

COMSTOCK RESOURCES INC
Form 10-Q
May 04, 2016

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, 2016

OR

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

Commission File No. 001-03262

COMSTOCK RESOURCES, INC.

(Exact name of registrant as specified in its charter)

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

incorporation or organization) Identification Number)

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

(Address of principal executive offices)

Telephone No.: (972) 668-8800

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 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 \$0.50, as of May 4, 2016 was 60,889,146.

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT

For the Quarter Ended March 31, 2016

INDEX

| | Page |
|--|------|
| PART I. Financial Information | |
| Item 1. Financial Statements (Unaudited): | |
| <u>Consolidated Balance Sheets -</u> | |
| <u>March 31, 2016 and December 31, 2015</u> | 4 |
| <u>Consolidated Statements of Operations -</u> | |
| <u>Three Months ended March 31, 2016 and 2015</u> | 5 |
| <u>Consolidated Statement of Stockholders' Deficit</u> | |
| <u>Three Months ended March 31, 2016</u> | 6 |
| <u>Consolidated Statements of Cash Flows -</u> | |
| <u>Three Months ended March 31, 2016 and 2015</u> | 7 |
| <u>Notes to Consolidated Financial Statements</u> | 8 |
| | |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 17 |
| | |
| <u>Item 3. Quantitative and Qualitative Disclosure About Market Risk</u> | 20 |
| | |
| <u>Item 4. Controls and Procedures</u> | 21 |
| | |
| PART II. Other Information | |
| | |
| <u>Item 1A. Risk Factors</u> | 22 |
| | |
| <u>Item 6. Exhibits</u> | 22 |
| EX-31.1 | |
| EX-31.2 | |
| EX-32.1 | |
| EX-32.2 | |
| EX-101 INSTANCE DOCUMENT | |
| EX-101 SCHEMA DOCUMENT | |
| EX-101 CALCULATION LINKBASE DOCUMENT | |

EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

| | March 31, 2016 | December 31, 2015 |
|---|-------------------|----------------------|
| | (In thousands) | |
| ASSETS | | |
| Cash and Cash Equivalents | \$ 89,323 | \$ 134,006 |
| Accounts Receivable: | | |
| Oil and gas sales | 11,751 | 15,241 |
| Joint interest operations | 2,755 | 3,552 |
| Derivative Financial Instruments | 1,104 | 1,446 |
| Assets Held for Sale | 42,542 | — |
| Other Current Assets | 1,884 | 1,993 |
| Total current assets | 149,359 | 156,238 |
| Property and Equipment: | | |
| Unproved oil and gas properties | 76,391 | 84,144 |
| Oil and gas properties, successful efforts method | 3,783,992 | 4,332,222 |
| Other | 19,521 | 19,521 |
| Accumulated depreciation, depletion and amortization | (2,945,283) | (3,397,467) |
| Net property and equipment | 934,621 | 1,038,420 |
| Other Assets | 1,156 | 1,192 |
| | \$ 1,085,136 | \$ 1,195,850 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Accounts Payable | \$ 41,583 | \$ 57,276 |
| Accrued Liabilities | 30,667 | 38,444 |
| Total current liabilities | 72,250 | 95,720 |
| Long-term Debt | 1,210,582 | 1,249,330 |
| Deferred Income Taxes | 6,423 | 1,965 |
| Reserve for Future Abandonment Costs | 16,100 | 20,093 |
| Total liabilities | 1,305,355 | 1,367,108 |
| Commitments and Contingencies | | |
| Stockholders' Deficit: | | |
| Common stock – \$0.50 par, 75,000,000 shares authorized, 53,148,937 and 47,720,176 shares outstanding at March 31, 2016 and December 31, 2015, respectively | 26,574 | 23,860 |

Edgar Filing: COMSTOCK RESOURCES INC - Form 10-Q

| | | |
|-----------------------------|-------------|--------------|
| Additional paid-in capital | 490,484 | 485,582 |
| Accumulated deficit | (737,277) | (680,700) |
| Total stockholders' deficit | (220,219) | (171,258) |
| | \$1,085,136 | \$ 1,195,850 |

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, | |
|--|---|-------------|
| | 2016 | 2015 |
| | (in thousands, except per share amounts) | |
| Revenues: | | |
| Oil sales | \$ 11,016 | \$ 45,953 |
| Natural gas sales | 25,147 | 20,569 |
| Total oil and gas sales | 36,163 | 66,522 |
| Gain on exchange of oil and gas properties | 740 | — |
| Total revenues | 36,903 | 66,522 |
| Operating expenses: | | |
| Production taxes | 1,186 | 2,974 |
| Gathering and transportation | 4,365 | 2,853 |
| Lease operating | 12,960 | 15,136 |
| Exploration | 7,753 | 42,229 |
| Depreciation, depletion and amortization | 38,836 | 91,889 |
| General and administrative | 5,575 | 7,966 |
| Impairment of oil and gas properties | 22,718 | 403 |
| Total operating expenses | 93,393 | 163,450 |
| Operating loss | (56,490) | (96,928) |
| Other income (expenses): | | |
| Net gain (loss) on extinguishment of debt | 33,380 | (2,735) |
| Gain on derivative financial instruments | 656 | — |
| Other income | 281 | 287 |
| Interest expense | (29,944) | (20,754) |
| Total other income (expenses) | 4,373 | (23,202) |
| Loss before income taxes | (52,117) | (120,130) |
| (Provision for) benefit from income taxes | (4,460) | 41,628 |
| Net loss | \$(56,577) | \$(78,502) |
| Net loss per share – basic and diluted | \$(1.14) | \$(1.71) |

Weighted average shares outstanding – basic and diluted 49,512 46,027

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

For the Three Months Ended March 31, 2016

(Unaudited)

| | Common Stock (Shares) (In thousands) | Common Stock – Par Value | Additional Paid-in Capital | Accumulated Deficit | Total |
|--|---|--------------------------------|----------------------------------|------------------------|-------------|
| Balance at January 1, 2016 | 47,720 | \$ 23,860 | \$ 485,582 | \$ (680,700) | \$(171,258) |
| Stock-based compensation | 1,023 | 512 | 818 | — | 1,330 |
| Restricted stock used for tax withholdings | (209) | (105) | (207) | — | (312) |
| Stock issued in exchange for debt | 4,615 | 2,307 | 4,291 | — | 6,598 |
| Net loss | — | — | — | (56,577) | (56,577) |
| Balance at March 31, 2016 | 53,149 | \$ 26,574 | \$ 490,484 | \$ (737,277) | \$(220,219) |

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Three Months Ended
March 31,
2016 2015
(In thousands)

Cash Flows from Operating Activities:

| | | |
|--|------------|------------|
| Net loss | \$(56,577) | \$(78,502) |
| Adjustments to reconcile net loss to net cash provided by (used for) operating activities: | | |
| Gain on exchange of oil and gas properties | (740) | — |
| Deferred income taxes | 4,446 | (41,691) |
| Leasehold impairments, dry hole costs and other exploration costs | 7,753 | 42,229 |