COMSTOCK RESOURCES INC
Form 10-K/A
March 20, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2005

or

o **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	**94-1667468**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

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

(972) 668-8800
(Registrant s telephone number and area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $.50 Par Value	**New York Stock Exchange**
Preferred Stock Purchase Rights	**New York Stock Exchange**
(Title of class)	*(Name of exchange on which registered)*

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. þ

Indicate by check mark whether the registrant is a large 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 þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes o No þ

As of March 15, 2006, there were 42,970,762 shares of common stock outstanding.

The aggregate market value of the common stock held by non-affiliates of the registrant, based on the closing price of the common stock on the New York Stock Exchange on June 30, 2005 (the last business day of the registrant s most recently completed second fiscal quarter), was $1.0 billion.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2006 Annual Meeting of Stockholders to be held May 10, 2006 are incorporated by reference into Part III of this report.

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (the Amendment) is being filed to (i) correct the headings in the table presenting our proved reserves at December 31, 2005 appearing in Items 1 and 2 of our Annual Report on Form 10-K for the year ended December 31, 2005 (the Original Filing) and (ii) correct certain typographical errors contained in the audited financial statements of Bois d Arc Energy, Inc. (pages F-30 through F-51) and conform such financial statements to the audited financial statements filed with Bois d Arc Energy, Inc. s Annual Report on Form 10-K for the year ended December 31, 2005. Except for the matters described above, this Amendment does not modify or update any disclosures contained in the Original Filing.

COMSTOCK RESOURCES, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2005

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information contained in this report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are identified by their use of terms such as expect, estimate, anticipate, project, plan, intend, believe and si All statements, other than statements of historical facts, included in this report, are forward-looking statements, including statements mentioned under Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations, regarding:

- amount and timing of future production of oil and natural gas;
- the availability of exploration and development opportunities;
- amount, nature and timing of capital expenditures;
- the number of anticipated wells to be drilled after the date hereof;
- our financial or operating results;
- our cash flow and anticipated liquidity;
- operating costs including lease operating expenses, administrative costs and other expenses;
- finding and development costs;
- our business strategy; and
- other plans and objectives for future operations.

Any or all of our forward-looking statements in this report may turn out to be incorrect. They can be affected by a number of factors, including, among others:

- the risks described in Risk Factors and elsewhere in this report;
- the volatility of prices and supply of, and demand for, oil and natural gas;
- the timing and success of our drilling activities;
- the numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and actual future production rates and associated costs;
- our ability to successfully identify, execute or effectively integrate future acquisitions;
- the usual hazards associated with the oil and natural gas industry, including fires, well blowouts, pipe failure, spills, explosions and other unforeseen hazards;
- our ability to effectively market our oil and natural gas;

the availability of rigs, equipment, supplies and personnel;

our ability to discover or acquire additional reserves;

our ability to satisfy future capital requirements;

changes in regulatory requirements;

general economic and competitive conditions;

our ability to retain key members of our senior management and key employees; and

hostilities in the Middle East and other sustained military campaigns and acts of terrorism or sabotage that impact the supply of crude oil and natural gas.

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DEFINITIONS

The following are abbreviations and definitions of terms commonly used in the oil and gas industry and this report. Natural gas equivalents and crude oil equivalents are determined using the ratio of six Mcf to one barrel. All references to us, our, we or Comstock mean the registrant, Comstock Resources, Inc. and where applicable, its consolidated subsidiaries.

Bbl means a barrel of U.S. 42 gallons of oil.

Bcf means one billion cubic feet of natural gas.

Bcfe means one billion cubic feet of natural gas equivalent.

Btu means British thermal unit, which is the quantity of heat required to raise the temperature of one pound of water from 58.5 to 59.5 degrees Fahrenheit.

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

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

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

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

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

Gross when used with respect to acres or wells, production or reserves refers to the total acres or wells in which we or another specified person has a working interest.

MBbls means one thousand barrels of oil.

MBbls/d means one thousand barrels of oil per day.

Mcf means one thousand cubic feet of natural gas.

Mcfe means one thousand cubic feet of natural gas equivalent.

MMBbls means one million barrels of oil.

MMcf means one million cubic feet of natural gas.

MMcf/d means one million cubic feet of natural gas per day.

MMcfe/d means one million cubic feet of natural gas equivalent per day.

MMcfe means one million cubic feet of natural gas equivalent.

Net when used with respect to acres or wells, refers to gross acres of wells multiplied, in each case, by the percentage working interest owned by us.

Net production means production we own less royalties and production due others.

Oil means crude oil or condensate.

Operator means the individual or company responsible for the exploration, development, and production of an oil or gas well or lease.

PV 10 Value means the present value of estimated future revenues to be generated from the production of proved reserves calculated in accordance with the Securities and Exchange Commission guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to non-property related expenses such as general and administrative expenses, debt service, future income tax expense and depreciation, depletion and amortization, and discounted using an annual discount rate of 10%. This amount is the same as the standardized measure of discounted future net cash flows related to proved oil and natural gas reserves except that it is determined without deducting future income taxes.

