

COMSTOCK RESOURCES INC
Form 10-Q
November 07, 2007

**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 Quarterly Period Ended September 30, 2007

OR

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

Commission File No. 0-16741

COMSTOCK RESOURCES, INC.

(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

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

5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034
(Address of principal executive offices)

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

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

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

Yes No

The number of shares outstanding of the registrant's common stock, par value \$.50, as of November 7, 2007 was 44,432,345.

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT

For The Quarter Ended September 30, 2007

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
<i>(In thousands)</i>		
Cash and Cash Equivalents	\$ 17,032	\$ 10,715
Accounts Receivable: Oil and gas sales	59,384	56,328
Joint interest operations	17,407	19,233
Other Current Assets	17,066	12,552
Total current assets	110,889	98,828
Property and Equipment: Unevaluated oil and gas properties	14,024	13,645
Oil and gas properties, successful efforts method	2,913,019	2,511,782
Other property and equipment	9,552	8,483
Accumulated depreciation, depletion and amortization	(915,859)	(760,284)
Net property and equipment	2,020,736	1,773,626
Other Assets	4,734	5,671
	\$ 2,136,359	\$ 1,878,125

LIABILITIES AND STOCKHOLDERS' EQUITY

Short-term Debt	\$ 5,176	\$ 3,250
Accounts Payable	116,300	132,504
Accrued Expenses	11,402	16,107
Total current liabilities	132,878	151,861
Long-term Debt	597,000	455,000
Deferred Income Taxes Payable	356,050	311,236

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Reserve for Future Abandonment		
Costs	60,436	57,116
Minority Interest in Bois d'Arc		
Energy	251,443	220,349
Total liabilities	1,397,807	1,195,562
Commitments and Contingencies		
Stockholders' Equity:		
Common stock – \$0.50 par, 50,000,000 shares authorized, 44,432,345 and 44,395,495 shares outstanding at September 30, 2007 and December 31, 2006, respectively	22,216	22,197
Additional paid-in capital	376,090	367,323
Retained earnings	340,246	293,043
Total stockholders' equity	738,552	682,563
	\$ 2,136,359	\$ 1,878,125

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006

(In thousands, except per share amounts)

Oil and gas sales	\$ 171,074	\$ 129,251	\$ 491,309	\$ 385,153
Operating expenses:				
Oil and gas operating	34,005	26,904	91,268	78,220
Exploration	5,710	8,069	36,709	16,662
Depreciation, depletion and amortization	62,420	40,709	178,887	104,457
Impairment	826	1,389	826	10,169
General and administrative, net	8,676	7,370	26,540	22,738
Total operating expenses	111,637	84,441	334,230	232,246
Income from operations	59,437	44,810	157,079	152,907
Other income (expenses):				
Interest income	410	258	1,041	724
Other income	154	187	505	616
Interest expense	(11,225)	(6,733)	(29,880)	(18,322)
Gain on derivatives	—	1,180	—	10,608
Total other income (expenses)	(10,661)	(5,108)	(28,334)	(6,374)
Income before income taxes and minority interest	48,776	39,702	128,745	146,533
Provision for income taxes	(21,570)	(16,662)	(55,955)	(61,847)
Minority interest in earnings of Bois d'Arc Energy	(10,778)	(6,004)	(25,587)	(22,433)
Net income	\$ 16,428	\$ 17,036	\$ 47,203	\$ 62,253
Net income per share:				
Basic	\$ 0.38	\$ 0.40	\$ 1.09	\$ 1.48
Diluted	\$ 0.37	\$ 0.39	\$ 1.05	\$ 1.42
Weighted average common and common stock equivalent shares outstanding:				
Basic	43,379	42,243	43,372	42,128
Diluted	44,434	43,553	44,345	43,505

The accompanying notes are an integral part of these statements.

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COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Nine Months Ended September 30, 2007
(Unaudited)

	Common Stock (Shares)	Common Stock – Par Value	Additional Paid-in Capital	Retained Earnings	Total
			<i>(In thousands)</i>		
Balance at January 1, 2007	44,395	\$ 22,197	\$ 367,323	\$ 293,043	\$ 682,563
Exercise of stock options	19	10	269	—	279
Stock-based compensation	18	9	7,896	—	7,905
Excess tax benefit from stock-based compensation	—	—	602	—	602
Net income	—	—	—	47,203	47,203
Balance at September 30, 2007	44,432	\$ 22,216	\$ 376,090	\$ 340,246	\$ 738,552

The accompanying notes are an integral part of these statements.

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COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2007	2006
	<i>(In thousands)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 47,203	\$ 62,253
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	45,942	55,078
Dry hole costs and leasehold impairments	31,442	13,246
Depreciation, depletion and amortization	178,887	104,457
Impairment	826	10,169
Debt issuance cost amortization	854	878
Stock-based compensation	12,910	9,834
Excess tax benefit from stock-based compensation	(602)	(922)
Minority interest in earnings of Bois d'Arc Energy	25,587	22,433
Gain on derivatives	—	(10,608)
(Increase) decrease in accounts receivable	(1,230)	10,774
Increase in other current assets	(2,588)	(139)
Decrease in accounts payable and accrued expenses	(14,346)	(3,153)
Net cash provided by operating activities	324,885	274,300
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(461,824)	(404,295)
Payments to settle derivatives	—	(703)
Net cash used for investing activities	(461,824)	(404,998)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	174,000	182,000
Principal payments on debt	(32,000)	(39,000)
Proceeds from issuance of common stock	789	1,756
Excess tax benefit from stock-based compensation	602	922
Debt issuance costs	(135)	(28)
Net cash provided by financing activities	143,256	145,650
Net increase in cash and cash equivalents	6,317	14,952
Cash and cash equivalents, beginning of period	10,715	89
Bois d'Arc Energy cash and equivalents as of January 1, 2006	—	12,043
Cash and cash equivalents, end of period	\$ 17,032	\$ 27,084

The accompanying notes are an integral part of these statements.

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

September 30, 2007
(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –

Basis of Presentation

In management's opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of Comstock Resources, Inc. and subsidiaries ("Comstock" or the "Company") as of September 30, 2007 and the related results of operations for the three months and nine months ended September 30, 2007 and 2006 and cash flows for the nine months ended September 30, 2007 and 2006.

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to those rules and regulations, although Comstock believes that the disclosures made are adequate to make the information presented not misleading. These unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto of the Company included in Comstock's Annual Report on Form 10-K for the year ended December 31, 2006.

The results of operations for the three months and nine months ended September 30, 2007 are not necessarily an indication of the results expected for the full year.

These unaudited consolidated financial statements include the accounts of Comstock and subsidiaries in which it has a controlling interest. Intercompany balances and transactions have been eliminated in consolidation.

The Company currently owns a controlling ownership interest in Bois d'Arc Energy, Inc. ("Bois d'Arc Energy") and currently intends to maintain its controlling interest by acquiring additional shares of Bois d'Arc Energy common stock, through open market purchases and other negotiated transactions, as appropriate. However, such actions are subject to the outcome of an evaluation of strategic alternatives by the board of directors of Bois d'Arc Energy, including the potential sale of Bois d'Arc Energy. The Company includes Bois d'Arc Energy in its consolidated financial statements.

In connection with its acquisitions of 2,288,900 additional common shares of Bois d'Arc Energy in 2006 and 2007, Comstock allocated the \$36.5 million purchase price paid for the shares in excess of its underlying net book value in Bois d'Arc Energy of \$19.0 million together with the related deferred income tax liability of \$10.1 million to oil and gas properties. This additional amount is being amortized over the productive lives of Bois d'Arc Energy's oil and gas properties using the unit-of-production method. The pro forma impact of the acquisition of these shares was not material to the Company's results of operations for the nine months ended September 30, 2006.

