

COMSTOCK RESOURCES INC
Form 10-Q
May 05, 2010

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 March 31, 2010

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
(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 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller

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reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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 May 5, 2010 was 47,241,606.

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT

For the Quarter Ended March 31, 2010

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Awareness Letter of Ernst & Young LLP

Section 302 Certification of the Chief Executive Officer

Section 302 Certification of the Chief Financial Officer

Certification for the Chief Executive Officer as required by Section 906

Certification for the Chief Financial Officer as required by Section 906

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
	(In thousands)	
Cash and Cash Equivalents	\$ 122,197	\$ 90,472
Accounts Receivable:		
Oil and gas sales	35,270	31,435
Joint interest operations	9,796	8,845
Marketable Securities	94,378	95,973
Income Taxes Receivable	—	42,402
Other Current Assets	7,188	4,259
Total current assets	268,829	273,386
Property and Equipment:		
Unevaluated oil and gas properties	138,727	130,364
Oil and gas properties, successful efforts method	2,374,956	2,289,571
Other property and equipment	6,413	6,477
Accumulated depreciation, depletion and amortization	(909,492)	(850,125)
Net property and equipment	1,610,604	1,576,287
Other Assets	9,136	9,288
	\$ 1,888,569	\$ 1,858,961

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts Payable	\$ 79,425	\$ 67,488
Accrued Expenses	20,863	20,695
Deferred Income Taxes Payable	6,029	6,588
Total current liabilities	106,317	94,771
Long-term Debt	470,970	470,836
Deferred Income Taxes Payable	225,481	220,682
Reserve for Future Abandonment Costs	6,716	6,561
Total liabilities	809,484	792,850
Commitments and Contingencies		
Stockholders' Equity:		
Common stock – \$0.50 par, 75,000,000 shares authorized, 47,241,606 and 47,103,770 shares outstanding at March 31, 2010 and December 31, 2009, respectively	23,621	23,552
Additional paid-in capital	441,104	434,505
Retained earnings	584,777	577,435

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Accumulated other comprehensive income	29,583	30,619
Total stockholders' equity	1,079,085	1,066,111
	\$ 1,888,569	\$ 1,858,961

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
	(In thousands, except per share amounts)	
Revenues:		
Oil and gas sales	\$ 106,089	\$ 68,351
Operating expenses:		
Production taxes	1,675	1,122
Gathering and transportation	4,528	1,244
Lease operating	14,160	14,593
Exploration	1,169	13
Depreciation, depletion and amortization	59,409	47,272
Impairment of oil and gas properties	159	—
General and administrative, net	9,801	9,819
Total operating expenses	90,901	74,063
Operating income (loss)	15,188	(5,712)
Other income (expenses):		
Interest income	139	22
Other income	20	63
Interest expense	(7,844)	(2,162)
Total other income (expenses)	(7,685)	(2,077)
Income (loss) before income taxes	7,503	(7,789)
Benefit from (provision for) income taxes	(161)	2,132
Net income (loss)	\$ 7,342	\$ (5,657)
Net income (loss) per share:		
Basic	\$ 0.16	\$ (0.12)
Diluted	\$ 0.16	\$ (0.12)
Weighted average shares outstanding:		
Basic	45,408	44,941
Diluted	45,544	44,941

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2010

(Unaudited)

	Common Stock (Shares)	Common Stock – Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
(In thousands)						
Balance at January 1, 2010	47,104	\$ 23,552	\$ 434,505	\$ 577,435	\$ 30,619	\$ 1,066,111
Exercise of stock options	138	69	876	—	—	945
Stock-based compensation	—	—	4,233	—	—	4,233
Tax benefit from stock-based compensation	—	—	1,490	—	—	1,490
Net income	—	—	—	7,342	—	7,342
Unrealized loss on marketable securities, net of income taxes	—	—	—	—	(1,0366)	(1,036)
Total comprehensive income						6,306
Balance at March 31, 2010	47,242	\$ 23,621	\$ 441,104	\$ 584,777	\$ 29,583	\$ 1,079,085

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)

	Three Months Ended March 31,	
	2010	2009
	(In thousands)	
CASH FLOWS FROM OPERATIONS:		
Cash Flows from Operating Activities:		
Net income (loss)	\$ 7,342	\$ (5,657)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Deferred income taxes	(55)	(721)
Depreciation, depletion and amortization	59,409	47,272
Impairment of oil and gas properties	159	—
Debt issuance costs and discount amortization	602	203
Stock-based compensation	4,233	3,667
Excess tax benefit from stock-based compensation	(1,490)	(679)
(Increase) decrease in accounts receivable	(4,786)	10,185
Decrease in other current assets	45,817	235
Increase (decrease) in accounts payable and accrued expenses	13,505	(14,043)
Net cash provided by operating activities	124,736	40,462
Cash Flows from Investing Activities:		
Capital expenditures	(95,446)	(101,657)
Net cash used for investing activities	(95,446)	(101,657)
Cash Flows from Financing Activities:		
Borrowings	—	55,000
Proceeds from issuance of common stock	945	204
Excess tax benefit from stock-based compensation	1,490	679
Debt issuance costs		