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Proved developed reserves means reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery will be included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved developed non-producing means reserves (i) expected to be recovered from zones capable of producing but which are shut-in because no market outlet exists at the present time or whose date of connection to a pipeline is uncertain or (ii) currently behind the pipe in existing wells, which are considered proved by virtue of successful testing or production of offsetting wells.

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

Proved reserves means the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Proved undeveloped reserves means reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

Recompletion means the completion for production of an existing well bore in another formation from which the well has been previously completed.

Reserve life means the calculation derived by dividing year-end reserves by total production in that year.

Reserve replacement means the calculation derived by dividing additions to reserves from acquisitions, extensions, discoveries and revisions of previous estimates in a year by total production in that year.

Royalty means an interest in an oil and gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage. Royalties may be either landowner s royalties, which are reserved by the owner of the leased acreage at the time the lease is granted, or overriding royalties, which are usually reserved by an owner of the leasehold in connection with a transfer to a subsequent owner.

3-D seismic means an advanced technology method of detecting accumulations of hydrocarbons identified by the collection and measurement of the intensity and timing of sound waves transmitted into the earth as they reflect back to the surface.

Working interest means an interest in an oil and gas lease that gives the owner of the interest the right to drill for and produce oil and gas on the leased acreage and requires the owner to pay a share of the costs of drilling and production operations. The share of production to which a working interest owner is entitled will always be smaller than the share of costs that the working interest owner is required to bear, with the balance of the production accruing to the owners of royalties. For example, the owner of a 100% working interest in a lease burdened only by a landowner s royalty of 12.5% would be required to pay 100% of the costs of a well but would be entitled to retain 87.5% of the production.

Workover means operations on a producing well to restore or increase production.

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PART I

ITEMS 1. and 2. *BUSINESS AND PROPERTIES*

General

Comstock Resources, Inc. is a Nevada corporation whose common stock is listed and traded on the New York Stock Exchange and is engaged in the acquisition, development, production and exploration of oil and natural gas.

Our oil and natural gas operations are concentrated in the East Texas/North Louisiana, Southeast Texas, South Texas and Mississippi regions. In addition, we have properties in other regions in Arkansas, Kansas, Kentucky, New Mexico and Oklahoma. We also own 48% of Bois d Arc Energy, Inc. (Bois d Arc Energy), a publicly-held company which conducts exploration, development and production operations in state and federal waters of the Gulf of Mexico. Our onshore oil and natural gas properties are estimated to have proved reserves of 504.7 Bcfe with an estimated PV 10 Value of $1.6 billion as of December 31, 2005 and a standardized measure of discounted future net cash flows of $1.1 billion (see note 1 on page 13 for a discussion of our PV 10 Value and our standardized measure of discounted future net cash flows). Our proved oil and natural gas reserve base is 86% natural gas and 59% proved developed on a Bcfe basis as of December 31, 2005. The proved reserves attributable to our 48% ownership in Bois d Arc Energy were 155.0 Bcfe with an estimated PV10 value of $0.9 billion as of December 31, 2005 and a standardized measure of discounted future net cash flows of $0.6 billion. Bois d Arc Energy s reserves are 64% natural gas and 83% proved developed on a Bcfe basis as of December 31, 2005.

Our proved reserves at December 31, 2005 and our 2005 average daily production are summarized below:

	Reserves at December 31, 2005				2005 Daily Production			
	Oil (MBbls)	Gas (MMcf)	Total (MMcfe)	% of Total	Oil (MBbls/d)	Gas (MMcf/d)	Total (MMcfe/d)	% of Total
East Texas/North Louisiana	1,107	251,983	258,623	51.2%	0.3	38.7	40.3	44.4%
Southeast Texas	2,416	73,111	87,606	17.4%	0.4	17.5	20.2	22.2%
South Texas	863	44,204	49,381	9.8%	0.2	10.3	11.5	12.7%
Mississippi	7,428	849	45,420	9.0%	1.0		5.8	6.4%
Other Regions	229	62,269	63,646	12.6%	0.1	12.2	13.0	14.3%
Total	12,043	432,416	504,676	100.0%	2.0	78.7	90.8	100.0%
Share of Bois d Arc Energy[(1)]	9,365	98,770	154,958		1.7	21.5	31.6	

(1) Represents our proportionate ownership of reserves and production of Bois d Arc Energy.

Strengths

High Quality Properties. Our onshore operations are focused in four primary operating areas, the East Texas/North Louisiana, Southeast Texas, South Texas and Mississippi regions, which account for approximately 51%, 17%, 10% and 9% of our proved reserves, respectively. We have favorable operating costs which results in us having high cash margins. Finally, our properties have an average reserve life of approximately 15.2 years and have extensive development and exploration potential.