Reclassifications

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

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)****Asset Retirement Obligations***

Comstock's asset retirement obligations relate to future plugging and abandonment expenses on its oil and gas properties and related facilities disposal. The following table summarizes the changes in Comstock's total estimated liability during the nine months ended September 30, 2007 and 2006:

	Nine Months Ended	
	September 30,	
	2007	2006
	<i>(In thousands)</i>	
Beginning asset retirement obligations	\$ 57,116	\$ 3,206
Bois d'Arc abandonment liability ⁽¹⁾	—	35,034
Accretion expense	2,702	1,849
Acquisition liabilities assumed	94	3,314
New wells placed on production and changes in estimates	1,279	953
Liabilities settled	(755)	(23)
Future abandonment liability — end of period	\$ 60,436	\$ 44,333

(1) Concurrent with including Bois d'Arc Energy as a consolidated subsidiary as of January 1, 2006, the asset retirement obligations of Bois d'Arc Energy are included in the Company's financial statements.

Derivative Instruments and Hedging Activities

Comstock periodically uses swaps, floors and collars to hedge oil and natural gas prices and interest rates. Swaps are settled monthly based on differences between the prices specified in the instruments and the settlement prices of futures contracts. Generally, when the applicable settlement price is less than the price specified in the contract, Comstock receives a settlement from the counter party based on the difference multiplied by the volume or amounts hedged. Similarly, when the applicable settlement price exceeds the price specified in the contract, Comstock pays the counter party based on the difference. Comstock generally receives a settlement from the counter party for floors when the applicable settlement price is less than the price specified in the contract, which is based on the difference multiplied by the volume amounts hedged. For collars, generally Comstock receives a settlement from the counter party when the settlement price is below the floor and pays a settlement to the counter party when the settlement price exceeds the cap. No settlement occurs when the settlement price falls between the floor and cap.

The Company had no derivative financial instruments outstanding during the three months and nine months ended September 30, 2007. The fair value of the Company's derivative contracts held for price risk management at September 30, 2006 was an asset of \$68,000. Comstock did not designate these instruments as cash flow hedges, and accordingly unrealized gains on derivatives of \$1.2 million and \$11.3 million were recorded for the three months and nine months ended September 30, 2006. The Company realized losses of \$0.7 million for the nine months ended

September 30, 2006 to settle derivative positions.

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COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Stock-Based Compensation

Comstock Resources, Inc. and Bois d'Arc Energy maintain separate incentive compensation plans under which they grant common stock and stock options to key employees and directors.

Comstock accounts for employee stock-based compensation under the fair value method. Compensation cost is measured at the grant date based on the fair value of the award and is recognized over the award vesting period. During the three months ended September 30, 2007 and 2006, the Company recognized \$4.3 million and \$3.3 million, respectively, in stock-based compensation expense within general and administrative expenses related to stock option and restricted stock grants, including \$1.6 million and \$1.7 million, respectively, attributable to Bois d'Arc Energy's incentive plan. Stock based compensation expense for the nine months ended September 30, 2007 and 2006 was \$12.9 million and \$9.8 million, respectively which includes \$5.0 million and \$4.7 million, respectively, attributable to Bois d'Arc Energy's incentive plan. The excess income tax benefit realized from the deductions associated with stock-based compensation for the nine months ended September 30, 2007 and 2006 was \$0.6 million and \$0.9 million, respectively.

The fair value of stock option grants is estimated on the date of the grant using a Black-Scholes option pricing model. Some of the inputs to the option valuation model are subjective, including assumptions regarding expected stock price volatility. During the nine months ended September 30, 2007, Comstock granted options to purchase 40,000 shares at an exercise price of \$29.49 per share. The fair value of the Comstock options awarded was determined to be \$10.32 per share. Assumptions used to value these Comstock stock options included expected volatility of 36.1%, expected lives of 3.9 years, a risk-free interest rate of 4.9% and an expected dividend yield of zero. Bois d'Arc Energy granted options to purchase 258,500 shares at a weighted average exercise price of \$16.24 per share during the nine months ended September 30, 2007. The fair value of the Bois d'Arc Energy options awarded was determined to be \$6.17 per option share. Assumptions used to value the Bois d'Arc Energy stock options included expected volatility of 36.4%, expected lives of 4.5 years, a risk free interest rate of 4.9% and a dividend yield of zero. As of September 30, 2007, total unrecognized compensation cost related to nonvested Comstock stock options of \$2.4 million is expected to be recognized over a period of 3.2 years. As of September 30, 2007, total unrecognized compensation cost related to nonvested Bois d'Arc Energy stock options of \$8.9 million is expected to be recognized over a period of 5.2 years.

As of September 30, 2007, Comstock had 1,041,000 shares of unvested restricted stock outstanding at a weighted average grant date fair value of \$28.46 per share. During the nine months ended September 30, 2007 Comstock issued 18,000 new restricted stock grants with a weighted average grant date fair value of \$29.38 per share. Total unrecognized compensation cost related to Comstock unvested restricted stock grants of \$18.4 million as of September 30, 2007 is expected to be recognized over a period of 3.8 years. As of September 30, 2007, Bois d'Arc Energy had 854,000 shares of unvested restricted stock outstanding at a weighted average grant date fair value of \$6.80 per share. Total unrecognized compensation cost related to Bois d'Arc Energy unvested restricted stock grants of \$5.2 million as of September 30, 2007 is expected to be recognized over a period of 1.8 years.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)**Income Taxes*

Deferred income taxes are provided to reflect the future tax consequences or benefits of differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using enacted tax rates. The difference between the Company's customary rate of 35% and the effective tax rate on income before income taxes and minority interest is due to the following:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Tax at statutory rate	35.0%	35.0%	35.0%	35.0%
Tax effect of:				
Undistributed earnings of Bois d'Arc Energy, not consolidated for federal income tax purposes	7.5%	4.9%	6.8%	5.0%
Nondeductible stock-based compensation	1.7%	2.0%	2.0%	1.7%
Changes due to tax law changes	—%	—%	(0.6%)	0.7%
State income taxes, net of federal benefit	0.9%	(0.4%)	0.9%	—%
Other	(0.9%)	0.5%	(0.6%)	(0.2%)
Effective tax rate	44.2%	42.0%	43.5%	42.2%

The following is an analysis of consolidated income tax expense:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	<i>(In thousands)</i>			
Current provision	\$ 4,322	\$ 1,599	\$ 10,013	\$ 6,769
Deferred provision	17,248	15,063	45,942	55,078
Provision for Income Taxes	\$ 21,570	\$ 16,662	\$ 55,955	\$ 61,847

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting and disclosure for uncertainty in tax positions. The Company has analyzed its filing positions in all jurisdictions where it is required to file income tax returns for the open tax years in such jurisdictions. The Company has identified its federal income tax return and its state income tax returns in Texas, Louisiana, Mississippi and Oklahoma in which it operates as "major" tax jurisdictions. The Company's federal income tax returns for the years subsequent to December 31, 2004 remain subject to examination. The Company's income tax returns in major state income tax jurisdictions remain subject to examination for various periods subsequent to December 31, 2004. The Company currently believes that all significant filing positions are highly certain and that all of its significant income tax filing positions and deductions would be sustained upon audit. Therefore, the Company has no significant reserves for uncertain tax positions and no

adjustments to such reserves were required upon adoption of FIN 48. Interest and penalties resulting from audits by tax authorities have been immaterial and are included in the provision for income taxes in the consolidated statements of operations.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***Earnings Per Share**

Basic earnings per share is determined without the effect of any outstanding potentially dilutive stock options or unvested restricted stock and diluted earnings per share is determined with the effect of outstanding stock options and unvested restricted stock that are potentially dilutive. Basic and diluted earnings per share for the three months and nine months ended September 30, 2007 and 2006, respectively, were determined as follows:

	Nine Months Ended September 30,					
	2007			2006		
	Income	Shares	Per Share	Income	Shares	Per Share
	<i>(In thousands, except per share amounts)</i>					
<i>Basic Earnings Per Share:</i>						
Net Income	\$ 16,428	43,379	\$ 0.38	\$ 17,036	42,243	\$ 0.40
<i>Diluted Earnings Per Share:</i>						
Net Income	\$ 16,428	43,379		\$ 17,036	42,243	
Effect of Dilutive Securities: Stock Grants and Options	(186)	1,055		(88)	1,310	
Net Income Available to Common Stockholders With Assumed Conversions	\$ 16,242	44,434	\$ 0.37	\$ 16,948	43,553	\$ 0.39

