary operating areas: Southeast Texas, East Texas/North Louisiana and the Texas Gulf Coast. The Company also owns interests in the Gulf of Mexico, South Louisiana, West Texas and Mississippi. The following table summarizes the Company's estimated proved oil and gas reserves by field as of December 31, 1995 on a pro forma basis for the Black Stone Acquisition and the 1996 Dispositions. The Company's 20 largest fields, as listed below, represent approximately 95% of the Company's pro forma Present Value of Proved Reserves as of such date.

FIELD	NET OIL (MBBLS)	NET GAS (MMCF)	PRESENT VALUE OF PROVED RESERVES	
			(IN THOUSANDS)	PERCENTAGE
SOUTHEAST TEXAS				
Double A Wells.....	5,302	98,549	\$148,588	52%
EAST TEXAS/NORTH LOUISIANA				
Logansport.....	94	23,501	\$ 16,643	
Beckville.....	176	25,406	14,581	
Waskom.....	289	19,392	12,039	
Longwood.....	110	13,249	9,797	
Blocker.....	66	14,473	9,628	
Ada.....	13	5,191	7,082	
Sugar Creek.....	81	6,624	4,575	
Calhoun.....	32	2,005	3,446	
Simsboro.....	5	3,988	3,086	
Hico Knowles.....	57	2,909	2,977	
Other.....	12	9,019	5,916	
	935	125,757	89,770	31%

FIELD	NET OIL (MMBLS)	NET GAS (MMCF)	PRESENT VALUE OF PROVED RESERVES	
			(IN THOUSANDS)	PERCENTAGE
<b>TEXAS GULF COAST</b>				
Vienna.....	--	4,443	\$ 4,666	
El Campo.....	149	2,864	4,034	
Mustang Island.....	94	3,046	3,905	
East White Point.....	490	2,703	3,736	
Redmond Creek.....	148	1,500	3,247	
Other.....	117	2,040	2,812	
	998	16,596	22,400	8%
<b>OTHER AREAS</b>				
Ship Shoal 66.....	410	288	\$ 5,348	
West Cameron Block 238.....	4	4,595	5,163	
Main Pass Blocks 21/25.....	513	579	4,256	
Lake LaRose.....	38	4,183	3,920	
Other.....	270	6,575	6,962	
	1,235	16,220	25,649	9%
<b>Total.....</b>	<b>8,470</b>	<b>257,122</b>	<b>\$286,407</b>	<b>100%</b>

#### SOUTHEAST TEXAS

The Company's largest concentration of proved reserves, representing 52% of the Company's pro forma Present Value of Proved Reserves as of January 1, 1996, is located in the Double A Wells field in Polk County, Texas. The Company operates and owns interests in 19 producing wells (7.7 net) in this field. The field includes high volume wells producing from the Upper Woodbine formation with average gross production of 97 MMcf per day and 6,800 Bbls of oil per day in September 1996. The Company is participating in the exploration of undeveloped acreage adjacent to the Double A Wells field. Since its acquisition of the properties, the Company participated in an exploratory dry hole, successfully drilled a development well, and recently commenced drilling another development well. Two or three additional wells in the Double A Wells field are planned to further delineate the field during 1997.

#### EAST TEXAS/NORTH LOUISIANA

The second largest concentration of the Company's proved reserves is located in East Texas/North Louisiana, and constitutes 31% of its pro forma Present Value of Proved Reserves as of January 1, 1996. The Company owns interests in 337 producing wells (186.5 net) in 19 fields, including Logansport, Beckville, Waskom, Longwood, Blocker, West Simsboro and Ada fields. A major portion of the Company's reserves are contained in the Travis Peak (Hosston in Louisiana) formation and the Cotton Valley formation, which exhibit several thousand feet of sand and shale sequences. The Company believes that success in the Travis Peak and Cotton Valley formations can be enhanced by applying new hydraulic fracturing and completion techniques, magnetic resonance imaging (MRI) logging tools, and infill drilling.

The Company operates 45 wells and owns interests in 18 additional wells in the Logansport field in DeSoto Parish, Louisiana. The Logansport field area produces from multiple zones in the Hosston formation. In early 1996 the Company initiated an infill drilling program to develop proved undeveloped reserves from the Hosston sands. The Company has participated in drilling 10 infill development wells in the first nine months of 1996, nine of which were successful, and anticipates drilling a minimum of 12 additional infill development wells in the fourth quarter of 1996 through 1997.

The Company operates approximately 135 wells in the Longwood, Beckville, Blocker and Waskom fields in Northwest Louisiana and Northeast Texas. The majority of these wells produce from the Hosston, Travis Peak and Cotton Valley formations. During the first nine months of 1996, the Company drilled two successful

Travis Peak infill wells in the Longwood area and initiated a Cotton Valley development drilling program, which includes a minimum of 13 wells in the fourth quarter of 1996 through 1997.

As a result of a recently completed geologic study of the West Simsboro field and adjacent areas, the Company has leased additional acreage in the field and plans to drill a 10,500 foot exploratory well during the fourth quarter of 1996.

#### TEXAS GULF COAST

The Company's third largest operating area is the Texas Gulf Coast region. The Company owns interests in 68 producing wells (36.8 net) in 10 fields, the largest of which are the Vienna, El Campo, Mustang Island and East White Point fields. Reserves in the Texas Gulf Coast area constitute 8% of the Company's pro forma Present Value of Proved Reserves as of January 1, 1996. Major producing formations include the Frio, Vicksburg, Yegua and Wilcox formations. The Company's interest in this area focuses on fields that lie along the Frio trend. The Company believes potential exists through the use of current technology for additional oil and natural gas recovery in the older fields along this trend, particularly in the deeper formations. Due to their structural complexity, many of these fields are good candidates for the use of 3-D seismic technology that can better define fault blocks and stratigraphic features in order to more completely develop the remaining reserves.

In 1995 the Company and Marathon Oil Company formed a joint venture to shoot 3-D seismic data on approximately 10,000 acres in the East White Point area of Nueces Bay. The Company retained a 29% interest in wells to be developed under the joint venture. Marathon and the Company plan to drill an exploratory well in the fourth quarter of 1996 to test the Brigham (Frio) sand and a deeper well to test the deep Frio sand in the first quarter of 1997.

#### ACQUISITION ACTIVITIES

##### ACQUISITION STRATEGY

The Company has concentrated its acquisition activity in Southeast Texas, East Texas/North Louisiana and the Texas Gulf Coast 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 rigorous 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' potential for operating control, exploitation and low operating costs.

##### MAJOR PROPERTY ACQUISITIONS

Of the 16 property acquisitions completed by the Company since 1991, four acquisitions described below account for 86% of the total acquisition cost and 84% of the total reserves acquired.

**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 \$104.0 million. The Company acquired interests in 19 producing wells (7.7 net) that are located in the Double A Wells field in Polk County, Texas and is the operator of the field. The net proved reserves acquired are estimated at 5.3 MMBbls of oil and 98.5 Bcf of natural gas as of January 1, 1996, the effective date of the acquisition.

**SONAT ACQUISITION.** In July 1995 the Company purchased interests in certain producing oil and gas properties and natural gas gathering systems located in East Texas and North Louisiana from Sonat for \$50.6 million. The Company acquired interests in 319 producing wells (188.0 net) along with interests in gas gathering systems. The acquisition included interests in the Logansport, Beckville, Waskom, Longwood, Blocker, Simsboro and Hico Knowles 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, which now operates under the name Comstock Offshore Energy, Inc. 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 Texas and offshore Gulf of Mexico. Major properties acquired include interests in the Mustang Island, East White Point and Redmond Creek fields located on the Texas Gulf Coast and West Cameron Block 238 in offshore Gulf of Mexico. The net proved reserves acquired were estimated at 1.0 MMBbls of oil and 17.8 Bcf of natural gas.

GOODRICH ACQUISITION. In November 1991 the Company acquired interests in 57 producing wells (27.3 net) located in 22 fields primarily in Louisiana and Texas from Goodrich Oil Company and certain other working interest owners for \$18.3 million. Major fields purchased in this acquisition include the Ada, Calhoun and Sugar Creek fields in North Louisiana. The net proved reserves acquired were estimated at 0.7 MMBbls of oil and 26.8 Bcf of natural gas.

As a result of its acquisitions, the Company has added 350.0 Bcfe of proved oil and natural gas reserves as summarized in the following table:

YEAR	ACQUISITION COST (000'S)	PROVED RESERVES WHEN ACQUIRED(1)			ACQUISITION COST PER MCFE WHEN ACQUIRED(2)	PRESENT VALUE OF PROVED RESERVES WHEN ACQUIRED(2) (000'S)	ACQUISITION COST AS A PERCENTAGE OF PRESENT VALUE OF PROVED RESERVES
		(MMBLS)	(MMCF)	(MMCFE)			
1996(3)	\$ 103,966	5,302	98,549	130,361	\$0.80	\$148,588	70%
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(2)	26,928	2,250	28,349	41,848	0.64	33,502	80%
1992(2)	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...	\$ 225,537	10,532	286,763	349,956	\$0.64	\$317,618	71%

(1) Based on reserve reports 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) 1992 and 1993 amounts do not include amounts for acquisitions made by Stanford prior to its acquisition by the Company, whereas amounts presented in the Consolidated Financial Statements include amounts for acquisitions made by Stanford prior to its acquisition by the Company in accordance with the pooling of interests method of accounting.

(3) Through September 30, 1996. The effective date of the Black Stone Acquisition was January 1, 1996. The information has not been adjusted to reflect the production subsequent to the effective date.

## DRILLING ACTIVITY SUMMARY

During the three-year period ended December 31, 1995 and the nine months ended September 30, 1996, the Company drilled or participated in the drilling of development and exploratory wells as set forth in the table below:

	YEAR ENDED DECEMBER 31,						NINE MONTHS ENDED SEPTEMBER 30, 1996	
	1993		1994		1995		GROSS	NET
	GROSS	NET	GROSS	NET	GROSS	NET		
Development Wells:								
Oil.....	14	1.7	--	--	2	0.5	1	0.0
Gas.....	2	0.4	2	0.6	9	2.4	12	5.4
Dry.....	5	1.2	--	--	2	0.7	1	1.0
	--	--	--	--	--	--	--	--
	21	3.3	2	0.6	13	3.6	14	6.4
	--	--	--	--	--	--	--	--
Exploratory Wells:								
Oil.....	--	--	--	--	--	--	--	--
Gas.....	--	--	--	--	--	--	--	--
Dry.....	5	0.8	--	--	--	--	1	0.2
	--	--	--	--	--	--	--	--
	5	0.8	--	--	--	--	1	0.2
	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--
Total Wells.....	26	4.1	2	0.6	13	3.6	15	6.6
	==	===	==	===	==	===	==	===

In addition, three gross wells (1.8 net) were in the process of being drilled at September 30, 1996. Subsequent to September 30, 1996, the Company commenced the drilling of two development wells (1.3 net).

## 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 September 30, 1996.

	OIL		GAS	
	GROSS	NET	GROSS	NET
Texas.....	73	30.2	266	139.3
Louisiana.....	26	10.0	166	81.6
Federal Offshore.....	--	--	23	10.4
Mississippi.....	1	0.1	2	0.3
	--	--	--	--
Total wells.....	100	40.3	457	231.6
	===	=====	===	=====

The Company operates 331 of the 557 producing wells presented in the above table.

## ACREAGE

The following table summarizes the Company's developed and undeveloped leasehold acreage at September 30, 1996. Excluded is acreage in which the Company's interest is limited to royalty or similar interests.

	DEVELOPED		UNDEVELOPED	
	GROSS	NET	GROSS	NET
Texas.....	170,199	122,470	70,062	51,400
Louisiana.....	77,756	57,259	296	48
Federal Offshore.....	12,160	5,760	--	--
Mississippi.....	1,360	210	--	--
Total.....	261,475	185,699	70,358	51,448

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 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. The Company enters into natural gas price swap agreements to reduce its exposure to natural gas price fluctuations. In 1995 the Company hedged approximately 25% of its natural gas production. For the nine months ended September 30, 1996, the Company hedged approximately 13% of its natural gas production.

The Company has entered into natural gas price swap agreements to hedge approximately 0.9 Bcf of its natural gas production for the fourth quarter of 1996 at an average price of \$1.90 per MMBtu. The swap agreements include estimated delivery point basis adjustments to better equate the agreements to the Company's expected well head prices to be received. The Company has no hedges in place for 1997 or subsequent years.

All of the Company's oil production is sold at the well site on an "as produced" basis at posted field prices tied to the spot oil markets.

During the year ended December 31, 1995, no single purchaser or group of affiliated purchasers accounted for more than 10% of the Company's total oil and natural gas sales. As a result of the Black Stone Acquisition, the Company's sales to HPL Resources Company, a gas marketing subsidiary of Enron Corp. ("HPL"), accounted for approximately 23% of the Company's 1995 oil and natural gas sales on a pro forma basis. The agreement with HPL is for a term expiring on October 31, 2000. Pricing under the agreement is based on a percentage of spot gas prices for natural gas delivered to the Houston Ship Channel.

The Company is currently negotiating a potential sale of its gas gathering and processing assets and its third party gas marketing operations. Management believes that any such transaction would not have a material impact on the Company's results of operations or financial position.

#### 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

##### OIL AND GAS

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 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 State of Texas and many other states 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 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 pipeline, 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 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 exploration 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 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 leases office space in Dallas, Texas. The Dallas lease covers 13,525 square feet at a monthly rate of \$18,475 during 1996. The lease expires on September 30, 1999. The Company also owns or leases five production offices and yard facilities in Marshall, Bay City, Dumas, and Livingston, Texas and Logansport, Louisiana.

## EMPLOYEES

At September 30, 1996, the Company had 56 employees and utilized contract employees for certain of its oil field operations. The Company considers its employee relations to be satisfactory.

## 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.

## MANAGEMENT

## DIRECTORS, EXECUTIVE OFFICERS AND OTHER MANAGEMENT

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

NAME	AGE	POSITION WITH COMPANY
-----		
DIRECTORS AND EXECUTIVE OFFICERS		
M. Jay Allison.....	40	President, Chief Executive Officer and Director
Roland O. Burns.....	36	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
James L. Menke.....	45	Vice President of Operations
Richard S. Hickok.....	70	Director
Franklin B. Leonard.....	69	Director
Harold R. Logan.....	75	Chairman of the Board of Directors
Cecil E. Martin, Jr. ....	55	Director
David W. Sledge.....	39	Director
OTHER MANAGEMENT		
Michael W. Taylor.....	43	Director of Acquisitions and Chief Reservoir Engineer
Richard G. Powers.....	42	Land Manager
Daniel K. Presley.....	36	Controller and Assistant Treasurer

M. JAY ALLISON has been a director of the Company since 1987, and President and Chief Executive Officer of the Company since 1988. 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 & Alsop 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. Mr. Allison currently serves on the Board of Trustees of Howard Payne University.

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.

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.

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., Alpine Lace Brands, Inc., Marcam, 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.

HAROLD R. LOGAN has served as Chairman of the Board of Directors since 1987. From 1960 to 1986, Mr. Logan was employed by W.R. Grace & Co. at various positions including Vice Chairman of the Board of Directors and head of the W.R. Grace & Co. Energy Division. From 1953 to 1960 Mr. Logan was a Budget Director in the Department of Defense during the Eisenhower Administration. He is currently serving as a trustee of the Neuberger and Berman Income Funds and is a past director of the Whitman Corporation and Chelsea Industries. Mr. Logan holds a B.S. degree from Oklahoma State University.

CECIL E. MARTIN, JR. has been a director of the Company since 1988. Mr. Martin has been a significant investor 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.

DAVID W. SLEDGE was elected to the Board of Directors of the Company in May 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 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 is Director of Acquisitions and Chief Reservoir Engineer. Prior to joining the Company in September 1994, 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 and he received a B.S. degree in Petroleum Engineering from Texas A&M University in 1974.

RICHARD G. POWERS joined the Company as Land Manager in October 1994. Mr. Powers has over 17 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 is the Controller and Assistant Treasurer and has been with the Company since December 1989. Prior to joining the Company, Mr. Presley had six years of business and finance 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.

#### EMPLOYMENT AGREEMENTS

Effective July 1, 1996, the Company entered into employment agreements with M. Jay Allison, the President and Chief Executive Officer of the Company, and Roland O. Burns, Senior Vice President, Chief Financial Officer, Secretary and Treasurer of the Company. Under the agreements, the Company agreed to employ each of Mr. Allison and Mr. Burns for a period of 12 months at a minimum base rate of \$245,000, and \$132,500 per annum, respectively. Each of the agreements provides for the payment of severance benefits in an amount equal to three times the existing annual base salary of the employee upon (i) a change in control followed by (ii) the occurrence of certain specified events, including the assignment of the employee to duties inconsistent with his position immediately prior to the change in control, a reduction in the employee's salary, requiring the employee to be relocated, failure of a purchaser to assume the obligations of the Company under the agreement, failure of the Company to re-elect the employee to the offices held by him immediately prior to a change in control and a breach by the Company (or any successor) of any provisions of the agreement. The severance benefit payments are payable in cash in equal payments (without interest over a period not to exceed 12 months). As defined in the agreements, a "change in control" is deemed to have taken place if (a) without the approval or recommendation of a majority of the then existing Board of Directors of the Company, a third person causes or brings about the removal or resignation of the then existing members of the Board or if a third person causes or brings about an increase in the size of the Board such that the then existing members of the Board thereafter represent a minority of the total number of persons comprising the entire Board; (b) a third person, including a group, becomes the beneficial owner of shares of any class of the Company's stock having 30% or more of the total number of votes that may be cast for the election of directors

of the Company; (c) any shares or any class of the Company's stock are purchased pursuant to a tender or exchange offer (other than an offer by the Company) or (d) the Company's stockholders approve a merger or other business combination of the Company with or into another corporation pursuant to which the Company will not survive or will survive only as a subsidiary of another corporation, or the sale or other disposition of all or substantially all of the assets of the Company, or any combination of the foregoing.

#### COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth certain information regarding compensation earned during each of the Company's last three fiscal years by the Company's Chief Executive Officer and the other executive officers of the Company.

#### SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	ALL OTHER COMPEN- SATION(1)(2)
	YEAR	SALARY	BONUS	SECURITIES UNDERLYING OPTIONS/ SARS	
M. Jay Allison, President and Chief Executive Officer	1995	\$ 245,000	\$155,000	50,000	\$ 3,200
	1994	241,500	130,000	--	--
	1993	241,500	110,000	115,000	--
Roland O. Burns, Sr. Vice President and Chief Financial Officer	1995	128,000	40,000	22,500	1,909
	1994	123,500	30,000	--	--
	1993	107,000	35,000	29,500	--
James L. Menke, Vice President of Operations (3)	1995	90,000	30,000	10,000	1,331
	1994	59,924	15,000	--	--
	1993	--	--	--	--

(1) The value of all perquisites provided to each executive officer by the Company did not exceed the lesser of \$50,000 or 10% of such officer's salary and bonus for the year.

(2) Represents the Company's matching contributions under the Company's 401(k) Profit Sharing Plan.

(3) Mr. Menke was elected Vice President of Operations on March 21, 1994.

The following table sets forth certain information regarding stock options granted during 1995 to the named executive officers of the Company.

NAME	INDIVIDUAL GRANTS			EXERCISE OR BASE PRICE PER SHARE	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR				5%	10%
M. Jay Allison.....	50,000	51.3%		\$3.00	August 1, 2000	\$41,442	\$91,577
Roland O. Burns.....	22,500	23.1		3.00	August 1, 2000	18,649	41,209
James L. Menke.....	10,000	10.3		3.00	August 1, 2000	8,288	18,315

The following table sets forth certain information with respect to the value of the named executive officers' unexercised options at December 31, 1995. No options were exercised by the named executive officers during 1995.

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
M. Jay Allison.....	365,000	50,000	\$ 1,190,625	\$ 181,250
Roland O. Burns.....	76,750	25,000	233,594	90,625
James L. Menke.....	10,000	--	26,250	--

(1) The last sale price for a share of Common Stock as reported by the Nasdaq National Market on December 29, 1995 was \$5.625 and the exercise prices of the options in this table ranged from \$2.00 to \$3.00 per share.

On May 15, 1996, the stockholders of the Company approved an amendment to the Company's 1991 Long-term Incentive Plan (the "Plan"). Pursuant to the amendment, (i) the total number of shares of Common Stock reserved for all awards under the Plan was increased from 1,160,000 to 2,400,000 (plus 10% of the number of new shares of Common Stock issued other than pursuant to the Plan) and (ii) the number of shares of Common Stock available for grant of options to non-employee directors was increased from 270,000 to 525,000.

During 1996 options have been granted under the Plan (each with an exercise price equal to the fair market value of the Common Stock on the date of grant) to the executive officers as set forth below. With respect to the Company's 1995 performance, the Board of Directors on January 25, 1996 approved the following grants of options to purchase the number of shares of Common Stock indicated: Mr. Allison (155,000 shares); Mr. Burns (40,000 shares); and Mr. Menke (30,000 shares). These options have an exercise price of \$4.81 per share and expire on August 1, 2001. On May 15, 1996, the Board approved the following grants of options to purchase the number of shares of Common Stock indicated: Mr. Allison (125,000 shares); Mr. Burns (32,500 shares); and Mr. Menke (15,000 shares). These options have an exercise price of \$6.56 per share and expire on December 1, 2001. On September 10, 1996, the Board approved the following additional stock option grants to: Mr. Allison (885,000 shares); Mr. Burns (220,000 shares) and Mr. Menke (57,500 shares). These options vest over a period of four years, have an exercise price of \$11.00 per share and expire five years after full vesting.

#### COMPENSATION OF DIRECTORS

The Company pays annual fees to directors who are not employees of the Company and reimburses such directors for expenses in attending meetings. The Company pays an annual fee of \$23,000 to the Chairman of the Board of Directors, an annual fee of \$21,000 to directors who chair committees, and an annual fee of \$18,000 to the remaining directors. The Company also pays Mr. Logan and Mr. Martin for additional services provided to the Company under consulting agreements which provide for annual payments of \$24,000 and \$18,000, respectively. Under a plan established by the Board of Directors, each director can make an annual election to receive his director and consulting fees in cash or in the equivalent number of shares of Common Stock at the then current market price of Common Stock. In January 1996 the Company issued 29,714 shares of Common Stock, at its then current market value of \$4.8125 per share, to the non-employee directors in full payment of director fees for 1996 aggregating \$101,000 and for amounts due to Mr. Logan and Mr. Martin under the consulting agreements aggregating \$42,000. In May 1996, the Company issued shares of Common Stock, at its then current market value of \$6.5625 per share, to Mr. Sledge in payment of director fees for 1996 of \$11,250.

Under the Plan, each non-employee director receives on the date of initial election or appointment to the Board of Directors options to acquire 10,000 shares of Common Stock. In addition, each non-employee director receives at each annual meeting of stockholders so long as such person remains a director options to acquire 10,000 shares of Common Stock. The exercise price equals the fair market value on the date of grant.

## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information, as of October 29, 1996, and as adjusted to give effect to the issuance and sale of the Common Stock offered hereby, with respect to the beneficial ownership of Common Stock by (i) each current executive officer of the Company named in the Summary Compensation Table set forth herein, (ii) each director of the Company, (iii) all directors and executive officers of the Company as a group, (iv) each person known by the Company to be the beneficial owner of 5% or more of the Common Stock, and (v) each Selling Stockholder. Except as otherwise specified, the named beneficial owner has sole voting and investment power.