Successful Exploration and Development Program. In 2005, we spent $122.2 million on the exploration and development of our onshore oil and natural gas properties for development drilling, recompletions, workovers, abandonment and production facilities. Overall, we drilled 72 development wells, 48.4 net to us, with a 100% success rate. We also drilled three exploratory wells, 1.4 net to us. Only one of the three wells was successful.

Successful Acquisitions. We have had significant growth over the years as a result of acquisitions. Since 1991, we have added 888.5 Bcfe of proved oil and natural gas reserves from 33 acquisitions at an average cost of $0.98 per Mcfe. In 2005 we acquired 121.5 Bcfe of proved oil and natural gas reserves for $201.8 million. Our application of strict economic and reserve risk criteria have enabled us to successfully evaluate and integrate acquisitions.

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Efficient Operator. We operate 76% of our proved onshore oil and natural gas reserve base as of December 31, 2005 and Bois d Arc Energy operates 98% of its proved oil and natural gas reserve base as of December 31, 2005. This allows us to control operating costs, the timing and plans for future development, the level of drilling and lifting costs and the marketing of production. As an operator, we receive reimbursements for overhead from other working interest owners, which reduces our general and administrative expenses.

Business Strategy

Acquire High Quality Properties at Attractive Costs. We have a successful track record of increasing our oil and natural gas reserves through opportunistic acquisitions. Since 1991, we have added 888.5 Bcfe of proved oil and natural gas reserves from 33 acquisitions at a total cost of $867.6 million, or $0.98 per Mcfe. The acquisitions were acquired at an average of 61% of their PV 10 Value in the year the acquisitions were completed. In 2005 we acquired 121.5 Bcfe of proved oil and natural gas reserves for $201.8 million or $1.66 per Mcfe. The PV 10 Value of the acquired reserves in 2005 was $355.3 million. We apply strict economic and reserve risk criteria in evaluating acquisitions. We target properties in our core operating areas with established production and low operating costs that also have potential opportunities to increase production and reserves through exploration and exploitation activities.

Exploit Existing Reserves. We seek to maximize the value of our oil and natural gas properties by increasing production and recoverable reserves through active workover, recompletion and exploitation activities. We utilize advanced industry technology, including 3-D seismic data, improved logging tools, and formation stimulation techniques. During 2005, we spent approximately $87.3 million to drill 72 onshore development wells, 48.4 net to us, all of which were successful. In addition, we spent approximately $17.7 million for leasehold costs and for recompletion and workover activities. Our business plan in 2006 will focus on developing our East Texas/North Louisiana and Mississippi properties. We have budgeted $179.0 million for development drilling and for recompletion and workover activities in 2006 in all of our regions.

Pursue Exploration Opportunities. We conduct exploration activities to grow our reserve base and to replace our production each year. Most of our exploration efforts are conducted through Bois d Arc Energy, Inc. In addition to Bois d Arc Energy s exploration program we have budgeted $21.0 million for exploration in 2006 primarily in our South Texas region.

Maintain Flexible Capital Expenditure Budget. The timing of most of our capital expenditures is discretionary because we have not made any significant long-term capital expenditure commitments. Consequently, we have a significant degree of flexibility to adjust the level of such expenditures according to market conditions. We anticipate spending approximately $200.0 million on our onshore development and exploration projects in 2006. We intend to primarily use operating cash flow to fund our development and exploration expenditures in 2006. We may also make additional property acquisitions in 2006 that would require additional sources of funding. Such sources may include borrowings under our bank credit facility or sales of our equity or debt securities.

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Primary Operating Areas

The following table summarizes the estimated proved oil and natural gas reserves for our twenty largest fields as of December 31, 2005:

	Net Oil (MBbls)	Net Gas (MMcf)	MMcfe	%	PV 10 Value[(1)]	%
East Texas/North Louisiana						
Beckville	110	75,585	76,247	15.1%	$ 254,593	16.1%
Gilmer	170	35,130	36,147	7.2%	103,110	6.5%
Blocker	104	35,241	35,865	7.1%	96,174	6.1%
Cadeville	81	15,368	15,854	3.1%	57,089	3.6%
Darco	52	14,321	14,630	2.9%	35,561	2.2%
Logansport	39	14,060	14,292	2.8%	65,358	4.1%
Douglass	5	10,468	10,497	2.1%	15,795	1.0%
Waskom	180	7,729	8,806	1.7%	24,206	1.5%
Drew	81	7,327	7,812	1.5%	23,141	1.5%
Longwood	92	5,078	5,627	1.1%	21,413	1.4%
Lisbon	51	4,666	4,971	1.0%	18,776	1.2%
Other	142	27,010	27,875	5.5%	89,515	5.6%
	1,107	251,983	258,623	51.2%	804,731	50.8%
Southeast Texas						
Double A Wells	2,182	64,577	77,670	15.4%	270,120	17.0%
Sugar Creek	82	7,748	8,241	1.6%	21,307	1.3%
Other	152	786	1,695	0.3%	8,752	0.6%
	2,416	73,111	87,606	17.4%	300,179	18.9%
South Texas						
J.C. Martin		15,319	15,319	3.0%	47,850	3.0%
Markham	156	11,639	12,573	2.5%	54,877	3.5%
Lopeno	34	4,634	4,835	1.0%	13,360	0.8%
Other	673	12,612	16,654	3.3%	61,745	3.9%
	863	44,204	49,381	9.8%	177,832	11.2%
Mississippi						
Laurel	7,290		43,740	8.7%	124,237	7.8%
Other	138	849	1,680	0.3%	5,782	0.4%
	7,428	849	45,420	9.0%	130,019	8.2%
Mid-Continent						
Southwest Morse		7,533	7,533	1.5%	20,669	1.3%