	Nine Months Ended September 30,					
	2007			2006		
	Income	Shares	Per Share	Income	Shares	Per Share
	<i>(In thousands, except per share amounts)</i>					
<i>Basic Earnings Per Share:</i>						
Net Income	\$ 47,203	43,372	\$ 1.09	\$ 62,253	42,128	\$ 1.48
<i>Diluted Earnings Per Share:</i>						
Net Income	\$ 47,203	43,372		\$ 62,253	42,128	
Effect of Dilutive Securities: Stock Grants and Options	(441)	973		(394)	1,377	
Net Income Available to Common Stockholders With Assumed Conversions	\$ 46,762	44,345	\$ 1.05	\$ 61,859	43,505	\$ 1.42

Stock options to purchase common stock at exercise prices in excess of the average actual stock price for the period that were anti-dilutive and that were excluded from the determination of diluted earnings per share are as follows:

Three Months Ended**Nine Months Ended**

	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	<i>(In thousands except per share data)</i>			
Weighted average anti-dilutive stock options	267	132	249	113
Weighted average exercise price	\$ 32.32	\$ 32.48	\$ 32.52	\$ 32.49

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COMSTOCK RESOURCES, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(Continued)****Supplementary Information With Respect to the Consolidated Statements of Cash Flows –***

For the purpose of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The following is a summary of cash payments made for interest and income taxes:

	Nine Months Ended September 30, 2007 2006	
	<i>(In thousands)</i>	
Cash Payments -		
Interest payments	\$ 32,448	\$ 21,017
Income tax payments	\$ 9,978	\$ 7,105

(2) LONG-TERM DEBT –

At September 30, 2007, long-term debt was comprised of the following:

	<i>(In thousands)</i>
Comstock Revolving Bank Credit Facility	\$ 322,000
Bois d'Arc Energy Revolving Bank Credit Facility	100,000
Comstock 6 % Senior Notes due 2012	175,000
	\$ 597,000

Comstock has a \$600.0 million bank credit facility with Bank of Montreal, as the administrative agent. The credit facility is a five-year revolving credit commitment that matures on December 15, 2011. Indebtedness under the credit facility is secured by Comstock and its wholly-owned subsidiaries' oil and gas properties and is guaranteed by all of its wholly-owned subsidiaries. The credit facility is subject to borrowing base availability, which is redetermined semiannually based on the banks' estimates of the future net cash flows of Comstock's oil and natural gas properties. The borrowing base may be affected by the performance of Comstock's properties and changes in oil and natural gas prices. The determination of the borrowing base is at the sole discretion of the administrative agent and the bank group. As of September 30, 2007, the borrowing base was \$400.0 million, \$78.0 million of which was

available. On November 5, 2007 the borrowing base was increased to \$500.0 million. Borrowings under the credit facility bear interest, based on the utilization of the borrowing base, at Comstock's option at either (1) LIBOR plus 1.0% to 1.75% or (2) the base rate (which is the higher of the prime rate or the federal funds rate) plus 0% to 0.25%. A commitment fee of 0.25% to 0.375%, based on the utilization of the borrowing base, is payable on the unused borrowing base. The credit facility contains covenants that, among other things, restrict the payment of cash dividends in excess of \$40.0 million, limit the amount of consolidated debt that Comstock may incur and limit the Company's ability to make certain loans and investments. The only financial covenants are the maintenance of a ratio of current assets, including availability under the bank credit facility, to current liabilities of at least one-to-one and maintenance of a minimum tangible net worth. The Company was in compliance with these covenants as of September 30, 2007.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Bois d'Arc Energy has a bank credit facility with The Bank of Nova Scotia and several other banks. Borrowings under the credit facility are limited to a borrowing base that is redetermined semi-annually based on the banks' estimate of the future net cash flows of Bois d'Arc Energy's oil and natural gas properties. The determination of the borrowing base is at the sole discretion of the administrative agent and the bank group. The borrowing base was \$225.0 million as of September 30, 2007. Availability under this credit facility was \$125.0 million as of September 30, 2007. The Bois d'Arc Energy credit facility matures on May 11, 2009. Borrowings under the credit facility bear interest at Bois d'Arc Energy's option of either (1) LIBOR plus a margin that varies from 1.25% to 2.0% depending upon the ratio of the amounts outstanding to the borrowing base or (2) the base rate (which is the higher of the prime rate or the federal funds rate) plus a margin that varies from 0% to 0.75% depending upon the ratio of the amounts outstanding to the borrowing base. A commitment fee ranging from 0.375% to 0.50% (depending upon the ratio of the amounts outstanding to the borrowing base) is payable on the unused borrowing base. Indebtedness under the credit facility is secured by substantially all of Bois d'Arc Energy and its subsidiaries' assets, and all of Bois d'Arc Energy's subsidiaries are guarantors of the indebtedness. The Bois d'Arc Energy credit facility contains covenants that restrict the payment of cash dividends in excess of \$5.0 million, borrowings, sales of assets, loans to others, capital expenditures, investments, merger activity, hedging contracts, liens and certain other transactions without the prior consent of the lenders and requires Bois d'Arc Energy to maintain a ratio of current assets, including the availability under the bank credit facility, to current liabilities of at least one-to-one and a ratio of indebtedness to earnings before interest, taxes, depreciation, depletion, and amortization, exploration and impairment expense of no more than 2.5-to-one. Bois d'Arc Energy was in compliance with these covenants as of September 30, 2007.

(3) COMMITMENTS AND CONTINGENCIES –

From time to time, Comstock is involved in certain litigation that arises in the normal course of its operations. The Company records a loss contingency for these matters when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company does not believe the resolution of these matters will have a material effect on the Company's financial position or results of operations.

In connection with its exploration and development activities, the Company contracts for drilling rigs and for the acquisition of seismic data under terms of up to three years. The Company has commitments to acquire seismic data totaling \$8.3 million through December 2008. As of September 30, 2007, the Company had commitments for contracted drilling services of \$30.5 million through September 2008.

(4) CONSOLIDATING FINANCIAL STATEMENTS –

Comstock Resources, Inc. ("Parent") has \$175.0 million of 6 % senior notes outstanding which are guaranteed by all of the Parent's wholly-owned subsidiaries. There are no restrictions on the Parent's ability to obtain funds from any of the guarantor subsidiaries or on a guarantor subsidiary's ability to obtain funds from the Parent or their direct or indirect subsidiaries. The 6 % senior notes are not guaranteed by Bois d'Arc Energy and its subsidiaries (the non-guarantor subsidiaries). The following condensed consolidating balance sheets, statements of operations and statements of cash flows are provided for the Parent, all guarantor subsidiaries and all non-guarantor subsidiaries. The information has been presented as if the Parent accounted for its ownership of the guarantor and non-guarantor subsidiaries using the equity method of accounting.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***Balance Sheet:**

As of September 30, 2007

	Comstock Resources	Guarantor Subsidiaries	Non-Guarantor Subsidiaries <i>(In thousands)</i>	Eliminating Entries	Consolidated
Assets:					
Cash and cash equivalents	\$ —	\$ 2,286	\$ 14,746	\$ —	\$ 17,032
Accounts receivable	—	42,793	33,998	—	76,791
Other current assets	392	6,122	10,552	—	17,066
Total current assets	392	51,201	59,296	—	110,889
Net property and equipment	28,622	1,107,822	884,292	—	2,020,736
Investment in subsidiaries	742,806	—	—	(742,806)	—
Intercompany receivables	488,154	—	—	(488,154)	—
Other assets	4,148	—	586	—	4,734
Total assets	\$ 1,264,122	\$ 1,159,023	\$ 944,174	\$ (1,230,960)	\$ 2,136,359
Liabilities and Stockholders' Equity:					
Short-term debt	\$ —	\$ —	\$ 5,176	\$ —	\$ 5,176
Accounts payable	28	75,822	40,450	—	116,300
Accrued expenses	3,953	6,109	1,340	—	11,402
Total current liabilities	3,981	81,931	46,966	—	132,878
Long-term debt	497,000	—	100,000	—	597,000
Intercompany payables	—	488,154	—	(488,154)	—
Deferred income taxes payable	24,589	158,063	173,398	—	356,050
Reserve for future abandonment costs	—	9,307	51,129	—	60,436
Minority interest	—	—	—	251,443	251,443
Total liabilities	525,570	737,455	371,493	(236,711)	1,397,807
Stockholders' equity	738,552	421,568	572,681	(994,249)	738,552
Total liabilities and stockholders' equity	\$ 1,264,122	\$ 1,159,023	\$ 944,174	\$ (1,230,960)	\$ 2,136,359

