

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For The Quarter Ended March 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File No. 0-16741

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

NEVADA
(State or other jurisdiction of
incorporation or organization)

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

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

Telephone No.: (214) 701-2000

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

Yes No

| | Date | Shares |
|---------------------------------------------|----------|------------|
| Outstanding Common Stock (\$0.50 par value) | 05/07/96 | 13,670,242 |

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 1996

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

| | March 31, 1996 | December 31, 1995 |
|---------------------------------------------------------|-------------------|----------------------|
| | ----- | ----- |
| | (Unaudited) | |
| Cash and Cash Equivalents | \$ 657,816 | \$ 1,916,648 |
| Accounts Receivable: | | |
| Oil and gas sales | 6,780,000 | 5,385,000 |
| Gas marketing sales | 11,325,600 | 8,450,794 |
| Joint interest operations | 1,448,177 | 1,230,403 |
| Prepaid Expenses and Other | 615,980 | 172,093 |
| Inventory | 91,005 | 92,139 |
| | ----- | ----- |
| Total current assets | 20,918,578 | 17,247,077 |
| | ----- | ----- |
| Property and Equipment: | | |
| Oil and gas properties, successful efforts method | 156,918,688 | 154,843,663 |
| Other | 2,776,143 | 2,717,625 |
| Accumulated depreciation, depletion and amortization | (58,025,109) | (55,445,097) |
| | ----- | ----- |
| Net property and equipment | 159,694,831 | 157,561,288 |
| | ----- | ----- |
| Other Assets | 933,768 | 735,398 |
| | ----- | ----- |
| | \$181,547,177 | \$175,543,763 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Current Portion of Long-term Debt | \$ 10,260,566 | \$ 18,677,181 |
| Accounts Payable and Accrued Expenses | 18,958,008 | 16,511,219 |
| | ----- | ----- |
| Total current liabilities | 29,218,574 | 35,188,400 |
| | ----- | ----- |
| Long-term Debt, less current portion | 59,505,625 | 53,133,751 |
| Deferred Revenue | 322,501 | 430,000 |
| Other Noncurrent Liabilities | 1,185,071 | 1,218,742 |
| Stockholders' Equity: | | |
| Preferred stock - \$10.00 par, 5,000,000 shares authorized, 3,100,000 shares outstanding at March 31, 1996 and December 31, 1995 | 31,000,000 | 31,000,000 |
| Common stock - \$.50 par, 30,000,000 shares authorized, 13,120,242 and 12,926,672 shares outstanding at March 31, 1996 and December 31, 1995, respectively | 6,560,122 | 6,463,336 |
| Additional paid-in capital | 38,861,759 | 38,182,398 |
| Retained deficit | (43,067,990) | (45,444,055) |
| Less: Deferred compensation - restricted stock grants | (63,594) | (73,906) |
| | ----- | ----- |
| Total stockholders' equity | 33,290,297 | 30,127,773 |
| | ----- | ----- |
| | \$123,522,068 | \$120,098,666 |
| | ===== | ===== |

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended March 31,
(Unaudited)

| | 1996 | 1995 |
|------------------------------------------------------------------------------------|--------------|--------------|
| Revenues: | | |
| Oil and gas sales | \$ 9,555,141 | \$ 3,816,083 |
| Gas marketing sales | 25,425,901 | 10,500,071 |
| Gas gathering and processing | 153,611 | 190,745 |
| Other income | 129,945 | 81,928 |
| | 35,264,598 | 14,588,827 |
| Expenses: | | |
| Oil and gas operating | 2,523,187 | 1,485,100 |
| Natural gas purchases | 24,793,593 | 10,214,663 |
| Gas gathering and processing | 56,946 | 47,240 |
| Depreciation, depletion and amortization | 2,621,358 | 1,797,594 |
| General and administrative, net | 411,833 | 499,160 |
| Interest | 1,848,470 | 976,633 |
| | 32,255,387 | 15,020,390 |
| Income (loss) before income taxes | 3,009,211 | (431,563) |
| Provision for income taxes | - | - |
| | 3,009,211 | (431,563) |
| Net income (loss) | 3,009,211 | (431,563) |
| Preferred stock dividends | (633,146) | (289,110) |
| | \$ 2,376,065 | \$ (720,673) |
| Net income (loss) attributable to common stock | \$ 2,376,065 | \$ (720,673) |
| Net income (loss) attributable to common stock per share - | | |
| Primary | \$ 0.18 | \$ (0.06) |
| Fully diluted | \$ 0.15 | \$ (0.06) |
| Weighted average number of common and common stock equivalent shares outstanding - | | |
| Primary | 13,552,330 | 12,344,733 |
| Fully diluted | 19,928,710 | 12,344,733 |