Other	62	19,840	20,209	4.0%	60,754	3.8%
	62	27,373	27,742	5.5%	81,423	5.1%
Other Areas						
New Albany Shale Gas		16,752	16,752	3.3%	51,182	3.2%
San Juan	29	14,507	14,683	2.9%	24,776	1.6%
Other	138	3,637	4,469	0.9%	14,909	1.0%
	167	34,896	35,904	7.1%	90,867	5.8%
Total	12,043	432,416	504,676	100.0%	$ 1,585,051	100.0%
Share of Bois d Arc Energy(2)	9,365	98,770	154,958		$ 924,492	

(1) The PV10 Value excludes future income taxes related to the future net cash flows. The standardized measure of future net cash flows at December 31, 2005 was $1.1 billion.

(2) We own a 48% interest in Bois d Arc Energy through our ownership of its common stock. Following Bois d Arc Energy s initial public offering in May 2005, we account for our ownership interest in Bois d Arc Energy under the equity method.

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East Texas/North Louisiana

Approximately 51% or 258.6 Bcfe of our proved reserves are located in East Texas and North Louisiana where we own interests in 670 producing wells, 324.8 net to us, in 31 field areas. We operate 334 of these wells. The largest of our fields in this region are the Beckville, Gilmer, Blocker, Cadeville, Darco, Logansport, Douglass, Waskom, Drew, Longwood and Lisbon fields. Production from this region averaged 38.7 MMcf of natural gas per day and 266 barrels of oil per day during 2005. Most of the reserves in this area produce from the Cretaceous aged Travis Peak/Hosston formation and the Jurassic aged Cotton Valley formation. The total thickness of these formations range from 2,000 to 4,000 feet of sand, shale and limestone sequences in the East Texas Basin and the North Louisiana Salt Basin, at depths ranging from 6,000 to 12,000 feet. In 2005, we spent $71.5 million drilling 52 wells, 40.2 net to us, and $8.6 million on workovers and recompletions in this region. We have budgeted approximately $134.0 million in 2006 for development activities in this region.

Beckville

Our properties in the Beckville field, located in Panola and Rusk Counties, Texas, have proved reserves of 76.2 Bcfe which represents approximately 15% of our total reserves. We operate 107 wells in this field and own interests in six additional wells for a total of 113 wells, 84.6 net to us. During December 2005, production attributable to our interest from this field averaged 20.2 MMcf of natural gas per day and 11 barrels of oil per day. The Beckville field produces from the Cotton Valley formation at depths ranging from 9,000 to 10,000 feet.

Gilmer

We own interests in 73 natural gas wells, 27.7 net to us, in the Gilmer field in Upshur County in East Texas. These wells produce primarily from the Cotton Valley Lime formation at a depth of approximately 11,500 to 12,000 feet. Proved reserves attributable to our interests in the Gilmer field are 36.1 Bcfe which represents 7% of our total reserve base. During December 2005, production attributable to our interest from this field averaged 6.1 MMcf of natural gas per day and 75 barrels of oil per day.

Blocker

Our proved reserves of 35.9 Bcfe in the Blocker field located in Harrison County, Texas represent approximately 7% of our total reserves. We own interests in 41 wells, 39.8 net to us, and operate 40 of these wells. During December 2005, net daily production attributable to our interest from this field averaged 8.8 MMcf of natural gas and 85 barrels of oil. Most of this production is from the Cotton Valley formation between 8,500 and 10,100 feet.

Cadeville

Our proved reserves of 15.9 Bcfe in the Cadeville field located in Ouachita Parrish, Louisiana represent approximately 3% of our total reserves. We own interests in 5 wells, 2.0 net to us, and operate 2 of these wells. During December 2005, net daily production attributable to our interest from this field averaged 0.2 MMcf of natural gas. This production is primarily from the Cotton Valley formation between 9,800 and 10,700 feet. We have six proved undeveloped locations in this field.