NAME(1)	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING		SHARES TO BE SOLD IN THE OFFERING	SHARES BENEFICIALLY OWNED AFTER THE OFFERING	
	NUMBER	PERCENT		NUMBER	PERCENT
M. Jay Allison(2)	1,047,373	5.71	153,239	894,134	3.75
Roland O. Burns(2)	208,250	1.17	30,000	178,250	*
James L. Menke(2)	55,000	*	--	55,000	*
Richard S. Hickok(2)(3)	95,556	*	--	95,556	*
Franklin B. Leonard(2)	150,811	*	50,000	100,811	*
Harold R. Logan(2)	178,489	1.01	65,000	113,489	*
Cecil E. Martin, Jr.(2)(4)	375,536	2.12	60,000	315,536	1.36
David W. Sledge(2)	21,714	*	--	21,714	*
All directors and executive officers as a group (8 persons)	2,132,729	11.35	358,239	1,774,490	7.30
The TCW Group, Inc.:(5)					
Trust Company of the West, as Trustee of the TCW Debt and Royalty Fund IVA	202,345	1.13	99,828	102,517	*
Trust Company of the West, as Custodian for Columbia University	168,620	*	166,379	2,241	*
Trust Company of the West, as Custodial Agent for TCW Debt and Royalty Fund IVC	233,568	1.30	115,232	118,336	*
The Chase Manhattan Bank, as Custodian for The Trustees of The Leland Stanford Junior University	337,243	1.87	166,380	170,863	*
Trust Company of the West, as Custodial Agent for TCW Debt and Royalty Fund IVB	540,601	2.97	266,708	273,893	1.17
Harris Trust and Savings Bank, as Custodian for the Searle Trusts Limited Partnership X	168,620	*	83,190	85,430	*
Harris Trust and Savings Bank, as Custodian for the John G. Searle Charitable Trusts Partnership	67,449	*	33,276	34,173	*
Trust Company of the West, as Custodian for The City and County Employee's Retirement System of San Francisco	77,078	*	38,026	39,052	*
Trust Company of the West, as Investment Manager for General Mills, Inc.	965,209	5.18	476,190	489,019	2.07
Harris Trust and Savings Bank, as Trustee for Delta Air Lines, Inc.	134,898	*	66,552	68,346	*
	2,895,631	14.11	1,511,761	1,383,870	5.64

(footnotes on following page)

\* Indicates less than one percent.

- (1) Unless otherwise indicated, the address of each beneficial owner is c/o Comstock Resources, Inc., 5005 LBJ Freeway, Suite 1000, Dallas, Texas 75244.
- (2) Includes shares issuable pursuant to stock options which are presently exercisable or exercisable within 60 days in the following amounts: Mr. Allison -- 670,000 shares; Mr. Burns -- 154,250 shares; Mr. Menke -- 55,000 shares; Mr. Hickok -- 41,500 shares; Mr. Leonard -- 50,500 shares; Mr. Logan -- 50,500 shares; Mr. Martin -- 41,500 shares; and Mr. Sledge -- 20,000 shares.
- (3) Includes 32,572 shares held by a corporation owned 90% by Mr. Hickok's wife and 10% by Mr. Hickok's children.
- (4) Includes 135,632 shares and options to purchase 42,875 shares held by Mr. Martin's wife individually or as trustee on behalf of family trusts and 3,018 shares held by Mr. Martin as custodian for family members.
- (5) The address of The TCW Group Inc. ("TCW"), and each beneficial owner listed thereunder, is c/o The TCW Group, Inc., 865 South Figueroa Street, Los Angeles, California 90017. TCW is the parent of the trustee, general partner or investment manager for the listed owners.

#### CERTAIN TRANSACTIONS

In connection with the issuance of the Series 1995 Preferred, the Company granted the holders of the Series 1995 Preferred (the "Series 1995 Holders") certain demand and "piggyback" registration rights with respect to the Common Stock issuable upon conversion of the Series 1995 Preferred. In connection with the Offering, TCW has advised the Company that the Series 1995 Holders intend to convert 793,677 shares of Series 1995 Preferred into 1,511,761 shares of Common Stock, exercise their "piggyback" registration rights and sell such shares in the Offering. The Company is required to pay all expenses (other than underwriting discounts and commissions) relating to the registration of the shares of Common Stock to be sold by the Series 1995 Holders. The Company has additionally agreed to pay all registration expenses (other than underwriting discounts and commissions) of the other Selling Stockholders in the Offering.

The Company serves as general partner of Comstock DR-II Oil & Gas Acquisition Limited Partnership ("DR-II"). In 1995 the Company received \$87,000 in management fees and had a receivable from DR-II of approximately \$380,000 at December 31, 1995. TCW is an investment manager for certain investors which have an interest in DR-II.

#### DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 30,000,000 shares of Common Stock and 5,000,000 shares of preferred stock, \$10.00 par value per share (the "Preferred Stock"). At October 29, 1996, there were issued and outstanding 17,667,769 shares of Common Stock and 1,500,000 shares of Preferred Stock designated as the Series 1995 Preferred. Options to purchase 2,949,780 shares of Common Stock were also outstanding at that date. In the aggregate, 5,806,923 shares of Common Stock have been reserved for issuance pursuant to the exercise of currently outstanding options and the conversion of the Series 1995 Preferred.

#### COMMON STOCK

Subject to the prior rights of the Series 1995 Preferred and any other shares of Preferred Stock that may be issued from time to time, and except as otherwise set forth below, the shares of Common Stock of the Company (1) are entitled to such dividends as may be declared by the Board of Directors, in its discretion, out of funds legally available therefor; (2) are entitled to one vote per share on matters voted upon by the stockholders and have no cumulative voting rights; (3) have no preemptive or conversion rights; (4) are not subject to, or entitled to the benefits of, any redemption or sinking fund provision; and (5) are entitled, upon liquidation, to receive the assets of the Company remaining after the payment of corporate debts and the

satisfaction of any liquidation preferences of the Series 1995 Preferred and any other Preferred Stock, if issued. Although the Company's Articles of Incorporation do not deny preemptive rights to stockholders, under Nevada law no stockholders have preemptive rights with respect to shares that, upon issuance, are registered under Section 12 of the Exchange Act. The Common Stock is currently registered under Section 12 of the Exchange Act.

Because the shares of Common Stock do not have cumulative voting rights, the holders of a majority of the shares voting for the election of directors can elect all members of the class of the Company's classified Board of Directors that are to be elected at a meeting of the stockholders, subject to any rights of the holders of the Series 1995 Preferred. See "-- Preferred Stock."

#### PREFERRED STOCK

The Board of Directors is empowered, without approval of the stockholders, to cause shares of the Company's authorized Preferred Stock to be issued in one or more classes or series, from time to time, with the number of shares of each class or series and the rights, preferences and limitations of each class or series to be determined by it. Among the specific matters that may be determined by the Board of Directors are the rate of dividends, redemption and conversion prices, terms and amounts payable in the event of liquidation and voting rights. Shares of Preferred Stock may, in the Board of Directors' sole determination, be issued with voting rights greater than one vote per share. Issuance of shares of Preferred Stock could involve dilution of the equity of the holders of Common Stock and further restrict the rights of such stockholders to receive dividends.

**SERIES 1995 PREFERRED.** On June 30, 2000 and on each June 30 thereafter, so long as any shares of the Series 1995 Preferred are outstanding, the Company is obligated to redeem 300,000 shares of the Series 1995 Preferred at \$10.00 per share plus accrued and unpaid dividends thereon. The mandatory redemption price may be paid either in cash or in shares of Common Stock, at the option of the Company. If the Company elects to pay the mandatory redemption price in shares of Common Stock, the Common Stock will be valued at 80% of the lower of the Common Stock's 5 day or 30 day average closing price (immediately prior to the date of redemption). The holders of the Series 1995 Preferred have the right, at their option and at any time, to convert all or any part of such shares into shares of Common Stock. The conversion price of the Series 1995 Preferred as of the date of this Prospectus is \$5.25 per share of Common Stock. The Company has the option to redeem the shares of the Series 1995 Preferred at a price that would provide the holders with a specified rate of return on their original investment.

In the event of dissolution, liquidation or winding-up of the Company, the holders of the Series 1995 Preferred are entitled, after payments of all amounts payable to the holders of any Preferred Stock senior to the Series 1995 Preferred, to receive out of the assets remaining \$10.00 per share, together with all dividends thereon accrued or in arrears, whether or not declared, before any payment is made or assets set apart for payment to the holders of the Common Stock.

The holders of the Series 1995 Preferred are each entitled to vote with the holders of Common Stock on all matters submitted for a vote of the holders of shares of Common Stock on an "as converted" basis. Upon the occurrence of an "event of noncompliance" within the meaning of the terms of the Series 1995 Preferred, the holders of the Series 1995 Preferred have the right (for so long as such event of noncompliance continues) to elect two additional directors to the Board of Directors of the Company. An "event of noncompliance" includes (i) the failure to pay in the aggregate four quarterly dividends on such series, (ii) the failure to redeem such series in accordance with its terms, (iii) a default by the Company on certain indebtedness, (iv) M. Jay Allison ceasing to be the chief executive officer of the Company and (v) the commencement of a bankruptcy or similar proceeding by or against the Company or any of its significant subsidiaries. Holders of the Series 1995 Preferred also have the right to approve (1) a merger of the Company where the Company is not the surviving corporation, (2) the issuance of more than 20% of the Common Stock in connection with a merger or acquisition, (3) the sale or disposition of substantially all of the Company's assets or (4) payment of any dividend or distribution, on or for the redemption of Common Stock in excess of \$50,000 a year.

## STOCKHOLDERS' RIGHTS PLAN

On December 4, 1990, the Company's Board of Directors adopted the Company's Stockholders' Rights Plan (the "Rights Plan") and the Company declared a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of Common Stock. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, \$10.00 par value per share, at an exercise price of \$15.00 (the "Purchase Price") per one one-hundredth of a share of Preferred Stock, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and American Stock Transfer and Trust Company, as successor Rights Agent.

The Rights are initially evidenced by the Common Stock certificates as no separate Rights certificates have been distributed. The Rights separate from the Common Stock and a "Distribution Date" will occur at the close of business on the earliest of (i) the tenth business day following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of Common Stock (the "Stock Acquisition Date"), (ii) the tenth business day (or such later date as may be determined by action of the Board of Directors) following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 20% or more of the outstanding shares of Common Stock or (iii) the tenth business day after the Board of Directors of the Company determines that any individual, firm, corporation, partnership or other entity (each a "Person"), alone or together with its affiliates and associates, has become the beneficial owner of an amount of Common Stock which a majority of the continuing directors who are not officers of the Company determines to be substantial (which amount shall in no event be less than 10% of the shares of Common Stock outstanding) and at least a majority of the continuing directors who are not officers of the Company, after reasonable inquiry and investigation, including consultation with such Person as the directors shall deem appropriate, shall determine that such beneficial ownership by such Person (an "Adverse Person") is intended to cause the Company to repurchase the Common Stock beneficially owned by such Person or to cause pressure on the Company to take action or enter into a transaction intended to provide such Person with short-term financial gain under circumstances where the directors determine that the best long-term interests of the Company and its stockholders would not be served by taking such action or entering into such transaction or series of transactions at that time, or that such beneficial ownership is causing or is reasonably likely to cause a material adverse impact on the Company. The Rights are not exercisable until the Distribution Date and will expire at the close of business on December 17, 2000, unless earlier redeemed by the Company.

If (i) a Person becomes the beneficial owner of 20% or more of the then outstanding shares of Common Stock (except (a) pursuant to certain offers for all outstanding shares of Common Stock approved by at least a majority of the continuing directors who are not officers of the Company or (b) solely due to a reduction in the number of shares of Common Stock outstanding as a result of the repurchase of shares of Common Stock by the Company) or (ii) the Board of Directors determines that a Person is an Adverse Person, each holder of a Right will thereafter have the right to receive, upon exercise, Common Stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the Right. Notwithstanding any of the foregoing, following the occurrence of either of the events set forth in this paragraph, all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person or Adverse Person will be null and void.

If at any time following the Stock Acquisition Date, (i) the Company is acquired in a merger or other business combination transaction in which the Company is not the surviving corporation, or in which the Company is the surviving corporation, but its Common Stock is changed or exchanged (other than a merger which follows an offer described in clause (i)(a) of the preceding paragraph), or (ii) more than 50% of the Company's assets, cash flow or earning power is sold or transferred, each holder of a Right (except Rights which previously have been voided as set forth above) shall thereafter have the right to receive upon exercise, Common Stock of the acquiring company having a value equal to two times the exercise price of the Right.

At any time after the earlier to occur of (i) an Acquiring Person becoming such or (ii) the date on which the Board of Directors of the Company declares an Adverse Person to be such, the Board of Directors may cause the Company to exchange the Rights (other than Rights owned by the Adverse Person or Acquiring Person, as the case may be, which will have become null and void), in whole or in part, at an exchange ratio of one share of Common Stock per Right (subject to adjustment). Notwithstanding the foregoing, no such exchange may be effected at any time after any Person becomes the beneficial owner of 50% or more of the outstanding Common Stock.

The Rights Plan has certain anti-takeover effects including making it prohibitively expensive for a raider to try to control or take over the Company unilaterally and without negotiation with the Board of Directors. Although intended to preserve for the stockholders the long term value of the Company, the Rights Plan may make it more difficult for stockholders of the Company to benefit from certain transactions which are opposed by the incumbent Board of Directors.

#### ANTI-TAKEOVER PROVISIONS

In addition to the Rights Plan, the Articles of Incorporation and Bylaws of the Company and Nevada law include certain provisions which may have the effect of delaying or deterring a change in control or management of the Company or encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with the Board of Directors rather than pursue non-negotiated takeover attempts. These provisions include a classified board of directors, authorized blank check preferred stock, restrictions on business combinations and the availability of authorized but unissued Common Stock. See "-- Preferred Stock."

The Company's Bylaws contain provisions dividing the Board of Directors into classes with only one class standing for election each year. A staggered board makes it more difficult for stockholders to change the majority of the directors and instead promotes a continuity of existing management.

Nevada's "Combination with Interested Stockholders Statute," Nevada Revised Statutes sec. 78.411-78.444, which applies to any Nevada corporation, including the Company, subject to the reporting requirements of Section 12 of the Exchange Act, prohibits an "interested stockholder" from entering into a "combination" with the corporation, unless certain conditions are met. A "combination" includes (a) any merger with an "interested stockholder," or any other corporation which is or after the merger would be, an affiliate or associate of the interested stockholder, (b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets, in one transaction or a series of transactions, to or with an "interested stockholder," having (i) an aggregate market value equal to 5% or more of the aggregate market value of the corporation's assets, (ii) an aggregate market value equal to 5% or more of the aggregate market value of all outstanding shares of the corporation, or (iii) representing 10% or more of the earning power or net income of the corporation, (c) any issuance or transfer of shares of the corporation or its subsidiaries, to the "interested stockholder," having an aggregate market value equal to 5% or more of the aggregate market value of all of the outstanding shares of the corporation, (d) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by the "interested stockholder," (e) certain transactions which would result in increasing the proportionate share of shares of the corporation owned by the "interested stockholder," or (f) the receipt of benefits by an "interested stockholder," except proportionately as a stockholder, of any loans, advances or other financial benefits provided by the corporation. An "interested stockholder" is a person who (i) directly or indirectly owned 10% or more of the voting power of the outstanding voting shares of the corporation or (ii) an affiliate or associate of the corporation which at any time within three years before the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding shares of the corporation.

A corporation to which the statute applies may not engage in a "combination" within three years after the interested stockholder acquired its shares, unless the combination or the interested stockholder's acquisition of shares was approved by the board of directors before the interested stockholder acquired the shares. If this approval is not obtained, the combination may be consummated after the three year period expires if either (a)(i) the board of directors of the corporation approved, prior to such person becoming an interested

stockholder, the combination or the purchase of Shares by the interested stockholder or (ii) the combination is approved by the affirmative vote of holders of a majority of voting power not beneficially owned by the interested stockholder at a meeting called no earlier than three years after the date the interested stockholder became such or (b) the aggregate amount of cash and the market value of consideration other than cash to be received by holders of common shares and holders of any other class or series of shares meets the minimum requirements set forth in Section 78.441 through 78.443, inclusive, and prior to the consummation of the combination, except in limited circumstances, the "interested stockholder" would not have become the beneficial owner of additional voting shares of the corporation.

In addition to the foregoing statute, Nevada has a "Control Share Acquisition Statute," Nevada Revised Statute sec. 78.378-78.3793, which prohibits an acquiror, under certain circumstances, from voting shares of a target corporation's stock after crossing certain threshold ownership percentages, unless the acquiror obtains the approval of the target corporation's stockholders. The Control Share Acquisition Statute only applies to Nevada corporations with at least 200 stockholders, including at least 100 record stockholders who are Nevada residents, and which do business directly or indirectly in Nevada and whose Articles of Incorporation or Bylaws in effect 10 days following the acquisition of a controlling interest by an acquiror does not prohibit its application. The Company does not intend to "do business" in Nevada within the meaning of the Control Share Acquisition Statute. Therefore, the Company believes it is unlikely that the Control Share Acquisition Statute will apply to it. The statute specifies three thresholds: at least one-fifth but less than one-third, at least one-third but less than a majority, and a majority or more, of the outstanding voting power. Once an acquiror crosses one of the above thresholds, shares which it acquired in the transaction taking it over the threshold or within ninety days thereof become "Control Shares" which could be deprived of the right to vote until a majority of the disinterested stockholders restore that right. A special stockholders' meeting may be called at the request of the acquiror to consider the voting rights of the acquiror's shares. If the acquiror requests a special meeting, then the meeting must take place no earlier than 30 days (unless the acquiror makes the meeting be held sooner) and no more than 50 days (unless the acquiror agrees to a later date) after the delivery by the acquiror to the corporation of an information statement which sets forth the range of voting power that the acquiror has acquired or proposes to acquire and certain other information concerning the acquiror and the proposed control share acquisition. If no such request for a stockholders' meeting is made, consideration of the voting rights of the acquiror's shares must be taken at the next special or annual stockholders' meeting. If the stockholders fail to restore voting rights to the acquiror, or if the acquiror fails to timely deliver an information statement to the corporation, then the corporation may, if so provided in its Articles or Bylaws, call certain of the acquiror's shares for redemption at the average price paid for the control shares by the acquiror. The Company's Articles and Bylaws do not currently permit it to call an acquiror's shares for redemption under these circumstances. The Control Share Acquisition Statute also provides that in the event the stockholders restore full voting rights to a holder of Control Shares that owns a majority of the voting stock, then all other stockholders who do not vote in favor of restoring voting rights to the Control Shares may demand payment for the "fair value" of their shares (which is generally equal to the highest price paid by the acquiror in the transaction subjecting the acquiror to the statute.)

#### TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is American Stock Transfer and Trust Company.

## UNDERWRITING

Upon the terms and subject to the conditions stated in the Underwriting Agreement dated the date hereof, each Underwriter named below has severally agreed to purchase, and the Company and the Selling Stockholders have agreed to sell to such Underwriter, the number of shares of Common Stock set forth opposite the name of such Underwriter.

NAME ----	NUMBER OF SHARES -----
Smith Barney Inc.....	
Raymond James & Associates, Inc.....	
Bear, Stearns & Co. Inc.....	
Oppenheimer & Co., Inc.....	
Rodman & Renshaw, Inc.....	
Total.....	5,870,000 =====

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares are subject to approval of certain legal matters by counsel and to certain other conditions. The Underwriters are obligated to take and pay for all shares of Common Stock offered hereby (other than those covered by the over-allotment option described below) if any such shares are taken.

The Underwriters, for whom Smith Barney Inc., Raymond James & Associates, Inc., Bear, Stearns & Co. Inc., Oppenheimer & Co., Inc. and Rodman & Renshaw, Inc. are acting as the Representatives, propose to offer part of the shares directly to the public at the public offering price set forth on the cover page of this Prospectus and part of the shares to certain dealers at a price which represents a concession not in excess of \$            per share under the public offering price. The Underwriters may allow, and such dealers may reallocate, a concession not in excess of \$            per share to certain other dealers. After the initial offering of the shares to the public, the public offering price and such concessions may be changed by the Representatives.

The Company has granted to the Underwriters an option, exercisable for thirty days from the date of this Prospectus, to purchase up to 880,000 additional shares of Common Stock at the price to the public set forth on the cover page of this Prospectus minus the underwriting discounts and commissions. The Underwriters may exercise such option solely for the purpose of covering over-allotments, if any, in connection with the offering of the shares offered hereby. To the extent such option is exercised, each Underwriter will be obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number of shares set forth opposite each Underwriter's name in the preceding table bears to the total number of shares listed in such table.

The Company, its executive officers and directors, and the Selling Stockholders have agreed that, for a period of 120 days from the date of this Prospectus, they will not, without the prior written consent of Smith Barney Inc., offer, sell, contract to sell, or otherwise dispose of, any shares of Common Stock of the Company or any securities convertible into, or exercisable or exchangeable for, Common Stock of the Company.

In connection with this Offering, certain Underwriters (and selling group members) may engage in passive market-making transactions in the Common Stock on the Nasdaq National Market in accordance with Rule 10b-6A under the Exchange Act. Rule 10b-6A permits, upon the satisfaction of certain conditions, underwriters and selling group members participating in a distribution that are also Nasdaq market makers in the security being distributed to engage in limited market making transactions during the period when Rule 10b-6 under the Exchange Act would otherwise prohibit such activity. Rule 10b-6A generally prohibits

underwriters and selling group members engaged in passive market making from entering a bid or effecting a purchase at a price that exceeds the highest bid for those securities displayed on Nasdaq by a market maker that is not participating in the distribution. Under Rule 10b-6A, each underwriter or selling group member engaged in passive market making is subject to a daily net purchase limitation equal to 30% of such entity's average daily trading volume during the two full consecutive calendar months immediately preceding the date of the filing of the registration statement under the Securities Act pertaining to the security to be distributed.

The Company, the Selling Stockholders and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

#### LEGAL MATTERS

Certain legal matters in connection with the shares of Common Stock offered hereby are being passed upon for the Company by Locke Purnell Rain Harrell (A Professional Corporation), Dallas, Texas and for the Underwriters by Baker & Botts, L.L.P., Dallas, Texas.

#### EXPERTS

The consolidated financial statements of Comstock Resources, Inc. and its subsidiaries as of December 31, 1995, and for the three years in the period then ended, included in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said report.

The estimates as of December 31, 1993, 1994 and 1995, relating to the Company's actual and pro forma proved oil and natural gas reserves, future net revenues of oil and natural gas reserves and present value of future net revenues of oil and natural gas reserves included or incorporated by reference herein are based upon reports prepared by Lee Keeling and Associates, Inc. and are included or incorporated by reference herein in reliance upon such reports and upon the authority of such firm as experts in petroleum engineering.

## GLOSSARY

The following are abbreviations and definitions of terms commonly used in the oil and gas industry and this Prospectus. 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.

"BTUS" means British thermal units, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 to 59.5 degrees Fahrenheit.

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

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

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

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

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

"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.

"MMBBL" means millions of barrels of oil.

"MMBTUS" means one million Btus.

"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.

"RESERVES" means proved reserves.

"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.

## AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information filed by the Company with the Commission can be inspected and copied, at the prescribed rates, at the public reference facilities of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices at 7 World Trade Center, Suite 1300, New York, New York 10048, and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can also be obtained from the Commission at prescribed rates by addressing written requests to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a website (<http://www.sec.gov>) which contains reports, proxy statements and other information regarding registrants, including the Company, who file electronically with the Commission. The Company's Common Stock is traded on the Nasdaq National Market. Reports, proxy statements and other information concerning the Company may be inspected at the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006.

The Company has filed with the Commission a Registration Statement on Form S-3 ("Registration Statement") under the Securities Act of 1933, as amended ("Securities Act"), with respect to the Common Stock offered hereby. This Prospectus, which is a part of the Registration Statement, does not contain all of the information as set forth in the Registration Statement and the exhibits and schedules thereto, certain portions of which have been omitted as permitted by the rules and regulations of the Commission. The Registration Statement may be inspected, and copied at prescribed rates, at the Commission's public reference facilities at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each contract, agreement or other document, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company with the Commission are hereby incorporated by reference into this Prospectus:

- (1) Annual Report on Form 10-K for the year ended December 31, 1995;
- (2) Quarterly Reports on Form 10-Q for the quarters ended March 31, 1996, June 30, 1996, and September 30, 1996;
- (3) Current Report on Form 8-K dated May 1, 1996; and
- (4) the description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-A, effective as of December 14, 1990, including any amendment filed for the purpose of updating such information.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering made hereby shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the respective dates of the filing of such documents. See "Available Information." Any statement or information contained in a document incorporated or deemed to be incorporated herein by reference shall be deemed modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to any person to whom this Prospectus is delivered, upon written or oral request, a copy of any or all of the documents incorporated herein by reference (other than exhibits to such documents not specifically incorporated by reference). Requests should be directed to Comstock Resources, Inc., 5005 LBJ Freeway, Suite 1000, Dallas, Texas 75244, (972) 701-2000, Attention: Secretary.