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Three Months Ended March 31, 1996
(Unaudited)

| | Preferred Stock | Common Stock | Additional Paid-In Capital | Retained Earnings (Deficit) | Deferred Compensation- Restricted Stock Grants | Total |
|---------------------------------------------------|--------------------|-----------------|----------------------------------|-----------------------------------|---------------------------------------------------------|--------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance at December 31, 1995 | \$31,000,000 | \$ 6,463,336 | \$38,182,398 | \$(45,444,055) | \$ (73,906) | \$30,127,773 |
| Issuance of common stock | - | 96,786 | 679,361 | - | - | 776,147 |
| Restricted stock grants | - | - | - | - | 10,312 | 10,312 |
| Net income (loss) attributable to common stock | - | - | - | 2,376,065 | - | 2,376,065 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| Balance at March 31, 1996 | \$31,000,000 | \$ 6,560,122 | \$38,861,759 | \$(43,067,990) | \$ (63,594) | \$33,290,297 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31,
(Unaudited)

| | 1996 | 1995 |
|---------------------------------------------------------------------------------------------|--------------|--------------|
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 3,009,211 | \$ (431,563) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Compensation paid in common stock | 153,312 | 123,311 |
| Depreciation, depletion and amortization | 2,621,358 | 1,797,594 |
| Deferred revenue | (107,499) | 430,000 |
| Gain on sales of property | - | (1,175) |
| | ----- | ----- |
| Working capital provided by operations | 5,676,382 | 1,918,167 |
| Increase in accounts receivable | (4,487,580) | (167,231) |
| Increase in other current assets | (442,753) | (213,485) |
| Increase (decrease) in accounts payable and accrued expenses | 2,446,789 | (1,370,089) |
| | ----- | ----- |
| Net cash provided by operating activities | 3,192,838 | 167,362 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (2,406,929) | (738,959) |
| Proceeds from sales of properties | - | 81,175 |
| | ----- | ----- |
| Net cash used for investing activities | (2,406,929) | (657,784) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Stock issuance costs | - | (7,062) |
| Borrowings | 149,671 | 103,139 |
| Principal payments on debt | (2,194,412) | (2,094,013) |
| | ----- | ----- |
| Net cash used for financing activities | (2,044,741) | (1,997,936) |
| | ----- | ----- |
| Net decrease in cash and cash equivalents | (1,258,832) | (2,488,358) |
| Cash and cash equivalents, beginning of year | 1,916,648 | 3,425,248 |
| | ----- | ----- |
| Cash and cash equivalents, end of period | \$ 657,816 | \$ 936,890 |
| | ===== | ===== |

The accompanying notes are an integral part of these statements.

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

March 31, 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 March 31, 1996 and the related results of operations and cash flows for the three months ended March 31, 1996 and 1995.

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 three months ended March 31, 1996 and 1995, 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 \$1,848,470 and \$976,633 during the three months ended March 31, 1996 and 1995, respectively. No cash for income taxes was paid in the three months ended March 31, 1996 and 1995.

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

| | For the Three Months Ended March 31, | |
|---------------------------------------------------|-----------------------------------------|-----------|
| | 1996 | 1995 |
| | ----- | ----- |
| Common stock issued for director compensation | \$ 143,000 | \$113,000 |
| Common stock issued for preferred stock dividends | \$ 633,146 | \$289,110 |

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

Earnings Per Share -

Net income (loss) attributable to common stock represents net income (loss) less preferred stock dividend requirements of \$633,146 and \$289,110 for the three months ended March 31, 1996 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 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 (loss) 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) LONG-TERM DEBT -

At March 31, 1996, the Company had \$59.4 million outstanding under a \$100 million bank revolving credit facility. Amounts outstanding under the bank credit facility bear interest at the agent bank's prime rate plus 1 1/2% (9.75% at March 31, 1996) and cannot exceed a borrowing base determined semiannually by the banks. The borrowing base at March 31, 1996 was \$62.6 million and reduces by \$1,060,000 each month until the next redetermination. The Company also had \$10 million outstanding under a bridge loan payable to the banks. The bridge loan matures at July 31, 1996 and bears interest at the agent bank's prime rate plus 4% (12.25% at March 31, 1996). Current amounts outstanding under the bank credit facility at March 31, 1996 have been reclassified in the accompanying balance sheet according to the terms of the new bank credit facility (See Note 3).