Darco

Darco Field is located in Harrison County, Texas and produces from the Cotton Valley formation at depths from approximately 9,800 to 10,200 feet. Our proved reserves of 14.6 Bcfe in the Darco Field represent approximately 3% of our total reserves. We own interests in 4 wells, 3.0 net to us, and operate all of these wells. During December 2005, net daily production attributable to our interest from this field averaged 0.7 MMcf of natural gas and 7 barrels of oil.

Logansport

The Logansport field produces from multiple sands in the Hosston formation at an average depth of 8,000 feet and is located in DeSoto Parish, Louisiana. Our proved reserves of 14.3 Bcfe in the Logansport field represent approximately 3% of our total reserves. We own interests in 88 wells, 42.2 net to us, and operate 46 of these wells. During December 2005, net daily production attributable to our interest from this field averaged 2.4 MMcf of natural gas and 7 barrels of oil.

Douglass

The Douglass field is located in Nacogdoches County, Texas and is productive from stratigraphically trapped reservoirs in the Pettet Lime and Travis Peak formations. These reservoirs are found at depths from 9,200 to 10,300 feet. Our proved reserves of 10.5 Bcfe in the Douglass field represent approximately 2% of our total reserves. We own interests in 15 wells, 8.5 net to us, and operate 9 of these wells. During December 2005, net daily production attributable to our interest from this field averaged 1.0 MMcf of natural gas.

Waskom

The Waskom field, located in Harrison and Panola Counties in Texas, represents approximately 2% (8.8 Bcfe) of our proved reserves as of December 31, 2005. We own interests in 54 wells in this field, 27.7 net to us, and operate 29 wells in this field. During December 2005, net daily production attributable to our interest averaged 0.9 MMcf of natural gas and 28 barrels of oil from this field. The Waskom field produces from the Cotton Valley formation at depths ranging from 9,000 to 10,000 feet.

Drew

Our proved reserves of 7.8 Bcfe in the South Drew field located in Ouachita Parrish, Louisiana represent approximately 2% of our total reserves. Production from this field is from the Cotton Valley formation between 9,000 and 9,600 feet. We own interests in 6 wells, 4.4 net to us, and operate 5 of these wells. During December 2005, net daily production attributable to our interest from this field averaged 0.8 MMcf of natural gas and 12 barrels of oil.

Longwood

The Longwood field, located in Harrison County, Texas primarily produces from stacked sandstone reservoirs of the Travis Peak and Cotton Valley formations at depths ranging from 6,000 to 10,000 feet. We own interests in 26 wells in this field, 20.8 net to us, and operate 22 wells in this field. Our proved reserves of 5.6 Bcfe in the Longwood field represent approximately 1% of our total reserves. During December 2005, net daily production attributable to our interest from this field averaged 0.9 MMcf of natural gas and 22 barrels of oil.

Lisbon

Our proved reserves of 5.0 Bcfe in the Lisbon field, located in Claiborne Parrish, Louisiana, represent approximately 1% of our total reserves. Production from this field is from the Cotton Valley formation between 8,500 and 9,400 feet. We own interests in 11 wells, 6.3 net to us, and operate 9 of these wells. During December 2005, net daily production attributable to our interest from this field averaged 0.2 MMcf of natural gas and 2 barrels of oil.

Southeast Texas

Approximately 17.4% or 87.6 Bcfe of our proved reserves are located in Southeast Texas, where we own interests in 87 producing wells, 49.7 net to us, and operate 63 of these wells. Net daily production rates from the area averaged 17.5 MMcf of natural gas and 449 barrels of oil during 2005. We spent $16.0 million in the Southeast Texas region in 2005, primarily for the Big Sandy exploration well which was unsuccessful. In 2006, we plan to spend $2.9 million for development activity in this region. Substantially all of the reserves in this region are in the Double A Wells field area in Polk County, Texas and the Sugar Creek field in Tyler County, Texas.

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Double A Wells

The Double A Wells field is our largest field area with total estimated proved reserves of 77.7 Bcfe, which is 15% of our total reserves. We own interests in and operate 61 producing wells, 30.9 net to us, in this field in Polk County, Texas. Net daily production from the Double A Wells area averaged 15.0 MMcf of natural gas and 369 barrels of oil during December 2005. These wells typically produce from the Woodbine formation at an average depth of 14,300 feet.

Sugar Creek

Our proved reserves of 8.2 Bcfe in the Sugar Creek field located in Tyler County, Texas represent approximately 2% of our total reserves. We own interests in 4 wells, 2.6 net to us, and operate 2 of these wells. During December 2005, net daily production attributable to our interest from this field averaged 0.5 MMcf of natural gas and 8 barrels of oil. Production is from the Woodbine formation between 11,000 to 11,200 feet.