INDEX TO FINANCIAL STATEMENTS  
CONSOLIDATED FINANCIAL STATEMENTS OF  
COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

Report of Independent Public Accountants.....	F-2
Consolidated Balance Sheets as of December 31, 1994 and 1995.....	F-3
Consolidated Statements of Operations for the Years Ended December 31, 1993, 1994 and 1995.....	F-4
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1993, 1994 and 1995.....	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 1993, 1994 and 1995.....	F-6
Notes to Consolidated Financial Statements.....	F-7
Consolidated Balance Sheets as of December 31, 1995 and September 30, 1996.....	F-21
Consolidated Statements of Operations for the Nine Months ended September 30, 1995 and 1996.....	F-22
Consolidated Statement of Stockholders' Equity for the Nine Months Ended September 30, 1996.....	F-23
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 1995 and 1996.....	F-24
Notes to Consolidated Financial Statements.....	F-25

## 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, 1994 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1995. 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, 1994 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, 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,  
March 4, 1996

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 1994 AND 1995

## ASSETS

	DECEMBER 31,	
	----- 1994	1995 -----
	(IN THOUSANDS)	
Cash and Cash Equivalents.....	\$ 3,425	\$ 1,917
Accounts Receivable:		
Oil and gas sales.....	2,616	5,385
Gas marketing sales.....	5,559	8,451
Joint interest operations.....	619	1,230
Other Current Assets.....	344	264
	-----	-----
Total current assets.....	12,563	17,247
Property and Equipment:		
Oil and gas properties, successful efforts method.....	113,269	154,844
Other.....	1,372	2,717
Accumulated depreciation, depletion and amortization.....	(36,652)	(55,445)
	-----	-----
Net property and equipment.....	77,989	102,116
Other Assets.....	1,019	736
	-----	-----
	\$ 91,571	\$120,099
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Portion of Long-term Debt.....	\$ 7,010	\$ 18,677
Accounts Payable and Accrued Expenses.....	11,489	16,511
	-----	-----
Total current liabilities.....	18,499	35,188
Long-term Debt, less current portion.....	30,922	53,134
Deferred Revenue.....	--	430
Other Noncurrent Liabilities.....	945	1,219
Stockholders' Equity:		
Preferred stock -- \$10.00 par, 5,000,000 shares authorized, 1,600,000 and 3,100,000 shares outstanding at December 31, 1994 and 1995, respectively.....	16,000	31,000
Common stock -- \$0.50 par, 30,000,000 shares authorized, 12,342,811 and 12,926,672 shares outstanding at December 31, 1994 and 1995, respectively.....	6,171	6,463
Additional paid-in capital.....	36,524	38,183
Retained deficit.....	(17,375)	(45,444)
Less: Deferred compensation -- restricted stock grants.....	(115)	(74)
	-----	-----
Total stockholders' equity.....	41,205	30,128
	-----	-----
	\$ 91,571	\$120,099
	=====	=====

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, 1993, 1994 AND 1995

	1993	1994	1995
	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenues:			
Oil and gas sales.....	\$21,805	\$16,855	\$ 22,091
Gas marketing sales.....	--	14,957	50,078
Gas gathering and processing.....	107	72	600
Gain on sales of property.....	111	328	2,608
Other income.....	430	442	291
	-----	-----	-----
Total revenues.....	22,453	32,654	75,668
	-----	-----	-----
Expenses:			
Oil and gas operating.....	6,673	6,099	7,427
Natural gas purchases.....	--	14,521	48,909
Gas gathering and processing.....	91	11	209
Exploration.....	423	--	--
Depreciation, depletion and amortization.....	8,334	7,390	8,613
General and administrative, net.....	1,834	1,823	1,979
Interest.....	2,184	2,869	5,542
Impairment of oil and gas properties.....	--	--	29,150
	-----	-----	-----
Total expenses.....	19,539	32,713	101,829
	-----	-----	-----
Income (loss) before income taxes and extraordinary item....	2,914	(59)	(26,161)
Provision for income taxes.....	--	--	--
	-----	-----	-----
Net Income (loss) before extraordinary item.....	2,914	(59)	(26,161)
Preferred stock dividends.....	(173)	(818)	(1,908)
	-----	-----	-----
Net income (loss) attributable to common stock before extraordinary item.....	2,741	(877)	(28,069)
Extraordinary item -- loss on early extinguishment of debt...	(417)	(615)	--
	-----	-----	-----
Net income (loss) attributable to common stock after extraordinary item.....	\$ 2,324	\$(1,492)	\$(28,069)
	=====	=====	=====
Net income (loss) per share:			
Before extraordinary item.....	\$ .25	\$ (.07)	\$ (2.24)
Extraordinary item.....	(.03)	(.05)	--
	-----	-----	-----
After extraordinary item.....	\$ .22	\$ (.12)	\$ (2.24)
	=====	=====	=====
Weighted average number of common and common stock equivalent shares outstanding.....			
	10,762	12,065	12,546
	=====	=====	=====

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, 1993, 1994 AND 1995

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	DEFERRED COMPENSATION-- RESTRICTED STOCK GRANTS	TOTAL
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)					
Balance at December 31, 1992.....	\$ 1,500	\$4,930	\$ 34,027	\$(17,056)	\$ (292)	\$ 23,109
Conversion of preferred stock...	(1,500)	428	1,072	--	--	--
Issuance of common stock.....	--	541	2,773	--	--	3,314
Restricted stock grants.....	--	(30 )	(56)	--	136	50
Net income attributable to common stock.....	--	--	--	2,324	--	2,324
Distributions.....	--	--	--	(1,151)	--	(1,151)
-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1993.....	--	5,869	37,816	(15,883)	(156)	27,646
-----	-----	-----	-----	-----	-----	-----
Issuance of preferred stock.....	16,000	--	(2,000)	--	--	14,000
Issuance of common stock.....	--	302	708	--	--	1,010
Restricted stock grants.....	--	--	--	--	41	41
Net loss attributable to common stock.....	--	--	--	(1,492)	--	(1,492)
-----	-----	-----	-----	-----	-----	-----
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
	=====	=====	=====	=====	=====	=====

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, 1993, 1994 AND 1995

	1993	1994	1995
	(IN THOUSANDS)		
Cash flows from operating activities:			
Net Income (loss) before extraordinary item.....	\$ 2,914	\$ (59)	\$(26,161)
Adjustments to reconcile income (loss) before extraordinary item to net cash provided by operating activities:			
Compensation paid in common stock.....	49	154	154
Depreciation, depletion and amortization.....	8,334	7,390	8,613
Impairment of oil and gas properties.....	--	--	29,150
Deferred revenue.....	(1,602)	(561)	430
Amortization of discounts.....	334	174	--
Exploration.....	423	--	--
Gain on sales of property.....	(112)	(328)	(2,608)
Bad debt expense.....	--	80	--
	10,340	6,850	9,578
Working capital provided by operations.....			
Decrease (increase) in accounts receivable.....	3,970	(3,288)	(6,272)
Decrease (increase) in prepaid expenses and other.....	(74)	107	79
Increase in accounts payable and accrued expenses.....	2,252	3,707	5,022
	16,488	7,376	8,407
Cash flows from investing activities:			
Proceeds from sales of properties.....	691	396	3,085
Collections of notes receivable.....	792	167	--
Capital expenditures and acquisitions.....	(18,637)	(16,386)	(61,809)
Repurchase of volumetric production payment.....	--	(8,149)	--
Purchase of other assets.....	(261)	--	--
	(17,415)	(23,972)	(58,724)
Cash flows from financing activities:			
Borrowings.....	33,431	34,880	58,404
Proceeds from preferred stock issuances.....	--	6,000	15,000
Proceeds from common stock issuances.....	--	215	25
Principal payments on debt.....	(30,381)	(21,497)	(24,525)
Financing costs.....	(806)	--	--
Stock issuance costs.....	(129)	(332)	(95)
Distributions.....	(1,152)	--	--
Dividends on preferred stock.....	(173)	--	--
	790	19,266	48,809
Net cash provided by financing activities.....			
Net increase (decrease) in cash and cash equivalents.....	(137)	2,670	(1,508)
Cash and cash equivalents, beginning of year.....	892	755	3,425
	\$ 755	\$ 3,425	\$ 1,917
Cash and cash equivalents, end of year.....	=====	=====	=====

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 and production of oil and natural gas reserves in the United States. The Company is also engaged in the purchase, gathering, processing and marketing of natural gas.

(2) SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

On November 10, 1993, the Company, Stanford Offshore Energy, Inc. ("Stanford") and all of the stockholders of Stanford entered into an Agreement and Plan of Reorganization (the "Merger Agreement") providing for the acquisition of all outstanding stock of Stanford by the Company in exchange for 1,760,000 shares of common stock of the Company. Pursuant to the merger, effective November 17, 1993, Stanford became a wholly owned subsidiary of the Company, and now operates under the name Comstock Offshore Energy, Inc.

The merger of Stanford and the Company was accounted for using the pooling of interests method. Accordingly, the accompanying financial statements of the Company include the accounts and operations of Stanford since Stanford's inception on August 31, 1992.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. In addition, the Company's interests in certain partnerships and joint ventures have been proportionately consolidated, whereby the Company's proportionate share of each partnership or joint venture's assets, liabilities, revenues and expenses is included in the appropriate accounts in the consolidated financial statements. 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, accounts receivable and derivative financial instruments 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. The Company's gas marketing activities generate accounts receivable from customers including pipeline companies, local distribution companies and other gas marketing companies. Letters of credit are obtained as considered necessary to limit risk of loss.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## 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-by-field basis. The estimated future costs of dismantlement, restoration and abandonment are accrued as part of depreciation, depletion and amortization expense.

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 oil and gas leases, 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 the fourth quarter of 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. Under this policy, no impairment in carrying value was required during 1993 or 1994. In the fourth quarter of 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.

## OTHER PROPERTY AND EQUIPMENT

Other property and equipment of the Company consists primarily of gas gathering systems, a gas processing plant, trucks, well service equipment, 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

Net income (loss) attributable to common stock represents net income (loss) less preferred stock dividend requirements of \$173,000, \$818,000 and \$1,908,000 in 1993, 1994 and 1995, respectively. Net income (loss) attributable to common stock per share is computed by dividing net income (loss) attributable to common stock by the weighted average number of shares of common stock and common stock equivalents outstanding during each period. Common stock equivalents include, when applicable, dilutive stock options and warrants using the treasury stock method.

## 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.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

	FOR THE YEAR ENDED		
	DECEMBER 31,		
	1993	1994	1995
	(IN THOUSANDS)		
Common stock issued in payment of preferred stock dividends.....	\$ --	\$ 818	\$1,908
Common stock issued for compensation.....	--	113	113
Preferred stock issued to repurchase volumetric production payment.....	--	8,000	--
Common stock issued for acquisitions.....	3,142	--	--
Common stock issued in settlement of note payable.....	301	--	--

The Company made cash payments for interest of \$2,067,000, \$2,600,000 and \$5,836,000 in 1993, 1994 and 1995, respectively. The Company did not make any cash payments for income taxes in any of the three years in the period ended December 31, 1995.

## (3) SIGNIFICANT ACQUISITIONS OF OIL AND GAS PROPERTIES

On June 8, 1994, the Company acquired interests in 5 producing gas wells and the related oil and gas leases covering 2,048 acres in South Texas for \$7.3 million.

On September 30, 1994, the Company repaid all indebtedness owed to, and acquired certain property interests from MG Trade Finance Corp. The Company acquired the net profits and overriding royalty interests owned by MG Trade Finance Corp. in certain of the Company's oil and gas properties for \$800,000.

On December 23, 1994, the Company acquired interests in 23 wells in South Texas for \$5.0 million and interests in a gas gathering system and gas processing plant for approximately \$440,000.

On May 15, 1995, the Company purchased interests in 14 producing offshore oil and gas properties located in Louisiana state waters in the Gulf of Mexico for \$8.2 million.

On July 31, 1995, the Company purchased interests in certain producing oil and gas properties and natural gas gathering systems located in East Texas and North Louisiana for cash of \$50.6 million. The Company acquired interests in 319 (188 net) oil and gas wells for \$49.1 million and interests in gas gathering systems for \$1.5 million.

During 1995, the Company acquired interests in the Lake LaRose field in South Louisiana for approximately \$1.0 million.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The 1995 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 for the year ended December 31, 1995 as if the acquisitions consummated in 1995 had been closed on January 1, 1994 and 1995. 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.

	1994 PRO FORMA ----- (IN THOUSANDS)	1995 PRO FORMA -----
Revenues.....	\$52,214 =====	\$ 84,349 =====
Net income (loss) attributable to common stock before extraordinary item.....	3,480 =====	(28,345) =====
Net income (loss) attributable to common stock after extraordinary item.....	2,864 =====	(28,345) =====
Net income (loss) per share before extraordinary item.....	.29 =====	(2.26) =====
Net income (loss) per share after extraordinary item.....	.24 =====	(2.26) =====

## (4) REPURCHASE OF PRODUCTION PAYMENTS

On July 22, 1994, the Company exchanged one million shares of newly issued preferred stock, with a par value of \$10.0 million and an estimated market value of \$8.0 million, and \$10,150,000 in cash to repurchase certain production payments previously conveyed by the Company to a major natural gas company in November 1991. (See Note 9 for further discussion of the preferred stock.) The exchange was effective April 1, 1994. The Company had a remaining obligation to deliver 10.7 billion cubic feet of natural gas under a volumetric production payment and had an obligation to repay \$2.5 million under a monetary based production payment. The consideration paid to acquire the natural gas reserves subject to the volumetric production payment exceeded the deferred revenue associated with the original sale of the volumetric production payment by approximately \$3.0 million. This amount was capitalized as oil and gas properties in the accompanying financial statements.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## (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

	DECEMBER 31,	
	1994	1995
	-----	
	(IN THOUSANDS)	
Proved properties.....	\$113,269	\$154,844
Accumulated depreciation, depletion and amortization.....	(36,427)	(55,183)
	-----	
	\$ 76,842	\$ 99,661
	=====	

## COSTS INCURRED

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
	-----		
	(IN THOUSANDS)		
Property acquisitions:			
Proved properties.....	\$18,604	\$13,576	\$56,093
Unproved properties.....	247	--	--
Development costs.....	2,390	1,490	3,666
Exploration costs.....	423	--	--
	-----		
	\$21,664	\$15,066	\$59,759
	=====		

The following presents the results of operations of oil and gas producing activities for the three years in the period ended December 31, 1995:

	1993	1994	1995
	-----		
	(IN THOUSANDS)		
Oil and gas sales.....	\$21,805	\$16,855	\$ 22,091
Production costs.....	(6,673)	(6,099)	(7,427)
Depreciation, depletion and amortization.....	(7,953)	(7,149)	(8,277)
Impairment of oil and gas properties.....	--	--	(29,150)
	-----		
Operating income (loss).....	7,179	3,607	(22,763)
Income tax expense.....	--	--	--
	-----		
Results of operations (excluding general and administrative and interest expense).....	\$ 7,179	\$ 3,607	\$(22,763)
	=====		

## (6) GAS GATHERING, PROCESSING AND MARKETING ACTIVITIES

On June 10, 1994, the Company acquired the operations of a gas marketing company for \$70,000 and began marketing natural gas for third parties as well as marketing the Company's own natural gas production. In September 1994, the Company acquired the gas marketing operations and certain pipeline assets of a privately held natural gas company for a purchase price of \$1.1 million. The Company paid \$600,000 in cash and agreed to pay 35% of the gross margin from the acquired gas marketing operations until the earlier of the time that the seller has received an aggregate of \$500,000 or September 30, 1997.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

On July 31, 1995, the Company acquired the managing general partner interest and a 20.31% limited partner interest in Crosstex Pipeline Partners, Ltd. ("Crosstex") for \$1.4 million. The Company also acquired a 15 mile gas gathering system in East Texas for \$100,000. Crosstex owns 5 gas gathering systems consisting of 63 miles in East Texas.

On August 1, 1995, the Company sold its 43.25% interest in the Wharton gas processing plant and gathering system in Wharton County, Texas, which it acquired in December 1994, to a third party for \$3.0 million. A gain of \$2.6 million related to the sale is reflected in the accompanying statement of operations in 1995.

In September 1995, Comstock acquired a 40% interest in a gas processing plant and related facilities in Harrison County, Texas for approximately \$500,000.

## (7) LONG-TERM DEBT

Total debt at December 31, 1994 and 1995 consists of the following:

	1994	1995
	-----	-----
	(IN THOUSANDS)	
Bank term note.....	\$ --	\$ 10,000
Bank credit facility.....	37,580	61,590
12% subordinated notes.....	319	206
Capital lease obligations.....	33	15
	-----	-----
	37,932	71,811
Less current portion.....	(7,010)	(18,677)
	-----	-----
	\$30,922	\$ 53,134
	=====	=====

On December 31, 1995, the Company had \$61,590,000 outstanding under a \$100 million five-year revolving credit agreement with two banks. Amounts outstanding under the credit facility bear interest at the agent bank's prime rate plus 1 1/2% (10% at December 31, 1995) and cannot exceed a borrowing base determined semiannually by the banks. The borrowing base was \$65,760,000 at December 31, 1995 and reduces by \$1,060,000 each month beginning January 1, 1996 until the next redetermination.

The Company also had \$10.0 million outstanding under a one-year term note which matures on July 31, 1996. Amounts outstanding under the term note bear interest at the agent bank's prime rate plus 4% (12 1/2% at December 31, 1995).

Aggregate maturities of long-term debt for the five years ending December 31, are as follows:

	(IN THOUSANDS)
1996.....	\$ 18,677
1997.....	12,814
1998.....	40,320
1999.....	--
2000.....	--
	-----
	\$ 71,811
	=====

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## (8) LEASE COMMITMENTS

The Company rents office space under certain noncancellable leases and also leases data processing time under a noncancellable lease. Minimum future payments under the leases are as follows:

1996.....	\$269
1997.....	258
1998.....	236
1999.....	177
2000.....	--

## (9) STOCKHOLDERS' EQUITY

## COMMON STOCK

During 1993 the Company issued 950,921 shares of its common stock valued at \$3.1 million in connection with certain acquisitions of oil and gas properties. In September 1993 the Company issued 120,500 shares valued at \$301,000 in settlement of amounts outstanding, including accrued interest, under a 10% note payable to a former officer of the Company.

In January 1994 the Company issued 37,667 shares of its common stock to four of its non-employee directors in payment of directors fees for 1994 aggregating \$71,000, and for amounts due two non-employee directors for consulting services in 1994 aggregating \$42,000. During 1994 the Company issued 310,298 shares of its common stock to holders of its preferred stock in payment of dividends on the preferred stock for 1994 aggregating \$818,000.

In May 1995 the Company issued 27,815 shares of its common stock to four of its non-employee directors in payment of directors fees for 1995 aggregating \$71,000, and for amounts due two non-employee directors for consulting services in 1995 aggregating \$42,000. During 1995 the Company issued 546,046 shares of its common stock to holders of its preferred stock in payment of dividends on the preferred stock for 1995 aggregating \$1,908,000.

## PREFERRED STOCK

On December 31, 1993, the holder of 150,000 shares of the Company's 1992 Series Cumulative Convertible Preferred Stock (the "Series 1992 Preferred"), converted all of the Series 1992 Preferred into 857,143 shares of common stock of the Company. As a result of the conversion, the Series 1992 Preferred designation was retired.

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. The Series 1994 Preferred bears quarterly dividends at the rate of \$0.225 on each outstanding share (9% per annum of the par value). Dividends are payable quarterly in cash or shares of common stock, at the election of the Company. On January 1, 1999, and on each January 1 thereafter, so long as any shares of the Series 1994 Preferred are outstanding, the Company is obligated to redeem 120,000 shares of the Series 1994 Preferred at \$10.00 per share plus accrued and unpaid dividends. At the option of the Company, the mandatory redemption price may be paid either in cash or in shares of common stock of the Company. The holders of the Series 1994 Preferred have the option to convert all or any part of such shares into shares of common stock of the Company at any time at the initial conversion price of \$4.00 per share of common stock, subject to adjustment. The Company has the option to redeem the shares of Series 1994 Preferred prior to January 1, 1999 after providing the holders of the Series 1994 Preferred a specified rate of return on the initial purchase.

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

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

production payments previously conveyed by the Company to a major natural gas company. The 1994 Series B Preferred bears quarterly dividends at the rate of \$0.15625 on each outstanding share (6.25% per annum of the par value). Dividends are payable quarterly in cash, additional shares of 1994 Series B Preferred or shares of common stock, at the election of the Company; provided, that if the Company elects to pay a dividend in shares of stock, the holders of the 1994 Series B Preferred shall have the option to receive shares of common stock or additional shares of 1994 Series B Preferred. The holders of the 1994 Series B Preferred have the option to convert all or any part of such shares into shares of common stock of the Company at any time at the initial conversion price of \$5.00 per share of common stock, subject to adjustment. The Company has the option to redeem the shares of 1994 Series B Preferred at a rate of \$14.00 per share plus an additional 7 1/2% of the par value per annum compounded monthly from the date of issuance. There is no mandatory redemption required on the 1994 Series B Preferred.

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. The Series 1995 Preferred bears quarterly dividends at the rate of \$0.225 on each outstanding share (9% per annum of the par value). Dividends are payable quarterly in cash or shares of the Company's common stock, at the election of the Company. On June 30, 2000 and on each June 30, thereafter, so long as any shares of the Series 1995 Preferred are outstanding, the Company is obligated to redeem 300,000 shares of the Series 1995 Preferred at \$10.00 per share plus accrued and unpaid dividends. The mandatory redemption price may be paid either in cash or in shares of common stock, at the option of the Company. The holders of the Series 1995 Preferred have the option to convert all or any part of such shares into shares of common stock of the Company at any time at the initial conversion price of \$5.25 per share of common stock, subject to adjustment. The Company has the option to redeem the shares of Series 1995 Preferred after providing the holders of the Series 1995 Preferred a specified rate of return on the initial purchase.

## 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. As of December 31, 1995, the Incentive Plan provided for future awards of stock options or restricted stock grants of up to 529,000 shares of common stock plus 10% of any future issuances of common stock.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Non-qualified stock options awarded under the Incentive Plan are summarized below:

	EXERCISE PRICE		
	\$2.00	\$2.50	\$3.00
	(IN THOUSANDS)		
Outstanding at December 31, 1992.....	625	--	--
Granted in 1993.....	--	196	85
Exercised in 1993.....	(20)	(17)	--
Forfeited in 1993.....	(80)	--	--
Outstanding at December 31, 1993.....	525	179	85
Exercised in 1994.....	--	(21)	(15)
Forfeited in 1994.....	--	(49)	--
Outstanding at December 31, 1994.....	525	109	70
Granted in 1995.....	--	--	98
Exercised in 1995.....	--	(10)	--
Outstanding at December 31, 1994.....	525	99	168
	===	===	===
Exercisable at December 31, 1995.....	387	84	168
	===	===	===

The Company also has stock purchase warrants outstanding that were issued in connection with oil and gas property acquisitions and certain other transactions. In addition, the Company has stock purchase options outstanding issued to a former officer of the Company. The following table summarizes stock purchase warrants and options outstanding at December 31, 1995, other than those issued under the Incentive Plan:

NUMBER OF SHARES	NUMBER OF SHARES EXERCISABLE	EXERCISE PRICE	EXPIRATION DATE
(IN THOUSANDS)			
135	135	\$ 5.75	June 1997
200	200	2.75	March 1998
200	200	3.00	March 1998
150	100	2.25	March 1998
218	218	5.00	October 1999
62	62	5.00	November 1999
224	224	5.00	December 1999
-----	-----		
1,189	1,139		
=====	=====		

## 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.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following is a summary of shares of restricted common stock awarded under the Incentive Plan:

	1993	1994	1995
	---	---	---
	(IN THOUSANDS)		
Outstanding at beginning of year.....	390	330	330
Cancelled or expired.....	(60)	--	--
	---	---	---
Outstanding at end of year.....	330	330	330
	===	===	===
Vested shares.....	195	225	255
	===	===	===

A provision for the restricted stock grants is made ratably over the vesting period. Compensation expense recognized for restricted stock grants was \$49,000, \$41,000 and \$41,000 for the years ended December 31, 1993, 1994 and 1995, respectively.