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***Balance Sheet:**

As of December 31, 2006

	Comstock Resources	Guarantor Subsidiaries	Non-Guarantor Subsidiaries <i>(In thousands)</i>	Eliminating Entries	Consolidated
Assets:					
Cash and cash equivalents	\$ —	\$ 1,228	\$ 9,487	\$ —	\$ 10,715
Accounts receivable	—	37,049	38,512	—	75,561
Other current assets	210	3,547	8,795	—	12,552
Total current assets	210	41,824	56,794	—	98,828
Net property and equipment	30,345	915,486	827,795	—	1,773,626
Investment in subsidiaries	654,840	—	—	(654,840)	—
Intercompany receivables	374,858	—	—	(374,858)	—
Other assets	4,757	2	912	—	5,671
Total assets	\$ 1,065,010	\$ 957,312	\$ 885,501	\$ (1,029,698)	\$ 1,878,125
Liabilities and Stockholders' Equity:					
Short-term debt	\$ —	\$ —	\$ 3,250	\$ —	\$ 3,250
Accounts payable	9,687	62,041	60,776	—	132,504
Accrued expenses	—	11,265	4,842	—	16,107
Total current liabilities	9,687	73,306	68,868	—	151,861
Long-term debt	355,000	—	100,000	—	455,000
Intercompany payables	—	374,858	—	(374,858)	—
Deferred income taxes payable	17,760	141,517	151,959	—	311,236
Reserve for future abandonment costs	—	9,052	48,064	—	57,116
Minority interest	—	—	—	220,349	220,349
Total liabilities	382,447	598,733	368,891	(154,509)	1,195,562
Stockholders' equity	682,563	358,579	516,610	(875,189)	682,563
Total liabilities and stockholders' equity	\$ 1,065,010	\$ 957,312	\$ 885,501	\$ (1,029,698)	\$ 1,878,125

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Statement of Operations:

	Three Months Ended September 30, 2007					Consolidated
	Comstock Resources	Guarantor Subsidiaries	Non-Guarantor Subsidiaries <i>(In thousands)</i>	Eliminating Entries		
Oil and gas sales	\$ —	\$ 83,087	\$ 87,987	\$ —	\$ 171,074	
Operating expenses:						
Oil and gas operating	—	17,030	16,975	—	34,005	
Exploration	—	1,375	4,335	—	5,710	
Depreciation, depletion and amortization	848	33,293	28,279	—	62,420	
Impairment	—	482	344	—	826	
General and administrative, net	8,372	(2,709)	3,013	—	8,676	
Total operating expenses	9,220	49,471	52,946	—	111,637	
Income from operations	(9,220)	33,616	35,041	—	59,437	
Other income (expenses):						
Interest income	—	256	154	—	410	
Other income	—	39	115	—	154	
Interest expense	(8,772)	—	(2,453)	—	(11,225)	
Intercompany interest income (expense)	2,749	(2,749)	—	—	—	
Total other income (expenses)	(6,023)	(2,454)	(2,184)	—	(10,661)	
Income (loss) before income taxes and minority interest in earnings of Bois d'Arc Energy	(15,243)	31,162	32,857	—	48,776	
(Provision for) benefit from income taxes	1,026	(10,968)	(11,628)	—	(21,570)	
Minority interest in earnings of Bois d'Arc Energy	—	—	—	(10,778)	(10,778)	
Equity in earnings of subsidiaries	30,645	—	—	(30,645)	—	
Net income	\$ 16,428	\$ 20,194	\$ 21,229	\$ (41,423)	\$ 16,428	

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***Statement of Operations:**

	Three Months Ended September 30, 2006					Consolidated
	Comstock Resources	Guarantor Subsidiaries	Non-Guarantor Subsidiaries <i>(In thousands)</i>	Eliminating Entries		
Oil and gas sales	\$ —	\$ 62,255	\$ 66,996	\$ —	\$ 129,251	
Operating expenses:						
Oil and gas operating	—	13,366	13,538	—	26,904	
Exploration	—	—	8,069	—	8,069	
Depreciation, depletion and amortization	329	18,648	21,732	—	40,709	
Impairment	—	803	586	—	1,389	
General and administrative, net	6,123	(1,783)	3,030	—	7,370	
Total operating expenses	6,452	31,034	46,955	—	84,441	
Income from operations	(6,452)	31,221	20,041	—	44,810	
Other income (expenses):						
Interest income	—	143	115	—	258	
Other income	—	45	142	—	187	
Interest expense	(4,851)	—	(1,882)	—	(6,733)	
Gain on derivatives	—	1,180	—	—	1,180	
Intercompany interest income (expense)	2,621	(2,621)	—	—	—	
Total other income (expenses)	(2,230)	(1,253)	(1,625)	—	(5,108)	
Income (loss) before income taxes and minority interest in earnings of Bois d'Arc Energy	(8,682)	29,968	18,416	—	39,702	
Provision for income taxes	410	(10,240)	(6,832)	—	(16,662)	
Minority interest in earnings of Bois d'Arc Energy	—	—	—	(6,004)	(6,004)	
Equity in earnings of subsidiaries	25,308	—	—	(25,308)	—	
Net income	\$ 17,036	\$ 19,728	\$ 11,584	\$ (31,312)	\$ 17,036	

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Statement of Operations:

	Nine Months Ended September 30, 2007					Consolidated
	Comstock Resources	Guarantor Subsidiaries	Non-Guarantor Subsidiaries <i>(In thousands)</i>	Eliminating Entries		
Oil and gas sales	\$ —	\$ 236,094	\$ 255,215	\$ —	\$ 491,309	
Operating expenses:						
Oil and gas operating	—	48,709	42,559	—	91,268	
Exploration	—	3,651	33,058	—	36,709	
Depreciation, depletion and amortization	2,621	90,693	85,573	—	178,887	
Impairment	—	482	344	—	826	
General and administrative, net	24,902	(7,401)	9,039	—	26,540	
Total operating expenses	27,523	136,134	170,573	—	334,230	
Income from operations	(27,523)	99,960	84,642	—	157,079	
Other income (expenses):						
Interest income	—	644	397	—	1,041	
Other income	—	116	389	—	505	
Interest expense	(22,831)	(1)	(7,048)	—	(29,880)	
Intercompany interest income (expense)	4,130	(4,130)	—	—	—	
Total other income (expenses)	(18,701)	(3,371)	(6,262)	—	(28,334)	
Income (loss) before income taxes and minority interest in earnings of Bois d'Arc Energy	(46,224)	96,589	78,380	—	128,745	
(Provision for) benefit from income taxes	5,492	(33,600)	(27,847)	—	(55,955)	
Minority interest in earnings of Bois d'Arc Energy	—	—	—	(25,587)	(25,587)	
Equity in earnings of subsidiaries	87,935	—	—	(87,935)	—	
Net income	\$ 47,203	\$ 62,989	\$ 50,533	\$ (113,522)	\$ 47,203	

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Statement of Operations:

	Nine Months Ended September 30, 2006					Consolidated
	Comstock Resources	Guarantor Subsidiaries	Non-Guarantor Subsidiaries <i>(In thousands)</i>	Eliminating Entries		
Oil and gas sales	\$ —	\$ 196,717	\$ 188,436	\$ —	\$ 385,153	
Operating expenses:						
Oil and gas operating	—	40,421	37,799	—	78,220	
Exploration	—	344	16,318	—	16,662	
Depreciation, depletion and amortization	444	51,393	52,620	—	104,457	
Impairment	—	8,737	1,432	—	10,169	
General and administrative, net	18,659	(4,833)	8,912	—	22,738	
Total operating expenses	19,103	96,062	117,081	—	232,246	
Income from operations	(19,103)	100,655	71,355		152,907	
Other income (expenses):						
Interest income		483	241	—	724	
Other income	—	147	469	—	616	
Interest expense	(14,041)	247	(4,528)	—	(18,322)	
Gain on derivatives	—	10,608	—	—	10,608	
Intercompany interest income (expense)	7,229	(7,229)	—	—	—	
Total other income (expenses)	(6,812)	4,256	(3,818)	—	(6,374)	
Income (loss) before income taxes and minority interest in earnings of Bois d'Arc Energy	(25,915)	104,911	67,537	—	146,533	
Provision for income taxes	280	(37,738)	(24,389)	—	(61,847)	
Minority interest in earnings of Bois d'Arc Energy	—	—	—	(22,433)	(22,433)	
Equity in earnings of subsidiaries	87,888	—	—	(87,888)	—	
Net income	\$ 62,253	\$ 67,173	\$ 43,148	\$ (110,321)	\$ 62,253	