South Texas

Approximately 10%, or 49.4 Bcfe, of our proved reserves are located in South Texas, where we own interests in 291 producing wells, 70.2 net to us. We own interests in ten fields in the region, the largest of which are the J.C. Martin, North Markham, and Lopeno fields. Net daily production rates from the area averaged 10.3 MMcf of natural gas and 205 barrels of oil during 2005. We spent $12.4 million in this region in 2005 to drill 10 wells, 3.5 net to us, and for other development activity. In 2006, we plan to spend approximately $28.0 million primarily for development and exploration activity in this region.

J.C. Martin

Our largest field in South Texas is the J.C. Martin field which is located in the structurally complex and highly prolific Wilcox Lobo trend in Zapata County, Texas on the Mexico border. We own interests in 90 wells in this field, 14.4 net to us, with proved reserves of 15.3 Bcfe or 3% of our total reserves. During December 2005, net daily production attributable to our interest from this field averaged 3.9 MMcf of natural gas. This field produces primarily from Eocene Wilcox Lobo sands at depths ranging from 7,000 to 9,000 feet. The Lobo section is characterized by geopressured, multiple pay sands occurring in a highly faulted area.

North Markham

The North Markham/North Bay City field is located in Matagorda County, Texas. We own interests in and operate 22 producing wells, 22.0 net to us, in the Ohio-Sun Unit. The field s estimated proved reserves of 12.6 Bcfe represent 3% of our total reserves. The field s active wells produce from more than twenty reservoirs of Oligocene Frio age at depths ranging from 6,500 to 9,000 feet. During December 2005, net daily production attributable to our interests from this field average 85 barrels of oil and 0.5 MMcf of gas per day.

Lopeno

Our proved reserves of 4.8 Bcfe in the Lopeno field represent approximately 1% of our total reserves. We own interests in 26 wells, 5.2 net to us, and operate 3 of these wells. During December 2005, net daily production attributable to our interest from this field averaged 0.5 MMcf of natural gas and 3 barrels of oil.

Mississippi

Our operations in the Mississippi region are mainly located within the Laurel field, located in Jones County, Mississippi near a structurally complex salt dome. We own interests in and operate 45 producing, wells, 42.3 net to us, in the Laurel field. This field s estimated proved reserves of 43.7 Bcfe represent 9% of our total reserves. The field produces from more than 42 horizons that range in depth from 6,600 feet in the Stanley Sand to 13,100 feet in the Middle Hosston formation. Recovery of high viscosity crude oil from this field is being enhanced through waterflood operations. During December 2005, net daily production attributable to our interests in this field averaged 1,385 barrels of oil per day. In 2006, we plan to drill and complete 16 wells, 12.0 net to us, and spend approximately $30.0 million for development and exploration activity in this region.

Other Regions

Southwest Morse

Located in Hutchinson County, Texas, the Southwest Morse field is situated on the edge of the greater Hugoton Field producing complex. Production is from the structurally trapped, underpressured Brown Dolomite formation. The Brown Dolomite reservoir is typically encountered at depths of 2,900 to 3,400 feet. Our proved reserves of 7.5 Bcfe in the Southwest Morse field represent approximately 2% of our total reserves. We own interests in 38 wells, 37.1 net to us, and operate 37 of these wells. During December 2005, net daily production attributable to our interest from this field averaged 1.3 MMcf of natural gas.

New Albany Shale Gas

The New Albany Shale Gas field is located in north-central Kentucky immediately north of the regionally extensive Rough Creek Fault Zone. Gas is produced from fractured Devonian New Albany Shale. The New Albany is generally about 100 feet in thickness and is found at approximately 850 feet from the surface. Our proved reserves of 16.8 Bcfe in this field represent approximately 3% of our total reserves. We own interests in and operate 95 wells, 85.5 net to us. During December 2005, net daily production attributable to our interest from this field averaged 0.9 MMcf of natural gas.

San Juan

Our San Juan Basin properties are located in the west-central portion of the basin in San Juan County, New Mexico. Historically, production has been from multiple sands of the Cretaceous Dakota formation and the prolific Fruitland Coal seams. The Dakota is generally found at about 6,000 feet with the shallower Fruitland seams generally encountered at 2,500 to 3,000 feet. Recent advances in drilling and stimulation procedures have resulted in additional tight gas zones in the intervening Mesaverde and Mancos Shale being targeted. Our proved reserves of 14.7 Bcfe in the San Juan field represent approximately 3% of our total reserves. We own interests in 87 wells, 12.8 net to us. During December 2005, net daily production attributable to our interest from this field averaged 1.2 MMcf of natural gas and 5 barrels of oil.