## (10) INCOME TAXES

Deferred tax assets (liabilities) at December 31, 1994 and 1995 are comprised of the following:

	1994	1995
	-----	-----
	(IN THOUSANDS)	
Net deferred tax asset		
Property and equipment.....	\$(5,079)	\$ 2,548
Net operating loss carryforwards.....	9,250	10,544
Valuation allowance.....	(4,171)	(13,092)
	-----	-----
	\$ --	\$ --
	=====	=====

No income tax provision was recognized in 1993, 1994 or 1995 due to the availability of net operating loss carryforwards to offset any current or deferred income tax liabilities.

Prior to November 17, 1993, Stanford was a Subchapter S corporation and, as a result, the income or loss of Stanford for the period from Stanford's inception to November 17, 1993, for income tax purposes, is includable in the tax returns of the Stanford stockholders. Accordingly, no recognition has been given to income taxes relating to the operations of Stanford from August 31, 1992 to November 17, 1993 in the accompanying financial statements. Prior to the merger, Stanford paid \$1,152,000 in distributions to its shareholders in 1993. Such distributions were based on the estimated income tax liability that the Stanford shareholders had as a result of their ownership in Stanford.

The Company has net operating loss carryforwards of approximately \$31.0 million as of December 31, 1995, for income tax reporting purposes which expire in varying amounts from 2001 to 2010. The utilization of a portion of the net operating loss carryforwards is limited in a given year due to ownership changes which have occurred.

## (11) RELATED PARTY TRANSACTIONS

The Company serves as general partner of Comstock DR-II Oil & Gas Acquisition Limited Partnership ("Comstock DR-II"). For 1993, 1994 and 1995 the Company received \$87,000 in management fees each year from Comstock DR-II and earned acquisition fees from Comstock DR-II of approximately \$180,000 and \$56,000 in 1993 and 1994, respectively. Included in accounts receivable in the accompanying financial statements is approximately \$208,000 and \$380,000 receivable from Comstock DR-II at December 31, 1994 and 1995, respectively.

From October through December 1994, the Company purchased an additional 17% working interest in the Bivins Ranch lease covering certain oil and gas properties in the Texas Panhandle field from certain of the

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Company's shareholders, including trusts for the benefit of two of the Company's directors' family members, certain relatives of one of the Company's directors and other unaffiliated investors. The Company paid for the purchase of such interests by assuming outstanding joint interest payables on the properties aggregating \$186,000, paying \$365,000 in cash and by granting the sellers options to purchase an aggregate of 503,557 shares of the Company's common stock at a price of \$5.00 per share. The options expire five years from the date of grant.

Beginning on August 1, 1995, the Company became the managing general partner and acquired a 20.31% limited partner interest in Crosstex Pipeline Partners, Ltd. ("Crosstex"). The Company received \$39,000 in fees for management and construction services provided to Crosstex in 1995. In addition, Crosstex reimbursed the Company \$104,000 for direct expenses incurred in connection with managing Crosstex. Crosstex transports natural gas and sells natural gas to the Company. In 1995 the Company had \$546,000 in natural gas purchases from Crosstex and paid \$158,000 to Crosstex for transportation.

Included in accounts payable and accrued natural gas purchases in the accompanying financial statements at December 31, 1995 is approximately \$381,000 payable to Crosstex. Included in accounts receivable in the accompanying financial statements at December 31, 1995 is approximately \$57,000 receivable from Crosstex.

## (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:

	1994	1995
	----	----
	(IN THOUSANDS)	
OIL AND GAS PRODUCING ACTIVITIES		
Realized Gains.....	\$726	\$913
Realized Losses.....	\$ 9	\$ 28
GAS GATHERING, PROCESSING AND MARKETING ACTIVITIES		
Realized Gains.....	\$ 15	\$895
Realized Losses.....	\$ 30	\$373

Set forth below is the contract amount and terms of all instruments held for price risk management purposes at December 31, 1994 and 1995:

## OIL AND GAS PRODUCING ACTIVITIES

YEAR	INSTRUMENT	QUANTITY	PRICE	REMAINING TERM
----	-----	-----	-----	-----
1994	Natural Gas Price Swaps	9,087,434 MMBtu	\$2.00	Jan. 1995 to Nov. 1999
1995	--	None	--	--

## GAS MARKETING ACTIVITIES

YEAR	INSTRUMENT	QUANTITY	PRICE	REMAINING TERM
----	-----	-----	-----	-----
1994	Natural Gas Price Swaps	1,670,000 MMBtu	\$1.57 to \$2.06	Jan. 1995 to Oct. 1995
1995	Natural Gas Price Swaps	533,000 MMBtu	\$1.63 to \$1.80	Jan. 1996 to Aug. 1996

During 1995, the Company settled open swap positions relating to term January 1996 to November 1999 and received a \$430,000 cash payment. This amount is reflected as deferred revenue in the accompanying balance sheet at December 31, 1995.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During the first quarter of 1996, the Company entered into natural gas price swap agreements to hedge 2,905,000 MMBtu of its natural gas production during the term March 1996 to December 1996 at an average price of \$1.90 per MMBtu.

## (13) INDUSTRY SEGMENT INFORMATION

Beginning in June 1994, the Company operates in two business segments, all in the United States, as follows:

Oil and Gas. The Company is engaged in the acquisition, development and production of oil and natural gas.

Gas Gathering, Processing and Marketing. The Company markets natural gas and gathers, processes and transports natural gas through its facilities.

Financial information by industry segment is as follows:

	1994	1995
	-----	-----
	(IN THOUSANDS)	
Revenues:		
Oil and gas.....	\$16,855	\$ 22,091
Gas marketing, processing and gathering(1).....	15,029	50,678
	-----	-----
	\$31,884	\$ 72,769
	=====	=====
Operating Profit (Loss):		
Oil and gas(2).....	\$ 3,607	\$(22,763)
Gas marketing, processing and gathering(2).....	490	1,440
	-----	-----
	\$ 4,097	\$(21,323)
	=====	=====
Identifiable Assets:		
Oil and gas.....	\$76,842	\$ 99,661
Gas marketing, processing and gathering.....	1,005	2,322
	-----	-----
	\$77,847	\$101,983
	=====	=====
Capital Expenditures:		
Oil and gas.....	\$15,066	\$ 59,759
Gas marketing, processing and gathering.....	1,099	2,009
	-----	-----
	\$16,165	\$ 61,768
	=====	=====
Depreciation, Depletion and Amortization:		
Oil and gas.....	\$ 7,149	\$ 8,277
Gas marketing, processing and gathering.....	8	120
	-----	-----
	\$ 7,157	\$ 8,397
	=====	=====

(1) Intersegment revenues which are not included in gas marketing and gathering revenues were \$2,033,000 in 1994 and \$7,788,000 in 1995.

(2) Total interest expense and total general and administrative expense are not allocated to the segments.

Sales to one purchaser of the Company's natural gas production accounted for 43% and 21% of total oil and gas sales in 1993 and 1994, respectively. Sales to this natural gas purchaser also accounted for 28% and 18% of gas marketing sales in 1994 and 1995, respectively. No single purchaser accounted for more than 10% of oil and gas sales in 1995.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

## (14) 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.

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, 1993, 1994 and 1995:

	1993		1994		1995	
	OIL (MBBLS)	GAS (MMCF)	OIL (MBBLS)	GAS (MMCF)	OIL (MBBLS)	GAS (MMCF)
	(IN THOUSANDS)					
Proved Reserves:						
Beginning of year.....	2,259	76,061	6,111	74,363	5,119	92,840
Revisions of previous estimates.....	1,776	(16,703)	(1,135)	(3,301)	(2,843)	(18,810)
Extensions and discoveries.....	--	--	19	4,453	--	--
Purchases of minerals in place(1).....	2,512	25,117	388	23,466	1,859	108,432
Sales of minerals in place.....	(158)	(2,838)	(1)	(84)	--	--
Production(2).....	(278)	(7,274)	(263)	(6,057)	(356)	(9,297)
End of year.....	6,111	74,363	5,119	92,840	3,779	173,165
Proved Developed Reserves:						
Beginning of year.....	816	32,195	1,655	42,909	1,504	62,827
End of year.....	1,655	42,909	1,504	62,827	2,562	130,375

(1) 1994 purchases of minerals in place include the repurchase of a volumetric production payment of 10,722,000 Mcf.

(2) Excludes 1,240,000 and 456,000 Mcf of gas production delivered to a major natural gas company under a volumetric production payment in 1993 and 1994, respectively.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves at December 31, 1994 and 1995:

	1994	1995
	-----	-----
	(IN THOUSANDS)	
Cash Flows Relating to Proved Reserves:		
Future Cash Flows.....	\$243,811	\$ 426,131
Future Costs:		
Production.....	(73,899)	(121,727)
Development.....	(25,366)	(39,462)
	-----	-----
Future Net Cash Flows Before Income Taxes.....	144,546	264,942
Future Income Taxes.....	(17,028)	(45,175)
	-----	-----
Future Net Cash Flows.....	127,518	219,767
10% Discount Factor.....	(49,037)	(73,261)
	-----	-----
Standardized Measure of Discounted Future Net Cash Flows.....	\$ 78,481	\$ 146,506
	=====	=====

Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves for the years ended December 31, 1993, 1994 and 1995:

	1993	1994	1995
	-----	-----	-----
	(IN THOUSANDS)		
Standardized Measure, Beginning of Year.....	\$ 45,335	\$ 60,757	\$ 78,481
Net Change in Sales Price, Net of Production Costs.....	(4,047)	(3,392)	9,450
Development Costs Incurred During the Year Which Were Previously Estimated.....	--	347	822
Revisions of Quantity Estimates.....	(4,062)	(6,457)	(30,298)
Accretion of Discount.....	4,545	6,095	7,874
Changes in Future Development Costs.....	9,545	2,695	13,248
Changes in Timing and Other.....	(7,425)	(2,883)	(2,590)
Extensions and Discoveries.....	--	3,582	--
Purchases of Reserves In Place.....	32,551	28,083	85,706
Sales of Reserves In Place.....	(2,073)	(84)	--
Sales, Net of Production Costs.....	(13,529)	(10,194)	(14,664)
Net Changes in Income Taxes.....	(83)	(68)	(1,523)
	-----	-----	-----
Standardized Measure, End of Year.....	\$ 60,757	\$ 78,481	\$146,506
	=====	=====	=====

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (IN THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)

ASSETS

	DECEMBER 31 1995	SEPTEMBER 30, 1996
	-----	-----
		(UNAUDITED)
Cash and Cash Equivalents.....	\$ 1,917	\$ 11,119
Accounts Receivable:		
Oil and gas sales.....	5,385	12,532
Gas marketing sales.....	8,451	7,863
Joint interest operations.....	1,230	1,685
Other Current Assets.....	264	323
	-----	-----
Total current assets.....	17,247	33,522
	-----	-----
Property and Equipment:		
Oil and gas properties, successful efforts method.....	154,844	248,719
Other.....	2,717	2,777
Accumulated depreciation, depletion and amortization.....	(55,445)	(63,263)
	-----	-----
Net property and equipment.....	102,116	188,233
	-----	-----
Other Assets.....	736	628
	-----	-----
	\$ 120,099	\$ 222,383
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Portion of Long-term Debt.....	\$ 18,677	\$ 171
Accounts Payable and Accrued Expenses.....	16,511	22,049
	-----	-----
Total current liabilities.....	35,188	22,220
	-----	-----
Long-term Debt, less current portion.....	53,134	150,009
Deferred Revenue.....	430	108
Other Noncurrent Liabilities.....	1,219	1,096
Stockholders' Equity:		
Preferred stock -- \$10.00 par, 5,000,000 shares authorized; 1,500,000 and 3,100,000 shares outstanding at September 30, 1996 and December 31, 1995, respectively.....	31,000	15,000
Common stock -- \$.50 par, 30,000,000 shares authorized; 17,340,742 and 12,926,672 shares outstanding at September 30, 1996 and December 31, 1995, respectively.....	6,463	8,670
Additional paid-in capital.....	38,183	55,154
Retained deficit.....	(45,444)	(29,832)
Less: Deferred compensation -- restricted stock grants.....	(74)	(42)
	-----	-----
Total stockholders' equity.....	30,128	48,950
	-----	-----
	\$ 120,099	\$ 222,383
	=====	=====

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 AND 1996  
 (UNAUDITED)

	1995	1996
	-----	-----
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	
Revenues:		
Oil and gas sales.....	\$14,254	\$45,517
Gas marketing sales.....	34,786	67,574
Gas gathering and processing.....	454	540
Gain on sales of property.....	2,608	1,506
Other income.....	206	455
	-----	-----
Total revenues.....	52,308	115,592
	-----	-----
Expenses:		
Oil and gas operating.....	4,803	9,673
Natural gas purchases.....	33,974	66,104
Gas gathering and processing.....	135	197
Exploration.....	--	285
Depreciation, depletion and amortization.....	6,114	12,809
General and administrative, net.....	1,448	1,546
Interest.....	3,574	7,619
	-----	-----
Total expenses.....	50,048	98,233
	-----	-----
Income before income taxes.....	2,260	17,359
Provision for income taxes.....	--	--
	-----	-----
Net income.....	2,260	17,359
Preferred stock dividends.....	(1,267)	(1,747)
	-----	-----
Net income attributable to common stock.....	\$ 993	\$15,612
	=====	=====
Net income attributable to common stock per share --		
Primary.....	\$ 0.08	\$ 1.04
	=====	=====
Fully diluted.....		\$ 0.82
		=====
Weighted average number of common shares and common stock equivalent shares outstanding --		
Primary.....	12,843	15,014
	=====	=====
Fully diluted.....		21,246
		=====

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996  
 (UNAUDITED)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	DEFERRED COMPENSATION- RESTRICTED STOCK GRANTS	TOTAL
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)					
Balance at December 31, 1995.....	\$ 31,000	\$6,463	\$ 38,183	\$(45,444)	\$ (74)	\$30,128
Conversion of preferred stock....	(16,000)	1,750	14,250	--	--	--
Issuance of common stock.....	--	457	2,721	--	--	3,178
Restricted stock grants.....	--	--	--	--	32	32
Net income attributable to common stock.....	--	--	--	15,612	--	15,612
	-----	-----	-----	-----	-----	-----
Balance at September 30, 1996.....	\$ 15,000	\$8,670	\$ 55,154	\$(29,832)	\$ (42)	\$48,950
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30  
(UNAUDITED)

	1995	1996
	-----	-----
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 2,260	\$ 17,359
Adjustments to reconcile net income to net cash provided by operating activities:		
Compensation paid in common stock.....	144	185
Depreciation, depletion and amortization.....	6,114	12,809
Deferred revenue.....	430	(322)
Exploration.....	--	285
Gain on sales of property.....	(2,608)	(1,506)
	-----	-----
Working capital provided by operations.....	6,340	28,810
Increase in accounts receivable.....	(1,783)	(7,015)
(Increase) decrease in other current assets.....	29	(58)
Increase (decrease) in accounts payable and accrued expenses.....	(1,590)	5,538
	-----	-----
Net cash provided by operating activities.....	2,996	27,275
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures and acquisitions.....	(59,708)	(106,668)
Proceeds from sales of properties.....	2,995	8,948
	-----	-----
Net cash used for investing activities.....	(56,713)	(97,720)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from preferred stock issuance.....	15,000	--
Dividends paid on preferred stock.....	--	(428)
Proceeds from common stock issuance.....	25	1,720
Stock issuance costs.....	(90)	(15)
Borrowings.....	58,403	172,150
Principal payments on debt.....	(22,077)	(93,780)
	-----	-----
Net cash provided by financing activities.....	51,261	79,647
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(2,456)	9,202
Cash and cash equivalents, beginning of year.....	3,425	1,917
	-----	-----
Cash and cash equivalents, end of period.....	\$ 969	\$ 11,119
	=====	=====

The accompanying notes are an integral part of these statements.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 1996 AND 1995  
(UNAUDITED)

## (1) SIGNIFICANT ACCOUNTING POLICIES

## BASIS OF PRESENTATION

In management's opinion, the accompanying consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of Comstock Resources, Inc. and subsidiaries (the "Company") as of September 30, 1996 and the related results of operations for the nine months ended September 30, 1995 and 1996 and cash flows for the nine months ended September 30, 1995 and 1996.

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

The results of operations for the nine months ended September 30, 1995 and 1996, are not necessarily an indication of the results expected for the full year.

## SUPPLEMENTARY INFORMATION WITH RESPECT TO THE STATEMENTS OF CASH FLOWS

The Company paid cash for interest of \$3,574,000 and \$7,349,000 during the nine months ended September 30, 1995 and 1996, respectively. No cash for income taxes was paid in the nine months ended September 30, 1995 and 1996.

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

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1996
	(IN THOUSANDS)	
Common stock issued for director compensation.....	\$ 113	\$ 154
Common stock issued for preferred stock dividends.....	\$1,267	\$1,319

## EARNINGS PER SHARE

Net income attributable to common stock represents net income less preferred stock dividend requirements of \$1,267,000 and \$1,747,000 for the nine months ended September 30, 1995 and 1996, respectively. Net income attributable to common stock per share is computed by dividing net income attributable to common stock by the weighted average number of common shares and common stock equivalents outstanding during each period. Common stock equivalents include, when applicable, dilutive stock options and warrants using the treasury stock method. Fully diluted net income attributable to common stock per share includes the dilutive effect of the Company's convertible preferred stock using the "if converted" method and dilutive stock options and warrants using the treasury stock method.

## (2) OIL &amp; GAS PROPERTY ACQUISITION

On May 1 and May 2, 1996, the Company completed a \$104 million purchase of working interests in the Double A Wells field in Polk County, Texas. The Company acquired 100% of the capital stock of Black Stone

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
SEPTEMBER 30, 1996 AND 1995  
(UNAUDITED)

Oil Company, the operator of the field, together with additional interests held by other working interest owners in nineteen producing oil and gas properties as well as interests in adjacent undeveloped oil and gas leases. The interests were acquired effective January 1, 1996. Accordingly, revenues from the properties net of operating and development costs attributable to the period January 1, 1996 to April 30, 1996 were recorded as a reduction of the purchase price paid for the properties. The net proved oil and natural gas reserves attributable to the interests acquired are estimated at 5.3 million barrels of oil and 98.5 billion cubic feet of natural gas as of January 1, 1996.

## (3) LONG-TERM DEBT

In connection with the \$104 million oil and gas property acquisition closed in May 1996, the Company entered into a \$176 million credit facility with two banks, consisting of a \$166 million revolving credit commitment and a \$10 million short-term bridge loan. The new revolving credit facility converts to a two year term loan on May 1, 1999. The Company financed the \$104 million acquisition and refinanced \$68.7 million outstanding under its existing bank credit facility with borrowings under the new bank credit facility. On May 15, 1996, the Company repaid the \$10 million bridge loan primarily from proceeds from certain asset sales. On August 13, 1996, the Company refinanced the \$166 million credit facility with a syndication of eleven banks in which The First National Bank of Chicago serves as agent. The new revolving credit facility will convert to a term loan on August 13, 1999. The term loan is to be repaid in consecutive quarterly installments of 5% of the original outstanding principal balance with the final balance due in full on August 13, 2001.

As of September 30, 1996, the Company had \$150 million outstanding under the new bank revolving credit facility. Borrowings under the new bank credit facility cannot exceed a borrowing base determined semiannually by the banks. The borrowing base at September 30, 1996 was \$166 million. Amounts outstanding under the new bank credit facility bear interest at a floating rate based on The First National Bank of Chicago's base rate (as defined) plus 1/2% or, at the Company's option, at a fixed rate for up to six months based on the London Interbank Offered Rate ("LIBOR") plus 1.25% to 2% depending upon the utilization of the available borrowing base. As of September 30, 1996, 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 7.56% per annum.

## (4) SALE OF OIL AND GAS PROPERTIES

In May 1996, the Company sold certain oil and gas properties for approximately \$8.9 million. The properties sold include interests in 145 producing wells located in Oklahoma, Arkansas, Nebraska and Kansas as well as the Company's interests in the Chapman Ranch field in South Texas. The properties sold were non-strategic assets to the Company and were located out of the Company's primary operating areas. A gain from the sales of \$1.5 million is included in the accompanying statement of operations.

## (5) CONVERSION OF PREFERRED STOCK TO COMMON STOCK

On July 11, 1996, the Company redeemed the 1,000,000 shares of the 1994 Series B Convertible Preferred Stock, \$10 par value per share, by issuing 2,000,000 shares of common stock of the Company. The conversion of the 1994 Series B Convertible Preferred Stock into common stock will reduce the dividends paid on the preferred stock in the future by \$625,000 per annum.

On September 16, 1996 the holders of the Series 1994 Convertible Preferred Stock, converted all of the shares of the Series 1994 Convertible Preferred Stock, \$10 par value per share, into 1,500,000 shares of common stock of the Company. The conversion of the Series 1994 Convertible Preferred Stock into common stock will reduce the dividends paid on the preferred stock in the future by \$540,000 per annum.

LEE KEELING AND ASSOCIATES, INC.  
 PETROLEUM CONSULTANTS  
 3500 FIRST PLACE TOWER  
 15 EAST 5TH STREET  
 TULSA, OKLAHOMA 74103-4350 USA  
 (918) 587-5521  
 FACSIMILE 587-2881

October 23, 1996

Comstock Resources, Inc.  
 Occidental Tower, Suite 1000  
 5005 LBJ Freeway  
 Dallas, Texas 75244

Attention: Mr. M. Jay Allison,  
 President and C.E.O.

Re: Comstock Resources, Inc.  
 Combination of Appraisals

Gentlemen:

Lee Keeling and Associates, Inc. has prepared appraisals of interests owned by Comstock Resources, Inc. A report, dated February 28, 1996, includes interests owned as of January 1, 1996. A second report, dated May 1, 1996, includes interests acquired in the Black Stone Oil Company acquisition. A third report, dated May 9, 1996, includes properties divested of by Comstock in early 1996. The effective date of all reports is January 1, 1996. The results of the third report were deducted from the sum of the first and the second reports. Exhibit No. 1 shows the results of each individual report and the three reports are summarized as follows:

RESERVE CLASSIFICATION	ESTIMATED REMAINING NET RESERVES		FUTURE NET REVENUE	
	OIL (BBLS)	GAS (MCF)	TOTAL	PRESENT VALUE DISCOUNTED @ 10%
Proved Developed				
Producing.....	4,767,318	125,750,596	\$258,248,002	\$ 168,944,248
Non-Producing.....	878,525	19,045,845	46,274,021	27,663,908
Behind-Pipe.....	551,958	45,102,874	70,484,163	25,620,748
Proved Undeveloped				
Primary.....	2,272,709	67,222,672	117,769,935	64,177,615
Total All Reserves.....	8,470,510	257,121,987	\$492,776,121	\$ 286,406,519

Future net revenue is the amount, exclusive of state and federal income taxes, which will accrue to the appraised interests from continued operation of the properties to depletion. It should not be construed as a fair market or trading value. With the exception of the properties included in the Bois D'Arc acquisition, no provision has been made for the cost of plugging and abandoning the properties nor for the value of salvable equipment. The Bois D'Arc acquisition is comprised of off-shore properties for which abandonment charges must be considered.

No attempt has been made to quantify or otherwise account for any accumulative gas production imbalances that may exist. Neither has an attempt been made to determine whether the wells and facilities are in compliance with various governmental regulations, nor have costs been included in the event they are not.

## CLASSIFICATION OF RESERVES

Reserves attributed to the appraised leases have been classified as "proved developed producing," "proved developed non-producing," "proved developed behind-pipe" and "proved undeveloped primary."

Proved Developed Producing Reserves are those reserves expected to be recovered from currently producing zones under continuation of present operating methods. This category may also include recently completed shut-in gas wells scheduled for connection to a pipeline in the near future.

Proved Developed Non-Producing Reserves are those reserves expected to be recovered from zones capable of producing but which are shut-in because no market outlet exists at the present time or whose date of connection to a pipeline is uncertain.