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***Statement of Cash Flows:**

	Nine Months Ended September 30, 2007					Consolidated
	Comstock Resources	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries		
			<i>(In thousands)</i>			
Net Cash Provided by (Used for) Operating Activities	\$ (28,677)	\$ 177,536	\$ 176,003	\$ 23	\$ 324,885	
Cash Flows From Investing Activities:						
Capital expenditures	(874)	(289,774)	(171,176)	—	(461,824)	
Net Cash Used for Investing Activities	(874)	(289,774)	(171,176)	—	(461,824)	
Cash Flows From Financing Activities:						
Borrowings	142,000	—	32,000	—	174,000	
Principal payments on debt	—	—	(32,000)	—	(32,000)	
Advances to (from) parent	(113,296)	113,296	—	—	—	
Proceeds from issuance of common stock	279	—	510	—	789	
Excess tax benefit from stock-based compensation	602	—	23	(23)	602	
Debt issuance costs	(34)	—	(101)	—	(135)	
Net Cash Provided by Financing Activities	29,551	113,296	432	(23)	143,256	
Net increase in cash and cash equivalents	—	1,058	5,259	—	6,317	
Cash and cash equivalents, beginning of period	—	1,228	9,487	—	10,715	
Cash and cash equivalents, end of period	\$ —	\$ 2,286	\$ 14,746	\$ —	\$ 17,032	

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)***Statement of Cash Flows:**

	Nine Months Ended September 30, 2006				
	Comstock Resources	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
	<i>(In thousands)</i>				
Net Cash Provided by (Used for)					
Operating Activities	\$ (12,639)	\$ 148,968	\$ 137,971	\$ —	\$ 274,300
Cash Flows From Investing Activities:					
Capital expenditures and acquisitions	(929)	(207,318)	(196,048)	—	(404,295)
Acquisition of Bois d'Arc Energy, Inc. common stock	(35,865)	—	—	35,865	—
Payments to settle derivatives	—	(703)	—	—	(703)
Net Cash Used for Investing Activities	(36,794)	(208,021)	(196,048)	35,865	(404,998)
Cash Flows From Financing Activities:					
Borrowings	111,000	—	71,000	—	182,000
Principal payments on debt	(4,000)	—	(35,000)	—	(39,000)
Advances to (from) parent	(60,245)	60,245	—	—	—
Proceeds from issuance of common stock	1,756	—	35,990	(35,990)	1,756
Excess tax benefit from stock-based compensation	922	—	29	(29)	922
Debt issuance costs	—	(28)	(154)	154	(28)
Net Cash Provided by Financing Activities	49,433	60,217	71,865	(35,865)	145,650
Net increase in cash and cash equivalents	—	1,164	13,788	—	14,952
Cash and cash equivalents, beginning of period	—	89	—	—	89
	—	—	12,043	—	12,043

Bois d'Arc Energy
 cash and cash
 equivalents as of
 January 1, 2006
 Cash and cash
 equivalents, end of
 period

\$	—	\$	1,253	\$	25,831	\$	—	\$	27,084
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the consolidated balance sheet of Comstock Resources, Inc. (a Nevada corporation) and subsidiaries (the Company) as of September 30, 2007, and the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2007 and 2006, the consolidated statement of stockholders' equity for the nine months ended September 30, 2007, and the consolidated statements of cash flows for the nine-month periods ended September 30, 2007 and 2006. These financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Comstock Resources, Inc. and subsidiaries as of December 31, 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended not presented herein, and in our report dated February 28, 2007 we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the Company's adoption of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share Based Payment," effective January 1, 2006. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Dallas, Texas

November 7, 2007

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

This report contains forward-looking statements that involve risks and uncertainties that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those anticipated in our forward-looking statements due to many factors. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in this report and in our annual report filed on Form 10-K for the year ended December 31, 2006.

Investment in Bois d'Arc Energy

We own a controlling ownership interest in Bois d'Arc Energy and currently intend to maintain our controlling interest by acquiring additional shares of Bois d'Arc Energy common stock through open market purchases and other negotiated transactions, as appropriate. However, such controlling position and any further actions are subject to the outcome of an evaluation of strategic alternatives by the board of directors of Bois d'Arc Energy, including the potential sale of Bois d'Arc Energy. We include Bois d'Arc Energy in our consolidated financial statements.

Results of Operations

The following table reflects certain summary operating data for our onshore operations and for Bois d'Arc Energy for the periods presented:

	Three Months Ended September 30, 2007			Three Months Ended September 30, 2006		
	Onshore	Bois d'Arc Energy	Total	Onshore	Bois d'Arc Energy	Total
	<i>(In thousands, except per unit amounts)</i>					
Net Production Data:						
Oil (Mbbbls)	260	448	708	231	370	601
Natural Gas (Mmcf)	10,612	8,241	18,853	7,409	6,106	13,515
Natural Gas equivalent (Mmcfe)	12,170	10,930	23,100	8,792	8,328	17,120
Revenues:						
Oil sales	\$ 16,628	\$ 34,738	\$ 51,366	\$ 13,696	\$ 25,935	\$ 39,631
Gas sales	66,459	53,249	119,708	48,559	41,061	89,620
Total oil and gas sales	\$ 83,087	\$ 87,987	\$ 171,074	\$ 62,255	\$ 66,996	\$ 129,251
Expenses:						
Oil and gas operating expenses ⁽¹⁾	\$ 17,030	\$ 16,975	\$ 34,005	\$ 13,366	\$ 13,538	\$ 26,904
Exploration expense	\$ 1,375	\$ 4,335	\$ 5,710	\$ —	\$ 8,069	\$ 8,069
Depreciation, depletion and amortization	\$ 33,413	\$ 28,279	\$ 62,420	\$ 18,707	\$ 21,732	\$ 40,709
Average Sales Price:						
Oil (per Bbl)	\$ 64.06	\$ 77.50	\$ 72.57	\$ 59.42	\$ 70.01	\$ 65.95

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Natural gas (per Mcf)	\$	6.26	\$	6.46	\$	6.35	\$	6.55	\$	6.72	\$	6.63
Average equivalent (Mcf)	\$	6.83	\$	8.05	\$	7.41	\$	7.08	\$	8.04	\$	7.55
Expenses (\$ per Mcfe):												
Oil and gas operating ⁽¹⁾	\$	1.40	\$	1.55	\$	1.47	\$	1.52	\$	1.63	\$	1.57
Depreciation, depletion and amortization ⁽²⁾	\$	2.73	\$	2.57	\$	2.69	\$	2.12	\$	2.60	\$	2.37