Gulf of Mexico and Bois d Arc Energy

Prior to July 2004, substantially all of our exploration activities in the Gulf of Mexico were conducted under a joint exploration venture with Bois d Arc Offshore, Ltd. and its principals, which we collectively refer to as Bois d Arc. Under the exploration venture, Bois d Arc was responsible for generating exploration prospects in the Gulf of Mexico. From 1997 when the exploration venture was commenced until July 16, 2004 when it was terminated, we participated in drilling approximately 40 exploratory wells to test prospects generated under the exploration venture. Of these exploratory wells drilled, 34 or 85% were successful discoveries. In July 2004, we together with Bois d Arc and certain participants in their exploration activities, which are collectively referred to as the Bois d Arc Participants, formed Bois d Arc Energy, LLC to replace the joint exploration venture. We and each of the Bois d Arc Participants contributed to Bois d Arc Energy substantially all of our respective Gulf of Mexico related assets and assigned our related liabilities, including certain debt, in exchange for equity interests in Bois d Arc Energy. We contributed interests in our offshore oil and natural gas properties and assigned $83.2 million of related debt in exchange for an approximately 60% ownership interest in Bois d Arc Energy. Each of the Bois d Arc Participants contributed its interest in commonly owned Gulf of Mexico properties as well as ownership of Bois d Arc Offshore, Ltd., the operator of the properties, and assigned in the aggregate $28.2 million of related liabilities in exchange for an approximately 40% aggregate ownership interest in Bois d Arc Energy. The Bois d Arc Participants also received $27.6 million in cash to equalize the amount that our debt exceeded our proportional share of the liabilities assigned. We were also reimbursed $12.7 million for advances made under the joint exploration venture for undrilled prospects.

We initially owned 60% of Bois d Arc Energy, and we accounted for our share of the Bois d Arc Energy financial and operating results using proportionate consolidation accounting until Bois d Arc Energy converted into a corporation and completed its initial public offering in May 2005. Subsequent to the conversion of Bois d Arc Energy into a corporation and the public offering, we own 48% of Bois d Arc Energy and we changed our accounting method for our investment in Bois d Arc Energy to the equity method. Accordingly, effective May 10, 2005 our consolidated financial results no longer include our proportionate interest in the Bois d Arc Energy operating results.

Bois d Arc Energy owns interests in 46 gross (27.8 net) oil wells and 65 gross (46.8 net) gas wells in the Gulf of Mexico. Bois d Arc Energy operates 91 of these 111 wells. Thirty-four of these wells were shut-in on December 31, 2005 waiting on third party pipelines to return to service. Bois d Arc Energy also owns 203,301 (143,519 net) developed acres and 148,438 undeveloped acres in which it owns a 100% interest. Forty-nine percent of the acreage is held by production and 83% of the undeveloped acreage expires between 2008 and 2010.

Major Property Acquisitions

As a result of our acquisitions, we have added 888.5 Bcfe of proved oil and natural gas reserves since 1991 including 121.5 Bcfe we acquired in 2005.

Our largest acquisitions are the following:

Ensight Acquisition. In May 2005, we completed the acquisition of certain oil and natural gas properties and related assets from Ensight Energy Partners, L.P., Laurel Production, LLC, Fairfield Midstream Services, LLC and Ensight Energy Management, LLC (collectively, Ensight) for $190.9 million. We also purchased additional interests in those properties from other owners for $10.9 million in July 2005. The properties acquired had estimated proved reserves of approximately 121.5 billion cubic feet of natural gas equivalent and included 312 active wells, of which 119 are operated by us. Major fields acquired in the acquisition include the Cadeville, Darco, Douglass, Drew and Laurel fields. The acquisition was funded with proceeds from a public stock offering completed in April 2005 and borrowings under our bank credit facility.

Ovation Energy Acquisition. In October 2004, we acquired producing oil and gas properties in the East Texas, Arkoma, Anadarko and San Juan basins from Ovation Energy, L.P. for $62.0 million. The properties acquired had estimated proved reserves of approximately 41.0 billion cubic feet of gas equivalent and include 165 active wells, of which 69 are operated by us. Major fields acquired in the acquisition include Southwest Morse and San Juan fields. The acquisition was funded by borrowings under our bank credit facility.

DevX Energy Acquisition. In December 2001, we completed the acquisition of DevX Energy, Inc. (DevX) by acquiring 100% of the common stock of DevX for $92.6 million. The total purchase price including debt and other liabilities assumed in the acquisition was $160.8 million. As a result of the acquisition of DevX, we acquired interests in 600 producing oil and natural gas wells located onshore primarily in East and South Texas, Kentucky, Oklahoma and Kansas. Major fields acquired in the acquisition include the Gilmer field in East Texas, the J.C. Martin and Lopeno fields in South Texas and the New Albany Shale Gas field in Kentucky. DevX s properties had 1.2 MMBbls of oil reserves and 156.5 Bcf of natural gas reserves at the time of the acquisition.

Bois d Arc Acquisition. In December 1997, we acquired working interests in certain producing offshore Louisiana oil and gas properties as well as interests in undeveloped offshore oil and natural gas leases for approximately $200.9 million from Bois d Arc Resources and certain of its affiliates and working interest partners. We acquired interests in 43 wells, 29.6 net to us, and eight separate production complexes located in the Gulf of Mexico offshore of Plaquemines and Terrebonne Parishes, Louisiana. The acquisition included interests in the Louisiana state and federal offshore areas of Main Pass Block 21, Ship Shoal Blocks 66, 67, 68 and 69 and South Pelto Block 1. The net proved reserves acquired in this acquisition were estimated at 14.3 MMBbls of oil and 29.4 Bcf of natural gas.