Proved Developed Behind-Pipe Reserves are those reserves currently behind the pipe in existing wells which are considered proved by virtue of successful testing or production in offsetting wells.

Proved Undeveloped Primary Reserves are those reserves attributable to wells to be drilled at locations which can be anticipated with a high degree of certainty.

## ESTIMATION OF RESERVES

## Comstock Year-End

The majority of the appraised wells have been producing for a considerable length of time. Reserves attributable to wells with a well-defined production and/or pressure decline trend were based upon extrapolation of that trend to an economic limit and/or abandonment pressure.

Reserves anticipated from new wells were based upon volumetric calculations or analogy with similar properties which are producing from the same horizons in the respective areas. Structural position, net pay thickness, well productivity, gas/oil ratios, water production, pressures, and other pertinent factors were considered in the estimations of these reserves.

Reserves assigned to behind-pipe zones have been estimated based on volumetric calculations and/or analogy with other wells in the area producing from the same horizon.

## Black Stone Oil Company Acquisition

As of January 1, 1996, eighteen wells had been drilled and completed in the Double A Wells Field. Sixteen were producing with the remaining two scheduled to begin producing in the next few weeks. The first wells began producing in 1988 and the most recent, early in January, 1996. Performance of the wells has established the presence of four compartments or pressure regimes. These compartments are identified as groups and the number of wells in each group and cumulative recovery are as follows:

GROUP (COMPARTMENT)	PRODUCING WELLS	CUMULATIVE RECOVERY	
		OIL (BBLS)	GAS (MCF)
Trostman.....	5	325,900	19,688,700
A/C 2+4.....	2	978,000	10,914,505
Jackson.....	1	145,400	2,311,600
New Carter Group.....	8*	1,445,900	24,100,300
	--		
Total.....	16	2,895,200	57,015,105
	==	=====	=====

\* Includes one well on line January, 1996.

The Trostman wells are all producing below the dew point and all have well-established production decline trends. Reserves attributable to these wells have been estimated by extrapolation of established production decline trends with consideration given to bottom-hole pressure versus cumulative recovery relationships.

A/C 2+4 wells are still producing above the dew point and reserves have been estimated by extrapolation of bottom-hole pressure versus cumulative recovery relationships to an abandonment pressure. Liquid reserves have been based on fluid analysis (PVT) data.

The single Jackson well reserves have been estimated by extrapolation of the production decline curve to an economic limit.

New Carter Group reserves were estimated by extrapolation of the composite reservoir bottom-hole pressure versus cumulative-recovery relationship to an abandonment pressure. Gas-in-place volumes so determined were confirmed by volumetric calculations. Reservoir pressure is considerably above the dew point and liquid reserve assignments have been based on fluid analysis data. Reserves were allocated to the individual producing wells on the basis of productive capacities and net pay thicknesses.

Estimation of the New Carter Group reserves were revised upward from those in the first appraisal to recognize additional pay volumes revealed by the drilling of Champion "C" No. 2. This well was drilled subsequent to the effective date of the appraisal but the reserves attributable to it are still classified as "proved undeveloped."

Initial producing rates of certain wells were also adjusted, upward or downward, to more accurately reflect actual field conditions.

Allocations of reserves to the two shut-in wells were made on the basis of indicated productivity and net pay thickness. It is anticipated that three additional wells will be drilled in the next one-to-two years. (This includes Champion "C" No. 2.) Reserves allocated to these wells have been based on anticipated productive capacities, net pay thicknesses and by analogy to nearby wells.

#### Gothic/Shell Divestiture

Properties included in the Gothic Energy or Mid-Continent Divestiture involve approximately 125 properties in the states of Arkansas, Kansas, Nebraska and Oklahoma. The sale to Shell involved the "Chapman Wells" and included one producing well plus one well to which behind-pipe reserves had been assigned. Proved undeveloped reserves had been assigned to two locations on the properties sold to Shell.

The proved reserves included in this report conform to the applicable definition promulgated by the Securities and Exchange Commission.

#### FUTURE NET REVENUE

##### Oil Income

Income from the sale of oil for the various areas was estimated using an initial price of \$18.00 per barrel as requested by Comstock Resources, Inc. This price was held constant throughout the life of each property. Provisions were made for state severance and ad valorem taxes where applicable.

##### Gas Income

Income from the sale of gas was based upon current gas prices being received for gas sold from each well as provided by the staff of Comstock Resources, Inc. These prices were held constant throughout the life of each property. Adjustments were made for state severance and ad valorem taxes where applicable.

##### Operating Expenses

Operating expenses were based upon actual operating costs charged by the respective operators as supplied by the staff of Comstock Resources, Inc. or were based upon the actual experience of the operators in the respective areas. For leases operated by Comstock Resources, Inc., monthly lease operating expenses do not include overhead charges. All expenses have been held constant throughout the life of each lease.

## Future Expenses and Abandonment Costs

Future expenses required for drilling and recompletion and abandonment costs for the off-shore properties have been estimated by Comstock Resources, Inc. These costs have been held constant from current estimates.

## GENERAL

Information upon which this appraisal has been based was furnished by the staff of Comstock Resources, Inc. or was obtained by us from outside sources we consider to be reliable. This information is assumed to be correct. No attempt has been made to verify title or ownership of the appraised properties.

This report has been prepared utilizing methods and procedures regularly used by petroleum engineers to estimate oil and gas reserves for properties of this type and character. The recovery of oil and gas reserves and projection of producing rates are dependent upon many variable factors including prudent operation, compression of gas when needed, market demand, installation of lifting equipment, and remedial work when required. The reserves included in this report have been based upon the assumption that the wells will be operated in a prudent manner under the same conditions existing on the effective date. Actual production results and future well data may yield additional facts, not presently available to us, which will require an adjustment to our estimates.

The reserves included in this report are estimates only and should not be construed as being exact quantities. They may or may not be actually recovered, and, if recovered, the revenues therefrom and the actual costs related thereto could be more or less than the estimated amounts. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering data and, therefore, our conclusions necessarily represent only informed professional judgments.

The projection of cash flow has been made assuming constant prices. There is no assurance that prices will not vary. For this reason and those listed in the previous paragraph, the future net cash from the sale of production from the appraised properties may vary from the estimates contained in this report.

The information developed during the course of this investigation, basic data, maps and worksheets showing recovery determinations are available for inspection in our office.

We appreciate this opportunity to be of service to you.

Very truly yours,

/s/ LEE KEELING AND ASSOCIATES, INC.

Lee Keeling and Associates, Inc.

A-4

## COMSTOCK RESOURCES, INC.

EFFECTIVE DATE: JANUARY 1, 1996

RESERVE CLASSIFICATION	ESTIMATED REMAINING NET RESERVES		FUTURE NET REVENUE	
	OIL (BARRELS)	GAS (MCF)	TOTAL	PRESENT VALUE DISCOUNTED @ 10%
----- COMSTOCK YEAR-END -----				
Proved Developed				
Producing.....	1,937,217	79,473,369	\$129,075,012	\$ 88,404,387
Non-Producing.....	40,987	5,702,758	8,436,278	5,418,416
Behind-Pipe.....	584,277	45,199,146	70,922,471	25,859,631
Proved Undeveloped				
Primary.....	1,216,548	42,790,071	56,508,325	28,609,998
Total Comstock Year-End				
All Reserves.....	3,779,029	173,165,344	\$264,942,086	\$148,292,432
	=====	=====	=====	=====
----- BLACK STONE OIL COMPANY ACQUISITION -----				
Proved Developed				
Producing.....	2,956,891	55,488,025	\$140,634,083	\$ 86,939,813
Non-Producing.....	837,538	15,342,921	39,300,581	22,897,605
Proved Undeveloped				
Primary.....	1,507,203	27,717,843	68,677,321	38,751,015
Total Black Stone Oil Company				
Acquisition All Reserves.....	5,301,632	98,548,789	\$248,611,985	\$148,588,433
	=====	=====	=====	=====
----- GOTHIC/SHELL DIVESTITURE -----				
Proved Developed				
Producing.....	126,790	9,210,798	\$ 11,461,093	\$ 6,399,952
Non-Producing.....	0	1,999,834	1,462,838	652,113
Behind-Pipe.....	32,319	96,332	438,308	238,883
Proved Undeveloped				
Primary.....	451,042	3,285,242	7,415,711	3,183,398
Total Gothic/Shell Divestiture				
All Reserves.....	610,151	14,592,206	\$ 20,777,950	\$ 10,474,346
	=====	=====	=====	=====
----- TOTAL RESERVES -- COMBINATION APPRAISALS -----				
Proved Developed				
Producing.....	4,767,318	125,750,596	\$258,248,002	\$168,944,248
Non-Producing.....	878,525	19,045,845	46,274,021	27,663,908
Behind-Pipe.....	551,958	45,102,874	70,484,163	25,620,748
Proved Undeveloped				
Primary.....	2,272,709	67,222,672	117,769,935	64,177,615
Total-Combination Appraisal				
All Reserves.....	8,470,510	257,121,987	\$492,776,121	\$286,406,519
	=====	=====	=====	=====

NO DEALER, SALESPERSON OR OTHER PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE SECURITIES OFFERED HEREBY, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCE CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

-----  
 TABLE OF CONTENTS

	PAGE
	----
Prospectus Summary.....	3
Risk Factors.....	8
Use of Proceeds.....	12
Dividend Policy.....	12
Price Range of Common Stock.....	12
Capitalization.....	13
Pro Forma Financial Information.....	14
Selected Historical Financial Data....	19
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	20
Business and Properties.....	25
Management.....	37
Principal and Selling Stockholders....	41
Description of Capital Stock.....	42
Underwriting.....	47
Legal Matters.....	48
Experts.....	48
Glossary.....	49
Available Information.....	51
Incorporation of Certain Documents By Reference.....	51
Index to Financial Statements.....	F-1
Appendix A -- Summary Report of Lee Keeling and Associates, Inc.....	A-1

=====

5,870,000 SHARES

COMMON STOCK

LOGO

-----

PROSPECTUS

, 1996

-----

SMITH BARNEY INC.

RAYMOND JAMES  
& ASSOCIATES, INC.

BEAR, STEARNS & CO. INC.

OPPENHEIMER & CO., INC.

RODMAN & RENSHAW, INC.

=====

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table indicates expenses to be incurred in connection with the Offering described in the Registration Statement. All expenses are estimated except the SEC, NASD and Nasdaq Listing fees.

SEC Registration Fee.....	\$ 26,974
NASD Filing Fee.....	9,402
Nasdaq National Market Additional Listing Fee.....	17,500
Legal Fees and Expenses.....	175,000
Accounting Fees and Expenses.....	55,000
Printing and Engraving Fees.....	100,000
Miscellaneous.....	16,124
	-----
Total.....	\$400,000
	=====

## ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 78.751 of the Nevada General Corporation Law permits a corporation to indemnify any person who was, or is, or is threatened to be made a party in a completed, pending or threatened proceeding, whether civil, criminal, administrative or investigative (except an action by or in the right of the corporation), by reason of being or having been an officer, director, employee or agent of the corporation or serving in certain capacities at the request of the corporation. Indemnification may include attorneys' fees, judgments, fines and amounts paid in settlement. The person to be indemnified must have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action, such person must have had no reasonable cause to believe his conduct was unlawful.

With respect to actions by or in the right of the corporation, indemnification may not be made for any claim, issue or matter as to which such a person has been finally adjudged by a court of competent jurisdiction to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action was brought or other court of competent jurisdiction determines upon application that in view of all circumstances the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Unless indemnification is ordered by a court, the determination to pay indemnification must be made by the stockholders, by a majority vote of a quorum of the Board of Directors who were not parties to the action, suit or proceeding, or in certain circumstances by independent legal counsel in a written opinion. Section 78.751 permits the Articles of Incorporation or Bylaws to provide for payment to an indemnified person of the expenses of defending an action as incurred upon receipt of an undertaking to repay the amount if it is ultimately determined by a court of competent jurisdiction that the person is not entitled to indemnification.

Section 78.751 also provides that to the extent a director, officer, employee or agent has been successful on the merits or otherwise in the defense of any such action, he must be indemnified by the corporation against expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense.

Article VI, "Indemnification of Directors, Officers, Employees and Agents", of the Company's Bylaws provides as follows with respect to indemnification of the Company's directors, officers, employees and agents:

Section 1. To the fullest extent allowed by Nevada law, any director of the Corporation shall not be liable to the corporation or its shareholders for monetary damages for an act or omission in the director's capacity as a director, except that this Article VI does not eliminate or limit the liability of a director for:

- (a) an act or omission which involves intentional misconduct, fraud or a knowing violation of law; or
- (b) the payment of dividends in violation of N.R.S. 78.300.

Section 2. The Corporation shall indemnify each director, officer, employee and agent, now or hereafter serving the Corporation, each former director, officer, employee and agent, and each person who may now or hereafter serve or who may have heretofore served at the Corporation's request as a director, officer, employee or agent of another corporation or other business enterprise, and the respective heirs, executors, administrators and personal representatives of each of them against all expenses actually and reasonably incurred by, or imposed upon, him in connection with the defense of any claim, action, suit or proceeding, civil or criminal, against him by reason of his being or having been such director, officer, employee or agent, except in relation to such matters as to which he shall be adjudged by a court of competent jurisdiction after exhaustion of all appeals therefrom in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of duty. For purposes hereof, the term "expenses" shall include but not be limited to all expenses, costs, attorneys' fees, judgements (including adjudications other than on the merits), fines, penalties, arbitration awards, costs of arbitration and sums paid out and liabilities actually and reasonably incurred or imposed in connection with any suit, claim, action or proceeding, and any settlement or compromise thereof approved by the Board of Directors as being in the best interests of the Corporation. However, in any case in which there is no disinterested majority of the Board of Directors available, the indemnification shall be made: (1) only if the Corporation shall be advised in writing by counsel that in the opinion of counsel (a) such officer, director, employee or agent was not adjudged or found liable for gross negligence or willful misconduct in the performance of duty as such director, officer, employee or agent or the indemnification provided is only in connection with such matters as to which the person to be indemnified was not so liable, and in the case of settlement or compromise, the same is in the best interests of the Corporation; and (b) indemnification under the circumstances is lawful and falls within the provisions of these Bylaws; and (2) only in such amount as counsel shall advise the Corporation in writing is, in his opinion, proper. In making or refusing to make any payment under this or any other provision of these Bylaws, the Corporation, its directors, officers, employees and agents shall be fully protected if they rely upon the written opinion of counsel selected by, or in the manner designated by, the Board of Directors.

Section 3. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in these Bylaws.

Section 4. The Corporation may indemnify each person, though he is not or was not a director, officer, employee or agent of the Corporation, who served at the request of the Corporation on a committee created by the Board of Directors to consider and report to it in respect of any matter. Any such indemnification may be made under the provisions hereof and shall be subject to the limitations hereof, except that (as indicated) any such committee member need not be nor have been a director, officer, employee or agent of the Corporation.

Section 5. The provisions hereof shall be applicable to actions, suits or proceedings (including appeals) commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after the adoption hereof.

Section 6. The indemnification provisions herein provided shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, or by law or statute, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, and persons described in Section 4 of this Article VI above, against any liability asserted against him and incurred by him in any such capacity or arising out of his status, as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of these Bylaws.

## ITEM 16. EXHIBITS

EXHIBIT NO.	DESCRIPTION
1.1*	-- Form of Underwriting Agreement.
3.1	-- 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").
3.2**	-- Bylaws of the Company.
4.1	-- Specimen Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 dated November 30, 1992).
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.
5.1*	-- Opinion of Locke Purnell Rain Harrell (A Professional Corporation) as to the validity of the securities registered hereby.
23.1*	-- Consent of Locke Purnell Rain Harrell (A Professional Corporation) (set forth in its opinion filed as Exhibit 5.1).
23.2**	-- Consent of Arthur Andersen LLP.
23.3**	-- Consent of Lee Keeling and Associates, Inc.
24.1	-- Powers of Attorney (set forth on the signature page(s) hereof).

\* Filed herewith.

\*\* Previously filed.

## ITEM 17. UNDERTAKINGS.

The undersigned Company hereby undertakes to provide the Representatives of the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

The Company hereby undertakes that:

(1) For purposes of determining any liability under the Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Company pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by any director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report, to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Company has duly caused this Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas, on November 22, 1996.

COMSTOCK RESOURCES, INC.

By: M. JAY ALLISON\*

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

## POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
M. JAY ALLISON* ----- M. Jay Allison	President, Chief Executive Officer, and Director (Principal Executive Officer)	November 22, 1996
/s/ ROLAND O. BURNS ----- Roland O. Burns	Senior Vice President, Chief Financial Officer, Secretary, and Treasurer (Principal Financial Officer and Principal Accounting Officer)	November 22, 1996
HAROLD R. LOGAN* ----- Harold R. Logan	Chairman of the Board of Directors	November 22, 1996
RICHARD S. HICKOK* ----- Richard S. Hickok	Director	November 22, 1996
FRANKLIN B. LEONARD* ----- Franklin B. Leonard	Director	November 22, 1996
CECIL E. MARTIN, JR.* ----- Cecil E. Martin, Jr.	Director	November 22, 1996
DAVID W. SLEDGE* ----- David W. Sledge	Director	November 22, 1996

\* The undersigned has executed this Amendment No. 2 to the Registration Statement on behalf of each of the persons named above pursuant to the Powers of Attorney filed with the Securities and Exchange Commission.

/s/ ROLAND O. BURNS  
-----  
Roland O. Burns, Attorney-in-Fact

## INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
1.1*	-- Form of Underwriting Agreement.
3.1	-- 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").
3.2**	-- Bylaws of the Company.
4.1	-- Specimen Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 dated November 30, 1992).
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.
5.1*	-- Opinion of Locke Purnell Rain Harrell (A Professional Corporation) as to the validity of the securities registered hereby.
23.1*	-- Consent of Locke Purnell Rain Harrell (A Professional Corporation) (set forth in its opinion filed as Exhibit 5.1).
23.2**	-- Consent of Arthur Andersen LLP.
23.3**	-- Consent of Lee Keeling and Associates, Inc.
24.1	-- Powers of Attorney (set forth on the signature page(s) hereof).

\* Filed herewith.

\*\* Previously filed.

Draft of November 21, 1996  
-----

5,870,000 Shares  
COMSTOCK RESOURCES, INC.  
Common Stock  
UNDERWRITING AGREEMENT

\_\_\_\_\_, 1996

SMITH BARNEY INC.  
RAYMOND JAMES & ASSOCIATES, INC.  
BEAR, STEARNS & CO. INC.  
OPPENHEIMER & CO., INC.  
RODMAN & RENSHAW, INC.  
As Representatives of the Several Underwriters

c/o SMITH BARNEY INC.  
388 Greenwich Street  
New York, New York 10013

Dear Sirs:

Comstock Resources, Inc., a Nevada corporation (the "Company"), proposes to issue and sell an aggregate of 4,000,000 shares of its common stock, \$0.50 par value per share, to the several Underwriters named in Schedule II hereto (the "Underwriters") and the persons named in Schedule I hereto (the "Selling Stockholders") propose to sell to the several Underwriters an aggregate of 1,870,000 shares of common stock of the Company. The Company and the Selling Stockholders are hereinafter sometimes referred to as the "Sellers". The Company's common stock, \$0.50 par value, is hereinafter referred to as the "Common Stock" and the 4,000,000 shares of Common Stock to be issued and sold to the Underwriters by the Company and the 1,870,000 shares of Common Stock to be sold to the Underwriters by the Selling Stockholders are hereinafter referred to as the "Firm Shares". The Company also proposes to sell to the Underwriters, upon the terms and conditions set forth in Section 2 hereof, up to an additional 880,000 shares (the "Additional Shares") of Common Stock. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "Shares". The Selling Stockholders named in Part A of Schedule I hereto are hereinafter collectively referred to as the "D&O Selling Stockholders" and the Selling Stockholders named in Part B of Schedule I hereto are hereinafter collectively referred to as the "TCW Selling Stockholders". The TCW Selling Stockholders named in Section 1. of Part B of Schedule I hereto

are hereinafter collectively referred to as the "TCW Fund Selling Stockholders" and the TCW Selling Stockholders named in Section 2. of Part B of Schedule I hereto are hereinafter collectively referred to as the "TCW Managed Selling Stockholders."

The Company and the Selling Stockholders wish to confirm as follows their respective agreements with you (the "Representatives") and the other several Underwriters on whose behalf you are acting, in connection with the several purchases of the Shares by the Underwriters.

1. Registration Statement and Prospectus. The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Act"), a registration statement on Form S-3 under the Act (the "registration statement"), including a prospectus subject to completion relating to the Shares. The term "Registration Statement" as used in this Agreement means the registration statement (including all financial schedules and exhibits), as amended at the time it becomes effective, or, if the registration statement became effective prior to the execution of this Agreement, as supplemented or amended prior to the execution of this Agreement, including in each case a registration statement (if any) filed pursuant to Rule 462(b) under the Act increasing the size of the offering registered under the Act. If it is contemplated, at the time this Agreement is executed, that a post-effective amendment to the registration statement will be filed and must be declared effective before the offering of the Shares may commence, the term "Registration Statement" as used in this Agreement means the registration statement as amended by said post-effective amendment. The term "Prospectus" as used in this Agreement means the prospectus in the form included in the Registration Statement, or, if the prospectus included in the Registration Statement omits information in reliance on Rule 430A under the Act and such information is included in a prospectus filed with the Commission pursuant to Rule 424(b) under the Act, the term "Prospectus" as used in this Agreement means the prospectus in the form included in the Registration Statement as supplemented by the addition of the Rule 430A information contained in the prospectus filed with the Commission pursuant to Rule 424(b). The term "Prepricing Prospectus" as used in this Agreement means the prospectus subject to completion in the form included in the registration statement at the time of the initial filing of the registration statement with the Commission, and as such prospectus shall have been amended from time to time prior to the date of the Prospectus. Any reference in this Agreement to the registration statement, the Registration Statement, any Prepricing Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of the registration statement, the Registration Statement, such Prepricing Prospectus or the Prospectus, as the case may be, and any reference to any amendment or supplement to the registration statement, the Registration Statement, any Prepricing Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after such date under the Securities Exchange Act of 1934, as amended (the "Exchange Act") which, upon filing, are incorporated by reference therein, as required by paragraph (b) of Item 12 of Form S-3. As used herein, the term "Incorporated Documents" means the documents which at the time are incorporated by reference in the registration statement, the

Registration Statement, any Prepricing Prospectus, the Prospectus, or any amendment or supplement thereto.

2. Agreements to Sell and Purchase. Subject to such adjustments as you may determine in order to avoid fractional shares, the Company hereby agrees, subject to all the terms and conditions set forth herein, to issue and sell to each Underwriter and, upon the basis of the representations, warranties and agreements of the Company and the Selling Stockholders herein contained and subject to all the terms and conditions set forth herein, each Underwriter agrees, severally and not jointly, to purchase from the Company, at a purchase price of \$\_\_\_\_\_ per Share (the "purchase price per share"), the number of Firm Shares which bears the same proportion to the aggregate number of Firm Shares to be issued and sold by the Company as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule II hereto (or such number of Firm Shares increased as set forth in Section 12 hereof) bears to the aggregate number of Firm Shares to be sold by the Company and the Selling Stockholders.

Subject to such adjustments as you may determine in order to avoid fractional shares, each Selling Stockholder agrees, subject to all the terms and conditions set forth herein, to sell to each Underwriter and, upon the basis of the representations, warranties and agreements of the Company and the Selling Stockholders herein contained and subject to all the terms and conditions set forth herein, each Underwriter, severally and not jointly, agrees to purchase from each Selling Stockholder at the purchase price per share that number of Firm Shares which bears the same proportion to the number of Firm Shares set forth opposite the name of such Selling Stockholder in Schedule I hereto as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule II hereto (or such number of Firm Shares increased as set forth in Section 12 hereof) bears to the aggregate number of Firm Shares to be sold by the Company and the Selling Stockholders.