(3) SUBSEQUENT EVENTS -

On May 1 and May 2, 1996, the Company acquired 100% of the capital stock of Black Stone Oil Company and additional interests held by other working interest owners in certain producing oil and gas properties as well as interests in undeveloped oil and gas leases located in East Texas for total cash consideration of approximately \$104 million. Black Stone Oil Company is the operator of the producing oil and gas properties which are located in the Double A Wells field in Polk County, Texas. The estimated net proved oil and gas reserves acquired are estimated at 98.5 billion cubic feet of natural gas and 5.3 million barrels of oil as of January 1, 1996, the effective date of the acquisition. Such reserves have estimated pretax future net cash flows of \$249 million and estimated pretax discounted future net cash flows of \$149 million.

The acquisition was financed under a new \$176 million bank credit facility provided by two banks consisting of a \$166 million revolving credit facility and a \$10 million bridge loan. The Company financed the \$104 million acquisition and refinanced \$58.7 million outstanding under its existing revolving credit facility and an existing \$10 million bridge loan which was to mature on July 31, 1996 with borrowings under the new bank credit facility. Amounts outstanding under the new revolving credit facility bear interest at the agent bank's base rate plus 1/2% and are subject to a borrowing base

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

determined semiannually by the banks. The new revolving credit facility converts to a two year term loan on May 1, 1999. Amounts outstanding under the new bridge loan bear interest at the agent bank's base rate plus 3% and are payable in full on December 31, 1996.

In April 1996, the Company entered into letters of intent with two unrelated parties to sell certain oil and gas properties of aggregate proceeds of approximately \$9.5 million. The properties to be sold include interests in 145 producing wells located in Oklahoma, Arkansas, Nebraska and Kansas as well as certain nonproducing acreage in South Texas. The sales are expected to close during the second quarter of 1996. The proceeds of the sales will be used to retire the new \$10 million bridge loan discussed above.

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

Results of Operations

In the first quarter of 1996 oil and gas sales increased \$5.7 million (150%), to \$9.6 million from \$3.8 million in 1995's first quarter due primarily to a 90% increase in gas production and a 66% increase in oil production as well as increased oil and gas prices. The production increases related primarily to production from the 1995 oil and gas property acquisitions. The production increases combined with a 44% increase in the Company's average gas price and a 14% increase in the Company's average oil price account for the 150% increase in oil and gas sales.

The following table reflects the Company's oil and gas production and its average oil and gas prices for the three months ended March 31, 1996 and 1995:

| | Three Months Ended March 31, | |
|-----------------|---------------------------------|---------|
| | 1996 | 1995 |
| | ----- | ----- |
| PRODUCTION: | | |
| Oil (MBbls) | 105 | 64 |
| Gas (MMcf) | 3,109 | 1,635 |
| AVERAGE PRICES: | | |
| Oil (per Bbl) | \$18.73 | \$16.48 |
| Gas (per Mcf) | \$ 2.44 | \$ 1.69 |

Gas marketing net margins (revenues less expenses) increased \$347,000 (122%) to \$632,000 in 1996 from \$285,000 in 1995 due primarily to the increase in natural gas prices in the first quarter of 1996.

Gas gathering and processing net margins (revenues less expenses) decreased \$47,000 (33%) to \$97,000 in the first quarter of 1996 from \$144,000 in 1995's first quarter due primarily to the sale of the Wharton gas processing plant in the third quarter of 1995.

Other income increased \$48,000 (59%) to \$130,000 in the first quarter of 1996 from \$82,000 in first quarter of 1995.

Lease operating expenses, including production taxes, increased \$1 million (70%) to \$2.5 million in the first three months of 1996 from \$1.5 million in the first three months of 1995 due primarily to the 85% increase in oil and gas production (on an equivalent Mcf basis) resulting from the property acquisitions previously discussed. Lease operating expenses per Mcfe produced decreased 9% to \$.67 in 1996 from \$.74 in 1995 due to the lower lifting costs associated with the properties acquired in 1995.

General and administrative expenses decreased \$87,000 (17%) to \$412,000 in first quarter of 1996 from \$499,000 in 1995's first quarter. The decrease is an result of an increase in well operating income received in 1996 which is netted against general and administrative expenses.

Depreciation, depletion and amortization increased \$824,000 (46%) to \$2.6 million in the first quarter of 1996 from \$1.8 million in the first quarter of 1995 due primarily to the 85% increase in oil

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(continued)

and gas production (on an equivalent Mcf basis). Amortization per Mcfe produced decreased by 22% to \$.67 in 1996 from \$.86 in 1995 due to the lower acquisition costs associated with the properties acquired in 1995.

