

COMSTOCK RESOURCES INC
Form 10-Q
August 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarter Ended June 30, 2018

OR

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

Commission File No. 001-03262

COMSTOCK RESOURCES, INC.

(Exact name of registrant as specified in its charter)

NEVADA 94-1667468
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification Number)

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

(Address of principal executive offices)

Telephone No.: (972) 668-8800

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	(Do not check if a smaller reporting company)
	Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

The number of shares outstanding of the registrant's common stock, par value \$0.50, as of August 9, 2018 was 16,278,689.

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT

For the Quarter Ended June 30, 2018

INDEX

	Page
PART I. Financial Information	
Item 1. Financial Statements (Unaudited):	
<u>Consolidated Balance Sheets – June 30, 2018 and December 31, 2017</u>	4
<u>Consolidated Statements of Operations – Three and six months ended June 30, 2018 and 2017</u>	5
<u>Consolidated Statement of Stockholders' Deficit – Three and six months ended June 30, 2018</u>	6
<u>Consolidated Statements of Cash Flows – Three and six months ended June 30, 2018 and 2017</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3. Quantitative and Qualitative Disclosure About Market Risk</u>	22
<u>Item 4. Controls and Procedures</u>	22
PART II. Other Information	
<u>Item 6. Exhibits</u>	23
Ex-2.1 Contribution Agreement dated May 9, 2018, by and among Arkoma Drilling, L.P., Williston Drilling, L.P. and Comstock Resources, Inc. previously filed on Form 8-K/A dated May 14, 2018.	
EX-31.1 Section 302 Certification of the Chief Executive Officer.	
EX-31.2 Section 302 Certification of the Chief Financial Officer.	

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EX-32.1 Certification for the Chief Executive Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.

EX-32.2 Certification for the Chief Financial Officer as required by Section 906 of the Sarbanes-Oxley Act of 2002.

EX-101 Instance Document

EX-101 Schema Document

EX-101 Calculation Linkbase Document

EX-101 Labels Linkbase Document

EX-101 Presentation Linkbase Document

EX-101 Definition Linkbase Document

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2018	December 31, 2017
	(In thousands)	
ASSETS		
Cash and Cash Equivalents	\$158,378	\$61,255
Accounts Receivable:		
Oil and gas sales	21,518	26,700
Joint interest operations	17,771	11,872
Derivative Financial Instruments	—	1,318
Assets Held For Sale	—	198,615
Other Current Assets	4,482	2,745
Total current assets	202,149	302,505
Property and Equipment:		
Oil and gas properties, successful efforts method	2,776,179	2,631,750
Other	18,921	18,918
Accumulated depreciation, depletion and amortization	(2,096,410)	(2,042,739)
Net property and equipment	698,690	607,929
Income Taxes Receivable	19,086	19,086
Other Assets	1,408	899
	\$921,333	\$930,419
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts Payable	\$153,387	\$126,034
Accrued Expenses	35,456	42,455
Derivative Financial Instruments	230	—
Total current liabilities	189,073	168,489
Long-term Debt	1,153,333	1,110,529
Deferred Income Taxes	10,726	10,266
Reserve for Future Abandonment Costs	10,622	10,407
Total liabilities	1,363,754	1,299,691
Commitments and Contingencies		
Stockholders' Deficit:		
Common stock — \$0.50 par, 75,000,000 shares authorized, 16,261,017 and 15,427,561 shares outstanding at June 30, 2018 and December 31, 2017, respectively	8,131	7,714
Common stock warrants	441	3,557

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Additional paid-in capital	552,135	546,696
Accumulated deficit	(1,003,128)	(927,239)
Total stockholders' deficit	(442,421)	(369,272)
	\$921,333	\$930,419

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share amounts)			
Revenues:				
Natural gas sales	\$56,265	\$50,437	\$115,808	\$91,377
Oil sales	5,184	11,034	18,234	23,895
Total oil and gas sales	61,449	61,471	134,042	115,272
Operating expenses:				
Production taxes	1,112	1,143	2,952	2,240
Gathering and transportation	4,398	3,545	8,732	7,673
Lease operating	7,948	9,433	17,721	19,322
Depreciation, depletion and amortization	26,798	30,321	53,950	60,226
General and administrative	6,956	6,559	12,972	12,960
Loss on sale of oil and gas properties	6,838	—	35,438	—
Total operating expenses	54,050	51,001	131,765	102,421
Operating income	7,399	10,470	2,277	12,851
Other income (expenses):				
Gain (loss) from derivative financial instruments	(1,638)	5,295	964	13,155
Other income	327	65	393	228
Interest expense	(40,213)	(36,755)	(79,063)	(69,655)
Total other income (expenses)	(41,524)	(31,395)	(77,706)	(56,272)
Loss before income taxes	(34,125)	(20,925)	(75,429)	(43,421)
Benefit from (provision for) income taxes	122	(517)	(460)	(952)
Net loss	\$(34,003)	\$(21,442)	\$(75,889)	\$(44,373)
Net loss per share – basic and diluted	\$(2.22)	\$(1.45)	\$(4.99)	\$(3.06)
Weighted average shares outstanding – basic and diluted	15,340	14,749	15,212	14,488

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

For the Six Months Ended June 30, 2018

(Unaudited)

	Common					
	Common Stock (Shares) (In thousands)	Common Stock – Par Value	Stock Warrants	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at January 1, 2018	15,428					