The Company also agrees, subject to all the terms and conditions set forth herein, to sell to the Underwriters, and, upon the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions set forth herein, the Underwriters shall have the right to purchase from the Company, at the purchase price per share, pursuant to an option (the "over-allotment option") which may be exercised at any time and from time to time prior to 9:00 P.M., New York City time, on the 30th day after the date of the Prospectus (or, if such 30th day shall be a Saturday or Sunday or a holiday, on the next business day thereafter when the New York Stock Exchange is open for trading), up to an aggregate of 880,000 Additional Shares. Additional Shares may be purchased only for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. Upon any exercise of the over-allotment option, each Underwriter, severally and not jointly, agrees to purchase from the Company the number of Additional Shares (subject to such adjustments as you may determine in order to avoid fractional shares) which bears the same proportion to the number of Additional Shares to be purchased by the Underwriters as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule II hereto (or such number of Firm Shares increased as set forth in Section 12 hereof) bears to the aggregate number of Firm Shares.

Certificates in transferable form for the Firm Shares which each of the D&O Selling Stockholders agrees to sell pursuant to this Agreement have been placed in custody with Comstock Resources, Inc. (the "D&O Custodian") for delivery under this Agreement pursuant to a Custody Agreement and Power of Attorney (the "D&O Custody Agreement") executed by each of the D&O Selling Stockholders appointing M. Jay Allison and Roland O. Burns as agents and attorneys-in-fact (the "D&O Attorneys-in-Fact"). Each D&O Selling Stockholder agrees that (i) the Firm Shares represented by the certificates held in custody pursuant to the D&O Custody Agreement are subject to the interests of the Underwriters, the Company and each other Selling Stockholder, (ii) the arrangements made by the D&O Selling Stockholders for such custody are, except as specifically provided in the D&O Custody Agreement, irrevocable, and (iii) the obligations of the D&O Selling Stockholders hereunder and under the Custody Agreement shall not be terminated by any act of such D&O Selling Stockholder or by operation of law, whether by the death or incapacity of any D&O Selling Stockholder or the occurrence of any other event. If any D&O Selling Stockholder shall die or be incapacitated or if any other event shall occur before the delivery of the Firm Shares hereunder, certificates for the Firm Shares of such D&O Selling Stockholder shall be delivered to the Underwriters by the D&O Attorneys-in-Fact in accordance with the terms and conditions of this Agreement and the D&O Custody Agreement as if such death or incapacity or other event had not occurred, regardless of whether or not the D&O Attorneys-in-Fact or any Underwriter shall have received notice of such death, incapacity or other event. Each Attorney-in-Fact is authorized, on behalf of each of the D&O Selling Stockholders, to execute this Agreement and any other documents necessary or desirable in connection with the sale of the Firm Shares to be sold hereunder by such D&O Selling Stockholder, to make delivery of the certificates for such Shares, to receive the proceeds of the sale of such Firm Shares, to give receipts for such proceeds, to pay therefrom any expenses to be borne by such D&O Selling Stockholder in connection with the sale and public offering of such Firm Shares, to distribute the balance thereof to such D&O Selling Stockholder, and to take such other action as may be necessary or desirable in connection with the transactions contemplated by this Agreement. Each D&O Attorney-in-Fact agrees to perform his duties under the D&O Custody Agreement.

Certificates in transferable form for the Firm Shares which each of the TCW Selling Stockholders agrees to sell pursuant to this Agreement have been placed in custody with the Company (the "TCW Custodian") for delivery under this Agreement pursuant to a Custody Agreement (the "TCW Custody Agreement") executed by each of the TCW Fund Selling Stockholders and by Trust Company of the West or TCW Asset Management Company, as the case may be, in their capacity as custodian, trustee or investment manager (collectively, "TCW"), on behalf of each of the TCW Managed Selling Stockholders, whereby each TCW Fund Selling Stockholder and TCW, on behalf of each of the TCW Managed Selling Stockholders agrees that the Firm Shares represented by the certificates held in custody pursuant to the TCW Custody Agreement are subject to the interests of the Underwriters, the Company and each other Selling Stockholder hereunder.

3. Terms of Public Offering. The Sellers have been advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon

after the Registration Statement and this Agreement have become effective as in your judgment is advisable and initially to offer the Shares upon the terms set forth in the Prospectus.

4. Delivery of the Shares and Payment Therefor. Delivery to the Underwriters of and payment for the Firm Shares shall be made at the office of Smith Barney Inc., 388 Greenwich Street, New York, NY 10013, at 10:00 A.M., New York City time, on \_\_\_\_\_, 1996 (the "Closing Date"). The place of closing for the Firm Shares and the Closing Date may be varied by agreement among you, the Company, the D&O Attorneys-in-Fact and the TCW Selling Stockholders.

Delivery to the Underwriters of and payment for any Additional Shares to be purchased by the Underwriters shall be made at the aforementioned office of Smith Barney Inc. at such time on such date (the "Option Closing Date"), which may be the same as the Closing Date but shall in no event be earlier than the Closing Date nor earlier than two nor later than ten business days after the giving of the notice hereinafter referred to, as shall be specified in a written notice from you on behalf of the Underwriters to the Company of the Underwriters' determination to purchase a number, specified in such notice, of Additional Shares. The place of closing for any Additional Shares and the Option Closing Date for such Shares may be varied by agreement among you and the Company.

Certificates for the Firm Shares and for any Additional Shares to be purchased hereunder shall be registered in such names and in such denominations as you shall request prior to 9:30 A.M., New York City time, on the second business day preceding the Closing Date or any Option Closing Date, as the case may be. Such certificates shall be made available to you in New York City for inspection and packaging not later than 9:30 A.M., New York City time, on the business day next preceding the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and any Additional Shares to be purchased hereunder shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, against payment of the purchase price therefor by wire transfer or certified or official bank check or checks payable in same day funds to the order of the Company, the D&O Attorneys-in-Fact and the TCW Selling Stockholders.

5. Agreements of the Company. The Company agrees with the several Underwriters as follows:

(a) If, at the time this Agreement is executed and delivered, it is necessary for the Registration Statement or a post-effective amendment thereto to be declared effective before the offering of the Shares may commence, the Company will endeavor to cause the Registration Statement or such post-effective amendment to become effective as soon as possible and will advise you promptly and, if requested by you, will confirm such advice in writing, when the Registration Statement or such post-effective amendment has become effective.

(b) The Company will advise you promptly and, if requested by you, will confirm such advice in writing: (i) of any request by the Commission for amendment of or a supplement to the Registration Statement, any Prepricing Prospectus or the Prospectus or for additional information; (ii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the suspension of qualification of the Shares for offering or sale in any jurisdiction or the initiation of any proceeding for such purpose; and (iii) within the period of time referred to in paragraph (f) below, of any change in the Company's condition (financial or other), business, prospects, properties, net worth or results of operations, or of the happening of any event, which makes any statement of a material fact made in the Registration Statement or the Prospectus (as then amended or supplemented) untrue or which requires the making of any additions to or changes in the Registration Statement or the Prospectus (as then amended or supplemented) in order to state a material fact required by the Act or the regulations thereunder to be stated therein or necessary in order to make the statements therein not misleading, or of the necessity to amend or supplement the Prospectus (as then amended or supplemented) to comply with the Act or any other law. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, the Company will make every reasonable effort to obtain the withdrawal of such order at the earliest possible time.

(c) The Company will furnish to you, without charge (i) four signed copies of the registration statement as originally filed with the Commission and of each amendment thereto, including financial statements and all exhibits to the registration statement, (ii) such number of conformed copies of the registration statement as originally filed and of each amendment thereto, but without exhibits, as you may request, (iii) such number of copies of the Incorporated Documents, without exhibits, as you may request, and (iv) four copies of the exhibits to the Incorporated Documents.

(d) The Company will not file any amendment to the Registration Statement or make any amendment or supplement to the Prospectus or, prior to the end of the period of time referred to in the first sentence in subsection (f) below, file any document which, upon filing becomes an Incorporated Document, of which you shall not previously have been advised or to which, after you shall have received a copy of the document proposed to be filed, you shall reasonably object.

(e) Prior to the execution and delivery of this Agreement, the Company has delivered to you, without charge, in such quantities as you have requested, copies of each form of the Prepricing Prospectus. The Company consents to the use, in accordance with the provisions of the Act and with the securities or Blue Sky laws of the jurisdictions in which the Shares are offered by the several Underwriters and by dealers, prior to the date of the Prospectus, of each Prepricing Prospectus so furnished by the Company.

(f) As soon after the execution and delivery of this Agreement as possible and thereafter from time to time for such period as in the opinion of counsel for the

Underwriters a prospectus is required by the Act to be delivered in connection with sales by any Underwriter or dealer, the Company will expeditiously deliver to each Underwriter and each dealer, without charge, as many copies of the Prospectus (and of any amendment or supplement thereto) as you may request. The Company consents to the use of the Prospectus (and of any amendment or supplement thereto) in accordance with the provisions of the Act and with the securities or Blue Sky laws of the jurisdictions in which the Shares are offered by the several Underwriters and by all dealers to whom Shares may be sold, both in connection with the offering and sale of the Shares and for such period of time thereafter as the Prospectus is required by the Act to be delivered in connection with sales by any Underwriter or dealer. If during such period of time any event shall occur that in the judgment of the Company or in the opinion of counsel for the Underwriters is required to be set forth in the Prospectus (as then amended or supplemented) or should be set forth therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary to supplement or amend the Prospectus (or to file under the Exchange Act any document which, upon filing, becomes an Incorporated Document) in order to comply with the Act or any other law, the Company will forthwith prepare and, subject to the provisions of paragraph (d) above, file with the Commission an appropriate supplement or amendment thereto (or to such document), and will expeditiously furnish to the Underwriters and dealers a reasonable number of copies thereof. In the event that the Company and you, as Representatives of the several Underwriters, agree that the Prospectus should be amended or supplemented, the Company, if requested by you, will promptly issue a press release announcing or disclosing the matters to be covered by the proposed amendment or supplement.

(g) The Company will cooperate with you and with counsel for the Underwriters in connection with the registration or qualification of the Shares for offering and sale by the several Underwriters and by dealers under the securities or Blue Sky laws of such jurisdictions as you may designate and will file such consents to service of process or other documents necessary or appropriate in order to effect such registration or qualification; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to service of process in suits, other than those arising out of the offering or sale of the Shares, in any jurisdiction where it is not now so subject.

(h) The Company will make generally available to its security holders a consolidated earnings statement, which need not be audited, covering a twelve-month period commencing after the effective date of the Registration Statement and ending not later than 15 months thereafter, as soon as practicable after the end of such period, which consolidated earnings statement shall satisfy the provisions of Section 11(a) of the Act.

(i) During the period of three years hereafter, the Company will furnish to you (i) as soon as available, a copy of each report of the Company mailed to stockholders or filed with the Commission (other than registration statements on Form S-8 or Forms 3,

4 and 5), and (ii) from time to time such other information concerning the Company as you may reasonably request.

(j) If this Agreement shall terminate or shall be terminated after execution pursuant to any provisions hereof (otherwise than pursuant to the second paragraph of Section 12 hereof or by notice given by you terminating this Agreement pursuant to Section 12 or Section 13 hereof) or if this Agreement shall be terminated by the Underwriters because of any failure or refusal on the part of the Company or the Selling Stockholders to comply with the terms or fulfill any of the conditions of this Agreement, the Company agrees to reimburse the Representatives for all out-of-pocket expenses (including fees and expenses of counsel for the Underwriters) incurred by you in connection herewith.

(k) The Company will apply the net proceeds from the sale of the Shares to be sold by it hereunder substantially in accordance with the description set forth in the Prospectus.

(l) If Rule 430A of the Act is employed, the Company will timely file the Prospectus pursuant to Rule 424(b) under the Act and will advise you of the time and manner of such filing.

(m) Except as provided in this Agreement, the Company will not sell, contract to sell or otherwise dispose of any Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or grant any options or warrants to purchase Common Stock, for a period of 120 days after the date of the Prospectus, without the prior written consent of Smith Barney Inc., other than shares of Common Stock to be issued as a dividend on the outstanding shares of the Company's Series 1995 Convertible Preferred Stock.

(n) The Company has furnished or will furnish to you "lock-up" letters, in form and substance satisfactory to you, signed by each of its current executive officers and directors.

(o) Except as stated in this Agreement and in the Prepricing Prospectus and Prospectus, the Company has not taken, nor will it take, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Shares.

(p) The Company will use its best efforts to have the shares of Common Stock which it agrees to sell under this Agreement listed, subject to notice of issuance, on the Nasdaq National Market on or before the Closing Date.

6. Agreements of the Selling Stockholders. Each of the D&O Selling Stockholders, each of the TCW Fund Selling Stockholders and TCW, on behalf of each of the TCW

Managed Selling Stockholders, as the case may be, agrees severally and not jointly with the several Underwriters as follows:

(a) Such Selling Stockholder will cooperate to the extent necessary to cause the registration statement or any post-effective amendment thereto to become effective at the earliest possible time.

(b) Such D&O Selling Stockholder and such TCW Fund Selling Stockholder will pay all Federal and other taxes, if any on the transfer or sale of the Firm Shares being sold by the D&O Selling Stockholder and the TCW Fund Selling Stockholder, as the case may be, to the Underwriters. TCW, on behalf of each of the TCW Managed Selling Stockholders, agrees that the Underwriters will not be held liable for Federal and other taxes, if any, on the transfer or sale of the Firm Shares being sold by TCW, on behalf of the TCW Managed Selling Stockholders, to the Underwriters.

(c) Such Selling Stockholder will do or perform all things required to be done or performed by the Selling Stockholder prior to the Closing Date to satisfy all conditions precedent to the delivery of the Firm Shares pursuant to this Agreement.

(d) Such Selling Stockholder has executed or will execute a "lock-up" letter as provided in Section 5(n) above and will not sell, contract to sell or otherwise dispose of any Common Stock, except for the sale of Firm Shares to the Underwriters pursuant to this Agreement, prior to the expiration of 120 days after the date of the Prospectus, without the prior written consent of Smith Barney Inc. except as provided in such letter and except that any individual D&O Selling Stockholder may transfer shares of Common Stock to family trusts for estate planning purposes or transfer shares as charitable contributions as long as such family trusts or charities agree in writing to be bound by the terms of the "lock-up" letter.

(e) Except as stated in this Agreement and in the Prepricing Prospectus and the Prospectus, such Selling Stockholder will not take, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Firm Shares.

(f) Such D&O Selling Stockholder will advise you promptly, and if requested by you, will confirm such advice in writing, within the period of time referred to in Section 5(f) hereof, of any change in the Company's condition (financial or other), business, prospects, properties, net worth or results of operations or of any change in information relating to such Selling Stockholder or the Company or any new information relating to the Company or relating to any matter stated in the Prospectus or any amendment or supplement thereto which comes to the attention of such Selling Stockholder that suggests that any statement made in the Registration Statement or the Prospectus (as then amended

or supplemented, if amended or supplemented) is or may be untrue in any material respect or that the Registration Statement or Prospectus (as then amended or supplemented, if amended or supplemented) omits or may omit to state a material fact or a fact necessary to be stated therein in order to make the statements therein not misleading in any material respect, or of the necessity to amend or supplement the Prospectus (as then amended or supplemented, if amended or supplemented) in order to comply with the Act or any other law.

(g) Such TCW Selling Stockholder will advise you promptly, and if requested by you, will confirm such advice in writing, within the period of time referred to in Section 5(f) hereof, of any change in information relating to such TCW Selling Stockholder that suggests that any statement made in the Registration Statement or the Prospectus (as then amended or supplemented, if amended or supplemented) is or may be untrue in any material respect or that the Registration Statement or Prospectus (as then amended or supplemented, if amended or supplemented) omits or may omit to state a material fact or a fact necessary to be stated therein in order to make the statements therein not misleading in any material respect, or of the necessity to amend or supplement the Prospectus (as then amended or supplemented, if amended or supplemented) in order to comply with the Act or any other law.

7. Representations and Warranties of the Company. The Company represents and warrants to each Underwriter that:

(a) Each Prepricing Prospectus included as part of the registration statement as originally filed or as part of any amendment or supplement thereto, or filed pursuant to Rule 424 under the Act, complied when so filed in all material respects with the provisions of the Act. The Commission has not issued any order preventing or suspending the use of any Prepricing Prospectus.

(b) The Company and the transactions contemplated by this Agreement meet the requirements for using Form S-3 under the Act. The registration statement in the form in which it became or becomes effective and also in such form as it may be when any post-effective amendment thereto shall become effective and the prospectus and any supplement or amendment thereto when filed with the Commission under Rule 424(b) under the Act, complied or will comply in all material respects with the provisions of the Act and will not at any such times contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except that this representation and warranty does not apply to statements in or omissions from the registration statement or the prospectus made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by or on behalf of any Underwriter through you expressly for use therein.

(c) The Incorporated Documents heretofore filed, when they were filed (or, if any amendment with respect to any such document was filed, when such amendment was filed), conformed in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder, any further Incorporated Documents so filed will, when they are filed, conform in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder; no such document when it was filed (or, if an amendment with respect to any such document was filed, when such amendment was filed), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and no such further document, when it is filed, will contain an untrue statement of a material fact or will omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(d) All the outstanding shares of Common Stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable and are free of any preemptive or similar rights; the Shares to be issued and sold by the Company have been duly authorized and, when issued and delivered to the Underwriters against payment therefor in accordance with the terms hereof, will be validly issued, fully paid and nonassessable and free of any preemptive or similar rights; and the capital stock of the Company conforms to the description thereof in the registration statement and the prospectus.

(e) The Company is a corporation duly organized and validly existing in good standing under the laws of the State of Nevada with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure so to register or qualify does not have a material adverse effect on the condition (financial or other), business, properties, net worth or results of operations of the Company and the Subsidiaries (as hereinafter defined) taken as a whole (a "Material Adverse Effect").

(f) All the Company's subsidiaries (collectively, the "Subsidiaries") are listed in an exhibit to the Company's Annual Report on Form 10-K which is incorporated by reference into the Registration Statement. Each Subsidiary is a corporation duly organized, validly existing and in good standing in the jurisdiction of its incorporation, with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure so to register or qualify does not have a Material Adverse Effect; all the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable, and are owned by

the Company directly, or indirectly through one of the other Subsidiaries, free and clear of any lien, adverse claim, security interest, equity or other encumbrance.

(g) There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened, against the Company or any of the Subsidiaries, or to which the Company or any of the Subsidiaries, or to which any of their respective properties is subject, that are required to be described in the Registration Statement or the Prospectus but are not described as required, and there are no agreements, contracts, indentures, leases or other instruments that are required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement or any Incorporated Document that are not described or filed as required by the Act or the Exchange Act.

(h) Neither the Company nor any of the Subsidiaries is in violation of its certificate or articles of incorporation or by-laws, or other organizational documents, or of any law, ordinance, administrative or governmental rule or regulation applicable to the Company or any of the Subsidiaries or of any decree of any court or governmental agency or body having jurisdiction over the Company or any of the Subsidiaries, or in default in any material respect in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any material agreement, indenture, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which any of them or any of their respective properties may be bound.

(i) Neither the issuance and sale of the Shares, the execution, delivery or performance of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby (i) requires any consent, approval, authorization or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency or official (except such as may be required for the registration of the Shares under the Act and the Exchange Act and compliance with the securities or Blue Sky laws of various jurisdictions, all of which have been or will be effected in accordance with this Agreement) or conflicts or will conflict with or constitutes or will constitute a breach of, or a default under, the certificate or articles of incorporation or bylaws, or other organizational documents, of the Company or any of the Subsidiaries or (ii) conflicts or will conflict with or constitutes or will constitute a breach of, or a default under, any agreement, indenture, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which any of them or any of their respective properties may be bound, or violates or will violate any statute, law, regulation or filing or judgment, injunction, order or decree applicable to the Company or any of the Subsidiaries or any of their respective properties, or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries pursuant to the terms of any agreement or instrument to which any of them is a party or by which any of them may be bound or to which any of the property or assets of any of them is subject.

(j) The accountants, Arthur Andersen LLP, who have certified or shall certify the financial statements included or incorporated by reference in the Registration Statement and the Prospectus (or any amendment or supplement thereto) are independent public accountants as required by the Act.

(k) Lee Keeling and Associates, Inc. are independent petroleum consultants with respect to the Company and the Subsidiaries.

(l) The consolidated historical and pro forma financial statements, together with related schedules and notes, included or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto), comply as to form in all material respects with the requirements of the Act. Such historical financial statements present fairly the consolidated financial position, results of operations and changes in financial position of the Company and the Subsidiaries on the basis stated in the Registration Statement at the respective dates or for the respective periods to which they apply; such statements and related schedules and notes have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as disclosed therein. Such pro forma financial statements have been prepared on a basis consistent with such historical statements, except for the pro forma adjustments specified therein, and give effect to assumptions made on a reasonable basis and present fairly the historical and proposed transactions contemplated by the Prospectus and this Agreement. The other financial and statistical information and data included or incorporated by reference in the Registration Statement and the Prospectus (and any amendment or supplement thereto) are accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Company and the Subsidiaries.

(m) The execution and delivery of, and the performance by the Company of its obligations under, this Agreement have been duly and validly authorized by the Company, and this Agreement has been duly executed and delivered by the Company and constitutes the valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms, except as rights to indemnity and contribution hereunder may be limited by federal or state securities laws or principles of public policy.

(n) Except as disclosed in the Registration Statement and the Prospectus (or any amendment or supplement thereto), subsequent to the respective dates as of which such information is given in the Registration Statement and the Prospectus (or any amendment or supplement thereto), neither the Company nor any of the Subsidiaries has incurred any liability or obligation, direct or contingent, or entered into any transaction, not in the ordinary course of business, that is material to the Company and the Subsidiaries taken as a whole, and there has not been any change in the capital stock, or material increase in the short-term debt or long-term debt, of the Company and the Subsidiaries taken as a whole, or any material adverse change, or any development involving or which may reasonably be

expected to involve, a prospective material adverse change, in the condition (financial or other), business, net worth or results of operations of the Company and the Subsidiaries taken as a whole.

(o) The Company and each of the Subsidiaries has (i) generally satisfactory title to all its interests in its oil and gas properties, title investigations having been carried out by the Company and each of the Subsidiaries in accordance with the general practice in the oil and gas industry, (ii) good and marketable title in fee simple to all other real property owned by it and (iii) good and marketable title to all personal property owned by it, in each case free and clear of all liens, encumbrances, claims, security interests, subleases and defects except such as are described in the Registration Statement or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries; and any real property and buildings held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings of the Company and the Subsidiaries.

(p) The Company has not distributed and, prior to the later to occur of (i) the Closing Date and (ii) completion of the distribution of the Shares, will not distribute any offering material in connection with the offering and sale of the Shares other than the Registration Statement, the Prepricing Prospectus, the Prospectus or other materials, if any, permitted by the Act.

(q) The Company and each of the Subsidiaries has such permits, licenses, franchises and authorizations of governmental or regulatory authorities ("permits") as are necessary to own its respective properties and to conduct its business in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Prospectus; the Company and each of the Subsidiaries has fulfilled and performed all its material obligations with respect to such permits and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other material impairment of the rights of the holder of any such permit, subject in each case to such qualification as may be set forth in the Prospectus; and, except as described in the Prospectus, none of such permits contains any restriction that is materially burdensome to the Company or any of the Subsidiaries.

(r) None of the Company or the Subsidiaries has violated any environmental safety or similar law or regulation applicable to its business relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), lacks any permits, licenses or other approvals required of them under applicable Environmental Laws to own, lease and operate their respective properties and to conduct their business in the manner described in the Prospectus as amended or supplemented, is violating any terms and conditions of any

such permit, license or approval or has permitted to occur any event that allows, or after notice or lapse of time would allow, revocation or termination of any such permit, license or approval or result in any other impairment of their rights thereunder, which in each case would have a material adverse effect on the condition (financial or other), business, properties, net worth or results of operations of the Company and the Subsidiaries, taken as a whole.

(s) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(t) To the Company's knowledge, neither the Company nor any of its Subsidiaries nor any employee or agent of the Company or any Subsidiary has made any payment of funds of the Company or any Subsidiary or received or retained any funds in violation of any law, rule or regulation, which payment, receipt or retention of funds is of a character required to be disclosed in the Prospectus.

(u) The Company and each of the Subsidiaries have filed all material tax returns required to be filed, which returns are complete and correct in all material respects, and neither the Company nor any Subsidiary is in default in the payment of any taxes which were payable pursuant to said returns or any assessments with respect thereto.