Black Stone Acquisition. In May 1996, we acquired 100% of the capital stock of Black Stone Oil Company and interests in producing and undeveloped oil and gas properties located in Southeast Texas for $100.4 million. We acquired interests in 19 wells, 7.7 net to us, that were located in the Double A Wells field in Polk County, Texas and we became the operator of most of the wells in the field. The net proved reserves acquired in this acquisition were estimated at 5.9 MMBbls of oil and 100.4 Bcf of natural gas.

Sonat Acquisition. In July 1995, we purchased interests in certain producing oil and gas properties located in East Texas and North Louisiana from Sonat Inc. for $48.1 million. We acquired interests in 319 producing wells, 188.0 net to us. The acquisition included interests in the Beckville, Logansport, Waskom, and Longwood fields. The net proved reserves acquired in this acquisition were estimated at 0.8 MMBbls of oil and 104.7 Bcf of natural gas.

Oil and Natural Gas Reserves

The following table sets forth our estimated proved oil and natural gas reserves and the PV10 Value as of December 31, 2005:

	Oil (MBbls)	**Gas (MMcf)**	**Total (MMcfe)**	**PV10 Value (000 s)**
Proved Developed:				
Producing	6,018	211,601	247,707	$ 809,855
Non-producing	1,211	43,526	50,797	131,069
Proved Undeveloped	4,814	177,289	206,172	644,127
Total Proved	12,043	432,416	504,676	1,585,051
Discounted Future Income Taxes				(471,255)
Standardized Measure of Discounted Future Net Cash Flows(1)				$ 1,113,796

(1) The PV 10 Value represents the discounted future net cash flows attributable to our proved oil and gas reserves before income tax, discounted at 10%. Although it is a non-GAAP measure, we believe that the presentation of the PV 10 Value is relevant and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves prior to taking into account corporate future income taxes and our current tax structure. We use this measure when assessing the potential return on investment related to our oil and gas properties. The standardized measure of discounted future net cash flows represents the present value of future cash flows attributable to our proved oil and natural gas reserves after income tax, discounted at 10%.

The following table sets forth our 48% ownership interest in of Bois d Arc Energy s estimated proved oil and natural gas reserves and the PV 10 Value as of December 31, 2005:

	Oil (MBbls)	**Gas (MMcf)**	**Total (MMcfe)**	**PV10 Value (000 s)**
Proved Developed:				
Producing	2,114	20,767	33,453	$ 209,742
Non-producing	5,230	63,547	94,926	567,451
Proved Undeveloped	2,021	14,456	26,579	147,299

Total Proved	9,365	98,770	154,958	924,492
Discounted Future Income Taxes				(309,570)
Standardized Measure of Discounted Future Net Cash Flows[1]				$ 614,922

(1) The PV 10 Value represents the discounted future net cash flows attributable to our proved oil and gas reserves before income tax, discounted at 10%. Although it is a non-GAAP measure, we believe that the presentation of the PV 10 Value is relevant and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves prior to taking into account corporate future income taxes and our current tax structure. We use this measure when assessing the potential return on investment related to our oil and gas properties. The standardized measure of discounted future net cash flows represents the present value of future cash flows attributable to our proved oil and natural gas reserves after income tax, discounted at 10%.

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Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions (i.e., prices and costs as of the date the estimate is made). Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

The PV 10 Value and standardized measure of discounted future net cash flows was determined based on the market prices for oil and natural gas on December 31, 2005. The market price for our oil production on December 31, 2005, after basis adjustments, was $49.17 per barrel as compared to $42.17 per barrel on December 31, 2004. The market price received for our natural gas production on December 31, 2005, after basis adjustments, was $8.27 per Mcf as compared to $5.86 per Mcf on December 31, 2004.

We did not provide estimates of total proved oil and natural gas reserves during the years ended December 31, 2003, 2004 or 2005 to any federal authority or agency, other than the SEC.

Drilling Activity Summary

During the three-year period ended December 31, 2005, we drilled development and exploratory wells as set forth in the table below.

	Year Ended December 31,					
	2003		2004		2005	
	Gross	Net	Gross	Net	Gross	Net
Development Wells:						
Oil			1	0.6	2	1.9
Gas	31	19.2	44	20.0	70	46.5
Dry	4	2.8	1	0.3		
	35	22.0	46	20.9	72	48.4
Exploratory Wells:						
Oil	1	.3	4	1.9		
Gas	13	5.0	9	3.6	1	.2
Dry	4	2.1	11	4.5	2	1.2
	18	7.4	24			