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

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

	Nine Months Ended September 30, 2007			Nine Months Ended September 30, 2006		
	Onshore	Bois d'Arc Energy	Total	Onshore	Bois d'Arc Energy	Total
<i>(In thousands, except per unit amounts)</i>						
Net Production Data:						
Oil (Mbbbls)	766	1,233	1,999	696	1,033	1,729
Natural Gas (Mmcf)	28,462	24,136	52,598	22,327	16,388	38,715
Natural Gas equivalent (Mmcfe)	33,056	31,535	64,591	26,501	22,587	49,088
Revenues:						
Oil sales	\$ 42,993	\$ 83,844	\$ 126,837	\$ 39,808	\$ 69,215	\$ 109,023
Gas sales	193,101	171,371	364,472	156,909	119,221	276,130
Total oil and gas sales	\$ 236,094	\$ 255,215	\$ 491,309	\$ 196,717	\$ 188,436	\$ 385,153
Expenses:						
Oil and gas operating expenses ⁽¹⁾	\$ 48,709	\$ 42,559	\$ 91,268	\$ 40,421	\$ 37,799	\$ 78,220
Exploration expense	\$ 3,651	\$ 33,058	\$ 36,709	\$ 344	\$ 16,318	\$ 16,662
Depreciation, depletion and amortization	\$ 91,021	\$ 85,573	\$ 178,887	\$ 51,567	\$ 52,620	\$ 104,457
Average Sales Price:						
Oil (per Bbl)	\$ 56.15	\$ 67.99	\$ 63.45	\$ 57.22	\$ 67.00	\$ 63.06
Natural gas (per Mcf)	\$ 6.78	\$ 7.10	\$ 6.93	\$ 7.03	\$ 7.27	\$ 7.13
Average equivalent (Mcf)	\$ 7.14	\$ 8.09	\$ 7.61	\$ 7.42	\$ 8.34	\$ 7.85
Expenses (\$ per Mcfe):						
Oil and gas operating ⁽¹⁾	\$ 1.47	\$ 1.35	\$ 1.41	\$ 1.53	\$ 1.67	\$ 1.59
Depreciation, depletion and amortization ⁽²⁾	\$ 2.74	\$ 2.70	\$ 2.76	\$ 1.94	\$ 2.32	\$ 2.12

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

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

Revenues –

Our oil and gas sales in the third quarter of 2007 of \$171.1 million increased \$41.8 million (32%) over our sales of \$129.3 million in the third quarter of 2006. The growth in sales resulted from our higher production in the third quarter of 2007. Production in the third quarter of 2007 increased 35% to 23.1 Bcfe as compared to production of 17.1 Bcfe in the third quarter of 2006. Our realized oil prices in the third quarter of 2007 averaged \$72.57 per barrel, 10% higher than the \$65.95 per barrel realized in the third quarter of 2006. Our average realized natural gas price of \$6.35 per Mcf in the third quarter of 2007 was 4% lower than our average natural gas price of \$6.63 per Mcf for the three months ended September 30, 2006.

Oil and gas sales from our onshore properties increased \$20.8 million to \$83.1 million for the three months ended September 30, 2007 from \$62.3 million for the third quarter of 2006. Our onshore production in the third quarter of 2007 increased by 38% to 12.2 Bcfe over production in the third quarter of 2006 of 8.8 Bcfe. The production increase was attributable to our development drilling activity primarily in our East Texas/North Louisiana and South Texas regions. Our average onshore realized crude oil price increased by 8% and our average onshore realized natural gas price decreased by 4% in the third quarter of 2007 as compared to the third quarter of 2006. Oil and gas sales from Bois d'Arc Energy's operations for the third quarter of 2007 of \$88.0 million increased \$21.0 million or 31% compared with the third quarter of 2006. Bois d'Arc Energy's production of 10.9 Bcfe in the third quarter of 2007 increased by 31% from the production in the third quarter of 2006 of 8.3 Bcfe. The increase was due primarily to production from new wells we drilled. Bois d'Arc Energy's average oil price increased by 11% and Bois d'Arc Energy's average natural gas price decreased by 4% in the third quarter of 2007 as compared to the third quarter of 2006.

Our oil and gas sales in the first nine months of 2007 of \$491.3 million increased \$106.1 million (28%) over our sales of \$385.2 million in the first nine months of 2006. The growth in sales was attributable to our higher production. Production in the first nine months of 2007 increased 32% to 64.6 Bcfe as compared to production of 49.1 Bcfe in the first nine months of 2006. Our realized oil prices in the first nine months of 2007 averaged \$63.45 per barrel, slightly higher than the \$63.06 per barrel realized in the first nine months of 2006. Our average realized natural gas price of \$6.93 per Mcf in the first nine months of 2007 was 3% less than our average natural gas price of \$7.13 per Mcf for the nine months ended September 30, 2006.

Oil and gas sales from our onshore properties increased \$39.4 million to \$236.1 million for the nine months ended September 30, 2007 from \$196.7 million for the first nine months of 2006. Our onshore production in the first nine months of 2007 increased by 25% to 33.1 Bcfe from production in the first nine months of 2006 of 26.5 Bcfe. The production increase was attributable to our development drilling activity primarily in our East Texas/North Louisiana and South Texas regions. Our average onshore realized crude oil price decreased by 2% and our average onshore realized natural gas price decreased by 3% in the first nine months of 2007 as compared to the first nine months of 2006. Oil and gas sales from Bois d'Arc Energy's operations for the first nine months of 2007 of \$255.2 million increased \$66.8 million or 35% as compared with the first nine months of 2006. Bois d'Arc Energy's production of 31.5 Bcfe in the first nine months of 2007 increased by 40% from the production in the first nine months of 2006 of 22.6 Bcfe. The increase was due to production from new wells and restoration of 3.5 Bcfe of deferred production Bois d'Arc Energy had in the first half of 2006 which resulted from the 2005 hurricanes. Bois d'Arc Energy's average oil price increased by 1% and Bois d'Arc Energy's average natural gas price decreased by 2% in the first nine months of 2007 as compared to the first nine months of 2006.

Costs and Expenses -

Our oil and gas operating expenses, including production taxes, increased \$7.1 million (26%) to \$34.0 million in the third quarter of 2007 from \$26.9 million in the third quarter of 2006. Oil and gas operating expenses from our onshore operations increased \$3.6 million (27%) to \$17.0 million from \$13.4 million in the third quarter of 2006 primarily due to the 38% increase in production in the third quarter of 2007. Oil and gas operating expenses per equivalent Mcf produced for our onshore operations decreased \$0.12 (8%) to \$1.40 in the third quarter of 2007 from \$1.52 in the third quarter of 2006. Bois d'Arc Energy's oil and gas operating costs for the third quarter of 2007 of \$17.0 million increased \$3.5 million (25%) from \$13.5 million in the third quarter of 2006. Oil and gas operating expenses per equivalent Mcf produced for Bois d'Arc Energy's operations decreased \$.07 (4%) to \$1.55 in the third quarter of 2007 from \$1.63 in the third quarter of 2006. The decrease is due to the fixed nature of a substantial portion of Bois d'Arc Energy's lifting costs and lower repair and maintenance costs in 2007.

Oil and gas operating expenses increased \$13.1 million (17%) to \$91.3 million in the first nine months of 2007 from \$78.2 million in the first nine months of 2006. Onshore oil and gas operating expenses increased \$8.3 million (21%) as the result of the higher production level and the costs associated with new wells. Onshore oil and gas operating expenses per Mcfe produced decreased \$0.06 to \$1.47 for the nine months ended September 30, 2007 from \$1.53 for the same period in 2006. Offshore oil and gas operating expenses increased \$4.8 million (13%) to \$42.6 million for the first nine months of 2007 primarily due to lifting costs associated with new wells placed on production. Oil and gas operating expenses per equivalent Mcf produced for Bois d'Arc Energy operations decreased \$.32 (19%) to \$1.35 in the first nine months of 2007 from \$1.67 in the first nine months of 2006. The decrease is due to the fixed nature of a substantial portion of Bois d'Arc Energy's lifting costs and lower repair and maintenance costs in 2007. Operating expenses in 2006 included \$3.1 million of offshore repair costs related to the 2005 hurricanes.

In the third quarter of 2007, we had \$5.7 million of exploration expense as compared to \$8.1 million in the third quarter of 2006. Exploration expense in the third quarter of 2007 primarily related to an exploratory dry hole drilled and the acquisition of seismic data. In the third quarter of 2006, we had one offshore exploratory dry hole and the cost

of seismic data acquired. In the first nine months of 2007, we had \$36.7 million of exploration expense as compared to \$16.7 million in the first nine months of 2006. Exploration expense in the first nine months of 2007 primarily related to five offshore and three onshore exploratory dry holes and the cost of seismic data acquired by Bois d'Arc Energy. The provision in the first nine months of 2006 primarily related to three offshore exploratory dry holes and seismic data acquired by Bois d'Arc Energy.