(v) Except as disclosed in the Registration Statement, no holder of any security of the Company has any right to require registration of shares of Common Stock or any other security of the Company because of the filing of the registration statement or consummation of the transactions contemplated by this Agreement.

(w) The Company and the Subsidiaries own or possess all patents, trademarks, trademark registration, service marks, service mark registrations, trade names, copyrights, licenses, inventions, trade secrets and rights described in the Prospectus as being owned by them or any of them or necessary for the conduct of their respective businesses, and the Company is not aware of any claim to the contrary or any challenge by any other person to the rights of the Company and the Subsidiaries with respect to the foregoing.

8. Representations and Warranties of the Selling Stockholders. Each D&O Selling Stockholder, each TCW Fund Selling Stockholder and TCW, with respect to each of the TCW Managed Selling Stockholders, as the case may be, represents and warrants severally and not jointly to each Underwriter that:

(a) Such Selling Stockholder now has, and on the Closing Date will have, good title to the Firm Shares to be sold by such Selling Stockholder, free and clear of any lien, claim, security interest or other encumbrance, including, without limitation, any restriction on transfer.

(b) Such D&O Selling Stockholder and such TCW Fund Selling Stockholder and TCW, on behalf of such TCW Managed Selling Stockholder, now has, and on the Closing Date will have, full legal right, power and authorization, and any approval required by law, to sell, assign transfer and deliver such Firm Shares in the manner provided in this Agreement, and upon delivery of and payment for such Firm Shares hereunder, the several Underwriters will acquire good title to such Shares free and clear of any lien, claim, security interest, or other encumbrance.

(c) This Agreement and the D&O Custody Agreement or the TCW Custody Agreement, as the case may be, have been duly authorized, executed and delivered by or on behalf of such Selling Stockholder and are the valid and binding agreements of such D&O Selling Stockholder and such TCW Fund Selling Stockholder and TCW, on behalf of such TCW Managed Selling Stockholder, enforceable against such D&O Selling Stockholder and such TCW Fund Selling Stockholder and TCW, on behalf of such TCW Managed Selling Stockholder, in accordance with their terms.

(d) Neither the execution and delivery of this Agreement or the D&O Custody Agreement or the TCW Custody Agreement, as the case may be, by or on behalf of such D&O Selling Stockholder or such TCW Fund Selling Stockholder nor the consummation of the transactions herein or therein contemplated by or on behalf of such D&O Selling Stockholder or such TCW Fund Selling Stockholder requires any consent, approval, authorization or order of, or filing or registration with, any court, regulatory body, administrative agency or other governmental body, agency or official (except such as may be required under the Act and the Exchange Act or such as may be required under state securities or Blue Sky laws governing the purchase and distribution of the Shares) or conflicts or will conflict with or constitutes or will constitute a breach of, or default under, or violates or will violate, any agreement, indenture or other instrument to which such D&O Selling Stockholder or such TCW Fund Selling Stockholder is a party or by which such D&O Selling Stockholder or such TCW Fund Selling Stockholder is or may be bound or to which any of such D&O Selling Stockholder's or such TCW Fund Selling Stockholder's property or assets is subject, nor will such action result in any violation of the certificate or articles of incorporation or bylaws or other organizational instrument of such D&O Selling Stockholder or such TCW Fund Selling Stockholder, if applicable, or any statute, law, rule, regulation, ruling, judgment, injunction, order or decree applicable to such D&O Selling Stockholder or such TCW Fund Selling Stockholder or to any property or assets of such D&O Selling Stockholder or such TCW Fund Selling Stockholder.

(e) Neither the execution and delivery of this Agreement or the TCW Custody Agreement by TCW on behalf of such TCW Managed Selling Stockholder nor the consummation of the transactions herein or therein contemplated by TCW on behalf of such TCW Managed Selling Stockholder requires any consent, approval, authorization or order of, or filing or registration with, any court, regulatory body, administrative agency or other governmental body, agency or official (except such as may be required under the Act and the Exchange Act or such as may be required under state securities or Blue Sky laws governing the purchase and distribution of the Shares) or conflicts or will conflict with or constitutes or will constitute a breach of, or default under, or violates or will violate, any agreement, indenture or other instrument to which TCW is a party or by which TCW is or may be bound or to which any of TCW's property or assets is subject, nor will such action result in any violation of the certificate or articles of incorporation or bylaws or other organizational instrument of TCW, or any statute, law, rule, regulation, ruling, judgment, injunction, order or decree applicable to TCW or to any property or assets of TCW.

(f) The Registration Statement and the Prospectus, insofar as they relate to such Selling Stockholder, do not and will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(g) Such D&O Selling Stockholder does not have any knowledge or any reason to believe that the Registration Statement or the Prospectus (or any amendment or supplement thereto) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(h) Such Selling Stockholder is not prompted to sell the Shares to be sold by such Selling Stockholder hereunder by any information concerning the Company or any Subsidiary which is not set forth in the Prospectus.

(i) The representations and warranties of such Selling Stockholder in the D&O Custody Agreement or the TCW Custody Agreement, as the case may be, are, and on the Closing Date will be, true and correct.

(j) Such Selling Stockholder has not taken, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Firm Shares, except for the lock-up arrangements described in the Prospectus.

#### 9. Indemnification and Contribution.

(a) The Company and each D&O Selling Stockholder, jointly and severally, agree to indemnify and hold harmless each of you and each other Underwriter and

each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act from and against any and all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Prepricing Prospectus or in the Registration Statement or the Prospectus or in any amendment or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses arise out of or are based upon any untrue statement or omission or alleged untrue statement or omission which has been made therein or omitted therefrom in reliance upon and in conformity with the information relating to such Underwriter furnished in writing to the Company by or on behalf of any Underwriter through you expressly for use in connection therewith; provided, however, that the indemnification contained in this paragraph (a) with respect to any Prepricing Prospectus shall not inure to the benefit of any Underwriter (or to the benefit of any person controlling such Underwriter) on account of any such loss, claim, damage, liability or expense arising from the sale of the Shares by such Underwriter to any person if a copy of the Prospectus shall not have been delivered or sent to such person within the time required by the Act and the regulations thereunder, and the untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in such Prepricing Prospectus was corrected in the Prospectus, provided that the Company has delivered the Prospectus to the several Underwriters in requisite quantity on a timely basis to permit such delivery or sending; provided further that each D&O Selling Stockholder's aggregate liability under this Section 9(a) shall be limited to an amount equal to the proceeds (after deducting Underwriter's discount but before deducting expenses) received by such D&O Selling Stockholder from the sale of Firm Shares pursuant to this Agreement. The foregoing indemnity agreement shall be in addition to any liability which the Company or any D&O Selling Stockholder may otherwise have.

Notwithstanding the joint and several nature of the obligations of the Company and the D&O Selling Stockholders under this Section 9(a), the Underwriters agree that, in the case of any loss, claim, damage, liability or expense for which they may claim indemnification hereunder, they will not seek to enforce their right of indemnification against the D&O Selling Stockholders unless (i) the Underwriters shall have first delivered a written demand for indemnification to the Company (to the extent that such a written demand is permitted to be delivered under applicable law and it is reasonably practicable for the Underwriters to deliver the same) and (ii) at any time after the expiration of 60 days following the delivery of such notice, the Company shall have failed or refused to comply with any of its obligations in respect of the right of indemnification granted to the Underwriters hereunder insofar as it applies to any loss, claim, damage, liability or expense to which such written demand relates; provided, however, that the provisions of this paragraph shall not prohibit (a) the delivery to the D&O Selling Stockholders of a notice of commencement of any action or a notice of assertion of any claim, including any notice contemplated by Section 9(b) hereof or (b) the taking of any other action (including,

but not limited to, the commencement of any action against, or the service of process on, the D&O Selling Stockholders) that is necessary, in the judgment of the Underwriters based on the advice of their counsel, to preserve or protect the right of indemnification granted by the D&O Selling Stockholders to the Underwriters in respect of any loss, claim, damage, liability or expense (including, but not limited to, any action required as a result of the application of any period of limitations or repose or any procedural or other rules relating to the joinder of necessary parties) in the event that the Company fails to observe or comply with any of its obligations in respect thereof.

(b) If any action, suit or proceeding shall be brought against any Underwriter or any person controlling any Underwriter in respect of which indemnity may be sought against the Company or any Selling Stockholder, such Underwriter or such controlling person shall promptly notify the parties against whom indemnification is being sought (the "indemnifying parties"), and such indemnifying parties shall assume the defense thereof, including the employment of counsel and payment of all fees and expenses. Such Underwriter or any such controlling person shall have the right to employ separate counsel in any such action, suit or proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless (i) the indemnifying parties have agreed in writing to pay such fees and expenses, (ii) the indemnifying parties have failed to assume the defense and employ counsel, or (iii) the named parties to any such action, suit or proceeding (including any impleaded parties) include both such Underwriter or such controlling person and the indemnifying parties and such Underwriter or such controlling person shall have been advised by its counsel that representation of such indemnified party and any indemnifying party by the same counsel would be inappropriate under applicable standards of professional conduct (whether or not such representation by the same counsel has been proposed) due to actual or potential differing interests between them (in which case the indemnifying party shall not have the right to assume the defense of such action, suit or proceeding on behalf of such Underwriter or such controlling person). It is understood, however, that the indemnifying parties shall, in connection with any one such action, suit or proceeding or separate but substantially similar or related actions, suits or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of only one separate firm of attorneys (in addition to any local counsel) at any time for all such Underwriters and controlling persons not having actual or potential differing interests with you or among themselves, which firm shall be designated in writing by Smith Barney Inc., and that all such fees and expenses shall be reimbursed as they are incurred. The indemnifying parties shall not be liable for any settlement of any such action, suit or proceeding effected without their written consent, but if settled with such written consent, or if there be a final judgment for the plaintiff in any such action, suit or proceeding, the indemnifying parties agree to indemnify and hold harmless any Underwriter, to the extent provided in the preceding paragraph, and any such controlling person from and against any loss, claim, damage, liability or expense by reason of such settlement or judgment.

(c) Each TCW Fund Selling Stockholder and TCW, with respect to each TCW Managed Selling Stockholder, agrees, severally and not jointly, to indemnify and hold harmless each of you and each other Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, the Company, its directors, its officers who sign the Registration Statement, and any person who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act to the same extent as the foregoing indemnity from the Company and the D&O Selling Stockholders to each Underwriter, but only with respect to the information furnished in writing by or on behalf of such TCW Selling Stockholder expressly for use in the Registration Statement, the Prospectus or any Prepricing Prospectus, or any amendment or supplement thereto. Notwithstanding the foregoing, (i) each TCW Fund Selling Stockholder's aggregate liability under this Section 9(c) shall be limited to an amount equal to the proceeds (after deducting Underwriter's discount but before deducting expenses) received by such TCW Fund Selling Stockholder from the sale of Firm Shares pursuant to this Agreement and (ii) TCW's aggregate liability for each TCW Managed Selling Stockholder under this Section 9(c) shall be limited to an amount equal to the proceeds (after deducting Underwriter's discount but before deducting expenses) received by such TCW Managed Selling Stockholder from the sale of Firm Shares pursuant to this Agreement. If any action, suit or proceeding shall be brought against any Underwriter, any such controlling person of any Underwriter, the Company, any of its directors, any such officer, or any such controlling person of the Company, based on the Registration Statement, the Prospectus or any Prepricing Prospectus or any amendment or supplement thereto, and in respect of which indemnity may be sought against any TCW Fund Selling Stockholder or TCW, with respect to any TCW Managed Selling Stockholder, pursuant to this paragraph (c), such TCW Selling Stockholder or TCW, with respect to any TCW Managed Selling Stockholder, as the case may be, shall have the rights and duties given to the Company by paragraph (b) above (except that if the Company shall have assumed the defense thereof such TCW Selling Stockholder or TCW, with respect to any TCW Managed Selling Stockholder, as the case may be, shall not be required to do so, but may employ separate counsel therein and participate in the defense thereof, but the fees and expenses of such counsel shall be at such TCW Selling Stockholder's or TCW's, with respect to any TCW Managed Selling Stockholder, as the case may be, expense), and each Underwriter, each such controlling person of any Underwriter, the Company, its directors, any such officer, and any such controlling person of the Company shall have the rights and duties given to the Underwriters by paragraph (b) above. The foregoing indemnity agreement shall be in addition to any liability which any TCW Selling Stockholder may otherwise have.

(d) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who sign the Registration Statement, each Selling Stockholder, and any person who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, to the same extent as the foregoing indemnity from the Company and the Selling Stockholders to each Underwriter, but only with respect to information relating to such Underwriter furnished in writing by or

on behalf of such Underwriter through you expressly for use in the Registration Statement, the Prospectus or any Prepricing Prospectus, or any amendment or supplement thereto. If any action, suit or proceeding shall be brought against the Company, any of its directors, any such officer, any Selling Stockholder, or any such controlling person based on the Registration Statement, the Prospectus or any Prepricing Prospectus, or any amendment or supplement thereto, and in respect of which indemnity may be sought against any Underwriter pursuant to this paragraph (d), such Underwriter shall have the rights and duties given to the Company by paragraph (b) above (except that if the Company shall have assumed the defense thereof such Underwriter shall not be required to do so, but may employ separate counsel therein and participate in the defense thereof, but the fees and expenses of such counsel shall be at such Underwriter's expense), and the Company, its directors, any such officer, the Selling Stockholders, and any such controlling person shall have the rights and duties given to the Underwriters by paragraph (b) above. The foregoing indemnity agreement shall be in addition to any liability which any Underwriter may otherwise have.

(e) If the indemnification provided for in this Section 9 is unavailable to an indemnified party under paragraphs (a), (c) or (d) hereof in respect of any losses, claims, damages, liabilities or expenses referred to therein, then an indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other hand from the offering of the Shares, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders on the one hand and the Underwriters on the other in connection with the statements or omissions that resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Stockholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus; provided that, in the event that the Underwriters shall have purchased any Additional Shares hereunder, any determination of the relative benefits received by the Company, the Selling Stockholders or the Underwriters from the offering of the Shares shall include the net proceeds (before deducting expenses) received by the Company and the Selling Stockholders, and the underwriting discounts and commissions received by the Underwriters, from the sale of such Additional Shares, in each case computed on the basis of the respective amounts set forth in the notes to the table on the cover page of the Prospectus. The relative fault of the Company and the Selling Stockholders on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates

to information supplied by the Company or the Selling Stockholders on the one hand or by the Underwriters on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. TCW will contribute any and all amounts due by any TCW Managed Selling Stockholder pursuant to this Section 9(e).

(f) The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by a pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities and expenses referred to in paragraph (d) above shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating any claim or defending any such action, suit or proceeding. Notwithstanding the provisions of this Section 9, (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price of the Shares underwritten by it and distributed to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission and (ii) no Selling Stockholder (nor TCW, on behalf of the TCW Managed Stockholders) shall be required to contribute any amount in excess of the proceeds (after deducting Underwriter's discount but before deducting expenses) received by such Selling Stockholder from the sale of Firm Shares pursuant to this Agreement. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 9 are several in proportion to the respective numbers of Firm Shares set forth opposite their names in Schedule II hereto (or such numbers of Firm Shares increased as set forth in Section 12 hereof) and not joint. The TCW Selling Stockholders' and TCW's, on behalf of any TCW Managed Selling Stockholder, obligations to contribute pursuant to this Section 9 are several in the same proportion as the number of Firm Shares sold by them hereunder bear to the total number of Shares sold hereunder and are not joint.

(g) No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

(h) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 9 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages,

liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 9 and the representations and warranties of the Company and the Selling Stockholders set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or the Selling Stockholders or any person controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder, and (iii) any termination of this Agreement. A successor to any Underwriter or any person controlling any Underwriter, or to the Company, its directors or officers, or any person controlling the Company, or to any Selling Stockholder or any person controlling any Selling Stockholder, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 9.

10. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase the Firm Shares hereunder are subject to the following conditions:

(a) If, at the time this Agreement is executed and delivered, it is necessary for the registration statement or a post-effective amendment thereto to be declared effective before the offering of the Shares may commence, the registration statement or such post-effective amendment shall have become effective not later than 5:30 P.M., New York City time, on the date hereof, or at such later date and time as shall be consented to in writing by you, and all filings, if any, required by Rules 424 and 430A under the Act shall have been timely made; no stop order suspending the effectiveness of the registration statement shall have been issued and no proceeding for that purpose shall have been instituted or, to the knowledge of the Company or any Underwriter, threatened by the Commission, and any request of the Commission for additional information (to be included in the registration statement or the prospectus or otherwise) shall have been complied with to your satisfaction.

(b) Subsequent to the effective date of this Agreement, there shall not have occurred (i) any change, or any development involving a prospective change, in or affecting the condition (financial or other), business, properties, net worth, or results of operations of the Company or the Subsidiaries not contemplated by the Prospectus, which in your opinion, as Representatives of the several Underwriters, would materially adversely affect the market for the Shares, or (ii) any event or development relating to or involving the Company or any officer or director of the Company or any Selling Stockholder which makes any statement made in the Prospectus untrue or which, in the opinion of the Company and its counsel or the Underwriters and their counsel, requires the making of any addition to or change in the Prospectus in order to state a material fact required by the Act or any other law to be stated therein or necessary in order to make the statements therein not misleading, if amending or supplementing the Prospectus to reflect such event or development would, in your opinion, as Representatives of the several Underwriters, materially adversely affect the market for the Shares.

(c) You shall have received on the Closing Date, an opinion of Locke Purnell Rain Harrell (A Professional Corporation), counsel for the Company and the D&O Selling Stockholders, dated the Closing Date and addressed to you, as Representatives of the several Underwriters, to the effect that:

(i) The Company is a corporation duly incorporated and validly existing in good standing under the laws of the State of Nevada with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus (and any amendment or supplement thereto), and is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure so to register or qualify does not have a material adverse effect on the condition (financial or other), business, properties, net worth or results of operations of the Company and the Subsidiaries taken as a whole;

(ii) Each of the Subsidiaries is a corporation duly incorporated and validly existing in good standing under the laws of the jurisdiction of its organization, with full corporate power and authority to own, lease, and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus (and any amendment or supplement thereto); and all the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable, and are owned by the Company directly, or indirectly through one of the other Subsidiaries, to the best knowledge of such counsel free and clear of any security interest, lien, adverse claim, equity or other encumbrance except as disclosed in the Registration Statement;

(iii) The authorized and outstanding capital stock of the Company is as set forth under the caption "Capitalization" in the Prospectus; and the authorized capital stock of the Company conforms in all material respects as to legal matters to the description thereof contained in the Prospectus under the caption "Description of Capital Stock";

(iv) All the shares of capital stock of the Company outstanding prior to the issuance of the Shares to be issued and sold by the Company hereunder, have been duly authorized and validly issued, and are fully paid and nonassessable;

(v) The Shares to be issued and sold to the Underwriters by the Company hereunder have been duly authorized and, when issued and delivered to the Underwriters against payment therefor in accordance with the terms hereof, will be validly issued, fully paid and nonassessable and free of any preemptive, or to the best knowledge of such counsel, similar rights that entitle or will entitle any person to acquire any Shares upon the issuance thereof by the Company;

(vi) The form of certificates for the Shares conforms to the requirements of the General Corporation Law of the State of Nevada;

(vii) The Registration Statement and all post-effective amendments, if any, have become effective under the Act and, to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose are pending before or contemplated by the Commission; and any required filing of the Prospectus pursuant to Rule 424(b) has been made in accordance with Rule 424(b);

(viii) The Company has corporate power and authority to enter into this Agreement and to issue, sell and deliver the Shares to be sold by it to the Underwriters as provided herein;

(ix) This Agreement has been duly authorized, executed and delivered by the Company and is a valid, legal and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as enforcement of rights to indemnity and contribution hereunder may be limited by Federal or state securities laws or principles of public policy and subject to the qualification that the enforceability of the Company's obligations hereunder may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights generally and by general equitable principles;

(x) To the best of such counsel's knowledge, neither the Company nor any of the Subsidiaries is in violation of its respective certificate or articles of incorporation or bylaws, or other organizational documents, or is in default in the performance of any material obligation, agreement or condition contained in any bond, debenture, note or other evidence of indebtedness, except as may be disclosed in the Prospectus;

(xi) Neither the offer, sale or delivery of the Shares, the execution, delivery or performance of this Agreement, compliance by the Company with the provisions hereof nor consummation by the Company of the transactions contemplated hereby conflicts or will conflict with or constitutes or will constitute a breach of, or a default under, any agreement, indenture, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which any of them or any of their respective properties is bound that is an exhibit to the Registration Statement or to any Incorporated Document, or is otherwise known to such counsel to be material to the Company and the Subsidiaries taken as a whole (collectively the "Material Agreements") or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of the Subsidiaries under such Material Agreements in each case except for such conflicts,

breaches, defaults, liens, charges or encumbrances that would not have a Material Adverse Effect, nor will any such action result in any violation of the provisions of the certificate or articles of incorporation or bylaws of the Company or any of the Subsidiaries or of any existing law, regulation, ruling (assuming compliance with all applicable state securities and Blue Sky laws), judgment, injunction, order or decree known to such counsel, applicable to the Company, the Subsidiaries or any of their respective properties;

(xii) No consent, approval, authorization or other order of, or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency, or official is required on the part of the Company (except as have been obtained under the Act and the Exchange Act, the Nasdaq National Market listing and filings with the National Association of Securities Dealers, Inc. or such as may be required under state securities or Blue Sky laws governing the purchase and distribution of the Shares) for the valid issuance and sale of the Shares to the Underwriters as contemplated by this Agreement;

(xiii) The Registration Statement and the Prospectus and any supplements or amendments thereto (except for the financial statements and the notes thereto and the schedules and other financial and statistical data and reports included therein or omitted therefrom, as to which such counsel need not express any opinion) comply as to form in all material respects with the requirements of the Act;

(xiv) Each of the Incorporated Documents (except for the financial statements and the notes thereto and the schedules and other financial and statistical data and reports included therein or omitted therefrom, as to which counsel need not express any opinion) complies as to form in all material respects with the Exchange Act and the rules and regulations of the Commission thereunder;

(xv) To the best knowledge of such counsel, (A) other than as described or contemplated in the Registration Statement or Prospectus (or any supplement thereto), there are no legal or governmental proceedings pending or threatened against the Company or any of the Subsidiaries, or to which the Company or any of the Subsidiaries, or any of their property, is subject, which are required to be described in the Registration Statement or Prospectus (or any amendment or supplement thereto) and (B) there are no agreements, contracts, indentures, leases or other instruments, that are required to be described in the Registration Statement or the Prospectus (or any amendment or supplement thereto) or to be filed as an exhibit to the Registration Statement or any Incorporated Document that are not described or filed as required, as the case may be;

(xvi) To the best knowledge of such counsel, neither the Company nor any of the Subsidiaries is in violation of any law (including, without limitation,

any Environmental Laws), ordinance, administrative or governmental rule or regulation applicable to the Company or any of the Subsidiaries or of any decree of any court or governmental agency or body having jurisdiction over the Company or any of the Subsidiaries except for such violations which in the aggregate would not have a Material Adverse Effect;

(xvii) To the best knowledge of such counsel, no holder of any security of the Company has any right to require registration of shares of Common Stock or any other security of the Company except as disclosed in the Registration Statement.