Interest expense increased \$872,000 (89%) to \$1.8 million for three months ended March 31, 1996 from \$977,000 for the three months ended March 31, 1995 due primarily to an increase in the average outstanding advances under the Company's bank credit facility. The average annual interest rate paid under the bank credit facility decreased to 10.2% in 1996's first quarter as compared to 10.3% in 1995's first quarter.

The Company reported net income of \$3 million before preferred stock dividends of \$633,000 for three months ended March 31, 1996, as compared to a loss of \$432,000 before preferred stock dividends of \$289,000 for three months ended March 31, 1995. Net income per share for the first quarter was 18(cent) (15(cent) fully diluted) on weighted average shares outstanding of 13.6 million (19.9 million fully diluted) as compared to a net loss of 6(cent) per share for the first quarter of 1995 on weighted average shares outstanding of 12.3 million.

Capital Expenditures

The following table summarizes the Company's capital expenditure activity for the three months ended March 31, 1996 and 1995 (in thousands):

| | Three Months Ended March 31, 1996 | Three Months Ended March 31, 1995 |
|------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| | ----- | ----- |
| Acquisition of oil and gas reserves | \$ - | \$ - |
| Other leasehold costs | 86 | 5 |
| Workovers and recompletions | 1,246 | 438 |
| Development drilling | 743 | 222 |
| Acquisition of gas marketing, processing and gathering assets | 73 | 65 |
| Other | 259 | 9 |
| | ----- | ----- |
| Total | \$ 2,407 | \$ 739 |
| | ===== | ===== |

Liquidity

On May 1 and May 2, 1996, the Company acquired 100% of the capital stock of Black Stone Oil Company and additional interests held by other working interest owners in certain producing oil and gas properties as well as interests in undeveloped oil and gas leases located in East Texas for total cash consideration of approximately \$104 million. The acquisition was financed under a new \$176 million bank credit facility provided by two banks consisting of a \$166 million revolving credit facility and a \$10 million bridge loan. The Company financed the \$104 million acquisition and refinanced \$58.7 million outstanding under its existing revolving credit facility and an existing \$10 million bridge loan which was to mature on July 31, 1996 with borrowings under the new bank credit facility. Amounts outstanding

under the new revolving credit facility bear interest at the agent bank's base rate plus 1/2% and are subject to a borrowing base determined semiannually by the banks. The new revolving credit facility converts to a two year term loan on May 1, 1999. Amounts outstanding under the new bridge loan bear interest at the agent bank's base rate plus 3% and are payable in full on December 31, 1996.

At March 31, 1996 the Company had a working capital deficit of approximately \$8.3 million due to the short-term \$10 million bridge loan outstanding. The Company anticipates retiring the new bridge loan from proceeds of pending asset sales expected to close in the second quarter of 1996.

The timing of most of the Company's capital expenditures is discretionary with no material long-term capital expenditure commitments. Consequently, the Company has a significant degree of flexibility to adjust the level of such expenditures as circumstances warrant. The Company uses borrowings under its bank credit facility as well as internally generated cash flow to fund capital expenditures other than significant acquisitions and anticipates that such sources will be sufficient to fund its planned \$12 million in developmental capital expenditures during the remainder of 1996.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

27. Financial Data Schedule for the three months ended March 31, 1996.

b. Reports on Form 8-K

None.

SIGNATURES

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

COMSTOCK RESOURCES, INC.

Date May 7, 1996

/s/M. JAY ALLISON

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

Date May 7, 1996

/s/ROLAND O. BURNS

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

This schedule contains summary financial data extracted from the Consolidated Financial Statements of Comstock Resources, Inc. for the Three Months ended March 31, 1996 and is qualified in its entirety by reference to such financial statements.

| | | |
|-------------|--------------|-------------|
| 3-MOS | | |
| | DEC-31-1996 | |
| | MAR-31-1996 | |
| | | 657,816 |
| | | 0 |
| | 19,553,777 | |
| | | 0 |
| | | 91,005 |
| | 20,918,578 | |
| | | 159,694,831 |
| | (58,025,109) | |
| | 123,522,068 | |
| 29,218,574 | | |
| | | 59,505,625 |
| 21,000,000 | | |
| | | 10,000,000 |
| | | 6,560,122 |
| | | (4,269,825) |
| 123,522,068 | | |
| | | 35,134,653 |
| | 35,264,598 | |
| | | 24,793,593 |
| | | 5,201,491 |
| | | 411,833 |
| | | 0 |
| | 1,848,470 | |
| | | 3,009,211 |
| | | 0 |
| 3,009,211 | | |
| | | 0 |
| | | 0 |
| | | 0 |
| | | 3,009,211 |
| | | .18 |
| | | .15 |