Depreciation, depletion and amortization ("DD&A") increased \$21.7 million (53%) to \$62.4 million in the third quarter of 2007 from DD&A expense of \$40.7 million in the third quarter of 2006. DD&A for our onshore properties increased \$14.7 million to \$33.4 million for the three months ended September 30, 2007 from \$18.7 million in the third quarter of 2006 due to our 38% higher production level and an increase in our onshore average DD&A rate. Our onshore DD&A per equivalent Mcf produced increased by \$0.61 to \$2.73 for the three months ended September 30, 2007 from \$2.12 for the three months ended September 30, 2006. This increased rate was primarily attributable to the higher capitalized costs associated with our drilling program and our acquisitions completed in 2006 and 2007. DD&A related to Bois d'Arc Energy for the third quarter of 2007 increased \$6.6 million to \$28.3 million from \$21.7 million in the third quarter of 2006 million due primarily to the 31% higher production level. The DD&A rate per Mcfe produced for Bois d'Arc Energy's operations in the third quarter of 2007 decreased to \$2.57 per Mcfe from \$2.60 in the third quarter of 2006.

For the nine months ended September 30, 2007, DD&A increased \$74.4 million (71%) to \$178.9 million from \$104.5 million for the nine months ended September 30, 2006. DD&A for our onshore properties increased \$39.4 million (77%) to \$91.0 million from \$51.6 million in the first nine months of 2006. The increase is due to the 25% increase in onshore production and the increased amortization rate of \$2.74 per Mcfe in the first half of 2007 as compared to \$1.94 per Mcfe for the first nine months of 2006. The higher rate is attributable to higher costs of the acquisitions we made in 2006 and 2007 and higher drilling costs associated with our onshore drilling program. The DD&A associated with Bois d'Arc Energy's offshore properties of \$85.6 million for the first nine months of 2007 increased \$33.0 million (63%) from \$52.6 million for the nine months ended September 30, 2006 due to the 40% increase in produced volumes and a higher amortization rate. The DD&A rate per Mcfe produced for Bois d'Arc Energy's operations in the first nine months of 2007 increased \$0.38 per Mcfe to \$2.70 per Mcfe from \$2.32 in the first nine months of 2006 due to higher capitalized costs related to Bois d'Arc Energy's drilling program.

Impairment expense of \$0.8 million for the three months ended September 30, 2007 and \$1.4 million for the three months ended September 30, 2006 relate to impairments of minor valued fields. Impairment expense for the first nine months of 2007 of \$0.8 million decreased \$9.4 million from impairment expense of \$10.2 million for the nine months ended September 30, 2006 mainly as a result of the impairment in 2006 of a property held for resale for which the plan to sell the property was subsequently cancelled.

General and administrative expense, which is reported net of overhead reimbursements, increased by \$1.3 million to \$8.7 million for the third quarter of 2007 as compared to general and administrative expense of \$7.4 million for the third quarter of 2006. Included in general and administrative expense is stock-based compensation of \$4.3 million and \$3.3 million for the three months ended September 30, 2007 and 2006, respectively. For the first nine months of 2007, general and administrative expense increased to \$26.5 million from \$22.7 million for the nine months ended September 30, 2006. These increases primarily reflect the additional personnel we have added since the beginning of 2007. Included in general and administrative expense is stock-based compensation of \$12.9 million and \$9.8 million for the nine months ended September 30, 2007 and 2006, respectively.

Interest expense increased \$4.5 million (67%) to \$11.2 million for the third quarter of 2007 from interest expense of \$6.7 million in the third quarter of 2006. The increase was primarily due to increased borrowings under our bank credit facilities during the third quarter of 2007 and higher interest rates. The average borrowings outstanding increased to \$427.5 million during the third quarter of 2007 as compared to \$180.5 million in the third quarter of 2006. The average interest rate we were charged on the outstanding borrowings under our credit facilities increased to 6.9% in the third quarter of 2007 as compared to 6.8% in the third quarter of 2006. Interest expense for the nine months ended September 30, 2007 increased \$11.6 million (63%) to \$29.9 million from \$18.3 million for the nine months ended September 30, 2006. The increase is attributable to higher average borrowings under the bank credit facilities and higher interest rates. Average borrowings outstanding increased to \$374.0 million during the first nine months of 2007 as compared to \$157.0 million for the nine months ended September 30, 2006. The average interest rate under our bank credit facilities increased to 6.7% in the first nine months of 2007 as compared to 6.4% in the first nine months of 2006.

We had no outstanding derivatives during the three months and nine months ended September 30, 2007. We had natural gas price derivatives outstanding during the three and nine months ended September 31, 2006 and we did not designate these derivatives as cash flow hedges in 2006 and, accordingly, we recognized gains from the change in the fair value of these liabilities in 2006. During 2006, the fair value of our liability for these derivatives decreased during the nine months ended September 30, 2006 resulting in net gains of \$1.2 million and \$10.6 million for the three months and nine months ended September 30, 2006, respectively.

Income tax expense increased \$4.9 million (30%) to \$21.6 million for the three months ended September 30, 2007 from income tax expense of \$16.7 million for the third quarter of 2006. The increase was mainly due to higher income during the third quarter of 2007. Income tax expense decreased \$5.8 million (10%) to \$56.0 million for the nine months ended September 30, 2007 from income tax expense of \$61.8 million for the first nine months of 2006. The decrease was primarily due to lower income during the first nine months of 2007.

Minority interest in earnings of Bois d'Arc Energy of \$10.8 million for the three months ended September 30, 2007 increased \$4.8 million (80%) from the minority interest in earnings of \$6.0 million for the comparable period in 2006 due to Bois d'Arc Energy's higher net income for the three months ended September 30, 2007. Minority interest in earnings of Bois d'Arc Energy of \$25.6 million for the first nine months of 2007 increased \$3.2 million (14%) from the minority interest in earnings of \$22.4 million for the comparable period in 2006 due to Bois d'Arc Energy's higher net income for the nine months ended September 30, 2007.

We reported net income of \$16.4 million for the three months ended September 30, 2007, as compared to \$17.0 million for the three months ended September 30, 2006. The net income per share for the third quarter of 2007 was \$0.37 on weighted average diluted shares outstanding of 44.4 million as compared to \$0.39 for the third quarter of 2006 on weighted average diluted shares outstanding of 43.6 million. Net income for the nine months ended September 30, 2007 was \$47.2 million, as compared to net income of \$62.3 million for the nine months ended September 30, 2006. Net income per share for the nine months ended September 30, 2007 was \$1.05 on weighted average diluted shares outstanding of 44.3 million as compared to net income per share of \$1.42 on weighted average diluted shares outstanding of 43.5 million for the nine months ended September 30, 2006. Increases in exploration expense and DD&A in the first nine months of 2007 as compared to the same period in 2006 offset the higher oil and gas sales in the first nine months of 2007. The 2006 results also included a \$10.6 million gain from derivatives.

Liquidity and Capital Resources

Funding for our activities has historically been provided by our operating cash flow, debt or equity financings or asset dispositions. For the nine months ended September 30, 2007, our primary sources of funds were net cash flow from operations of \$324.9 million and net borrowings under our credit facilities of \$142.0 million. Our net cash flow from operating activities increased \$50.6 million (18%) in the first nine months of 2007 from \$274.3 million for the nine months ended September 30, 2006. This increase is primarily due to the higher revenues we had in the first nine months of 2007 driven by the 32% increase in our oil and gas production.

Our primary needs for capital, in addition to funding our ongoing operations, relate to the acquisition, development and exploration of our oil and gas properties and the repayment of our debt. In the first nine months of 2007, we incurred capital expenditures of \$454.8 million primarily for our acquisition, development and exploration activities.