(xviii) The statements in the Registration Statement and Prospectus under the captions "Risk Factors - Government Regulation," "Business and Properties - Regulation," and "Description of Capital Stock," insofar as they are descriptions of contracts, agreements or other legal documents, or refer to statements of law or legal conclusions, are accurate and present fairly the information required to be shown;

(xix) This Agreement and the D&O Custody Agreement have each been duly executed and delivered by or on behalf of each of the D&O Selling Stockholders and are valid and binding agreements of each D&O Selling Stockholder enforceable against each D&O Selling Stockholder in accordance with their terms, except as enforcement of rights to indemnity and contribution hereunder may be limited by Federal or state securities laws or principles of public policy and subject to the qualification that the enforceability of the D&O Selling Stockholder's obligations hereunder may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights generally and by general equitable principles;

(xx) To the knowledge of such counsel, each D&O Selling Stockholder has full power and authorization, and any approval required by law, to sell, assign, transfer and deliver good title to the Firm Shares which such D&O Selling Stockholder has agreed to sell pursuant to this Agreement;

(xxi) To the knowledge of such counsel, the execution and delivery of this Agreement and the D&O Custody Agreement by the D&O Selling Stockholders and the consummation of the transactions contemplated hereby and thereby will not conflict with, violate, result in a breach of or constitute a default under the terms or provisions of any agreement, indenture, mortgage or other instrument to which any D&O Selling Stockholder is a party or by which any of them or any of their assets or property is bound, or any court order or decree or any law, rule, or regulation applicable to any D&O Selling Stockholder or to any of the property or assets of any D&O Selling Stockholder;

(xxii) Upon delivery of the Firm Shares by the D&O Selling Stockholders pursuant to this Agreement and payment therefor as contemplated herein the Underwriters will acquire good title to such Firm Shares free and clear of any lien, claim, security interest, or other encumbrance, restriction on transfer or other defect in title; and

(xxiii) Although counsel has not undertaken, except as otherwise indicated in their opinion, to determine independently, and does not assume any responsibility for, the accuracy or completeness of the statements in the Registration Statement, such counsel has participated in the preparation of the Registration Statement and the Prospectus, including review and discussion of the contents thereof (including review and discussion of the contents of all Incorporated Documents), and nothing has come to the attention of such counsel that has caused them to believe that the Registration Statement (including the Incorporated Documents) at the time the Registration Statement became effective, or the Prospectus, as of its date and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that any amendment or supplement to the Prospectus, as of its respective date, and as of the Closing Date or the Option Closing Date, as the case may be, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no opinion with respect to the financial statements and the notes thereto and the schedules and other financial and statistical data and reports included in or omitted from the Registration Statement or the Prospectus or any Incorporated Document).

In rendering their opinion as aforesaid, counsel may rely upon an opinion or opinions, each dated the Closing Date, of other counsel retained by them or the Company as to laws of any jurisdiction other than the United States or the States of New York, Delaware or Texas, provided that (1) each such local counsel is acceptable to the Representatives, (2) such reliance is expressly authorized by each opinion so relied upon and a copy of each such opinion is delivered to the Representatives and is, in form and substance satisfactory to them and their counsel, and (3) counsel shall state in their opinion that they believe that they and the Underwriters are justified in relying thereon.

(d) You shall have received on the Closing Date, an opinion of Mohan V. Phansalkar, Vice President and Associate General Counsel of TCW, counsel for the TCW Selling Stockholders, dated the Closing Date and addressed to you, as Representatives of the several Underwriters, to the effect that:

(i) This Agreement and the TCW Custody Agreement have each been duly executed and delivered by or on behalf of each of the TCW Fund Selling Stockholders and are valid and binding obligations of each TCW Fund Selling Stockholder; this Agreement and the TCW Custody Agreement have each been duly executed and delivered by TCW, on behalf of each of the TCW Managed Selling Stockholders, and is the valid and binding obligation of TCW;

(ii) Each TCW Fund Selling Stockholder has full legal right, power and authorization, and any approval required by law, to sell, assign, transfer and deliver good title to the Firm Shares which such TCW Fund Selling Stockholder has agreed to sell pursuant to this Agreement; TCW has full legal right, power and authorization, and any approval required by law, to sell, assign, transfer and deliver good title to the Firm Shares which TCW has agreed shall be sold by the TCW Managed Selling Stockholders pursuant to this Agreement;

(iii) The execution and delivery of this Agreement and the TCW Custody Agreement by the TCW Fund Selling Stockholders and the consummation of the transactions contemplated hereby and thereby will not conflict with, violate, result in a breach of or constitute a default under the terms or provisions of any agreement, indenture, mortgage or other instrument known to such counsel to which any TCW Fund Selling Stockholder is a party or by which any of them or any of their assets or property is bound; nor will any such action result in any violation of the certificate or articles of incorporation or bylaws or other organizational instrument of any of the TCW Fund Selling Stockholders, if applicable, or any court order or decree known to such counsel, or any law, rule, or regulation applicable to any TCW Fund Selling Stockholder or to any of the property or assets of any TCW Fund Selling Stockholder;

(iv) The execution and delivery of this Agreement and the TCW Custody Agreement by TCW, with respect to the TCW Managed Selling Stockholders, and the consummation of the transactions contemplated hereby and thereby will not conflict with, violate, result in a breach of or constitute a default under the terms or provisions of any agreement, indenture, mortgage or other instrument known to such counsel to which TCW is a party or by which it or any of its assets or property is bound; nor will any such action result in any violation of the certificate or articles of incorporation or bylaws or other organizational instrument of TCW, or any court order or decree known to such counsel, or any law, rule, or regulation applicable to TCW or to any of the property or assets of any TCW; and

(v) In rendering his opinion as aforesaid, counsel may rely upon an opinion or opinions, dated the Closing Date, of other counsel retained by them or the Company as to laws of any jurisdiction other than the United States or the States of New York and California, provided that (1) each such local counsel is acceptable

to the Representatives, (2) such reliance is expressly authorized by each opinion so relied upon and a copy of each such opinion is delivered to the Representatives and is, in form and substance satisfactory to them and their counsel, and (3) counsel shall state in their opinion that they believe that they and the Underwriters are justified in relying thereon.

(e) You shall have received on the Closing Date, an opinion of Milbank, Tweed, Hadley & McCloy, counsel for the TCW Selling Stockholders, dated the Closing Date and addressed to you, as Representatives of the several Underwriters, to the effect that:

(i) Upon delivery of the Firm Shares to be sold by the TCW Selling Stockholders with all necessary endorsements in accordance with the terms of this Agreement, and assuming the Underwriters are acquiring such Firm Shares in good faith without notice of any adverse claim, the Underwriters will be the owners of such Firm Shares, free and clear of any adverse claim.

In rendering their opinion as aforesaid, counsel may rely upon an opinion or opinions, dated the Closing Date, of other counsel retained by them or the Company as to laws of any jurisdiction other than the United States or the States of New York and California, provided that (1) each such local counsel is acceptable to the Representatives, (2) such reliance is expressly authorized by each opinion so relied upon and a copy of each such opinion is delivered to the Representatives and is, in form and substance satisfactory to them and their counsel, and (3) counsel shall state in their opinion that they believe that they and the Underwriters are justified in relying thereon.

(f) You shall have received on the Closing Date an opinion of Baker & Botts, L.L.P., counsel for the Underwriters, dated the Closing Date and addressed to you, as Representatives of the several Underwriters, with respect to the matters referred to in clauses (v) (solely as to preemptive rights arising by operation of law or under the charter or by-laws of the Company), (vii), (ix), (xiii) and (xxiii) (exclusive of the Incorporated Documents) of the foregoing paragraph (c) and such other related matters as you may request.

(g) You shall have received letters addressed to you, as Representatives of the several Underwriters, and dated the date hereof and the Closing Date from Arthur Andersen LLP, independent certified public accountants, substantially in the forms heretofore approved by you.

(h) (i) No stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company, shall be contemplated by the Commission at or prior to the Closing Date; (ii) there shall not have been any change in the capital stock of the Company nor any material increase in the short-term or long-term debt of the Company (other than in the ordinary course of business) from that set forth or contemplated in the Registration Statement or the Prospectus (or any amendment or supplement thereto); (iii)

there shall not have been, since the respective dates as of which information is given in the Registration Statement and the Prospectus (or any amendment or supplement thereto), except as may otherwise be stated in the Registration Statement and Prospectus (or any amendment or supplement thereto), any material adverse change in the condition (financial or other), business, prospects, properties, net worth or results of operations of the Company and the Subsidiaries taken as a whole; (iv) the Company and the Subsidiaries shall not have any liabilities or obligations, direct or contingent (whether or not in the ordinary course of business), that are material to the Company and the Subsidiaries, taken as a whole, other than those reflected in the Registration Statement or the Prospectus (or any amendment or supplement thereto); and (v) all the representations and warranties of the Company contained in this Agreement shall be true and correct on and as of the date hereof and on and as of the Closing Date as if made on and as of the Closing Date, and you shall have received a certificate, dated the Closing Date and signed by the chief executive officer and the chief financial officer of the Company (or such other officers as are acceptable to you), to the effect set forth in this Section 10(h) and in Section 10(i) hereof.

(i) The Company shall not have failed at or prior to the Closing Date to have performed or complied with any of its agreements herein contained and required to be performed or complied with by it hereunder at or prior to the Closing Date.

(j) All the representations and warranties of the Selling Stockholders contained in this Agreement shall be true and correct on and as of the date hereof and on and as of the Closing Date as if made on and as of the Closing Date, and you shall have received a certificate, dated the Closing Date and signed by or on behalf of the Selling Stockholders to the effect set forth in this Section 10(j) and in Section 10(k) hereof.

(k) The Selling Stockholders shall not have failed at or prior to the Closing Date to have performed or complied with any of their agreements herein contained and required to be performed or complied with by them hereunder at or prior to the Closing Date.

(l) Prior to the Closing Date the shares of Common Stock which the Company agrees to sell pursuant to this Agreement shall have been listed, subject to notice of issuance, on the Nasdaq National Market (the "NMS Listing").

(m) You shall have received a letter addressed to you and dated the date hereof from Lee Keeling and Associates, Inc., independent petroleum consultants, substantially in the form heretofore approved by you.

(n) The Sellers shall have furnished or caused to be furnished to you such further certificates and documents as you shall have requested.

All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof only if they are reasonably satisfactory in form and substance to you.

Any certificate or document signed by any officer of the Company or any Attorney-in-Fact or any Selling Stockholder and delivered to you, as Representatives of the Underwriters, or to counsel for the Underwriters, shall be deemed a representation and warranty by the Company, the Selling Stockholders or the particular Selling Stockholder, as the case may be, to each Underwriter as to the statements made therein.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the satisfaction on and as of any Option Closing Date of the conditions set forth in this Section 10, except that, if any Option Closing Date is other than the Closing Date, the certificates, opinions and letters referred to in paragraphs (c) through (i) shall be dated the Option Closing Date in question and the opinions called for by paragraphs (c) and (e) shall be revised to reflect the sale of Additional Shares.

11. Expenses. The Company agrees to pay the following costs and expenses and all other costs and expenses incident to the performance by it and the Selling Stockholders of their obligations hereunder: (i) the preparation, printing or reproduction, and filing with the Commission of the registration statement (including financial statements and exhibits thereto), each Prepricing Prospectus, the Prospectus, and each amendment or supplement to any of them; (ii) the printing (or reproduction) and delivery (including postage, air freight charges and charges for counting and packaging) of such copies of the registration statement, each Prepricing Prospectus, the Prospectus, the Incorporated Documents, and all amendments or supplements to any of them, as may be reasonably requested for use in connection with the offering and sale of the Shares; (iii) the preparation, printing, authentication, issuance and delivery of certificates for the Shares, including any stamp taxes in connection with the original issuance and sale of the Shares; (iv) the printing (or reproduction) and delivery of this Agreement, the preliminary and supplemental Blue Sky Memoranda and all other agreements or documents printed (or reproduced) and delivered in connection with the offering of the Shares; (v) the NMS Listing of the Shares; (vi) the registration or qualification of the Shares for offer and sale under the securities or Blue Sky laws of the several states as provided in Section 5(g) hereof (including the reasonable fees, expenses and disbursements of counsel for the Underwriters relating to the preparation, printing or reproduction, and delivery of the preliminary and supplemental Blue Sky Memoranda and such registration and qualification); (vii) the filing fees and the fees and expenses of counsel for the Underwriters in connection with any filings required to be made with the National Association of Securities Dealers, Inc.; (viii) the transportation and other expenses incurred by or on behalf of Company representatives in connection with presentations to prospective purchasers of the Shares; and (ix) the fees and expenses of the Company's accountants and the fees and expenses of counsel (including local and special counsel) for the Company and the Selling Stockholders.

12. Effective Date of Agreement. This Agreement shall become effective: (i) upon the execution and delivery hereof by the parties hereto; or (ii) if, at the time this Agreement

is executed and delivered, it is necessary for the registration statement or a post-effective amendment thereto to be declared effective before the offering of the Shares may commence, when notification of the effectiveness of the registration statement or such post-effective amendment has been released by the Commission. Until such time as this Agreement shall have become effective, it may be terminated by the Company, by notifying you, or by you, as Representatives of the several Underwriters, by notifying the Company and the Selling Stockholders.

If any one or more of the Underwriters shall fail or refuse to purchase Shares which it or they are obligated to purchase hereunder on the Closing Date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters are obligated but fail or refuse to purchase is not more than one-tenth of the aggregate number of Shares which the Underwriters are obligated to purchase on the Closing Date, each non-defaulting Underwriter shall be obligated, severally, in the proportion which the number of Firm Shares set forth opposite its name in Schedule II hereto bears to the aggregate number of Firm Shares set forth opposite the names of all non-defaulting Underwriters or in such other proportion as you may specify in accordance with Section 20 of the Master Agreement Among Underwriters of Smith Barney Inc., to purchase the Shares which such defaulting Underwriter or Underwriters are obligated, but fail or refuse, to purchase. If any one or more of the Underwriters shall fail or refuse to purchase Shares which it or they are obligated to purchase on the Closing Date and the aggregate number of Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Shares which the Underwriters are obligated to purchase on the Closing Date and arrangements satisfactory to you and the Company for the purchase of such Shares by one or more non-defaulting Underwriters or other party or parties approved by you and the Company are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case which does not result in termination of this Agreement, either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and the Prospectus or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any such default of any such Underwriter under this Agreement. The term "Underwriter" as used in this Agreement includes, for all purposes of this Agreement, any party not listed in Schedule II hereto who, with your approval and the approval of the Company, purchases Shares which a defaulting Underwriter is obligated, but fails or refuses, to purchase.

Any notice under this Section 12 may be given by telegram, telecopy or telephone but shall be subsequently confirmed by letter.

13. Termination of Agreement. This Agreement shall be subject to termination in your absolute discretion, without liability on the part of any Underwriter to the Company or any Selling Stockholder, by notice to the Company, if prior to the Closing Date or any Option Closing Date (if different from the Closing Date and then only as to the Additional Shares), as the case may be, (i) trading in securities generally on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market shall have been suspended or materially limited, (ii) a

general moratorium on commercial banking activities in New York or Texas shall have been declared by either federal or state authorities, or (iii) there shall have occurred any outbreak or escalation of hostilities or other international or domestic calamity, crisis or change in political, financial or economic conditions, the effect of which on the financial markets of the United States is such as to make it, in your judgment, impracticable or inadvisable to commence or continue the offering of the Shares at the offering price to the public set forth on the cover page of the Prospectus or to enforce contracts for the resale of the Shares by the Underwriters. Notice of such termination may be given to the Company by telegram, telecopy or telephone and shall be subsequently confirmed by letter.

14. Information Furnished by the Underwriters. The statements set forth in the last paragraph on the cover page, the stabilization and passive market making legends on the inside cover page, and the statements in the first, third and sixth paragraphs under the caption "Underwriting" in any Prepricing Prospectus and in the Prospectus, constitute the only information furnished by or on behalf of the Underwriters through you as such information is referred to in Sections 7(b) and 9 hereof.

15. Information Furnished by the TCW Selling Stockholders. The information set forth under the captions (i) "Pro Forma Financial Information - Preferred Stock Conversions" relating to the conversion of the Company's Series 1995 Convertible Preferred Stock and (ii) "Principal and Selling Stockholders" relating to the TCW Selling Stockholders in any Prepricing Prospectus and in the Prospectus, constitute the only information furnished by or on behalf of the TCW Selling Stockholders as such information is referred to in Sections 6, 8 and 9 hereof.

16. Miscellaneous. Except as otherwise provided in Sections 5, 12 and 13 hereof, notice given pursuant to any provision of this Agreement shall be in writing and shall be delivered (i) if to the Company, at the office of the Company at Comstock Resources, Inc., 5005 LBJ Freeway, Suite 1000, Dallas, Texas 75244, Attention: M. Jay Allison, President and Chief Executive Officer; (ii) if to the D&O Selling Stockholders, at Comstock Resources, Inc., 5005 LBJ Freeway, Suite 1000, Dallas, Texas 75244, Attention: M. Jay Allison, President and Chief Executive Officer; or (iii) if to the TCW Selling Stockholders, at Trust Company of the West, 865 South Figueroa, Suite 1800, Los Angeles, California 90017, Attention: Arthur R. Carlson or Thomas F. Mehlberg; or (iv) if to you, as Representatives of the several Underwriters, care of Smith Barney Inc., 388 Greenwich Street, New York, New York 10013, Attention: Manager, Investment Banking Division.

This Agreement has been and is made solely for the benefit of the several Underwriters, the Selling Stockholders, the Company, its directors and officers, and the other controlling persons referred to in Section 9 hereof and their respective successors and assigns, to the extent provided herein, and no other person shall acquire or have any right under or by virtue of this Agreement. Neither the term "successor" nor the term "successors and assigns" as used in this Agreement shall include a purchaser from any Underwriter of any of the Shares in his status as such purchaser.

17. Applicable Law; Counterparts. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

This Agreement may be signed in various counterparts which together constitute one and the same instrument. If signed in counterparts, this Agreement shall not become effective unless at least one counterpart hereof shall have been executed and delivered on behalf of each party hereto.

Please confirm that the foregoing correctly sets forth the agreement among the Company, the Selling Stockholders and the several Underwriters.

Very truly yours,

COMSTOCK RESOURCES, INC.

By: -----  
M. Jay Allison  
President, Chief Executive  
Officer and Director

Each of the D&O Selling Stockholders named in Schedule I hereto

By: -----  
Attorney-in-Fact

By: -----  
Attorney-in-Fact

Each of the TCW Selling Stockholders named in Schedule I hereto

TRUST COMPANY OF THE WEST, a California trust company, as Trustee of TCW Debt and Royalty Fund IVA

By: -----  
Thomas F. Mehlberg  
Managing Director

TRUST COMPANY OF THE WEST, a California trust company, in its capacities as Investment Manager pursuant to the Investment Management Agreement dated as of June 6, 1988 between General Mills, Inc. and the Trust Company of the West and as Custodian pursuant to the Custody Agreement dated as of February 6, 1989 among General Mills, Inc., the Trust Company of the West and State Street Bank and Trust Company, as trustee

By: -----  
Thomas F. Mehlberg  
Managing Director

TCW ASSET MANAGEMENT COMPANY, a California corporation, as Investment Manager pursuant to the Investment Management and Custody Agreement dated as of June 1, 1993 with The Trustees of Columbia University in the City of New York and Trust Company of the West

By: -----  
Thomas F. Mehlberg  
Managing Director

TCW ASSET MANAGEMENT COMPANY, a California corporation, as Investment Manager pursuant to the Investment Management Agreement dated as of March 1, 1993 with The Board of Trustees of the Leland Stanford Junior University

By: -----  
Thomas F. Mehlberg  
Managing Director

TCW ASSET MANAGEMENT COMPANY, a California corporation, as Investment Manager under the Investment Management Agreement dated as of June 8, 1993 between the Searle Trusts Limited Partnership X, Harris Trust and Savings Bank and TCW Asset Management Company

By: -----  
Thomas F. Mehlberg  
Managing Director

TCW ASSET MANAGEMENT COMPANY, a California corporation, as Investment Manager under the Investment Management Agreement dated as of June 8, 1993, between the John G. Searle Charitable Trusts Partnership, Harris Trust and Savings Bank and TCW Asset Management Company

By: -----  
Thomas F. Mehlberg  
Managing Director

TCW ASSET MANAGEMENT COMPANY, a California corporation, as Investment Manager under the Investment Management Agreement dated as of December 31, 1993 with Delta Air Lines, Inc.

By: -----  
Thomas F. Mehlberg  
Managing Director

TCW DEBT AND ROYALTY FUND IVB, a California Limited Partnership

By: TCW Asset Management Company, a California corporation, General Partner

By: -----  
Thomas F. Mehlberg  
Managing Director

TCW DEBT AND ROYALTY FUND IVC, California Limited Partnership

By: TCW Asset Management Company, a California corporation, General Partner

By: -----  
Thomas F. Mehlberg  
Managing Director

TRUST COMPANY OF THE WEST, as Custodian pursuant to the Investment Management and Custody Agreement dated as of April 26, 1994 among The City and County Employees' Retirement System of San Francisco, TCW Asset Management Company and Trust Company of the West

By: -----  
Thomas F. Mehlberg  
Managing Director

Confirmed as of the date first  
above mentioned on behalf of  
themselves and the other several  
Underwriters named in Schedule II  
hereto.

SMITH BARNEY INC.  
RAYMOND JAMES & ASSOCIATES, INC.  
BEAR, STEARNS & CO. INC.  
OPPENHEIMER & CO., INC.  
RODMAN & RENSHAW, INC.  
As Representatives of the Several Underwriters

By: SMITH BARNEY INC.

By: -----  
Managing Director

## SCHEDULE I

## COMSTOCK RESOURCES, INC.

PART A - D&O SELLING STOCKHOLDERS	Number of Firm Shares
-----	-----
M. Jay Allison . . . . .	153,239
Roland O. Burns . . . . .	30,000
Franklin B. Leonard . . . . .	50,000
Harold R. Logan . . . . .	65,000
Cecil E. Martin, Jr. . . . .	60,000
PART B - TCW SELLING STOCKHOLDERS	
Section 1. TCW Fund Selling Stockholders	
Trust Company of the West, as Trustee of the TCW Debt and Royalty Fund IVA . . . . .	99,828
Trust Company of the West, as Custodial Agent for TCW Debt and Royalty Fund IVC . . . . .	115,232
Trust Company of the West, as Custodial Agent for TCW Debt and Royalty Fund IVB . . . . .	266,708
Section 2. TCW Managed Selling Stockholders	
Harris Trust and Savings Bank, as Custodian for the Searle Trusts Limited Partnership X . . . . .	83,190
Harris Trust and Savings Bank, as Custodian for the John G. Searle Charitable Trusts Partnership . . . . .	33,276
Trust Company of the West, as Custodian for Columbia University . . . . .	166,379
The Chase Manhattan Bank, as Custodian for The Trustees of The Leland Stanford Junior University . . . . .	166,380
Trust Company of the West, as Custodian for the City and County Employees Retirement System of San Francisco . . . . .	38,026
Trust Company of the West, as Investment Manager for General Mills, Inc. . . . .	476,190
Harris Trust and Savings Bank, as Trustee for Delta Air Lines, Inc. . . . .	66,552
	-----
Total . . . . .	1,870,000
	=====

SCHEDULE II

COMSTOCK RESOURCES, INC.

	Number of Firm Shares -----
Smith Barney Inc. . . . .	
Raymond James & Associates, Inc. . . . .	
Bear, Stearns & Co. Inc. . . . .	
Oppenheimer & Co., Inc. . . . .	
Rodman & Renshaw, Inc. . . . .	
Total . . . . .	----- 5,870,000 =====

[LOCKE PURNELL RAIN HARRELL LETTERHEAD]

(214) 740-8553

November 22, 1996

Comstock Resources, Inc.  
5005 LBJ Freeway, Suite 1000  
Dallas, Texas 75244

Re: Registration Statement on Form S-3, as amended

Ladies and Gentlemen:

We have acted as counsel for Comstock Resources, Inc., a Nevada corporation (the "Company"), in connection with the registration under the Securities Act of 1933, as amended (the "Act"), of an aggregate of 5,870,000 shares of the Company's Common Stock, \$.50 par value per share (such shares or such different number of shares as may be registered pursuant to the referenced Registration Statement, the "Shares"). We have examined such documents and questions of law as we have deemed necessary or advisable for purposes of this opinion.

Based upon the foregoing, we are of the opinion that the Shares, when issued and delivered against payment of the purchase price therefor as described in the above referenced Registration Statement, will be legally issued, fully paid and nonassessable.

The opinion expressed above is limited in all respects to the laws of the State of Texas, the federal laws of the United States of America and to the extent relevant to the opinion expressed herein, the General Corporation Laws of the State of Nevada, each as presently in effect.

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our firm in the prospectus contained therein under the caption "Legal Matters." In giving this consent, we do not thereby admit that we come within the

category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Respectfully submitted,

LOCKE PURNELL RAIN HARRELL  
(A Professional Corporation)

By:        /s/ JACK E. JACOBSEN  
             -----  
             Jack E. Jacobsen