The following table summarizes our capital expenditure activity, on an accrual basis, for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30, 2007			Nine Months Ended September 30, 2006		
	Onshore	Bois d'Arc Energy	Total	Onshore	Bois d'Arc Energy	Total
	<i>(In thousands)</i>					
Acquisitions of oil and gas properties	\$ 31,189	\$ —	\$ 31,189	\$ 68,175	\$ 18,178	\$ 86,353
Leasehold costs	7,546	1,727	9,273	3,383	2,108	5,491
Development drilling	231,870	41,268	273,138	123,916	39,027	162,943
Exploratory drilling	10,424	82,275	92,699	75	87,771	87,846
Other development	5,775	41,799	47,574	17,389	44,714	62,103
	286,804	167,069	453,873	212,938	191,798	404,736
Other	806	83	889	388	1,595	1,983
	\$ 287,610	\$ 167,152	\$ 454,762	\$ 213,326	\$ 193,393	\$ 406,719

The timing of most of our capital expenditures is discretionary because we have no material long-term capital expenditure commitments except for commitments for contract drilling services and for seismic data acquisitions. Consequently, we have a significant degree of flexibility to adjust the level of our capital expenditures as circumstances warrant. As of September 30, 2007 we have contracted for the services of onshore drilling rigs through September 2008 at an aggregate cost of \$24.4 million. As of September 30, 2007, Bois d'Arc Energy has long term commitments to acquire seismic data totaling \$8.3 million through December 2008 and has commitments for drilling services through January 31, 2008 of \$6.1 million. We have obligations to incur future payments for dismantlement, abandonment and restoration costs of oil and gas properties. These payments are currently estimated to be incurred primarily after 2011. We record a separate liability for the fair value of these asset retirement obligations which totaled \$60.4 million and \$44.3 million as of September 30, 2007 and 2006, respectively.

We spent \$255.6 million and \$144.8 million on our onshore development and exploration activities during the nine months ended September 30, 2007 and 2006, respectively. We expect to spend approximately \$330.0 million for onshore development and exploration projects for all of 2007. Bois d'Arc Energy spent \$167.1 million and \$173.6 million on offshore development and exploration activities in the nine months ended September 30, 2007 and 2006, respectively, and expects to spend \$215.0 million for offshore capital expenditures for all of 2007. Development and exploration activities are funded primarily with operating cash flow and with borrowings under our bank credit facilities.

We spent \$31.2 million on an acquisition of oil and gas properties in South Texas that was completed in June 2007. We do not have a specific acquisition budget for 2007 since the timing and size of acquisitions are not predictable. We intend to use borrowings under our bank credit facilities, or other debt or equity financings to the extent available, to finance significant acquisitions. The availability and attractiveness of these sources of financing will depend upon a number of factors, some of which will relate to our financial condition and performance and some of which will be beyond our control, such as prevailing interest rates, oil and natural gas prices and other market conditions.

We have a \$600.0 million bank credit facility with the Bank of Montreal, as the administrative agent. The credit facility is a five-year revolving credit commitment that matures on December 15, 2011. The credit facility is subject to borrowing base availability, which is redetermined semiannually based on the banks' estimates of the future net cash flows of our oil and natural gas properties. The borrowing base may be affected by the performance of our properties and changes in oil and natural gas prices. As of September 30, 2007 the borrowing base was \$400.0 million, \$78.0 million of which was available. The borrowing base was increased to \$500.0 million on November 5, 2007. Indebtedness under the bank credit facility is secured by substantially all of our wholly-owned subsidiaries' oil and gas properties and is guaranteed by all of our wholly-owned subsidiaries. Borrowings under the credit facility bear interest, based on the utilization of the borrowing base, at our option of either LIBOR plus 1.0% to 1.75% or the base rate (which is the higher of the prime rate or the federal funds rate) plus 0% to 0.5%. A commitment fee of 0.25% to 0.375% based on the utilization of the borrowing base is payable on the unused borrowing base. The credit facility contains covenants that, among other things, restrict the payment of cash dividends in excess of \$40.0 million, limit the amount of consolidated debt that we may incur and limit our ability to make certain loans and investments. The only financial covenants are the maintenance of a current ratio and maintenance of a minimum tangible net worth. We were in compliance with these covenants as of September 30, 2007. We also have \$175.0 million of 6 % senior notes due March 1, 2012, with interest payable semiannually on each March 1 and September 1. The notes are unsecured obligations and are guaranteed by all of our wholly owned subsidiaries.

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Bois d'Arc Energy has a bank credit facility with the Bank of Nova Scotia and several other banks. The credit facility matures on May 11, 2009. Borrowings under the credit facility are limited to a borrowing base that is redetermined semi-annually based on the banks' estimates of the future net cash flows of Bois d'Arc Energy's oil and natural gas properties. The determination of the borrowing base is at the sole discretion of the administrative agent and the bank group. The borrowing base was \$225.0 million as of September 30, 2007, and availability under the borrowing base was \$125.0 million. Indebtedness under the credit facility is secured by substantially all of Bois d'Arc Energy and its subsidiaries' assets, and all of Bois d'Arc Energy's subsidiaries are guarantors of the indebtedness. The credit facility contains covenants that restrict the payment of cash dividends in excess of \$5.0 million, borrowings, sales of assets, loans to others, capital expenditures, investments, merger activity, hedging contracts, liens and certain other transactions without the prior consent of the lenders and requires Bois d'Arc Energy to maintain a ratio of current assets, including the availability under the bank credit facility, to current liabilities of at least one-to-one and a ratio of indebtedness to earnings before interest, taxes, depreciation, depletion, and amortization, exploration and impairment expense of no more than 2.5-to-one.

We believe that our cash flow from operations and available borrowings under our bank credit facilities will be sufficient to fund our operations and future growth as contemplated under our current business plan. However, if our plans or assumptions change or if our assumptions prove to be inaccurate, we may be required to seek additional capital. We cannot provide any assurance that we will be able to obtain such capital, or if such capital is available, that we will be able to obtain it on terms acceptable to us.

Critical Accounting Policies

The information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in our annual report filed on Form 10-K for the year ended December 31, 2006 is incorporated herein by reference.

Effective January 1, 2007 we adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109 ("FIN 48") which clarifies the accounting and disclosures for uncertainty in income tax positions, as defined. The adoption of FIN 48 had no impact on the amounts recorded by us related to uncertain tax positions.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). This statement establishes a framework for fair value measurements in the financial statements by providing a single definition of fair value, provides guidance on the methods used to estimate fair value and increases disclosures about estimates of fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and is generally applied prospectively. We are currently evaluating the impact of this statement on our consolidated financial statements.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Oil and Natural Gas Prices

Our financial condition, results of operations and capital resources are highly dependent upon the prevailing market prices of oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors, some of which are beyond our control. Factors influencing oil and natural gas prices include the level of global demand for crude oil, the foreign supply of oil and natural gas, the establishment of and compliance with production quotas by oil exporting countries, weather conditions that determine the demand for natural gas, the price and availability of alternative fuels and overall economic conditions. It is impossible to predict future oil and natural gas prices with any degree of certainty. Sustained weakness in oil and natural gas prices may adversely affect our financial condition and results of operations, and may also reduce the amount of oil and natural gas reserves that we can produce economically. Any reduction in our oil and natural gas reserves, including reductions due to price fluctuations, can have an adverse effect on our ability to obtain capital for our exploration and development

activities. Similarly, any improvements in oil and natural gas prices can have a favorable impact on our financial condition, results of operations and capital resources. Based on our oil and natural gas production for the nine months ended September 30, 2007, a \$1.00 change in the price per barrel of oil would have resulted in a change in our cash flow for such period by approximately \$1.9 million and a \$1.00 change in the price per Mcf of natural gas would have changed our cash flow by approximately \$51.3 million.

Interest Rates

At September 30, 2007, we had total long-term debt of \$597.0 million. Of this amount, \$175.0 million bears interest at a fixed rate of 6 %. We had \$422.0 million outstanding under our bank credit facilities, which bear interest at a fluctuating rate that is linked to LIBOR or the corporate base rate, at our option. Any increases in these interest rates can have an adverse impact on our results of operations and cash flow. Based on borrowings outstanding at September 30, 2007, a 100 basis point change in interest rates would change our interest expense for the nine month period ended September 30, 2007 by approximately \$3.2 million.

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ITEM 4: CONTROLS AND PROCEDURES

As of September 30, 2007, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2007 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by us is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal controls over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended September 30, 2007, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 6:

EXHIBITS

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

* Filed herewith.

SIGNATURES

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

COMSTOCK RESOURCES, INC.

Date: November 7, 2007 /s/ M. JAY ALLISON
M. Jay Allison, Chairman, President and Chief
Executive Officer (Principal Executive Officer)

Date: November 7, 2007 /s/ ROLAND O. BURNS
Roland O. Burns, Senior Vice President,
Chief Financial Officer, Secretary, and Treasurer
(Principal Financial and Accounting Officer)

